

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2000

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

For the transition period from ____ to ____.

Commission file number 1-14045

LASALLE HOTEL PROPERTIES

(Exact name of registrant as specified in its charter)

Maryland

36-4219376

(State or other jurisdic-
tion of incorporation or
organization)

(IRS Employer Identification No.)

4800 Montgomery Lane, Suite M25, Bethesda, Maryland

20814

(Address of principal executive office)

(Zip Code)

Registrant's telephone number, including area code 301/941-1500

Securities Registered pursuant to Section 12(b) of the Act:

Title of Class -----	Name of Each Exchange on which registered -----
Common Shares of Beneficial Interest (\$.01 par value)	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 or Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive or proxy information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K []

As of March 21, 2001, there were 18,250,024 shares of the Registrant's Common Shares issued and outstanding. The aggregate market value of the Registrant's Common Shares held by non-affiliates of the Registrant (17,698,214 shares) at March 21, 2001 was approximately \$281.6 million. The aggregate market value was calculated by using the closing price of the stock as of that date on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2001 Annual Meeting of Shareholders to be held on May 16, 2001 are incorporated by reference in Part III of this report.

LASALLE HOTEL PROPERTIES

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The "Company" means LaSalle Hotel Properties, a Maryland real estate investment trust, and one or more of its subsidiaries (including LaSalle Hotel Operating Partnership, L.P.), and the predecessor thereof or, as the context may require, LaSalle Hotel Properties only or LaSalle Hotel Operating Partnership, L.P. only.

INFORMATION CONTAINED IN THIS FINANCIAL REPORT CONTAINS "FORWARD-LOOKING STATEMENTS" RELATING TO, WITHOUT LIMITATION, FUTURE ECONOMIC PERFORMANCE, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS AND PROJECTIONS OF REVENUE AND OTHER FINANCIAL ITEMS, WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "FACTORS THAT MAY INFLUENCE RESULTS AND ACCURACY OF FORWARD LOOKING STATEMENTS" AND ELSEWHERE IDENTIFY IMPORTANT FACTORS WITH RESPECT TO SUCH FORWARD-LOOKING STATEMENTS, INCLUDING CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN SUCH FORWARD-LOOKING STATEMENTS.

PART I

ITEM 1. BUSINESS (dollars in thousands)

GENERAL

The Company was organized as a Maryland real estate investment trust on January 15, 1998 to own hotel properties and to continue and expand the hotel investment activities of Jones Lang LaSalle Incorporated (formerly LaSalle Partners Incorporated) and certain of its affiliates (collectively "JLL"). From its inception through December 31, 2000, JLL acted as an external advisor providing management, acquisition, advisory and administration services pursuant to an Advisory Agreement and Employee Lease Agreement (collectively the "Advisory Agreement"). Effective January 1, 2001, the Company terminated the Advisory Agreement and relationship with LaSalle Hotel Advisors, Inc. (the "Advisor"), a wholly owned subsidiary of JLL and became self-managed. As of January 1, 2001, all of the management and staff of the Advisor have become employees of the Company. As of December 31, 2000, the Company owned interests in 13 hotels with approximately 5,300 guest rooms (the "Hotels") located in eleven states. All of the Hotels are leased under participating leases ("Participating Leases") which provide for rent equal to the greater of base rent ("Base Rent") or participating rent ("Participating Rent") which is based on fixed percentages of gross hotel revenues. All of the Hotels are managed by independent hotel operators ("Hotel Operators"). The Company is a real estate investment trust ("REIT") as defined in the Internal

Revenue Code of 1986, as amended (the "Code").

Substantially all of the Company's assets are held by, and all of its operations are conducted through LaSalle Hotel Operating Partnership, L.P. (the "Operating Partnership"). The Company is the sole general partner with an approximate 91.6% ownership at December 31, 2000. At December 31, 2000, continuing investors held, in the aggregate, 1,539,147 Units or an 8.4% limited partnership interest in the Operating Partnership. The outstanding Units are redeemable at the option of the holder for a like number of Common Shares of the Company, or, at the option of the Company, for the cash equivalent thereof. On January 1, 2001, JLL and its affiliates redeemed 964,334 Units resulting in only 574,813 Units or 3.1% of the Operating Partnership not held by LHO.

The hotel industry is highly competitive. Each of the Company's Hotels is located in a developed area that includes other hotel properties.

The number of competitive hotel properties in a particular area could have a material adverse effect on occupancy, average daily rate ("ADR") and room revenue per available room ("RevPAR") of the Hotels.

The Company may be competing for investment opportunities with entities that have substantially greater financial resources than the Company including lodging companies and other REITs. These entities generally may be able to accept more risk than the Company can prudently manage, including risks with respect to the creditworthiness of a hotel operator or the geographic proximity of its investments. Competition generally may reduce the number of suitable investment opportunities offered to the Company and increase the bargaining power of property owners seeking to sell.

The Company's principal offices are located at 4800 Montgomery Lane, Suite M25, Bethesda, MD 20814.

FORMATION, INITIAL PUBLIC OFFERING AND SUBSEQUENT ACQUISITIONS/DISPOSITIONS

The Company completed its initial public offering (the "IPO") on April 29, 1998. In connection with the IPO, the Company raised gross proceeds of \$255.6 million and net proceeds (after deducting underwriting discounts and offering expenses) of approximately \$234.1 million. The Company contributed all of the net proceeds of the IPO to LaSalle Hotel Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), in exchange for an approximate 82.6% general and limited partnership interest in the Operating Partnership. The Operating Partnership used the net proceeds from the Company, the issuance of an additional 0.9 million Common Shares, the issuance of 1.3 million rights to purchase Common Shares and the issuance of 3.2 million limited partnership interests ("Units"), representing approximately 17.4% of the Operating Partnership, to acquire ten upscale and luxury full service hotels (the "Initial Hotels").

The Company completed the acquisition of two additional hotel properties during 1998. On June 1, 1998, the Company acquired a 95.1% interest in the 457-room San Diego Paradise Point Resort for an aggregate purchase price of \$73.0 million. On June 24, 1998, the Company acquired a 100% interest in the 270-room Harborside Hyatt Conference Center & Hotel for an aggregate purchase price of \$73.5 million.

On June 2, 1999, the Company acquired a 100% interest in the 182-room Hotel Viking and the adjacent 12-room inn in Newport, Rhode Island (the "Newport Property") through an indirect subsidiary, LHO Viking Hotel, L.L.C. (the "Viking Subsidiary LLC"). The Viking Subsidiary LLC is a

limited liability company, of which the Operating Partnership is the sole member. The Newport Property was acquired from Bellevue Properties Inc. ("Bellevue"), for an aggregate purchase price of \$28.0 million funded with proceeds from a borrowing under the Company's 1998 Amended Credit Facility.

On January 25, 2000, the Company entered into a joint venture arrangement (the "Chicago Hotel Venture") with an institutional investor to acquire the 1,176-room Chicago Marriott Downtown (the "Chicago Property") in Chicago, Illinois. The Company through the Operating Partnership, owns a 9.9% equity interest in the Chicago Hotel Venture. The Company will receive an annual preferred return in addition to its pro rata share of annual cash flow. The Company will also have the opportunity to earn an incentive participation in net sale proceeds based upon the achievement of certain overall investment returns, in addition to its pro rata share of net sale or refinancing proceeds. The Chicago Property was leased to Chicago 540 Lessee, Inc., in which the Company also owns a 9.9% equity interest. The institutional investor owns a 90.1% controlling interest in both the Chicago 540 Hotel Venture and Chicago 540 Lessee, Inc. Marriott International continues to operate and manage the Chicago Property.

On July 28, 2000, the Operating Partnership reached a definitive agreement with the shareholders of LaSalle Hotel Lessee, Inc. ("LHL"), to purchase all of the issued and outstanding shares of capital stock of LHL for \$500. LHL leases four of the Company's owned hotels, including Marriott Seaview Resort, LaGuardia Airport Marriott, Omaha Marriott and Harborside Hyatt Conference Center and Hotel. Effective January 1, 2001, LHL is a 100% owned subsidiary of the Company as provided for under the taxable-REIT subsidiary provisions. It is currently anticipated that the cost associated with the transaction will be expensed in the first quarter of 2001.

On August 16, 2000, the Company sold Holiday Inn Plaza Park for \$4,600. The asset had been classified as held for sale since December 31, 1999 and was no longer being depreciated. Based on initial pricing expectations, the net book value of the asset was reduced by \$2,000 to \$5,508 in 1999. As of June 30, 2000, a purchase and sale agreement had been entered into with an expected net sales proceeds of \$4,242. As a result, the Company recognized an additional writedown of \$1,266 in the second quarter of 2000, which included \$358 of estimated accrued closing costs.

On November 15, 2000, the Company announced its Board of Trustees voted to become a self-managed company effective January 1, 2001 and terminate its advisory relationship with the Advisor. In connection with the termination, the Advisor will receive \$600 for 2001 transition services and the Company will purchase assets used to operate the Company at book value. The entire management team has become employees of LHO and continues to oversee and manage all activities of the Company under the new self-managed structure.

Prior to January 1, 2001, the effective date of the REIT Modernization Act, in order for the Company to satisfy certain requirements for qualifications as a REIT, neither it nor the Operating Partnership could lease or operate any of the hotels in which it invested. Accordingly, four of the Company's Hotels were leased to LHL. The Company owned a 9% interest in LHL in which the Company together with JLL and LPI Charities, a charitable corporation organized under the laws of the state of Illinois, made all material decisions concerning the LHL's business affairs and operations. The remaining nine Hotels were and will continue to be leased to unaffiliated lessees (affiliates of whom also operate these Hotels).

THE ADVISOR

Upon completion of the IPO, the Company entered into the Advisory Agreement with the Advisor to provide acquisition, management, advisory and administrative services to the Company. The initial term of the Advisory Agreement extended through December 31, 1999, subject to successive, automatic one year renewals unless terminated according to the terms of the Advisory Agreement. The Company's Board of Trustees approved the renewal of the Advisory Agreement through December 31, 2000. Under the agreement, the Company had the ability to terminate the Advisory Agreement without termination fees or penalties upon notice given of at least 180 days. On November 15, 2000, the Company's Board of Trustees approved the early termination of the Advisory Agreement and voted to become a self-managed REIT effective January 1, 2001. The Company will pay the Advisor \$600 for 2001 transition services including waiving the termination notice period, and providing support and advice through the first quarter of 2001. In addition, the Company will purchase at book value, the assets used to operate the Company.

GROWTH STRATEGIES

The Company's primary objectives are to provide a stable stream of income to its shareholders through increases in distributable cash flow and to increase long-term total returns to shareholders through appreciation in the value of its Common Shares. To achieve these objectives, the Company seeks to (i) enhance the return from, and the value of, the Company's Hotels and any additional hotels and (ii) invest in or acquire additional hotel properties on favorable terms.

The Company seeks to achieve revenue growth principally through (i) renovations and/or expansions at certain of the Company's Hotels, (ii) acquisitions of full service hotel properties located in convention, resort, urban and major business markets in the U.S. and abroad, especially upscale and luxury full service hotels in such markets where the Company perceives strong demand growth or significant barriers to entry, and (iii) selective development of hotel properties, particularly upscale and luxury full service properties in high demand markets where development economics are favorable.

The Company intends to acquire additional hotel properties in targeted markets, consistent with the growth strategies outlined above and which may:

- . possess unique competitive advantages in the form of location, physical facilities or other attributes;
- . be available at significant discounts to replacement cost, including when such discounts result from reduced competition for properties with long-term management and/or franchise agreements;
- . benefit from brand or franchise conversion, new management, renovations or redevelopment or other active and aggressive asset management strategies; or
- . have expansion opportunities.

The Company believes its acquisition capabilities are enhanced by its considerable experience, resources and relationships in the hotel industry specifically and the real estate industry generally. Additionally, the Company believes that having multiple independent Hotel Operators creates a network that will continue to generate significant acquisition opportunities.

RECENT DEVELOPMENTS

The Company is actively marketing Radisson Hotel Tampa for sale. Accordingly, the asset was classified as held for sale on December 6, 2000 and depreciation was suspended as of that date. Based on initial pricing expectations, the Company recognized a writedown of \$11,030, reducing the net book value of the asset to \$17,027 in 2000, which included \$200 of estimated accrued closing costs. There can be no assurance that real estate held for sale will be sold.

On February 26, 2001, the Company terminated the operating lease on the Hotel Viking with Bellevue Properties, Inc. and entered into a lease with LHL on essentially the same terms. Bellevue Properties, Inc. received \$840 in payment relating to termination, tax settlement due under the Purchase and Sale Agreement and other items. Noble House Hotel and Resorts replaced Bellevue Properties, Inc. as manager for the property.

On March 1, 2001, the Company redeemed the \$40.0 million tax-exempt Massport Bonds, which had a 10.0% coupon. Proceeds for the redemption were derived from \$37.1 million of tax exempt and \$5.4 million of taxable bonds, each having a 17-year maturity, bearing interest based on a weekly floating rate and having no principal reductions for the life of the bonds. Due to the nature of these bonds, they can be redeemed at any time without penalty. The new bonds are secured by letters of credit issued by GE Capital Corporation. The letters of credit are collateralized by the Harborside Hyatt Conference Center and Hotel. The excess proceeds of approximately \$5,900 were used to pay down borrowings on the 1998 Second Amended Credit facility.

On March 8, 2001, the Company acquired a 100% interest in four full-service hotels with a total of 502 guest rooms in Washington, D.C. for an aggregate purchase price of approximately \$44.0 million. Each of the four hotels will be fully renovated, improved and repositioned as unique high-end, independent boutique hotels. The Company will undertake the redevelopment program, currently projected at a total of approximately \$30.0 million, in conjunction with the Kimpton Hotel & Restaurant Group, LLC who was also retained to manage and operate the hotel collection. These four hotels have operated as the 99-room Canterbury Hotel, located at 1733 N Street, NW; the 82-room Clarion Hampshire House Hotel at 1310 New Hampshire Avenue, NW; the 137-room Quality Hotel and Suites Downtown at 1315 16th Street, NW; and the 184-room Howard Johnson Plaza Hotel and Suites, 1430 Rhode Island Avenue, NW. Originally constructed as apartment buildings, each hotel features either large rooms or suites. Upon completion of the redevelopment program, LaSalle intends to rename each property and the Kimpton Group will operate each as independent, non-branded boutique hotels.

HOTEL RENOVATIONS

The Company believes that its regular program of capital improvements at its Hotels, including replacement and refurbishment of furniture, fixtures, and equipment ("FF&E"), helps maintain and enhance their competitiveness and maximizes revenue growth under the Participating Leases. During the year ended December 31, 2000, the Company spent approximately \$32.5 million on renovations and additional capital improvements at the Hotels. Additionally, the Company is planning to spend approximately \$14.0 to \$16.0 million on renovations and additional capital improvements at the Hotels during 2001.

Under the Participating Leases, the Company established a reserve for capital improvements at the Hotels (the "Reserve Funds"). The Reserve Funds have not been recorded on the books and records of the Company, as such amounts will be capitalized as incurred. The amounts obligated under the Reserve Funds range from 4.0% to 5.5% of the individual Hotel's total revenues. The total amount obligated by the Company under the Reserve

Funds was approximately \$10.5 million at December 31, 2000, of which \$3.4 million is available in restricted cash reserves for future capital expenditures.

TAX STATUS

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code. As a result, the Company generally will not be subject to corporate income tax on that portion of its net income that is currently distributed to shareholders. A REIT is subject to a number of highly technical and complex organizational and operational requirements, including requirements with respect to the nature of its gross income and assets and a requirement that it currently distribute at least 90% of its taxable income. The Company may, however, be subject to certain state and local taxes on its income and property.

Effective January 1, 2001, LHL, a 100% owned subsidiary of the Company, is a taxable-REIT subsidiary ("TRS") and as such is required to pay income taxes at the applicable rates.

SEASONALITY

The Hotels' operations are seasonal. Eight of the Company's Hotels maintain higher occupancy rates during the second and third quarters. The Marriott Seaview Resort generates a large portion of its revenue from golf related business and, as a result, revenues fluctuate according to the season and the weather. Radisson Hotel Tampa and Le Montrose All Suite Hotel and Le Meridien Dallas experience their highest occupancies in the first quarter, while Holiday Inn Beachside Resort and Le Meridien New Orleans experience their highest occupancies in the first and second quarters. This seasonality pattern can be expected to cause fluctuations in the Company's quarterly lease revenue under the Participating Leases.

ENVIRONMENTAL MATTERS

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances on, under, or in such property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. In addition, the presence of contamination from hazardous or toxic substances, or the failure to remediate such contaminated property properly, may adversely affect the owner's ability to borrow using such property as collateral. Furthermore, a person who arranges for the disposal or treatment of a hazardous or toxic substance at a property owned by another, or who transports such substance to such property, may be liable for the costs of removal or remediation of such substance released into the environment at the disposal or treatment facility. The costs of remediation or removal of such substances may be substantial, and the presence of such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. In connection with the ownership and operation of the Hotels, the Company, the Operating Partnership, or the Lessee, as the case may be, may be potentially liable for such costs.

Phase I environmental site assessments ("ESAs") have been performed on all of the Hotels by a qualified independent environmental engineer. The purpose of the Phase I ESAs is to identify potential sources of contamination for which the Company may be responsible and to assess the status of environmental regulatory compliance. The Phase I ESAs include historical reviews of the Hotels, reviews of certain public records, preliminary investigations of the sites and surrounding properties,

screening for the presence of asbestos-containing materials, polychlorinated biphenyls, underground storage tanks, and the preparation and issuance of a written report. The Phase I ESA's do not include invasive procedures, such as soil sampling or ground water analysis.

The ESAs have not revealed any environmental liability or compliance concerns that the Company believes would have a material adverse effect on the Company's business, assets, results of operations, or liquidity, nor is the Company aware of any material environmental liability or concerns. Nevertheless, it is possible that the Phase I ESAs did not reveal all environmental liabilities or compliance concerns or that material environmental liabilities or compliance concerns exist of which the Company is currently unaware. Moreover, no assurance can be given that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Hotels will not be affected by the condition of the properties in the vicinity of the Hotels (such as the presence of leaking underground storage tanks) or by third parties unrelated to the Operating Partnership or the Company.

The Company believes that its Hotels are in compliance, in all material respects, with all federal, state and local environmental ordinances and regulations regarding hazardous or toxic substances and other environmental matters, the violation of which would have a material adverse effect on the Company. The Company has not been notified by any governmental authority of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental matters in connection with any of its present properties.

EMPLOYEES

Effective January 1, 2001, the Company has 19 employees. Prior to January 1, 2001, the date the Company became self-managed, the Company had no employees. The Advisor managed the day-to-day operations of the Company. All persons employed in the day-to-day operations of the Company's Hotels are employees of the management companies engaged by the Lessees to operate such hotels.

ITEM 2. PROPERTIES

HOTEL PROPERTIES

At December 31, 2000, the Company owned interests in the following 13 hotel properties:

Property -----	Number of Guest Rooms -----	Location -----
Radisson Convention Hotel	565	Bloomington, MN
Le Meridien New Orleans	494	New Orleans, LA
Le Meridien Dallas	407	Dallas, TX
Marriott Seaview Resort	297	Absecon, NJ (Atlantic City)
Holiday Inn Beachside Resort	222	Key West, FL
San Diego Paradise Point Resort	457	San Diego, CA

LaGuardia Airport Marriott	438	New York, NY
Omaha Marriott Hotel	299	Omaha, NE
Radisson Hotel Tampa	269	Tampa, FL
Le Montrose All Suite Hotel	132	West Hollywood, CA
Harborside Hyatt Conference Center & Hotel	270	Boston, MA
Hotel Viking	237	Newport, RI
Chicago Marriott Downtown	1,176	Chicago, IL

RADISSON CONVENTION HOTEL. Radisson Convention Hotel is an upscale full service convention hotel located at the intersection of Interstate 494 and Highway 100, approximately 15 minutes from the Minneapolis/St. Paul International Airport, and five miles from the Mall of America. The hotel is leased to and operated by affiliates of Radisson Group, Inc. ("Radisson").

LE MERIDIEN NEW ORLEANS. Le Meridien New Orleans is a luxury full service convention oriented hotel located in downtown New Orleans, a major convention city. The hotel is centrally located across the street from the French Quarter and near the central business district, the Ernest N. Morial Convention Center and the New Orleans Superdome. The hotel has received the AAA Four Diamond award for 15 consecutive years. The hotel is subject to a 99-year ground lease, which expires May 2081. The hotel is leased to and operated by affiliates of Le Meridien Hotels & Resorts ("Meridien").

LE MERIDIEN DALLAS. Le Meridien Dallas is an upscale full service convention oriented hotel located in downtown Dallas, approximately 25 minutes from the Dallas/Fort Worth International Airport, in the heart of the city's arts and financial districts. The hotel is conveniently located near the City Convention Center, four stops away on the new Dallas light rail system, with a DART station adjacent to the hotel. The hotel is leased to and operated by Meridien.

MARRIOTT SEAVIEW RESORT. Marriott Seaview Resort is a luxury golf and conference resort located in Brigantine Bay, approximately nine miles north of Atlantic City, New Jersey. The hotel is leased to LHL and operated by Marriott International, Inc. ("Marriott") pursuant to a long-term incentive-based operating agreement. The resort received the AAA four diamond award at the beginning of 2001.

HOLIDAY INN BEACHSIDE RESORT. Holiday Inn Beachside Resort is an upscale full service resort comprised of several one, two and three-story buildings, located on an approximately 7.8 acre parcel north of U.S. 1 on the beach facing the gulf of Mexico. The resort is located on the island of Key West, considered to have the most consistent weather in Florida, and benefits from the island's reputation as a popular tourist destination. The hotel is leased to and operated by affiliates of Crestline Hotel & Resorts.

SAN DIEGO PARADISE POINT RESORT. San Diego Paradise Point Resort is a luxury resort that lies on 44 acres and has nearly one mile of beachfront and is located in the heart of Mission Bay on Vacation Island, a 4,600-acre aquatic park in southwest San Diego County. The resort is minutes away from the San Diego International Airport and convenient to many major San Diego tourist attractions including Sea World, Old Town, Downtown San Diego, the San Diego Convention Center, Qualcomm Stadium and the San Diego

Zoo. The hotel is subject to a 50-year ground lease, which expires June 2049. The hotel is leased to and operated by WestGroup San Diego Associates, Ltd ("WestGroup"), an affiliate of Noble House Hotels and Resorts.

LAGUARDIA AIRPORT MARRIOTT. LaGuardia Airport Marriott is an upscale full service urban/major business hotel located directly across from New York's LaGuardia Airport. The hotel is five minutes from Shea Stadium and the USTA National Tennis Center and 20 minutes from Manhattan. The hotel is leased to LHL and operated by Marriott pursuant to a long-term incentive based operating agreement.

OMAHA MARRIOTT HOTEL. Omaha Marriott Hotel is an upscale full service major business hotel located in the western suburbs of Omaha at one of the city's busiest intersections (I-680 and West Dodge Road). The hotel is located in the Regency Office Park, a mixed use development containing over 865,000 square feet of office and retail space, and directly across West Dodge Road from Westroads Shopping Center, the largest shopping mall in Omaha. The hotel is leased to LHL and operated by Marriott pursuant to a long-term incentive based operating agreement.

RADISSON HOTEL TAMPA. The Radisson Hotel Tampa is an upscale full service major business hotel located in east suburban Tampa, Florida. The hotel is situated at the entrance to Sabal Business Park, a three million square foot office complex. The hotel is near Busch Gardens and Raymond James Stadium, 50 minutes from Walt Disney World in Orlando, and a 35 minute drive to Tampa International Airport. The hotel is leased to and operated by Radisson. The Company is actively marketing Radisson Hotel Tampa for sale. Accordingly, the asset was classified as held for sale on December 6, 2000 and depreciation was suspended as of that date.

LE MONTROSE ALL SUITE HOTEL. Le Montrose All Suite Hotel is a five-story, luxury full-service hotel located in West Hollywood, California, two blocks east of Beverly Hills and one block south of the "Sunset Strip". The hotel is within walking distance of many of the area's finest restaurants, retail shops and night clubs. The hotel attracts short and long-term guests and small groups primarily from the recording, film and design industries. The hotel is leased to and operated by OLS.

HARBORSIDE HYATT CONFERENCE CENTER & HOTEL. Harborside Hyatt Conference Center & Hotel is a full-service luxury conference and airport hotel located adjacent to Boston's Logan International Airport along the Boston waterfront. The property features 19,000 square feet of meeting space and is directly across from Boston's central business district and next to the Ted Williams tunnel, providing convenient access to downtown Boston. The property is subject to a long-term ground lease from Massport, Logan International Airport's owner and operating authority. The hotel is leased by LHL and operated by Hyatt pursuant to a long-term incentive-based operating agreement.

THE HOTEL VIKING. The Hotel Viking is a full-service upscale resort located on Bellevue Avenue in Newport, RI, a resort area that is rapidly becoming a year round hotel market. The Hotel offers 29,000 square feet of meeting space, a restaurant, a lounge and a rooftop bar. The property also includes the fully restored Kay Chapel and Trinity Parish House, both adjacent to the Hotel. The hotel was leased and operated by Viking Hotel Corporation, an affiliate of Bellevue Properties Inc. On February 26, 2001, the Company terminated the operating lease with Bellevue Properties, Inc. and entered into a lease with LHL. Noble House Hotel and Resorts replaced Bellevue Properties, Inc. as manager for the property.

CHICAGO MARRIOTT DOWNTOWN. The Chicago Marriott Downtown is a full-service, upscale convention hotel located at the intersection of North

Michigan Avenue and Ohio Street in the heart of downtown Chicago's world famous "Magnificent Mile". The property has over 60,000 square feet of meeting space, five food and beverage outlets, a health club and sports center, a business center and a gift shop. The Chicago Marriott Downtown has superb visibility and allows guests convenient access to a variety of attractions. A world-renowned shopping destination, the "Magnificent Mile" is home to such retailers as Neiman Marcus, Saks Fifth Avenue, Marshall Fields, and Niketown. The hotel is operated and managed by Marriott.

THE PARTICIPATING LEASES

Prior to January 1, 2001, the effective date for the REIT Modernization Act, in order for the Company to qualify as a REIT, neither the Company nor the Operating Partnership was able to or could operate hotels or related properties. The Operating Partnership leased the Hotels to certain lessees ("Lessees") for terms of between six and 11 years (from commencement) pursuant to separate Participating Leases that provide for rent equal to the greater of Base Rent or Participating Rent and which set forth the Lessees' required capitalization and certain other matters. Unless otherwise noted, each Participating Lease contains the provisions described below.

PARTICIPATING LEASE TERMS. The Participating Leases have an average term of approximately 10 years, with expiration dates staggered between the years 2004 and 2009, subject to earlier termination upon the occurrence of certain contingencies described in the Participating Leases (including, particularly, the provisions summarized below under the captions "Damage to Hotels," "Condemnation of Hotels," "Termination of Participating Leases for Failure to Meet Performance Goals" and "Termination of Participating Leases upon Disposition of Hotels"). The variation of the lease terms is intended to provide the Company with protection from the risk inherent in simultaneous lease expirations and to align the expiration of certain of the Participating Leases with the expiration of the applicable franchise license.

BASE RENT; PARTICIPATING RENT; ADDITIONAL CHARGES. Each Participating Lease requires the applicable Lessee to pay (x) the greater of (i) Base Rent in a fixed amount (ii) Participating Rent based on certain percentages of room revenue, food and beverage revenue and telephone and other revenue at the applicable Hotel, and (y) certain other amounts, including utility charges, certain impositions and insurance premiums, and interest accrued on any late payments or charges ("Additional Charges"). Each lease year, the Base Rent and Participating Rent thresholds are increased to reflect any increase in the applicable Consumer Price Index published by the Bureau of Labor Statistics of the United States of America Department of Labor, U.S. City Average, Urban Wage Earners and Clerical Workers ("CPI"). Lessees are required to pay Base Rent monthly in arrears by the first day of each calendar month, and Participating Rent is payable quarterly in arrears by the twentieth day of each fiscal quarter, except for the Hotels operated by Marriott, the Hotel operated by Hyatt and Hotel Viking, whose rents are due in accordance with their respective Participating Leases, as defined. Participating Rent is calculated based on the year-to-date departmental receipts as of the end of the preceding fiscal quarter, plus the prorated amount of each of the applicable departmental thresholds for the fiscal quarter, or portion thereof, minus the cumulative Participating Rent previously paid for such fiscal year and the cumulative Base Rent paid for such fiscal year as of the end of the preceding fiscal quarter.

Other than real estate and personal property taxes, casualty insurance including business interruption insurance, ground lease payments, capital impositions and capital replacements and refurbishments (determined in accordance with generally accepted accounting principles ("GAAP")), which are obligations of the Company, the Participating Leases require the

Lessees to pay rent, condominium dues, certain insurance, all costs and expenses, and all utility and other charges incurred in the operation of the Hotels. The Participating Leases also provide for rent reductions and abatements in the event of damage or destruction or a partial taking of any Hotel as described under "Damage to Hotels" and "Condemnation of Hotels."

The Company has sold certain FF&E to the Lessees of Radisson Convention Hotel and Le Meridien Dallas at its book value in exchange for promissory notes receivable ("FF&E Notes") of approximately \$1.0 million and \$.6 million, respectively. The FF&E Notes bear interest at 6.0% and 5.6% per annum, respectively, and are payable in monthly installments of interest only. These FF&E Notes have an initial term of five years unless extended at the Company's option. Additionally, the Company provided working capital to each of the Lessees in the aggregate amount of \$5.8 million in exchange for a note receivable ("Working Capital Notes"). The Working Capital Notes bear interest at either 5.6% or 6.0% per annum, and are payable in monthly installments of interest only. The term of each Working Capital Note is identical to the term of the related Participating Lease. Payments made under the FF&E Notes and the Working Capital Notes are used to reduce the related Participating Lease payments by an equal amount. The total of the interest income payments and Participating Lease payments will be equal to the amounts calculated by applying the rent provisions of the Participating Leases to the revenues of the Hotels.

RESERVES. The Participating Leases for the Hotels obligate the Company to make funds available for capital improvements at the Hotels (including the periodic replacement or refurbishment of FF&E) in amounts ranging from 4.0% to 5.5% of total revenue from the Hotels, with the amount of such reserve with respect to each hotel representing projected capital requirements of each hotel. The Company's obligation to make funds available for capital improvements has not been recorded on the books and records of the Company as such amounts are and will be capitalized as incurred. Any unexpended amounts will remain the property of the Company upon termination of the Participating Leases. The reserve requirements for the hotels operated by Marriott and Hyatt are contained in certain non-cancelable operating agreements, which require the reserves for the hotels operated by Marriott and Hyatt to be maintained through restricted cash escrows ("FF&E Escrows"). The amounts maintained in the FF&E escrows have been recorded on the books and records of the Company. Otherwise, the Lessees are required, at their expense, to maintain the Hotels in good order and repair, subject to ordinary wear and tear, and to make all necessary and appropriate nonstructural, foreseen and unforeseen, and ordinary and extraordinary repairs (other than capital repairs) which may be necessary and appropriate to keep the Hotels in good order and repair.

The Lessees are not obligated to bear the cost of any capital improvements or capital repairs to the Hotels. With the consent of the Company, however, the Lessees may utilize funds from the capital expenditure reserves to make capital additions, modifications or improvements to the Hotels. All such alterations, replacements and improvements are subject to all the terms and provisions of the Participating Leases and will become the property of the Company upon termination of the Participating Leases. The Company owns substantially all personal property (other than FF&E which has been sold to the Lessees of Radisson Convention Hotel and Le Meridien Dallas, inventory, linens and other nondepreciable personal property) not affixed to, or deemed a part of, the real estate or improvements on the Hotels, except to the extent that ownership of such personal property would cause any portion of the rents under the Participating Leases not to qualify as "rents from real property" for REIT income test purposes.

INSURANCE AND PROPERTY TAXES. The Company is responsible for paying (i) real estate and personal property taxes on the Hotels, (ii) any ground

lease payments on the Hotels, (iii) casualty insurance on the Hotels, and (iv) business interruption insurance on the Hotels. The Lessees are required to pay for or reimburse the Company for all liability insurance on the Hotels, with extended coverage, including comprehensive general public liability, workers' compensation and other insurance appropriate and customary for properties similar to the Hotels and naming the Company as an additional insured, where permitted by law.

EVENTS OF DEFAULT. Events of Default under the Participating Leases include, among others, the following:

- (i) the failure by a Lessee to pay Base or Participating Rent within ten days after same is due; or with respect to Radisson Convention Hotel, ten days after notice of non-payment;
- (ii) the failure of a Lessee to observe or perform any other term of a Participating Lease and the continuation of such failure beyond any applicable cure or grace period;
- (iii) the failure of a Lessee to pay for required insurance;
- (iv) the failure of a Lessee to maintain the Required Minimum Net Worth or the security deposit, as applicable;
- (v) should a Lessee or Operator file a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or consent to the appointment of a custodian, receiver, trustee or other similar office with respect to it or any substantial part of its assets, or take corporate action for the purpose of any of the foregoing; or if a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Lessee or Operator, a custodian, receiver, trustee or other similar officer with respect to the Lessee or Operator or any substantial part of its assets, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of the Lessee or Operator, or if any petition for any such relief shall be filed against the Lessee or Operator and such petition shall not be dismissed within 120 days;
- (vi) should a Lessee or Operator cause a default beyond applicable grace periods, if any, under any Franchise Agreement or Operator Agreement relating to any Hotel; or
- (vii) should a Lessee or Operator voluntarily cease operations of the Leased Property for more than three (3) days other than by reason of casualty, condemnation or force majeure.

In addition, an Event of Default will result in a cross-default of all other Participating Leases to which the Lessee is a party; except with respect to a default at Radisson Hotel Tampa, which would not result in a cross default of Radisson Convention Hotel.

INDEMNIFICATION. Under each of the Participating Leases, the Lessees will indemnify, and are obligated to hold harmless, the Company, the Advisor and their officers and trustees, from and against all liabilities, costs and expenses (including reasonable attorneys' fees and expenses) incurred by, imposed upon or asserted against the Company or any of them on account of, among other things, (i) any accident or injury to persons or property on or about the Hotels, (ii) any misuse by the applicable Lessee or any of its agents of the leased property, (iii) any environmental liability caused or resulting from any action or negligence of the Lessee

or Operator (see "Environmental Matters"); (iv) taxes and assessments in respect of the Hotels (other than real estate and personal property taxes and income taxes of the Company on income attributable to the Hotels and capital impositions); (v) the sale or consumption of alcoholic beverages on or in the real property or improvements thereon; or (vi) the failure to comply with the terms of the Participating Leases by the Lessee; provided, however, that such indemnification will not be construed to require the Lessee to indemnify the Company against the Company's own negligent acts or misconduct.

ASSIGNMENT AND SUBLEASING. The Lessees are not permitted to sublet all or any part of the Hotels or assign their interest under any of the Participating Leases, other than to affiliates of certain of the applicable Lessees, without the prior written consent of the Company. No assignment or subletting will release a Lessee from any of its obligations under the Participating Leases unless the Company expressly agrees that the Lessee shall be released from any of its obligations under the Participating Leases.

DAMAGE TO HOTELS. In the event of damage to or destruction of any hotel covered by insurance which then renders the leased property unsuitable for its intended use and occupancy as a hotel, the Participating Lease shall terminate, and the Company shall generally be entitled to retain the proceeds of insurance. In the event that damage to or destruction of a hotel which is covered by insurance does not render the leased property unsuitable for its intended use and occupancy as a hotel, the Company generally will be obligated to repair or restore the hotel to substantially the same condition as existed immediately prior to such damage. In the event of damage to or destruction of any hotel that is not covered by insurance, the Company generally, may either repair, rebuild or restore the hotel (at the Company's expense) to substantially the same condition as existed immediately prior to such damage, or terminate the Participating Lease on the terms and conditions set forth in such Participating Lease.

CONDEMNATION OF HOTELS. In the event of a total condemnation of a hotel, the relevant Participating Lease will terminate with respect to such hotel as of the date of taking, and the Company will be entitled to all of the condemnation award in accordance with the provisions of the Participating Lease. In the event of a partial taking which does not render the property unsuitable for its intended use as a hotel, then the Company generally will be obligated to restore the untaken portion of the property, and the Company shall contribute the condemnation award to the cost of such restoration.

TERMINATION OF PARTICIPATING LEASES. The Company has the right to terminate the Participating Lease for a hotel if the hotel fails to meet certain performance goals, as defined. Additionally, in the event the Company enters into an agreement to sell or otherwise transfer a hotel, the Company, at its option, may terminate the Participating Lease upon 30 days' notice to the applicable Lessee, subject to certain provisions. Additionally, in the event that changes in federal income tax laws allow the Company or a subsidiary or affiliate to directly operate hotels, the Company will have the right to terminate all, but not less than all, Participating Leases with the Lessees.

OTHER LEASE COVENANTS. Each Lessee has agreed that during the term of its Participating Lease, the Lessee will not engage in any unrelated business activities. The owners of each Lessee and their parent entities have agreed that, for the term of its Participating Lease, any sale of their interest in such Lessee, or of their hotel management businesses in general, will subject their interest in the Lessee to a limited fair market

value acquisition right in favor of a designee of the Company. In the event that the Company exercises this right, any nonselling partner of the Lessee will have the right to put its interest in the Lessee to the Company's designee at a price equal to the fair market value of such interest. The Participating Leases require each Lessee to make available to the Company unaudited monthly and quarterly and audited annual operating information for each Hotel leased by such Lessee.

INVENTORY. All inventory required in the operation of the hotels is owned by the applicable Lessee. Upon termination of a related Participating Lease, the Lessee shall surrender the related hotel together with all such inventory to the Company.

ITEM 3. LEGAL PROCEEDINGS

Each of the Company and the Operating Partnership is not aware of any material pending or threatened legal proceedings to which the Company or the Operating Partnership, or any of their subsidiaries is a party or of which any of their property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the Company's shareholders during the fourth quarter of the year covered by this Annual Report on Form 10-K.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON SHARES AND RELATED SHAREHOLDER MATTERS

MARKET INFORMATION

The Common Shares of the Company began trading on the New York Stock Exchange ("NYSE") on April 24, 1998 under the symbol "LHO". The following table sets forth for the indicated periods the high and low sales for the Common Shares and the cash distributions declared per share:

	High ----	Low ---	Distributions -----
2000 ----			
First quarter	\$13-3/8	\$11-3/16	\$0.380
Second quarter	\$15-1/8	\$12-1/2	\$0.385
Third quarter	\$15-1/8	\$13-3/4	\$0.385
Fourth quarter	\$15-7/8	\$14	\$0.385
1999 ----			
First quarter	\$13-11/16	\$10-1/2	\$0.375
Second quarter	\$15-15/16	\$12-7/16	\$0.380
Third quarter	\$16-1/8	\$12-3/4	\$0.380
Fourth quarter	\$13	\$10-13/16	\$0.380

SHAREHOLDER INFORMATION

As of March 14, 2001, there were 223 record holders of the Company's Common Shares, including shares held in "street name" by nominees who are record holders, and approximately 7,500 beneficial holders.

In order to comply with certain requirements related to qualification of the Company as a REIT, the Company's Amended and Restated Declaration of Trust limits the number of Common Shares that may be owned by any single person or affiliated group to 9.8% of the outstanding Common Shares.

DISTRIBUTION INFORMATION

In 2000, the Company paid \$1.535 per Common Share in distributions, of which 82.25% represented ordinary income and 17.75% represented return of capital for tax purposes.

The Company currently anticipates that it will maintain at least the distribution rates experienced over the past two years in the near term, unless actual results of operations, economic conditions or other factors differ from its current expectations. The declaration of distributions by the Company is in the sole discretion of the Company's Board of Trustees and depends on the actual cash flow of the Company, its financial condition, capital expenditure requirements for the Company's Hotels, the annual distribution requirements under the REIT provisions of the Code and such other factors as the Board of Trustees deems relevant.

UNITS

In conjunction with the IPO, 3,181,723 Units were issued on April 29, 1998 (inception). On August 24, 1999, November 29, 1999 and October 24, 2000, 180,636, 1,441,853, and 36,754 Units were converted to Common Shares, respectively. On January 25, 2000, 16,667 Units were issued in connection with the Chicago Hotel Venture. At December 31, 2000, there were 1,539,147 Units outstanding. On January 1, 2001, JLL and its affiliates converted 964,334 Units to Common Shares. Unitholders receive distributions per unit in the same manner as distributions distributed on a per share basis to the common shareholders.

SALES OF UNREGISTERED SECURITIES

On June 1, 1998, in conjunction with the purchase of the San Diego Paradise Point Resort, the Company sold 112,458 Common Shares to WestGroup for cash consideration of approximately \$2.0 million. This sale was not registered under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the exemption from the registration requirements thereof provided by Section 4(2) of the Securities Act.

On January 25, 2000, in conjunction with the Chicago Hotel Venture and the acquisition of the Chicago Property, the Company issued 16,667 Units to Buck 540 Hotel Company LLC for consideration of approximately \$300. This sale was not registered under the Securities Act of 1933, as amended, in reliance upon the exemption from the registration requirements thereof provided by Section 4(2) of the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL INFORMATION

The following tables set forth selected historical operating and financial data for the Company and selected historical financial data for LRP Bloomington Limited Partnership, which is the predecessor of the Company (the "Predecessor"). The selected historical financial data for the Company for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, and the selected historical financial data for the Predecessor for the period from January 1, 1998 through April 28, 1998, the years ended December 31, 1997 and 1996 have been derived from the historical financial statements of the Company and the Predecessor, respectively. The following selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and all of the financial statements and notes thereto included elsewhere in this Form 10-K.

LASALLE HOTEL PROPERTIES
 SELECTED HISTORICAL OPERATING AND FINANCIAL DATA
 (Unaudited, Dollars in thousands, except share data)

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	2000	1999	
OPERATING DATA:			
REVENUE:			
Participating lease			
revenue	\$ 83,772	\$ 76,843	\$ 46,464
Interest income	1,271	988	567
Equity in income (loss) of			
Affiliated Lessee	85	57	(59)
Equity in income (loss) of			
Joint Venture	1,067	--	--
Other income	56	66	21
	-----	-----	-----
Total revenue	86,251	77,954	46,993
EXPENSES:			
Depreciation and			
other amortization	29,078	25,378	13,666
Real estate, personal			
property taxes,			
and insurance	8,462	8,205	5,047
Ground rent	3,574	3,351	1,886
General and administrative	952	1,342	459
Interest	21,052	16,181	8,474
Amortization of deferred			
financing costs	1,139	992	514
Advisory fee (1)	3,840	3,670	2,134
Other expense	19	140	13
Minority interest in			
Operating Partnership	488	2,706	2,567
Writedown of property			
held for sale	12,296	2,000	--
	-----	-----	-----
Total expenses, minority interest and writedown	80,900	63,965	34,760
	-----	-----	-----

Net income applicable to common shareholders	\$ 5,351	\$ 13,989	\$ 12,233
	=====	=====	=====

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	2000	1999	
Net income per common share			
- basic	\$ 0.32	\$ 0.91	\$ 0.80
- diluted	\$ 0.32	\$ 0.91	\$ 0.80
	=====	=====	=====

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	2000	1999	
Weighted average number of common shares outstanding -			
- basic	16,920,596	15,432,667	15,209,555
- diluted	16,982,962	15,432,667	15,209,555
	=====	=====	=====

	As of December 31,		
	2000	1999	1998
BALANCE SHEET DATA:			
Investment in hotel properties, net	\$ 486,184	\$ 501,191	\$ 467,552
Total assets	531,893	532,072	496,338
Borrowings under the credit facility	113,500	164,900	164,700
Bonds payable, net	40,314	41,571	42,828
Mortgage loans	119,964	46,306	--
Minority interest in Operating Partnership	20,288	22,417	47,694
Shareholders' equity	223,528	242,568	228,384

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	2000	1999	
OTHER DATA:			
Funds from operations (2)	\$ 47,984	\$ 44,065	\$ 28,466
Cash provided by operating activities	40,835	45,923	21,280
Cash used in investing activities	(31,797)	(63,660)	(406,732)
Cash provided by (used in) financing activities	(9,236)	17,779	387,022
Distributions declared	28,405	27,910	18,590

LRP BLOOMINGTON LIMITED PARTNERSHIP (3)
 SELECTED PREDECESSOR HISTORICAL FINANCIAL DATA
 (Unaudited, Dollars in thousands)

	For the period from January 1, 1998 through April 28, 1998 -----	Year Ended December 31, ----- 1997 1996 ----- -----	
OPERATING DATA:			
REVENUES:			
Room revenue	\$ 4,285	\$13,863	\$13,419
Food and beverage revenue.	3,459	10,214	9,276
Telephone revenue.	124	491	523
Other revenue.	537	1,649	1,399
	-----	-----	-----
Total revenue.	8,405	26,217	24,617
OPERATING EXPENSES:			
Departmental and operating expenses	5,712	17,404	16,462
Management fees.	336	1,111	1,053
Property taxes	405	1,240	1,191
Interest expense	833	2,658	2,601
Depreciation and amortization.	1,196	3,123	2,718
Advisory fees.	53	159	159
	-----	-----	-----
Total expenses	8,535	25,695	24,184
	-----	-----	-----
Net income (loss).	\$ (130)	\$ 522	\$ 433
	=====	=====	=====

(1) Represents advisory fee paid to the Advisor for acquisition, management, advisory and administrative services provided to the Company. The Advisor received an annual base fee up to 5% of the Company's net operating income, as defined in the Advisory Agreement, and an annual incentive fee, which prior to January 1, 1999, was limited to 1% of the Company's prorated pro forma net operating income based on growth in Funds from Operations ("FFO") per share.

(2) FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), represents net income applicable to common shareholders (computed in accordance with GAAP), excluding gains (losses) from debt restructuring and sales of property (including furniture and equipment), plus real estate related depreciation and amortization (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures. FFO does not represent cash generated from operating activities in accordance with GAAP, is not necessarily indicative of cash flow available to fund cash needs and should not be considered as an alternative to net income as an indication of performance or to cash flow as a measure of liquidity. The Company considers FFO to be an appropriate measure of the performance of an equity REIT in that such calculation is a measure used by the Company to evaluate its performance against its peer group and is a basis for making the determination as to the allocation of its resources and reflects the Company's ability to meet general operating expenses. Although FFO has been computed in accordance with the current NAREIT definition, FFO as presented may not be comparable to other similarly titled measures used by other REIT's. FFO may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures and property acquisitions, and other commitments and uncertainties.

(3) The Predecessor was formed on December 1, 1995 for the purpose of acquiring and operating the Radisson Convention Hotel. On April 29, 1998, the Predecessor contributed the Radisson Convention Hotel to the Company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

OVERVIEW

This report includes certain statements that may be deemed to be "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. All statements, other than statements of historical facts, included in this report that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future, including such matters as future capital expenditures, distributions and acquisitions (including the amount and nature thereof), expansion and other development trends of the real estate industry, business strategies, expansion and growth of the Company's operations and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of their experience and perceptions of historical trends, current conditions, expected future developments and other factors they believe are appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, general economic and business conditions, the business opportunities that may be presented to and pursued by the Company, changes in laws or regulations and other factors, many of which are beyond the control of the Company. Any such statements are not guarantees of future performance and actual results or developments may differ materially from those anticipated in the forward-looking statements.

GENERAL BACKGROUND

The following discusses: (i) the Company's actual results of operations for the year ended December 31, 2000 compared to the Company's actual results of operations for the year ended December 31, 1999, and (ii) the Company's actual results of operations for the year ended December 31, 1999 compared to the Company's pro forma results of operations for the year ended December 31, 1998. This discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this form 10-K. The Company has not included a discussion of the Predecessor, as its financial information would not be deemed comparable to the Company. However, the Predecessor's financial information has been included in the notes to the consolidated financial statements.

The pro forma financial information of the Company is presented as if (i) the IPO and the related formation transactions and the acquisitions of the Hotel Viking had been consummated as of January 1, 1999 and (ii) the acquisition of the Chicago Marriott Downtown had been consummated as of January 1, 1999. The pro forma financial information is not necessarily indicative of what actual results of operations of the Company would have been assuming (i) the IPO and the related formation transactions and the subsequent acquisitions of the Hotel Viking had been consummated and the twelve Hotels had been leased as of January 1, 1999, and (ii) the acquisition of the Chicago Marriott Downtown had been consummated and the hotel subsequently leased as of January 1, 1999 nor does it purport to represent the results of operations for future periods.

RESULTS OF OPERATIONS

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2000 TO THE YEAR ENDED
DECEMBER 31, 1999

For the year ended December 31, 2000, participating lease revenue earned by the Company increased by approximately \$7.0 million from \$76.8 million to \$83.8 million. This increase is primarily attributable to increased revenues at the San Diego Paradise Point Resort, LaGuardia Airport Marriott and Radisson Convention Hotel. These hotels benefitted from strong group and leisure demand during the year. San Diego Paradise Point Resort also benefitted from significant renovations, which were completed in 1999. Partly offsetting these increases were decreases in participating lease revenue caused by decreased occupancy at Le Meridien Dallas due to reduced citywide demand and the sale of Holiday Inn Plaza Park during the third quarter of 2000.

Equity in income from Joint Venture was approximately \$1.1 million for the year ended December 31, 2000. There was no equity income from Joint Venture in the results of operations for 1999.

Depreciation expense increased by approximately \$3.7 million from \$25.4 million to \$29.1 million due primarily to additional depreciation on capital improvements which were placed into service during 2000. In addition, depreciation expense for the year ended December 31, 2000 includes depreciation taken on the Hotel Viking for the entire year while for the year ended December 31, 1999 depreciation is included since its date of acquisition, June 2, 1999.

Real estate and personal property taxes, insurance and ground rent increased by approximately \$0.4 million from \$11.6 million to \$12.0 million. This increase is due primarily to increased real estate taxes at the Hotels and ground rent for Harborside Hyatt Conference Center & Hotel and the San Diego Paradise Point Resort. The increase in ground rent is attributable to higher revenues at the properties as the ground rent at the Harborside Hyatt Conference Center and Hotel and the San Diego Paradise Point Resort is a percentage of revenues.

General and administrative expense decreased by approximately \$0.3 million from \$1.3 million to \$1.0 million due primarily to lower annual report costs and a decrease in general legal expense.

Interest expense increased by approximately \$4.9 million from \$16.2 million to \$21.1 million primarily due to an increase in weighted average debt outstanding from \$234.6 million for 1999 to \$273.0 million for 2000. The increase in debt outstanding is a result of the purchase of the Hotel Viking on June 2, 1999 and the investment in the Chicago Hotel Venture which were financed with borrowings under the 1998 Second Amended Credit Facility, as well as additional borrowings under the 1998 Second Amended Credit Facility to finance capital improvements during 2000. In addition, the weighted average interest rate increased from 6.9% for 1999 to 7.9% for 2000. The increase in interest expense was offset by \$0.7 million of capitalized interest, which was primarily a result of the renovation and expansion of the Hotel Viking and the continuing renovation of the San Diego Paradise Point Resort during 2000.

Advisory fees increased by approximately \$0.1 million from \$3.7 million to \$3.8 million due primarily to an increase in base fee for 2000, offset by a decrease attributable to higher incentive fees for 1999. Advisory fees also include \$53 and \$12 of expense for options granted to the Advisor for 2000 and 1999, respectively.

On August 16, 2000, the Company sold Holiday Inn Plaza Park for \$4.6 million. Based on net sales proceeds of \$4.2 million, the Company recorded an additional write-down of \$1.3 million for the quarter ended June 30, 2000. At December 31, 1999, Holiday Inn Plaza Park was held for sale by the Company. Based on initial pricing expectations, the net book value of

the asset was reduced by \$2.0 million. In addition, Radisson Tampa was held for sale by the company on December 6, 2000. Based on initial pricing expectations, the Company recognized a writedown of \$11.0 million reducing the net book value of the asset to \$17.0 million for the quarter ended December 31, 2000, which included \$0.2 million of estimated accrued closing costs.

Minority interest decreased \$2.2 million from \$2.7 million to \$0.5 million due primarily to a decrease in income before minority interest from \$16.7 million for 1999 to \$5.8 million for 2000. In addition, the weighted average number of Units outstanding decreased from approximately 3.0 million Units for 1999 to 1.6 million Units for 2000.

As a result of the foregoing items, net income to common shareholders decreased approximately \$8.6 million from \$14.0 million for 1999 to \$5.4 million for 2000.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1999 TO THE PRO FORMA YEAR ENDED DECEMBER 31, 1998

The Company earned approximately \$76.8 million in participating lease revenue during the year ended December 31, 1999. For the pro forma year ended December 31, 1998, participating lease revenues would have been \$75.0 million. This increase is due to increases in participating lease revenues from the Le Meridien Dallas and Le Meridien New Orleans, which had increased hotel revenues for the year ended December 31, 1999. The Le Meridien hotels benefitted from the renovations, which took place at each of the respective hotels during 1998. Participating lease revenues for the Harborside Hyatt Conference Center and Hotel also increased due to strong rate and occupancy at the hotel. These increases were offset by a decrease in participating lease revenues at the San Diego Paradise Point Resort in 1999 due to decreased occupancy levels at the hotel resulting from the significant renovations taking place at the property during the year ended December 31, 1999.

Depreciation expense increased to \$25.4 million or 13.4% for the year ended December 31, 1999, compared to depreciation expense for the pro forma year ended December 31, 1998, which would have been \$22.4 million. This increase is attributable to the additional depreciation expense incurred on capital improvements, which were placed into service during 1999.

Real estate and personal property taxes, insurance and ground rent increased \$0.7 million to \$11.6 million for the year ended December 31, 1999 from \$10.9 million for the pro forma year ended December 31, 1998. This increase is primarily attributable to increased real estate taxes at the hotels.

General and administrative expense increased to \$1.3 million for the year ended December 31, 1999, compared to pro forma general and administrative expense for the year ended December 31, 1999, which would have been \$ 0.7 million. This increase is attributable to additional administrative costs incurred for the year ended December 31, 1999.

Interest expense was \$16.2 million for the year ended December 31, 1999 and the pro forma year ended December 31, 1998.

Amortization of deferred financing costs increased to \$1.0 million for the year ended December 31, 1999, compared to the comparable pro forma period in 1998, in which amortization costs would have been \$0.8 million. This \$0.2 million increase is attributable to the amortization in 1999 of costs incurred in late 1998 for the amendment to the credit facility, as well as the amortization of financing costs related to 1999 Mortgage Loan (hereinafter defined). These costs would not have been incurred in the pro forma year ended December 31, 1998.

Advisory fees for the year ended December 31, 1999 were \$3.7 million compared to \$3.8 million for the pro forma year ended December 31, 1998. This decrease is attributable to a higher incentive fee for the pro forma year ended December 31, 1998, offset by an increase in the base fee for the year ended December 31, 1999. Advisory fees for the year ended December 31, 1999 also include \$12 of expense for options granted to the Advisor during 1999.

At December 31, 1999, Holiday Inn Plaza Park was held for sale by the Company. Based on initial pricing expectations, the net book value of the asset was reduced by \$ 2.0 million. This writedown is not included in the results of operations for the pro forma year ended December 31, 1998.

Minority interest was \$2.7 million for the year ended December 31, 1999 compared to \$3.6 million for the pro forma year ended December 31, 1998. This decrease is primarily attributable to lower income before minority interest of \$4.1 million for the year ended December 31, 1999 versus the pro forma year ended December 31, 1998.

Net income decreased approximately \$3.1 million to \$14.0 million for the year ended December 31, 1999 compared to net income of \$17.1 million for the pro forma year ended December 31, 1998.

FUNDS FROM OPERATIONS AND EBITDA

The Company considers Funds From Operations ("FFO") and earnings before interest, taxes, depreciation and amortization ("EBITDA") to be key measures of a REIT's performance and should be considered along with, but not as an alternative to, net income and cash flow as a measure of the Company's operating performance and liquidity.

The Company believes that FFO and EBITDA are helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, they provide investors with an indication of the ability of the Company to incur and service debt, to make capital expenditures and to fund other cash needs. The White Paper on FFO approved by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") in October 1999 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization (excluding amortization of deferred finance cost) and after comparable adjustments for the Company's portion of these items related to unconsolidated entities and joint ventures. The Company computes FFO in accordance with standards established by NAREIT which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the Company. FFO and EBITDA do not represent cash generated from operating activities determined by GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor are they indicative of funds available to fund the Company's cash needs, including its ability to make cash distributions. FFO and EBITDA may include funds that may not be available for management's discretionary use due to functional requirements to conserve funds for capital expenditures and property acquisitions, and other commitments and uncertainties.

The following is a reconciliation between net income and FFO for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 (in thousands, except share data):

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	2000	1999	
Net income applicable to common shareholders.	\$ 5,351	\$ 13,989	\$ 12,233
Depreciation	29,064	25,370	13,666
Equity in depreciation of Joint Venture.	785	--	--
Minority interest.	488	2,706	2,567
Writedown of properties held for sale.	12,296	2,000	--
FFO.	\$ 47,984	\$ 44,065	\$ 28,466
Weighted average common shares and units outstanding			
- basic	18,488,475	18,419,694	18,391,278
- diluted	18,550,841	18,419,694	18,391,278

The following is a reconciliation between net income and EBITDA (in thousands):

	For the year ended December 31, 2000	For the year ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
EBITDA:			
Net income	\$ 5,351	\$ 13,989	\$ 12,233
Interest	21,052	16,181	8,474
Depreciation and amortization	30,217	26,370	14,180
Equity in depreciation/ amortization of Joint Venture.	839	--	--
Equity in interest expense of Joint Venture.	1,038	--	--
Minority interest.	488	2,706	2,567
Writedown of assets held for sale.	12,296	2,000	--
EBITDA	\$ 71,281	\$ 61,246	\$ 37,454

THE HOTELS

The following table sets forth historical comparative information with respect to occupancy, average daily rate (ADR) and room revenue per available room (RevPAR) for the comparable Hotels, the non-comparable

Hotels and total Hotel portfolio for the years ended December 31, 2000 and 1999.

	Year Ended December 31,		
	2000	1999	Variance
COMPARABLE HOTELS (a)			
Occupancy.	74.5%	74.2%	0.4%
ADR.	\$156.20	\$145.97	7.0%
RevPAR	\$116.33	\$108.34	7.4%
NON-COMPARABLE HOTELS (b)			
Occupancy.	66.3%	64.6%	2.6%
ADR.	\$137.57	\$129.48	6.2%
RevPAR	\$ 91.21	\$ 83.58	9.1%
TOTAL PORTFOLIO			
Occupancy.	72.5%	72.0%	0.7%
ADR.	\$152.19	\$142.51	6.8%
RevPAR	\$110.40	\$102.55	7.7%

(a) Comparable Hotels include all Hotels excluding those in Non-Comparable.

(b) Non-Comparable Hotels represent Hotels which underwent significant renovations and include the following:

The Hotel Viking, Harborside Hyatt, Radisson Convention Hotel, Marriott Seaview Resort, and San Diego Paradise Point Resort in Quarter 1, The Hotel Viking and San Diego Paradise Point Resort in Quarter 2, Key West Beachside Resort in Quarter 3, and Key West Beachside Resort, Radisson Tampa, LeMontrose All-Suite Hotel, The Hotel Viking and San Diego Paradise Point Resort in Quarter 4.

The Company's total portfolio RevPAR growth of 7.7% in 2000 significantly outperformed the overall market. In 2000, the Company saw substantial RevPAR gains from the hotels which were renovated during 1998 and 1999. The Company continues to benefit from its ownership of high quality hotels located in strong markets with high barriers to entry and its continuing refurbishment and repositioning programs.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of cash to meet its cash requirements, including distributions to shareholders, is its pro rata share of the Operating Partnership's cash flow from the Participating Leases. Except for the security deposits required under the Participating Leases, the Lessees' obligations under the Participating Leases are unsecured and the Lessees' abilities to make rent payments to the Operating Partnership, and the Company's liquidity, including its ability to make distributions to shareholders, will be dependent on the Lessees' abilities to generate sufficient cash flow from the operations of the Hotels.

In April 1998, the Company entered into a \$200 million senior unsecured revolving credit facility (the "1998 Credit Facility") to be used for acquisitions, capital improvements, working capital and general corporate purposes. The Company amended its 1998 Credit Facility on October 30, 1998. Under the Amended and Restated Senior Unsecured Credit Agreement, as amended (the "1998 Amended Credit Facility"), the total commitment was increased by \$35 million, from \$200 million to \$235 million.

On November 13, 2000, the Company amended the 1998 Amended Credit Facility.

Under the Second Amended and Restated Senior Unsecured Credit Agreement (the "1998 Second Amended Credit Facility"), the total commitment was reduced by \$35 million, from \$235 million to \$200 million. Borrowings under the 1998 Second Amended Credit Facility bear interest at floating rates equal to LIBOR plus an applicable margin or an "Adjusted Base Rate" plus an applicable margin, at the election of the Company. For the year ended December 31, 2000, the weighted average interest rate for borrowings under the 1998 Second Amended Credit Facility was approximately 8.1%. The Company did not have any Adjusted Base Rate borrowings outstanding at December 31, 2000. Additionally, the Company is required to pay an unused commitment fee which is variable, determined from a ratings or leverage based pricing matrix, currently set at 25 basis points. The Company incurred an unused commitment fee of approximately \$0.2 million for each of the years ended December 31, 2000 and December 31, 1999. The 1998 Second Amended Credit Facility matures on December 31, 2003 and contains certain financial covenants relating to debt service coverage, market value net worth and total funded indebtedness.

In conjunction with the June 1998 acquisition of the Harborside Hyatt Conference Center and Hotel, the Company assumed \$40 million of special project revenue bonds ("Massport Bonds") previously issued under the loan and trust agreement with the Massachusetts Port Authority ("Massport"), as amended ("Massport Bond Agreement"). In conjunction with the Massport Bonds, the Company recorded a premium of \$3.5 million, of which \$0.3 million remains unamortized at December 31, 2000. The Massport Bonds are collateralized by the leasehold improvements and bear interest at 10.0% per annum through the date of maturity, March 1, 2026. Interest payments are due semiannually on March 1 and September 1. Interest expense, net of the premium amortization totaled \$2.7 million for each of the years ended December 31, 2000 and December 31, 1999. The Massport Bonds shall be redeemed in part commencing March 1, 2001 and annually until March 1, 2026, at which time the remaining principal and any accrued interest thereon is due in full. The Company has the option to prepay the Massport Bonds in full beginning March 1, 2001 subject to a prepayment penalty which varies depending on the date of prepayment. On March 1, 2001, the Company redeemed the \$40.0 million tax-exempt Massport Bonds, which had a 10.0% coupon. Proceeds for the redemption were derived from \$37.1 million of tax exempt and \$5.4 million of taxable bonds, each having a 17-year maturity, bearing interest based on a weekly floating rate and having no principal reductions for the life of the bonds. Due to the nature of these bonds, they can be redeemed at any time without penalty. The new bonds are secured by letters of credit issued by GE Capital Corporation. The letters of credit are collateralized by the Harborside Hyatt Conference Center and Hotel. The excess proceeds of approximately \$5,900 were used to pay down borrowings on the 1998 Second Amended Credit facility.

On July 29, 1999, the Company entered into a \$46.5 million mortgage loan (the "1999 Mortgage Loan"). The loan is subject to a fixed interest rate of 8.1% and requires interest and principal payments based on a 25-year amortization schedule. The 1999 Mortgage Loan matures on July 31, 2009 and is collateralized by the Radisson Convention Hotel located in Bloomington, Minnesota and the Le Meridien Dallas. Interest expense for the year ended December 31, 2000 and for the period from July 29, 1999 through December 31, 1999 was \$3.7 and \$1.6 million, respectively. The 1999 Mortgage Loan had a balance of \$45.7 million at December 31, 2000.

On July 27, 2000, the Company, entered into three ten-year mortgage loans totaling \$74.5 million (the "2000 Mortgage Loans"). The loans are subject to a fixed interest rate of 8.08% and require interest and principal payments based on a 27-year amortization schedule. The 2000 Mortgage Loans are secured by the Le Montrose All-Suite Hotel located in West Hollywood, California, Le Meridien New Orleans and the Key West Beachside Resort. Interest expense for the period from July 27, 2000 through December 31, 2000 was \$2.6 million. The 2000 Mortgage Loans had a balance of \$74.3 million at December 31, 2000.

At December 31, 2000, the Company had approximately \$1.4 million of cash and cash equivalents and had \$113.5 million outstanding under its 1998 Second Amended Credit Facility.

Net cash provided by operating activities was approximately \$40.1 million for the year ended December 31, 2000 primarily due to the collections of Participation Lease revenues during 2000, which was offset by payments for real estate taxes, personal property taxes, interest expense, insurance, ground rent and the Advisory Fee.

Net cash used in investing activities was approximately \$31.8 million for the year ended December 31, 2000 primarily due to capital improvement expenditures at the Hotels.

Net cash used in financing activities was approximately \$9.2 million for the year ended December 31, 2000 primarily attributable to repayments on borrowings under the 1998 Second Amended Credit Facility and the payment of distributions to the common shareholders and unit holders, offset by net proceeds from the 2000 Mortgage Loans and borrowings under the 1998 Second Amended Credit Facility.

The Company's policy is to incur debt only if upon such incurrence the Company's total funded indebtedness would not exceed 50% of "Aggregate Asset Value." For purposes of this policy, Aggregate Asset Value is defined as the sum of (a) for all the Company's properties owned for more than four quarters ("Seasoned Properties"), the EBITDA (reduced by the aggregate FF&E reserves for the relevant period in respect of the Seasoned Properties) of the Seasoned Properties for the preceding four quarters times 10, (b) for all Properties owned for less than four quarters ("New Properties"), the investment amount (which shall include the purchase price, including assumed indebtedness, and all acquisition costs) of the New Properties and 95% of all the capital expenditures with respect to the New Properties, (c) liquid investments, and (d) investments in unconsolidated entities. The Board of Trustees can change this policy at any time without the approval of the common shareholders.

The Company has considered its short-term (one year or less) liquidity needs and the adequacy of its estimated cash flow from operations and other expected liquidity sources to meet these needs. The Company believes that its principal short-term liquidity needs are to fund normal recurring expenses, debt service requirements and the minimum distribution required to maintain the Company's REIT qualification under the Code. The Company anticipates that these needs will be met with cash flows provided by operating activities. The Company has also considered capital improvements and property acquisitions as short-term needs that will be funded either with cash flows provided by operating activities, utilizing availability under the 1998 Second Amended Credit Facility, other indebtedness, or the issuance of additional equity securities.

The Company expects to meet long-term (greater than one year) liquidity requirements such as property acquisitions, scheduled debt maturities, major renovations, expansions and other nonrecurring capital improvements through estimated cash flows from operations, long-term unsecured and secured indebtedness and the issuance of additional equity securities. The Company will acquire or develop additional hotel properties only as suitable opportunities arise, and the Company will not undertake acquisition or development of properties unless stringent acquisition/development criteria have been achieved.

The Company is obligated to maintain Reserve Funds for capital expenditures at the Hotels, as determined in accordance with the Participating Leases. The majority of Reserve Funds have not been recorded on the books and records of the Company as such amounts will be capitalized as incurred. The amounts obligated under the Reserve Funds range from 4.0% to 5.5% of the individual Hotel's total revenues. The total amount obligated by the Company under the Reserve Funds is approximately \$10.5 million at December 31, 2000, of which \$3.4 million is available in restricted cash reserves for future capital expenditures. Purchase orders and letters of commitment totaling approximately \$3.0 million have been issued for renovations at the Hotels. The Company has committed to these projects and anticipates making similar arrangements with the existing Hotels or any future hotels that it may acquire.

SUBSEQUENT EVENT

On January 1, 2001, JLL and its affiliates redeemed 964,334 Units resulting in 574,813 Units or 3.1% of the Operating Partnership not held by LHO.

Effective January 1, 2001, the Company became a self-managed REIT. The Company terminated its advisory relationship with the Advisor in accordance with the Termination and Services Agreement dated December 28, 2000. In connection with the termination, the Advisor will receive \$600 for 2001 transition services. The Company purchased assets used to operate the Company at book value of approximately \$302 and paid \$50 for informational technology services. The entire management team has become employees of LHO and continues to oversee and manage all activities of the Company under the new self-managed structure.

Effective January 1, 2001, the Company purchased all of the issued and outstanding shares of capital stock of LHL for \$500 in accordance with the Stock Purchase Agreement dated July 28, 2000. LHL leases four of the Company's owned hotels, including Marriott Seaview Resort, LaGuardia Airport Marriott, Omaha Marriott and Harborside Hyatt Conference Center and Hotel. Effective January 1, 2001, LHL is a 100% owned subsidiary of the company as provided for under the taxable-REIT subsidiary provisions. It is currently anticipated that the cost associated with the transaction will be expensed in the first quarter of 2001.

On January 15, 2001, the Company paid its regular fourth quarter distribution of \$0.385 per share/unit on its Common Shares and Units.

On February 1, 2001, an affiliate of the Advisor exercised 300,000 options. Proceeds from the options were used to reduce outstanding borrowings on the 1998 Second Amended Credit Facility.

On February 26, 2001, the Company terminated the operating lease on the Viking Hotel with Bellevue Properties, Inc. and entered into a lease with LHL on essentially the same terms. Bellevue Properties, Inc. received \$840 in payment relating to termination, tax settlement due under the Purchase and Sale Agreement and other items. Noble House Hotel and Resorts replaced Bellevue Properties, Inc. as manager for the property.

On March 1, 2001, the Company redeemed the \$40.0 million tax-exempt Massport Bonds, which had a 10.0% coupon. Proceeds for the redemption were derived from \$37.1 million of tax exempt and \$5.4 million of taxable bonds, each having a 17-year maturity, bearing interest based on a weekly floating rate and having no principal reductions for the life of the bonds. Due to the nature of these bonds, they can be redeemed at any time without penalty. The new bonds are secured by letters of credit issued by GE Capital Corporation. The letters of credit are collateralized by the Harborside Hyatt Conference Center and Hotel. The excess proceeds of approximately \$5,900 were used to pay down borrowings on the 1998 Second Amended Credit facility.

On March 8, 2001, the Company acquired a 100% interest in four full-service hotels with a total of 502 guest rooms in Washington, D.C. for an aggregate purchase price of approximately \$44.0 million. Each of the four hotels will be fully renovated, improved and repositioned as unique high-end, independent boutique hotels. The Company will undertake the redevelopment program, currently projected at a total of approximately \$30.0 million, in conjunction with the Kimpton Hotel & Restaurant Group, LLC who was also retained to manage and operate the hotel collection. These four hotels have operated as the 99-room Canterbury Hotel, located at 1733 N Street, NW; the 82-room Clarion Hampshire House Hotel at 1310 New Hampshire Avenue, NW; the 137-room Quality Hotel and Suites Downtown at 1315 16th Street, NW; and the 184-room Howard Johnson Plaza Hotel and Suites, 1430 Rhode Island Avenue, NW. Originally constructed as apartment buildings, each hotel features either large rooms or suites. Upon completion of the redevelopment program, LaSalle intends to rename each property and the Kimpton Group will operate each as independent, non-branded boutique hotels.

INFLATION

The Company's revenues come primarily from the Participating Leases, thus the Company's revenues will vary based on changes in the revenues at the Hotels. Therefore, the Company relies entirely on the performance of the Hotels and the lessees' abilities to increase revenues to keep pace with inflation. Operators of hotels can change room rates quickly, but competitive pressures may limit the Lessees' and their Operators abilities to raise rates faster than inflation or even at the same rate.

The Company's expenses are subject to inflation. These expenses (primarily real estate and personal property taxes and property and casualty insurance) are expected to grow with the general rate of inflation, except for instances in which the properties are subject to periodic real estate tax reassessments.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities" ("SFAS 133"), subsequently amended by SFAS No. 137 and SFAS No. 138. This statement, effective for fiscal years beginning after June 15, 2000, establishes new accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments imbedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement also requires that the changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. Currently, the pronouncement has no impact on the Company, as the Company does not have any derivative instruments nor has entered into any hedging activities.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements". In June 2000, the SEC staff amended SAB 101 to provide registrants with additional time to implement SAB 101. The SEC staff determined that a lessor should defer recognition of contingent rental income until the specified target that triggers the contingent rental income is achieved. The Company recognizes lease revenue on an accrual basis pursuant to the terms of the respective Participating Leases in which Participating Rent is calculated using quarterly thresholds. Accordingly, SAB No. 101 will not have an impact on the Company.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates. The Company's policy is to manage interest rates through the use of a combination of fixed and variable rate debt. The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve these objectives, the Company borrows at a combination of fixed and variable rates.

In 1998, the Company obtained the 1998 Second Amended Credit Facility, which provides for a maximum borrowing amount of up to \$200 million. Borrowings under the 1998 Second Amended Credit Facility bear interest at variable market rates. At December 31, 2000, the Company's outstanding borrowings under the 1998 Second Amended Credit Facility were \$113.5 million. The weighted average interest rate under the facility for the years ended December 31, 2000 and December 31, 1999 was 8.1% and 6.8% respectively. A .25% change in interest rates would have changed interest expense by \$0.4 million for the year ended December 31, 2000. This change is based upon the weighted average borrowings under the 1998 Second Amended Credit Facility for the year ended December 31, 2000, which were \$154.4 million.

At December 31, 2000, the Company also had outstanding bonds payable of \$40.3 million, of which \$40.0 million represents the principal balance of the bonds and the remaining \$0.3 million represents unamortized premium.

The bonds bear interest at a fixed rate. For fixed rate debt, changes in interest rates generally affect the fair value of the debt, but not the earnings or cash flows of the Company. Changes in the fair market value of fixed rate debt generally will not have a significant impact on the Company, unless the Company is required to refinance such debt. At December 31, 2000, the carrying value of the bonds approximated their fair value. On March 1, 2001, the Company redeemed the \$40.0 million tax-exempt Massport Bonds, which had a 10.0% coupon. Proceeds for the redemption were derived from \$37.1 million of tax-exempt and \$5.4 million of taxable bonds, each having a 17-year maturity, bearing interest based on a weekly floating rate and having no principal reductions for the life of the bonds. Due to the nature of these bonds, they can be redeemed at any time without penalty. The new bonds are secured by letters of credit issued by GE Capital Corporation. The letters of credit are collateralized by the Harborside Hyatt Conference Center and Hotel. The excess proceeds of approximately \$5,900 were used to pay down borrowings on the 1998 Second Amended Credit Facility.

In 1999, the Company entered into a \$46.5 million mortgage loan (the "1999 Mortgage Loan"). The loan is subject to a fixed interest rate of 8.1%, matures on July 31, 2009 and requires interest and principal payments based on a 25-year amortization schedule. At December 31, 2000, the 1999 Mortgage Loan had a balance of \$45.7 million. At December 31, 2000, the carrying value of the 1999 Mortgage Loan approximated its fair value.

On July 27, 2000, the Company entered into three ten-year mortgage loans totaling \$74.5 million (the "2000 Mortgage Loans"). The loans are subject to a fixed interest rate of 8.08% and require interest and principal payments based on a 27-year amortization schedule. At December 31, 2000, the 2000 Mortgage Loans had a balance of \$74.3 million. At December 31, 2000, the carrying value of the 2000 Mortgage Loans approximated its fair value.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to the Financial Statements on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. TRUSTEES AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated by reference to the material in the Company's Proxy Statement for the 2001 Annual Meeting of Shareholders (the Proxy Statement) under the captions "Election of Trustees".

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the material in the Proxy Statement under the caption "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the material in the Proxy Statement under the caption "Principal and Management Shareholders."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the material in the Proxy Statement under the caption "Certain Relationships and Related Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. FINANCIAL STATEMENTS

Included herein at pages F-1 through F-44

2. FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule is included herein at pages F-31 through F-33.

Schedule III - Real Estate and Accumulated Depreciation

All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions or are inapplicable or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted.

3. EXHIBITS

The following exhibits are filed as part of this Annual Report on Form 10-K:

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
10(i)	Stock Purchase Agreement dated July 28, 2000 by and among LaSalle Hotel Operating Partnership, L.P. and LaSalle Hotel Co-Investment, Inc., LPI Charities and LaSalle Hotel Properties.
10(ii)	Second Amended and Restated Senior Unsecured Credit Agreement dated November 13, 2000 by and among Societe Generale Bank of Montreal, Deutsche Banc Alex. Brown and LaSalle Hotel Operating Partnership, L.P.
10(iii)	Environmental Indemnification Agreement dated November 13, 2000 by and among Societe Generale, Bank of Montreal, Deutsche Banc. Alex. Brown and LaSalle Hotel Operating Partnership, L.P.
10(iv)	Guaranty and Contribution Agreement dated November 13, 2000 by and among Societe Generale, Bank of Montreal, Deutsche Banc Alex. Brown and LaSalle Hotel Operating Partnership, L.P.
10(v)	Termination and Services Agreement dated December 28, 2000 by and among LaSalle Hotel Properties, and LaSalle Hotel Advisors, Inc. and LaSalle Investment Management, Inc.
10(vi)	Revolving Credit Note dated January 3, 2001 between LaSalle Hotel Lessee, Inc. and Firststar Bank, National Association.
10(vii)	Guaranty dated January 3, 2001 between LaSalle Hotel Lessee, Inc. and Firststar Bank, National Association.

21 List of subsidiaries

23 Consent of KPMG LLP

(b) REPORTS ON FORM 8-K

A report on Form 8-K dated November 14, 2000 was filed on November 15, 2000 reporting other events under Item 5. The report includes the Company's press release dated November 14, 2000, announcing that it had renewed and extended its bank credit facility. The report also includes the Company's press release announcing that its Board of Trustees voted for the Company to become a self-managed REIT, beginning January 1, 2001.

A report on Form 8-K dated October 30, 2000 was filed on November 1, 2000 reporting other events under Item 5. The report includes the Company's press release dated October 30, 2000, which reports earnings for the quarter and nine months ended September 30, 2000.

A report on Form 8-K dated October 26, 2000 was filed on October 26, 2000 reporting a Regulation FD Disclosure Item 9. The report announces the Company's conference call to be held on October 31, 2000 to

discuss the Company's results for the quarter and nine months ended September 30, 2000 and its outlook for the fourth quarter 2000 and the year 2001.

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.

LASALLE HOTEL PROPERTIES

Dated: March 23, 2001

BY: /S/ HANS S. WEGER

Hans S. Weger
Executive Vice President,
Treasurer and Chief
Financial Officer
(Authorized Officer and
Principal Financial and
Accounting Officer)

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and trustees of LaSalle Hotel Properties, hereby severally constitute Jon E. Bortz, Michael D. Barnello and Hans S. Weger, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and trustees to enable LaSalle Hotel Properties to comply with the provisions of the Securities Exchange Act of 1934, as amended and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and dates indicated.

DATE	SIGNATURE	TITLE
----	-----	-----
March 23, 2001	/s/ Jon E. Bortz ----- Jon E. Bortz	Chairman and Chief Executive Officer
March 23, 2001	/s/ Stuart L. Scott ----- Stuart L. Scott	Trustee
March 23, 2001	/s/ Darryl Hartley-Leonard ----- Darryl Hartley-Leonard	Trustee
March 23, 2001	/s/ George F. Little, II	Trustee

LASALLE HOTEL LESSEE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Trustees of
LaSalle Hotel Properties:

We have audited the consolidated financial statements of LaSalle Hotel Properties as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LaSalle Hotel Properties as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all

material respects, the information set forth therein.

KPMG LLP

Chicago, Illinois
 January 22, 2001, except as to Note 19,
 which is as of March 8, 2001.

LASALLE HOTEL PROPERTIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	December 31, 2000 -----	December 31, 1999 -----
ASSETS -----		
Investment in hotel properties, net. . .	\$ 486,184	\$ 501,191
Investment in Affiliated Lessee.	13	36
Investment in Joint Venture.	5,647	--
Cash and cash equivalents.	1,414	1,612
Restricted cash reserves	14,640	12,883
Rent receivable from lessees:		
Affiliated lessee.	2,344	1,675
Other lessees.	6,816	3,744
Notes receivable:		
Affiliated lessee.	3,900	3,900
Other lessees.	3,517	3,617
Other.	506	442
Deferred financing costs, net.	4,415	1,623
Prepaid expenses and other assets. . . .	2,497	1,349
	-----	-----
Total assets	\$ 531,893 =====	\$ 532,072 =====

LASALLE HOTEL PROPERTIES

CONSOLIDATED BALANCE SHEETS - CONTINUED

(Dollars in thousands, except per share data)

	December 31, 2000 -----	December 31, 1999 -----
--	-------------------------------	-------------------------------

LIABILITIES AND SHAREHOLDERS' EQUITY

Borrowings under credit facility	\$ 113,500	\$ 164,900
Bonds payable, net	40,314	41,571
Mortgage loans	119,964	46,306
Due to JLL	966	1,123
Due to Affiliated Lessee	756	30
Accounts payable and accrued expenses. .	5,436	6,147
Distributions payable.	7,131	7,000
	-----	-----
Total liabilities.	288,067	267,077
Minority interest in Operating Partnership.	20,288	22,417
Minority interest in other partnerships.	10	10
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Preferred shares of beneficial interest, \$.01 par value, 20,000,000 shares authorized, no shares issued and outstanding at December 31, 2000 and 1999	--	--
Common shares of beneficial interest, \$.01 par value, 100,000,000 shares authorized, 16,982,416 and 16,863,052 shares issued and outstanding at December 31, 2000 and 1999, respectively	170	169
Additional paid-in capital	256,950	255,329
Distributions in excess of Retained Earnings.	(33,592)	(12,930)
	-----	-----
Total shareholders' equity . .	223,528	242,568
	-----	-----
Total liabilities and shareholders' equity	\$ 531,893	\$ 532,072
	=====	=====

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

LASALLE HOTEL PROPERTIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	2000	1999	
Revenues:			
Participating lease revenue:			
Affiliated Lessee.	\$ 30,963	\$ 28,290	\$ 19,436
Other lessees.	52,809	48,553	27,028
Interest income:			
Affiliated lessee.	228	228	54
Other lessees.	205	205	135
Other.	838	555	378
Equity in income (loss) of			
Affiliated Lessee	85	57	(59)
Equity in income of			
Joint Venture	1,067	--	--
Other income	56	66	21
Total revenues	86,251	77,954	46,993
Expenses:			
Depreciation and other amortization.			
	29,078	25,378	13,666
Real estate, personal property taxes and insurance			
	8,462	8,205	5,047
Ground rent.	3,574	3,351	1,886
General and administrative .	952	1,342	459
Interest	21,052	16,181	8,474
Amortization of deferred financing costs.			
	1,139	992	514
Advisory fee	3,840	3,670	2,134
Other expenses	19	140	13
Total expenses	68,116	59,259	32,193
Income before minority interest and writedown of property held for sale.			
	18,135	18,695	14,800
Writedown of properties held for sale			
	12,296	2,000	--
Income before minority interest.			
	5,839	16,695	14,800
Minority interest in Operating Partnership			
	488	2,706	2,567
Net income applicable to common shareholders			
	\$ 5,351	\$ 13,989	\$ 12,233

LASALLE HOTEL PROPERTIES

CONSOLIDATED STATEMENTS OF OPERATIONS - CONTINUED
(Dollars in thousands, except per share data)

	For the year ended December 31,	For the period from April 29, 1998 (inception) through
--	------------------------------------	---

	2000	1999	December 31, 1998
	-----	-----	-----
Net income applicable to common shareholders per weighted average common share outstanding			
- basic	\$ 0.32	\$ 0.91	\$ 0.80
- diluted	\$ 0.32	\$ 0.91	\$ 0.80
	=====	=====	=====
Weighted average number of common shares outstanding			
- basic	16,920,596	15,432,667	15,209,555
- diluted	16,982,962	15,432,667	15,209,555
	=====	=====	=====

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

LASALLE HOTEL PROPERTIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except per share data)

	Common Shares	Additional Paid-In Capital	Retained Earnings	Distribu- tions in Excess of Retained Earnings	Total
	-----	-----	-----	-----	-----
Initial funding.	\$ --	\$ 1	\$ --	\$ --	\$ 1
Net proceeds from issuance of common shares.	142	234,052	--	--	234,194
Issuance of restricted common shares.	9	16,409	--	--	16,418
Proceeds from issuance of common shares	1	1,999	--	--	2,000
Issuance of rights and options to purchase shares	--	2,997	--	--	2,997
Adjustment required to reflect pre- decessor's basis.	--	(24,082)	--	--	(24,082)
Distributions declared (\$1.01 per common share)	--	--	(12,233)	(3,144)	(15,377)
Net income	--	--	12,233	--	12,233
	----	-----	-----	-----	-----
Balance, December 31, 1998.	152	231,376	--	(3,144)	228,384
Offering costs	--	(106)	--	--	(106)
Issuance of shares	1	216	--	--	217
Options granted to Advisor.	--	12	--	--	12
Unit conversions	16	23,831	--	--	23,847
Distributions declared (\$1.515 per common share)	--	--	(13,989)	(9,786)	(23,775)
Net income	--	--	13,989	--	13,989
	----	-----	-----	-----	-----
Balance, December 31, 1999.	169	255,329	--	(12,930)	242,568
Issuance of Shares	--	482	--	--	482
Options granted to advisor.	--	53	--	--	53
Options exercised.	1	560	--	--	561
Unit conversions	--	526	--	--	526
Distributions declared (\$1.535 per common share)	--	--	(5,351)	(20,662)	(26,013)
Net income	--	--	5,351	--	5,351
	----	-----	-----	-----	-----
Balance, December 31, 2000.	\$170	\$256,950	\$ --	\$ (33,592)	\$223,528
	=====	=====	=====	=====	=====

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

LASALLE HOTEL PROPERTIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands, except per share data)

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	2000	1999	
Cash flows from operating activities:			
Net income	\$ 5,351	\$ 13,989	\$ 12,233
Adjustments to reconcile net income to net cash flow provided by operating activities:			
Depreciation and other amortization	29,078	25,378	13,666
Amortization of deferred financing fees	1,139	992	514
Bond premium amortization . .	(1,257)	(1,257)	(652)
Minority interest in Operating Partnership . . .	488	2,706	2,567
Options granted to Advisor	53	12	--
Writedown of properties held for sale	12,296	2,000	--
Equity in (income) loss of Affiliated Lessee . . .	(85)	(57)	59
Equity in (income) loss of Joint Venture	(1,067)	--	--
Changes in assets and liabilities:			
Rent receivable from lessees	(3,823)	(2,249)	(3,088)
Prepaid expenses and other assets	(1,969)	3,442	(3,952)
Notes receivable	(56)	--	--
Due to JLL	255	392	811
Due to LHL	756	--	--
Accounts payable and accrued expenses	(324)	575	(878)
Net cash flow provided by operating activities	40,835	45,923	21,280
Cash flows from investing activities:			
Improvements and additions to hotel properties	(30,965)	(31,912)	(9,309)
Acquisitions of hotel properties	--	(28,233)	(380,250)
Investment in Joint Venture . .	(4,785)	--	--
Distributions from Joint Venture	1,129	--	--
Advances to Affiliated Lessee	--	--	(2,405)
Distributions from Affiliated Lessee	108	--	--
Funding of notes receivable . .	--	(421)	(4,951)

LASALLE HOTEL PROPERTIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	For the year ended		For the
	December 31,		period from
	2000	1999	(inception) through
			December 31, 1998
Funding of restricted cash reserves	(15,901)	(18,997)	(14,385)
Proceeds from restricted cash reserves	14,144	15,903	4,596
Proceeds from minority interest in other partnerships	--	--	10
Proceeds from sale of investments in hotel properties	4,473	--	--
Capital contribution to affiliated lessee	--	--	(38)
Net cash flow used in investing activities	(31,797)	(63,660)	(406,732)
Cash flows from financing activities:			
Borrowings under credit facility	50,300	86,830	164,700
Repayments under credit facility	(101,700)	(86,630)	--
Proceeds from mortgage loans	74,500	46,500	--
Mortgage loan repayments	(842)	(194)	--
Payment of deferred financing costs	(3,781)	(811)	(2,190)
Proceeds from issuance of common shares	--	--	257,601
Proceeds from exercise of stock options	561	--	--
Offering costs	--	(106)	(21,401)
Distributions	(28,274)	(27,810)	(11,688)
Net cash flow provided by (used in) financing activities	(9,236)	17,779	387,022
Net change in cash and cash equivalents	(198)	42	1,570
Cash and cash equivalents at beginning of period	1,612	1,570	--
Cash and cash equivalents at end of period	\$ 1,414	\$ 1,612	\$ 1,570

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

LASALLE HOTEL PROPERTIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

1. ORGANIZATION AND INITIAL PUBLIC OFFERING

LaSalle Hotel Properties (the "Company") was organized in the state of Maryland on January 15, 1998. The Company is a real estate investment trust ("REIT") as defined in the Internal Revenue Code. The Company was formed to own hotel properties and to continue and expand the hotel investment activities of Jones Lang LaSalle Incorporated (formerly LaSalle Partners Incorporated) and certain of its affiliates (collectively "JLL"). On April 23, 1998, the Company's Registration Statement on Form S-11 was declared effective. The Company had no operations prior to April 29, 1998.

On April 29, 1998, the Company completed an initial public offering (the "IPO") of 14,200,000 common shares of beneficial interest (the "Common Shares"). The offering price of all Common Shares sold was \$18 per common share, resulting in gross proceeds of \$255,600 and net proceeds (less the underwriters' discount and offering expenses) of \$234,138. The Company contributed all of the net proceeds of the IPO to LaSalle Hotel Operating Partnership, L.P., a limited partnership (the "Operating Partnership"), in exchange for an approximate 82.6% general partnership interest in the Operating Partnership. The Operating Partnership used the net proceeds from the Company, the issuance of additional Common Shares of the Company, the issuance of rights to purchase Common Shares and the issuance of limited partnership interests ("Units"), representing an approximate 17.4% interest in the Operating Partnership, to acquire ten upscale and luxury full service hotels (the "Initial Hotels").

As of December 31, 2000, the Company owned interests in 13 hotels with approximately 5,300 guest rooms (the "Hotels") located in eleven states. The Company owns 100% equity interests in 11 of the hotels and a 95.1% interest in a partnership which owns one hotel and a 9.9% equity interest in the Chicago Hotel Venture (as defined in Note 4) which also owns one hotel. All of the Hotels are leased under participating leases ("Participating Leases") which provide for rent based on hotel revenues and are managed by independent hotel operators ("Hotel Operators"). Eight of the Hotels are leased to unaffiliated lessees (affiliates of whom also operate these hotels) and four of the Hotels are leased to LaSalle Hotel Lessee, Inc. ("LHL"). As more fully described in Note 4 below, the Hotel which is owned by the Chicago Hotel Venture is leased to Chicago 540 Lessee in which the Company also has a 9.9% equity interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company, the Operating Partnership and its consolidated subsidiaries and partnerships. All significant intercompany balances and transactions have been eliminated.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain 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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is determined by using available market information and appropriate valuation methodologies. The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, borrowings against the 1998 Second Amended Credit Facility, borrowings under the 1999 Mortgage Loan and borrowings under the 2000 Mortgage Loans (all defined in Note 7). Due to their short maturities, cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at amounts which reasonably approximate fair value. As borrowings under the 1998 Second Amended Credit Facility bear interest at variable market rates, carrying value approximates market value at December 31, 2000 and 1999. At December 31, 2000, the carrying value of the 1999 Mortgage Loan and 2000 Mortgage Loans approximated fair value, as the interest rates associated with the borrowings approximated current market rates.

INVESTMENT IN HOTEL PROPERTIES

Hotel properties are stated at cost and are depreciated using the straight-line method over estimated useful lives ranging from 27.5-30 years for buildings and improvements and 5 years for furniture, fixtures and equipment.

The Company periodically reviews the carrying value of each Hotel to determine if circumstances exist indicating an impairment in the carrying value of the investment in the hotel or that depreciation periods should be modified. If facts or circumstances support the possibility of impairment, the Company will prepare a projection of the undiscounted future cash flows, without interest charges, of the specific hotel and determine if the investment in such hotel is recoverable based on the undiscounted future cash flows. If impairment is indicated, an adjustment will be made to the carrying value of the hotel based on discounted future cash flows. In 1999, the Company recorded a writedown of \$2,000 for the Holiday Inn Plaza.

In 2000, the Company recorded an additional writedown of \$1,266 for the Holiday Inn Plaza Park and \$11,030 for the Radisson Hotel Tampa (see Note 6). The Company does not believe that there are any factors or circumstances indicating impairment of any of its investments in the remaining twelve Hotels.

Hotel properties are considered held for sale when actively marketed and sale is expected to occur within one year.

INVESTMENTS IN JOINT VENTURE

Investment in Joint Venture represents the Company's 9.9% equity interest in Chicago Hotel Venture and Chicago 540 Lessee (as defined in Note 4). The Company accounts for its Investment in Joint Ventures under the equity method of accounting. Accordingly, the Company carries its investment at cost, plus its equity in net earnings, less distributions received since the date of acquisition. In addition, pursuant to the joint venture agreement, the Company earns a priority preferred return based on

the net operating cash flow of Chicago Hotel Venture.

INVESTMENT IN LHL

The Company owned a 9% interest in LHL in which the Company together with JLL and LPI Charities, a charitable corporation organized under the laws of the state of Illinois, made all material decisions concerning the business affairs and operations. Accordingly, the Company did not control LHL and carried its investment at cost, plus its equity in net earnings, less distributions received since the date of inception.

On July 28, 2000, the Operating Partnership reached a definitive agreement with the shareholders of LHL, to purchase all of the issued and outstanding shares of capital stock of LHL for \$500. LHL leases four of the Company's owned hotels, including Marriott Seaview Resort, LaGuardia Airport Marriott, Omaha Marriott and Harborside Hyatt Conference Center and Hotel. Effective January 1, 2001, LHL is a 100% owned subsidiary of the Company as provided for under the taxable-REIT subsidiary provisions. It is currently anticipated that the cost associated with the transaction will be expensed in the first quarter of 2001.

CASH AND CASH EQUIVALENTS

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

DEFERRED FINANCING FEES

Deferred financing fees are recorded at cost and are amortized over the three-year term of the 1998 Second Amended Credit Facility and over the ten-year terms of the 1999 Mortgage Loan and 2000 Mortgage Loans. Accumulated amortization at December 31, 2000, 1999 and 1998 was \$2,304, \$1,316 and \$474, respectively.

DISTRIBUTIONS

The Company pays regular quarterly distributions to its shareholders as directed by the Board of Trustees. The Company's ability to pay distributions is dependent on the receipt of distributions from the Operating Partnership.

REVENUE RECOGNITION

The Company recognizes lease revenue on an accrual basis pursuant to the terms of the respective Participating Leases. Base and participating rent is recognized based on quarterly thresholds, pursuant to the lease agreements (see Note 10).

MINORITY INTEREST

Minority interest in the Operating Partnership represents the limited partners' proportionate share of the equity in the Operating Partnership. At December 31, 2000, the aggregate partnership interest held by the limited partners in the Operating Partnership was approximately 8.4%. Income is allocated to minority interest based on the weighted average percentage ownership throughout the year. On January 1, 2001, JLL and its affiliates redeemed 964,334 Units resulting in 574,813 Units or 3.1% partnership interest held by the limited partners.

Minority interest in the San Diego Subsidiary Partnership (as defined in Note 4) represents the limited partner's proportionate share of the equity in the San Diego Subsidiary Partnership. Income is allocated to minority interest based on the terms of the partnership agreement.

INCOME TAXES

The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code (the "Code"). As a result, the Company generally will not be subject to Federal corporate income tax on that portion of its net income that is currently distributed to shareholders. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Effective January 1, 2001, LHL, a 100% owned subsidiary of the Company is a taxable-REIT subsidiary ("TRS") and as such is required to pay income taxes at the applicable rates.

For federal income tax purposes, the cash distributions paid to shareholders may be characterized as ordinary income, return of capital (generally non-taxable) or capital gains. For 2000, 82.25% of the Company's distributions were fully taxable as ordinary income, while 17.75% represented a return of capital. For 1999, 91.10% of the Company's distributions were fully taxable as ordinary income, while 8.90% represented a return of capital. For 1998, the Company's distributions were fully taxable as ordinary income.

EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on the weighted average number of common shares outstanding plus the effect of in-the-money stock options.

3. NOTES RECEIVABLE

The Company provided working capital to the Affiliated Lessee and the other lessees in the aggregate amount of \$5,834 in exchange for notes receivable ("Working Capital Notes"). In addition, the Company sold certain furniture, fixtures and equipment to two of its unaffiliated lessees in exchange for notes receivable ("FF&E Notes") of \$1,583. Both the Working Capital Notes and the FF&E Notes are payable in monthly installments of interest only. The Working Capital Notes bear interest at either 5.6% or 6% per annum and have terms identical to the terms of the related Participating Lease. The FF&E Notes bear interest at 5.6% and 6.0% per annum and have an initial term of five years unless extended at the Company's option.

4. ACQUISITION/DISPOSITION OF HOTEL PROPERTIES

The Initial Hotels were previously owned by various limited and general partnerships (the "Existing Partnerships"). In conjunction with the IPO and the related formation transactions, the Initial Hotels, except for Radisson Convention Hotel (previously owned by LRP Bloomington Limited Partnership), were purchased by the Company from their Existing Partnerships and were accounted for as purchase transactions. LRP Bloomington Limited Partnership, the Existing Partnership that retained the largest number and percentages of voting rights of the Company after the formation transactions, was designated as the predecessor (the "Predecessor") for accounting purposes. Therefore, the Company recorded a purchase accounting adjustment in order to account for the Radisson Convention Hotel using the historical basis of accounting.

In June 1998, the Company acquired an interest in the San Diego Princess Resort (the "San Diego Property") through a subsidiary

partnership, LHO Mission Bay Hotel, L.P. (the "San Diego Subsidiary Partnership"). The San Diego Subsidiary Partnership is a limited partnership of which the Operating Partnership holds an approximate 95.1% general partnership interest. The 457-room San Diego Property was renamed the San Diego Paradise Point Resort.

The San Diego Property was acquired for an aggregate purchase price of \$73.0 million funded with proceeds from a borrowing under the Company's 1998 Credit Facility (as defined in Note 7) and from the proceeds of the sale of 112,458 Common Shares to the limited partner of the San Diego Subsidiary Partnership who operates the San Diego Property pursuant to the terms of a participating lease.

Also in June 1998, the Company acquired a 100% interest in the 270-room Harborside Hyatt Conference Center & Hotel in Boston (the "Boston Property") through an indirect subsidiary, LHO Harborside Hotel, L.L.C. (the "Harborside Subsidiary LLC"). The Harborside Subsidiary LLC is a limited liability company, of which the Operating Partnership is the sole member.

The Boston Property was acquired for an aggregate purchase price of \$73.5 million, which included \$40.0 million of tax exempt industrial revenue bonds to which the Boston Property is no longer subject to. The remainder of the purchase price was funded with proceeds from a borrowing under the Company's 1998 Credit Facility. Hyatt Hotels Corporation continues to operate the Boston Property under an existing management agreement.

On June 2, 1999, the Company acquired a 100% interest in the 182-room Hotel Viking and the adjacent 12-room inn in Newport, Rhode Island (the "Newport Property") through an indirect subsidiary, LHO Viking Hotel, L.L.C. (the "Viking Subsidiary LLC"). The Viking Subsidiary LLC is a limited liability company, of which the Operating Partnership is the sole member. The Newport Property was acquired from Bellevue Properties Inc. ("Bellevue"), for an aggregate purchase price of \$28 million funded with proceeds from a borrowing under the Company's 1998 Amended Credit Facility.

On January 25, 2000, the Company entered into a joint venture arrangement (the "Chicago Hotel Venture") with an institutional investor to acquire the 1,176-room Chicago Marriott Downtown (the "Chicago Property") in Chicago, Illinois. The Company, through the Operating Partnership, owns a 9.9% equity interest in the Chicago Hotel Venture. The Company will receive an annual preferred return in addition to its pro rata share of annual cash flow. The Company will also have the opportunity to earn an incentive participation in net sale proceeds based upon the achievement of certain overall investment returns, in addition to its pro rata share of net sale or refinancing proceeds. The Chicago Property was leased to Chicago 540 Lessee, Inc., in which the Company also owns a 9.9% equity interest. The institutional investor owns a 90.1% controlling interest in both the Chicago 540 Hotel Venture and Chicago 540 Lessee, Inc. Marriott International continues to operate and manage the Chicago Property.

On August 16, 2000, the Company sold Holiday Inn Plaza Park for \$4,600. The asset had been classified as held for sale since December 31, 1999 at which time depreciated was suspended. Based on initial pricing expectations, the net book value of the asset was reduced by \$2,000 to \$5,508 in 1999. As of June 30, 2000, a purchase and sale agreement had been entered into with an expected net sales proceeds of \$4,242. As a result, the Company recognized an additional writedown of \$1,266 in the second quarter of 2000, which included \$358 of estimated accrued closing costs.

5. INVESTMENT IN HOTEL PROPERTIES

Investment in hotel properties as of December 31, 2000 and 1999 consists of the following:

	December 31, 2000	December 31, 1999
	-----	-----
Land	\$ 46,384	\$ 49,308
Buildings and improvements	427,114	421,134
Furniture, fixtures and equipment.	87,548	77,030
	-----	-----
	561,046	547,472
Accumulated depreciation	(74,862)	(46,281)
	-----	-----
	\$486,184	\$501,191
	=====	=====

The Hotels are located in California (2), Florida (2), Illinois, Louisiana, Massachusetts, Minnesota, Nebraska, New Jersey, New York, Rhode Island and Texas.

6. REAL ESTATE HELD FOR SALE

On August 16, 2000, the Company sold Holiday Inn Plaza Park for \$4,600. The asset had been classified as held for sale since December 31, 1999 at which time depreciated was suspended. Based on initial pricing expectations, the net book value of the asset was reduced by \$2,000 to \$5,508 in 1999. As of June 30, 2000, a purchase and sale agreement had been entered into with an expected net sales proceeds of \$4,242. As a result, the Company recognized an additional writedown of \$1,266 in the second quarter of 2000, which included \$358 of estimated accrued closing costs.

The Company is actively marketing Radisson Hotel Tampa for sale. Accordingly, the asset was classified as held for sale on December 6, 2000 and will no longer be depreciated subsequent to this date. Based on initial pricing expectations, the Company recognized a writedown of \$11,030 reducing the net book value of the asset to \$17,027 in 2000, which included \$200 of estimated accrued closing costs. There can be no assurance that real estate held for sale will be sold.

Results of operations for the Radisson Hotel Tampa and Holiday Inn Plaza Park are as follows:

	For the year ended December 31,		For the period from April 29, 1998
	-----	-----	(inception) through December 31, 1998
	2000	1999	-----
Total Revenues	\$ 3,548	\$ 4,299	\$ 2,558
Total Expenses	2,121	2,185	1,240
Income from Operations	\$ 1,427	\$ 2,114	\$ 1,318

7. LONG-TERM DEBT

CREDIT FACILITY

In April 1998, the Company obtained a three-year commitment for a \$200 million senior unsecured revolving credit facility (the "1998 Credit Facility") to be used for acquisitions, capital improvements, working

capital and general corporate purposes. The Company amended the 1998 Credit Facility on October 30, 1998. Under the Amended and Restated Senior Unsecured Credit Agreement, as amended (the "1998 Amended Credit Facility"), the commitment was increased by an additional \$35 million, bringing the total commitment under the facility to \$235 million. On November 13, 2000, the Company amended the 1998 Amended Credit Facility. Under the Second Amended and Restated Senior Unsecured Credit Agreement, as amended (the "1998 Second Amended Credit Facility"), the commitment was reduced by \$35 million, bringing the total commitment under the facility to \$200 million. The reduction was based on anticipated usage over the life of the facility. Borrowings under the 1998 Second Amended Credit Facility bear interest at floating rates equal to LIBOR plus an applicable margin or an "Adjusted Base Rate" plus an applicable margin, at the election of the Company. For the years ended December 31, 2000 and December 31, 1999, the weighted average interest rate on borrowings under the 1998 Second Amended Credit Facility was 8.1% and 6.8%, respectively. The Company did not have any Adjusted Base Rate borrowings outstanding at December 31, 2000 or 1999.

Additionally, the Company is required to pay an unused commitment fee which is variable, determined from a ratings based pricing matrix, currently set at 25 basis points. The Company incurred an unused commitment fee of approximately \$200 and \$162 for the years ended December 31, 2000 and December 31, 1999, respectively. The 1998 Second Amended Credit Facility matures on December 31, 2003 and contains certain financial covenants relating to debt service coverage, market value net worth and total funded indebtedness. At December 31, 2000 and 1999, the Company had outstanding borrowings against the 1998 Second Credit Facility of \$113,500 and \$164,900, respectively.

BONDS PAYABLE

On June 24, 1998 the Company, through the Harborside Subsidiary LLC, acquired the Boston Property subject to \$40,000 of special project revenue bonds ("Massport Bonds") previously issued under the loan and trust agreement with the Massachusetts Port Authority ("Massport"), as amended ("Massport Bond Agreement"). In conjunction with the Massport Bonds, the Company recorded a premium of \$3,480, of which \$314 remains unamortized at December 31, 2000. The Massport Bonds are collateralized by the leasehold improvements and bear interest at 10.0% per annum through the date of maturity, March 1, 2026. Interest payments are due semiannually on March 1 and September 1. Interest expense, net of the premium amortization, for the years ended December 31, 2000 and December 31, 1999 totaled \$2,743 for both periods. The Massport Bonds shall be redeemed in part commencing March 1, 2001 and annually until March 1, 2026, at which time the remaining principal and any accrued interest thereon is due in full. The Company has the option to prepay the Massport Bonds in full beginning March 1, 2001 subject to a prepayment penalty which varies depending on the date of prepayment. Future principal payments are as follows:

2001.	\$ 400
2002.	400
2003.	400
2004.	500
2005.	500
Thereafter.	37,800

	\$40,000
	=====

Under the terms of the Massport Bond Agreement, certain cash reserves are required to be held in trust for payments of interest, credit enhancement fees and ground rent. As of December 31, 2000 and 1999, these reserves totaled \$7,864 and \$7,311, respectively, and are included in Restricted Cash Reserves.

In addition, the Massport Bond Agreement was supplemented by a credit enhancement agreement (the "Massport Credit Enhancement Agreement"). Pursuant to the Massport Credit Enhancement Agreement, certain funds have been set aside by Massport to provide additional deficit funding if the amounts held in trust by the Company are not sufficient to cover the debt service requirements on the outstanding Massport Bonds. In consideration for the Massport Credit Enhancement Agreement, the Company is required to pay an annual enhancement fee of \$150, payable March 1 and September 1.

On March 1, 2001, the Company redeemed the \$40.0 million tax-exempt Massport Bonds, which had a 10.0% coupon. Proceeds for the redemption were derived from \$37.1 million of tax exempt and \$5.4 million of taxable bonds, each having a 17-year maturity, bearing interest based on a weekly floating rate and having no principal reductions for the life of the bonds. Due to the nature of these bonds, they can be redeemed at any time without penalty. The new bonds are secured by letters of credit issued by GE Capital Corporation. The letters of credit are collateralized by the Harborside Hyatt Conference Center and Hotel. The excess proceeds of approximately \$5,900 were used to pay down borrowings on the 1998 Second Amended Credit facility.

MORTGAGE LOANS

On July 29, 1999, the Company, through the newly formed LHO Financing Partnership I, L.P. (the "Financing Partnership") entered into a \$46,500 mortgage loan (the "1999 Mortgage Loan"). The Financing Partnership is effectively wholly owned by the Company. The 1999 Mortgage Loan is secured by the Radisson Convention Hotel and Le Meridien Dallas. The loan matures on July 31, 2009 and does not allow for prepayment prior to January 31, 2009, without penalty. The loan bears interest at a fixed rate of 8.1% and requires interest and principal payments based on a 25-year amortization schedule. The loan agreement requires the Financing Partnership to hold funds in escrow for the payment of one half year's insurance and real estate taxes. The 1999 Mortgage Loan also requires the Financing Partnership to maintain a certain debt service coverage ratio.

The 1999 Mortgage Loan had principal balances of \$45,690 and \$46,306 at December 31, 2000 and December 31, 1999, respectively. Future scheduled debt principal payments at December 31, 2000 are as follows (in thousands):

2001.	\$ 667
2002.	723
2003.	784
2004.	850
2005.	922
Thereafter.	41,744

	\$45,690
	=====

On July 27, 2000, the Company, through three newly formed partnerships, LHO Hollywood LM, L.P., LHO New Orleans LM, L.P., and LHO Key West HI, L.P. (the "2000 Financing Partnerships"), entered into three ten-year mortgage loans totaling \$74,500 (the "2000 Mortgage Loans"). The 2000 Mortgage Loans are secured by the Le Montrose All-Suite Hotel located in West Hollywood, California, Le Meridien New Orleans and the Key West Beachside Resort. The loans bear interest at a fixed rate of 8.08% and require interest and principal payments based on a 27-year amortization schedule. The loan agreements require the 2000 Financing Partnerships to hold funds in escrow for the payment of one half year's insurance and real estate taxes and one month's ground rent. The 2000 Mortgage loans also require the 2000 Financing Partnerships to maintain certain debt service

coverage ratios.

The 2000 Mortgage Loans had a principal balance of \$74,274 at December 31, 2000. Future scheduled debt principal payments at December 31, 2000 are as follows (in thousands):

2001.	\$ 735
2002.	798
2003.	864
2004.	921
2005.	1,016
Thereafter.	69,940

	\$74,274
	=====

8. SHAREHOLDERS' EQUITY

COMMON SHARES OF BENEFICIAL INTEREST

In connection with the acquisition of the Initial Hotels, the Company issued 912,122 restricted Common Shares to JLL. The Common Shares were valued at \$18.00 per share or \$16,418. The Company also granted 1,280,569 rights mainly to purchase Common Shares at the exercise price of \$18.00 per share in connection with the acquisition of the Initial Hotels. Among the rights which were granted, 457,346 were granted to the Advisor (as defined in Note 11). The Advisor may exercise its rights to purchase Common Shares or Units, at the option of the Company. The Company has recorded these rights in shareholders' equity at their fair value on the date of grant, which was \$2,997. All rights have a one year vesting period and a 10 year term. At December 31, 2000, all of the rights were exercisable.

In connection with the purchase of the San Diego Property (see Note 4), the sole limited partner in the San Diego Subsidiary Partnership (which is an affiliate of the hotel operator) acquired 112,458 Common Shares, from the Company for a purchase price of \$2,000. The purchase and sale of the Common Shares was a condition to the selection of the affiliate of the limited partner as operator of the San Diego Property, and the Common Shares have been pledged to the Operating Partnership to secure the limited partner's obligations under the related Participating Lease.

On February 22, 1999, the Company issued 4,995 Common Shares to the Board of Trustees for their 1998 Compensation. The annual fee paid to the Board of Trustees is paid 50% in cash and 50% in Common Shares. Each trustee may elect to receive Common Shares in lieu of receiving 50% of their annual fee in cash.

On March 4, 1999, pursuant to the advisory agreement, the Company issued 10,988 Common Shares to the Advisor for the incentive portion of the 1998 advisory fee, in lieu of the \$155, which would have otherwise been due to the Advisor.

On May 13, 1999, the Company's registration statement on Form S-3 under the Securities Act of 1933 (the "Securities Act"), as amended, registering \$200,000 of Common Shares, Common Share Warrants, Preferred Shares of Beneficial Interest (the "Preferred Shares") and Depository Shares representing Preferred Shares was declared effective.

In connection with the Chicago Hotel Venture and the acquisition of the Chicago Property (See Note 4), the Company issued 16,667 Units to an affiliate of the previous owner of the Hotel for consideration valued at approximately \$300.

On February 14, 2000, the Company issued 6,125 Common Shares to the non-affiliated members of its Board of Trustees for 1999 compensation. The Common Shares were issued in lieu of cash, at the trustee's election. These Common Shares were issued under the 1998 Share Option and Incentive Plan (the "1998 SIP").

On February 15, 2000, pursuant to the advisory agreement, the Company issued 31,318 Common Shares to the Advisor for the incentive portion of the 1999 advisory fee, in lieu of the \$412, which would have otherwise been due to the Advisor.

As of December 31, 2000, the Company has reserved 1,500,000 Common Shares for future issuance under the 1998 SIP (as defined in Note 12). The Company has also reserved a total of 1,280,569 Common Shares for future issuance pursuant to rights which have been issued and 1,539,147 Common Shares for issuance upon the conversion of the Units, both of which were issued in connection with the IPO, the acquisition of the Initial Hotels and the formation of the Company.

During 2000, the Company granted options to the Advisor under the 1998 SIP. In conjunction with this grant, the Company recorded an expense of \$53 for the year ended December 31, 2000, which is included in Advisory Fee in the accompanying statements of operations. These options vested on January 18, 2000.

OPERATING PARTNERSHIP UNITS

The outstanding Units are redeemable at the option of the holder for a like number of Common Shares of the Company or, at the option of the Company, for the cash equivalent thereof.

On October 24, 2000, 36,754 Units were converted to Common Shares. At December 31, 2000, 1,539,147 Units were outstanding. On January 1, 2001, JLL and its affiliates redeemed 964,334 Units resulting in 574,813 Units outstanding.

9. EARNINGS PER SHARE

The limited partners' outstanding units in the Operating Partnership ("Units") have been excluded from the diluted earnings per share calculation as there would be no effect on the amounts since the minority interests' share of income would also be added back to net income.

The following table sets forth the computation of basic and diluted EPS:

	For the Year Ended December 31, 2000	For the Year Ended December 31, 1999	For the period from April 29, 1998 (inception) through December 31, 1998
	-----	-----	-----
Numerator:			
Net income	\$ 5,351	\$ 13,989	\$ 12,233
	=====	=====	=====
DENOMINATOR:			
Weighted average number of common shares - Basic . . .	16,920,596	15,432,667	15,209,555

Effect of Dilutive Securities Common Stock Options	62,366	--	--
	-----	-----	-----
Weighted average number of common shares - Diluted . .	16,982,962	15,432,667	15,209,555
	-----	-----	-----
BASIC EPS:			
Net income per weighted average common shares	\$ 0.32	\$ 0.91	\$ 0.80
	=====	=====	=====
DILUTED EPS:			
Net income per weighted average common shares	\$ 0.32	\$ 0.91	\$ 0.80
	=====	=====	=====

10. PARTICIPATING LEASES

The Participating Leases have noncancelable terms ranging from six to eleven years (from commencement), subject to earlier termination on the occurrence of certain contingencies, as defined. The rent due under each Participating Lease is the greater of base rent, as defined, or participating rent. Participating rent applicable to room and other hotel revenues varies by lease and is calculated by multiplying fixed percentages by the total amounts of such revenues over specified threshold amounts. Both the base rent and the participating rent thresholds used in computing percentage rents applicable to room and other hotel revenues, including food and beverage revenues, are subject to annual adjustments based on increases in the United States Consumer Price Index ("CPI") published by the Bureau of Labor Statistics of the United States of America Department of Labor, U.S. City Average, Urban Wage Earners and Clerical Workers. Participating Lease revenues for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 were \$83,772, \$76,843 and \$46,464, of which \$30,751, \$25,271 and \$15,256 was in excess of base rent, respectively.

Future minimum rentals (without reflecting future CPI increases) to be received by the Company pursuant to the Participating Leases for each of the years in the period 2000 to 2004 and in total thereafter are as follows:

2001	\$ 54,568
2002	54,568
2003	54,816
2004	54,816
2005	54,816
Thereafter	139,701

11. ADVISORY AGREEMENT

Upon completion of the IPO, the Company entered into an advisory agreement with LaSalle Hotel Advisors, Inc. (the "Advisor"), a wholly owned subsidiary of JLL. From its inception through December 31, 2000, JLL acted as an external advisor providing management, acquisition, advisory and administration services pursuant to an Advisory Agreement and Employee Lease Agreement (collectively the "Advisory Agreement"). The initial term of the Advisory Agreement extended through December 31, 1999, subject to successive, automatic one year renewals unless terminated according to the

terms of the Advisory Agreement. On October 25, 1999, the Company's Board of Trustees approved the renewal of the Advisory Agreement through December 31, 2000.

On November 15, 2000, the Company's Board of Trustees approved the termination of the Advisory Agreement and voted to become a self-managed REIT effective January 1, 2001. The Company will pay the Advisor \$600 for 2001 transition services including waiving the termination notice period, and providing support and advice through the first quarter of 2001. In addition, the Company will purchase assets to operate the Company at book value.

The Advisory Agreement provided for payment of a base fee, payable quarterly, starting at 5% of the first \$100.0 million of net operating income ("NOI") (as defined). The percentage of NOI used to calculate the base fee is reduced by .2% for every incremental \$125.0 million of NOI above \$100.0 million until \$600.0 million, at which point any excess NOI above \$600.0 million is subject to a base fee of 4%.

In addition, the Advisory Agreement provided for payment of an annual incentive fee to be paid by the Company in arrears. The annual incentive fee is equal to 25% of the product of (i) the amount by which the funds from operations ("FFO") per common share/Unit (as defined) for the calendar year then ended (the "Measurement Year") exceeded a growth rate of 7% per annum of the FFO per common share/Unit for the prior calendar year and (ii) the common shares/Units outstanding for the Measurement Year. For partial years, the incentive fee was calculated on a pro rata basis for only that portion of the year that the Advisory Agreement was in effect. Payment of the incentive fee was in common shares or Units at the option of the Advisor.

12. SHARE OPTION AND INCENTIVE PLAN

In April 1998, the Board of Trustees adopted and the then current shareholder, approved the Share Option and Incentive Plan (the "1998 SIP") which is currently administered by the Compensation, Contract and Governance Committee (the "Compensation Committee") of the Board of Trustees. The Advisor and its employees and the Hotel Operators and their employees generally are eligible to participate in the 1998 SIP. Independent Trustees continuing in office after an annual meeting of shareholders of the Company receive automatic annual grants of options to purchase 1,000 Common Shares at a per share exercise price equal to fair market value of a Common Share on the date of the meeting.

The 1998 SIP authorizes, among other things: (i) the grant of share options that qualify as incentive options under the Code; (ii) the grant of share options that do not so qualify; (iii) the grant of share options in lieu of cash Trustees' fees; (iv) grants of Common Shares in lieu of cash compensation; and (v) the making of loans to acquire Common Shares in lieu of compensation. The exercise price of share options is determined by the Compensation Committee, but may not be less than 100% of the fair market value of the Common Shares on the date of grant. Options under the plan vest over a period determined by the Compensation Committee, which is generally a three year period. The duration of each option is also determined by the Compensation Committee, however, the duration of each option shall not exceed 10 years from date of grant.

On May 19, 1999, the common shareholders approved an amendment to the 1998 SIP, increasing the number of Common Shares authorized for issuance under the SIP from 757,000 to 1,500,000. Accordingly, at December 31, 2000 and 1999, 1,500,000 shares were authorized for issuance under the 1998 SIP.

On February 1, 2001, an affiliate of the Advisor exercised 300,000 options. Proceeds from the options were used to reduce outstanding borrowings on the 1998 Second Amended Credit Facility.

Stock option transactions are summarized as follows:

	2000		1999		1998	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of the year	380,200	\$13.84	81,000	\$16.22	--	\$ --
Options granted	333,500	11.81	310,700	13.20	81,000	16.22
Options exercised	(45,167)	12.41	--	--	--	--
Options forfeited	(27,666)	15.19	(11,500)	13.25	--	--
Outstanding at end of year	640,867	\$12.83	380,200	\$13.84	81,000	\$16.22
Exercisable at end of the year	395,740		43,667			
Available for future grant at year end	802,846		1,114,805		676,000	
Weighted average per share fair value of options granted during the year	\$ 1.32		\$ 1.55		\$ 0.94	

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at 12/31/00	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Outstanding at 12/31/00	Weighted Average Exercise Price
\$11.63-\$18.00	640,867	5.6 years	\$12.83	395,740	\$12.99

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2000	1999	1998
Expected Life	7.2	7.2	7.9
Expected Volatility	23.8%	32.0%	13.4%
Risk-free Interest Rate	4.7%	4.8%	4.7%

Dividend Yield 11.8% 10.9% 9.3%

PRO FORMA NET INCOME AND NET INCOME PER COMMON SHARE

The Company has applied Accounting Principles Board Opinion No. 25 and related interpretations in accounting for the 1998 SIP. Accordingly, no compensation costs have been recognized, except \$53 and \$12 for the options granted to the Advisor during 2000 and 1999, respectively, which were accounted for under the method required by Statement of Financial Accounting Standards ("SFAS") No. 123. Had compensation cost for all of the options granted under the Company's 1998 SIP been determined in accordance with the method required by SFAS No. 123, the Company's net income and net income per common share for 2000, 1999 and 1998 would approximate the pro forma amounts below (in thousands, except per share data).

	2000		1999		1998	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income . . .	\$ 5,351	\$ 5,215	\$ 13,989	\$ 13,886	\$ 12,233	\$ 12,229
Net income per common share:						
Basic	\$ 0.32	\$ 0.31	\$ 0.91	\$ 0.90	\$ 0.80	\$ 0.80
Diluted	\$ 0.32	\$ 0.31	\$ 0.91	\$ 0.90	\$ 0.80	\$ 0.80

13. LHL

A significant portion of the Company's participating lease revenue is derived from the Participating Leases with LHL. Certain condensed financial information, related to the LHL's financial statements, is as follows:

	December 31, 2000	December 31, 1999
Balance Sheet Information:		
Cash and cash equivalents	\$ 6,208	\$ 5,494
Due from LaSalle Hotel Properties	756	30
Total assets	12,887	11,176
Notes payable to LaSalle Hotel Properties	3,900	3,900
Total liabilities	12,834	10,777
Stockholders' equity (deficit)	53	399
Total liabilities and stockholders' equity (deficit)	12,887	11,176
	For the year ended December 31, 2000	For the period from April 29, 1998 (inception) through December 31, 1998

Information:

Total revenues	\$107,991	\$100,700	\$ 66,335
Participating lease expense. .	30,963	28,290	19,436
Net income (loss).	862	633	(659)

At December 31, 2000, 1999 and 1998, the Company owed LHL \$756, \$30 and \$614, respectively, for reimbursement of capital improvements, which were paid by LHL.

On July 28, 2000, the Operating Partnership reached a definitive agreement with the shareholders of LaSalle Hotel Lessee, Inc. ("LHL"), to purchase all of the issued and outstanding shares of capital stock of LHL for \$500. LHL leases four of the Company's owned hotels, including Marriott Seaview Resort, LaGuardia Airport Marriott, Omaha Marriott and Harborside Hyatt Conference Center and Hotel. Effective January 1, 2001, LHL is a 100% owned subsidiary of the Company as provided for under the taxable-REIT subsidiary provisions. It is currently anticipated that the cost associated with the transaction will be expensed in the first quarter of 2001.

14. SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

	For the year ended		For the
	December 31,		period from
	2000	1999	April 29, 1998
			(inception) through
			December 31, 1998
	-----	-----	-----
Interest paid,			
net of capitalized interest. .	\$ 22,300	\$ 17,652	\$ 7,325
	=====	=====	=====
Interest capitalized	\$ 699	\$ 174	\$ 57
	=====	=====	=====
Supplemental schedule of non-			
cash investing and financing			
activities:			
Issuance of Units in conjunc-			
tion with the investment			
in Chicago Hotel Venture . .	\$ 300	\$ --	\$ --
	=====	=====	=====
Advances to Affiliated Lessee			
converted to notes			
receivable	\$ --	\$ 2,400	\$ --
	=====	=====	=====
Distributions payable.	\$ 7,131	\$ 7,000	\$ 6,902
	=====	=====	=====
Exchange of Units for			
Common Shares:			
Minority interest.	\$ (526)	\$ (23,847)	\$ --
Common stock	--	16	--
Additional paid in capital . .	526	23,831	--
	-----	-----	-----
	\$ --	\$ --	\$ --
	=====	=====	=====
In conjunction with the hotel			
acquisitions, the Company			
assumed the following assets			
and liabilities:			
Purchase of real estate. . . .	\$ --	\$ 28,052	\$470,859
Adjustment required to reflect			
predecessor's basis.	--	--	33,012
Note receivable.	--	167	--

Other assets purchased	--	14	--
Liabilities, net of other assets	--	--	(3,455)
Bonds payable	--	--	(43,480)
Issuance of shares/units	--	--	(76,686)
	-----	-----	-----
Acquisitions of hotel properties	\$ --	\$ 28,233	\$380,250
	=====	=====	=====

			For the
	For the year ended		period from
	December 31,		April 29, 1998
	-----		(inception) through
	2000	1999	December 31, 1998
	-----	-----	-----

In conjunction with the hotel disposition, the Company disposed of the following assets and liabilities:

Sale of real estate	\$ (4,580)	\$ --	\$ --
Note receivable	(100)	--	--
Other assets disposed	(110)	--	--
Liabilities	317	--	--
	-----	-----	-----
Disposition of hotel properties	\$ (4,473)	\$ --	\$ --
	=====	=====	=====

15. COMMITMENTS AND CONTINGENCIES

Three of the Hotels are subject to ground leases under noncancelable operating leases with terms ranging out to May 2081. Total lease expense for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 was \$3,574, \$3,351 and \$1,886, respectively. Future minimum lease payments are as follows:

2001	\$ 2,364
2002	2,364
2003	2,364
2004	2,364
2005	2,364
Thereafter	131,869

	\$143,689
	=====

The Company is obligated to make funds available to the Hotels for capital expenditures (the "Reserve Funds"), as determined in accordance with the Participating Leases. The Reserve Funds have not been recorded on the books and records of the Company as such amounts will be capitalized as incurred. The amounts obligated under the Reserve Funds range from 4.0% to 5.5% of the individual Hotel's total revenues. The total amount obligated by the Company under the Reserve Funds is approximately \$10,521 at December 31, 2000, of which \$3,387 available in restricted cash reserves for future capital expenditures. Purchase orders and letters of commitment totaling approximately \$3,000 have been issued for renovations at the Hotels.

The nature of the operations of the Hotels expose them to the risk of claims and litigation in the normal course of their business. Although the outcome of these matters cannot be determined, management does not expect

that the ultimate resolution of these matters will have a material adverse effect on the financial position, operations or liquidity of the Hotels.

16. RELATED PARTY TRANSACTIONS

At December 31, 2000, 1999 and 1998, the Company had a payable to JLL of \$966, \$1,123 and \$886, respectively, primarily for the advisory fee. For the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, the total advisory fee was \$3,840, \$3,670 and \$2,134, of which \$125, \$412 and \$155 represented the incentive portion of the advisory fee, respectively.

On November 15, 2000, the Company announced its Board of Trustees voted to become a self-managed company effective January 1, 2001 and terminate its advisory relationship with Advisor. In connection with the termination, the Advisor will receive \$600 for 2001 transition services and the Company will purchase assets used to operate the Company at book value.

The entire management team has become employees of LHO and continues to oversee and manage all activities of the Company under the new self-managed structure.

17. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The pro forma financial information set forth below is presented as if the acquisitions of the Hotel Viking and Chicago Marriott Downtown as discussed in Note 4 had been consummated and leased as of January 1, 1999. The pro forma financial information is not necessarily indicative of what actual results of operations of the Company would have been assuming the acquisitions had been consummated and all the Hotels had been leased as of January 1, 1999, nor does it purport to represent the results of operations for future periods.

	For the Year Ended December 31,	
	2000	1999
Total revenues	\$ 86,172	\$ 78,760
Depreciation	29,078	25,786
Real estate and personal property taxes and insurance	8,462	8,271
General and administrative	952	1,342
Interest expense	21,076	17,261
Amortization of deferred financing costs	1,139	992
Advisory fees	3,836	3,707
Ground rent	3,574	3,351
Other expense	19	140
Income before Minority Interest and writedown of property held for sale	18,036	17,910
Writedown of property held for sale	12,296	2,000
Income before minority interest	5,740	15,910
Minority interest	480	2,583
Net income applicable to common shareholders . .	\$ 5,260	\$ 13,327
Net income applicable to common shareholders per weighted average common share outstanding		

- basic.	\$	0.31	\$	0.86
		=====		=====
- diluted.	\$	0.31	\$	0.86
		=====		=====
Weighted average number of common shares outstanding				
- basic.		16,920,596		15,432,667
		=====		=====
- diluted.		16,982,962		15,432,667
		=====		=====

18. PREDECESSOR INFORMATION

Pursuant to SEC regulations which require the presentation of predecessor financial information for corresponding periods of the preceding year, the following information represents condensed statements of operations and cash flow information of LRP Bloomington Limited Partnership, which is considered to be the predecessor of the Company, for the period from January 1, 1998 through April 28, 1998.

LRP BLOOMINGTON LIMITED PARTNERSHIP (PREDECESSOR)
STATEMENTS OF OPERATIONS
(Dollar Amounts in Thousands)

	For the period from January 1, 1998 through April 28, 1998 -----
REVENUES	
Rooms.	\$ 4,285
Food & beverage.	3,459
Telephone.	124
Other.	537

Total Revenue	8,405

EXPENSES	
Departmental expenses:	
Rooms.	1,096
Food & beverage.	2,379
Telephone.	88
Other operating departments.	307
General & administrative	571
Sales and marketing.	435
Real estate and personal property taxes.	405
Property operations and management	400
Management fees.	336
Energy	292
Insurance.	71
Other fixed expenses	73
Interest expense	833
Depreciation and amortization.	1,196
Advisory fees.	53

Total Expenses.	8,535

Net Loss	\$ (130)
	=====

LRP BLOOMINGTON LIMITED PARTNERSHIP (PREDECESSOR)

STATEMENT OF CASH FLOWS
(Unaudited, Dollar Amounts in Thousands)

	For the period from January 1, 1998 through April 28, 1998

Cash flows from operating activities:	
Net loss	\$ (130)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization.	1,196
Changes in assets and liabilities:	
Guest and trade receivables, net.	(284)
Inventories	8
Prepaid expenses.	(367)
Accounts payable.	(133)
Accrued expenses and other liabilities.	515

Net cash provided by operating activities.	805

Cash flows from investing activities:	
Proceeds from restricted cash reserves	148
Capital expenditures	(611)

Net cash used in investing activities	(463)

Cash flows from financing activities:	
Principal payments on long-term debt	(145)

Net cash used in financing activities	(145)

Increase in cash and cash equivalents.	197
Cash and cash equivalents, beginning of period	1,744

Cash and cash equivalents, end of period	\$ 1,941
	=====
Cash paid for interest	\$ 833
	=====

19. SUBSEQUENT EVENTS

Effective January 1, 2001, the Company became a self-managed REIT. The Company terminated its Advisor relationship with the Advisory in accordance with the Termination and Services Agreement dated December 28, 2000. In connection with the termination, the Advisor will receive \$600

for 2001 transition services. The Company purchased assets used to operate the Company at book value of approximately \$302 and paid \$50 for informational technology services. The entire management team has become employees of LHO and continues to oversee and manage all activities of the Company under the new self-managed structure.

Effective January 1, 2001, the Company purchased all of the issued and outstanding shares of capital stock of LHL for \$500 in accordance with the Stock Purchase Agreement dated July 28, 2000. LHL leases four of the Company's owned hotels, including Marriott Seaview Resort, LaGuardia Airport Marriott, Omaha Marriott and Harborside Hyatt Conference Center and Hotel. Effective January 1, 2001, LHL is a 100% owned subsidiary of the company as provided for under the taxable-REIT subsidiary provisions. It is currently anticipated that the cost associated with the transaction will be expensed in the first quarter of 2001.

On January 1, 2001, JLL and its affiliates redeemed 964,334 Units resulting in 574,813 Units or 3.1% partnership interest held by the limited partners.

On January 15, 2001, the Company paid its regular fourth quarter distribution of \$0.385 per share/unit on its Common Shares and Units.

On February 1, 2001, an affiliate of the Advisor exercised 300,000 options. Proceeds from the options were used to reduce outstanding borrowings on the 1998 Second Amended Credit Facility.

On February 26, 2001, the Company terminated the operating lease on the Viking Hotel with Bellevue Properties, Inc. and entered into lease with LHL on essentially the same terms. Bellevue Properties, Inc. received \$840 in payment relating to termination, tax settlement due under the Purchase and Sale Agreement and other items. Noble House Hotel and Resorts replaced Bellevue Properties, Inc. as manager for the property.

On March 1, 2001, the Company redeemed the \$40.0 million tax-exempt Massport Bonds, which had a 10.0% coupon. Proceeds for the redemption were derived from \$37.1 million of tax exempt and \$5.4 million of taxable bonds, each having a 17-year maturity, bearing interest based on a weekly floating rate and having no principal reductions for the life of the bonds. Due to the nature of these bonds, they can be redeemed at any time without penalty. The new bonds are secured by letters of credit issued by GE Capital Corporation. The letters of credit are collateralized by the Harborside Hyatt Conference Center and Hotel. The excess proceeds of approximately \$5,900 were used to pay down borrowings on the 1998 Second Amended Credit facility.

On March 8, 2001, the Company acquired a 100% interest in four full-service hotels with a total of 502 guest rooms in Washington, D.C. for an aggregate purchase price of approximately \$44.0 million. Each of the four hotels will be fully renovated, improved and repositioned as unique high-end, independent boutique hotels. The Company will undertake the redevelopment program, currently projected at a total of approximately \$30.0 million, in conjunction with the Kimpton Hotel & Restaurant Group, LLC who was also retained to manage and operate the hotel collection. These four hotels have operated as the 99-room Canterbury Hotel, located at 1733 N Street, NW; the 82-room Clarion Hampshire House Hotel at 1310 New Hampshire Avenue, NW; the 137-room Quality Hotel and Suites Downtown at 1315 16th Street, NW; and the 184-room Howard Johnson Plaza Hotel and Suites, 1430 Rhode Island Avenue, NW. Originally constructed as apartment buildings, each hotel features either large rooms or suites. Upon completion of the redevelopment program, LaSalle intends to rename each property and the Kimpton Group will operate each as independent, non-branded boutique hotels.

20. QUARTERLY OPERATING RESULTS (UNAUDITED)

The Company's unaudited consolidated quarterly operating data for the years ended December 31, 2000 and 1999 (in thousands, except per share data). In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of quarterly results have been reflected in the data. It is also management's opinion, however, that quarterly operating data for hotel enterprises are not indicative of results to be achieved in succeeding quarters or years.

Year Ended December 31, 2000

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	\$ 17,146	\$ 22,639	\$ 26,590	\$ 19,875
Total Expenses	15,452	18,933	18,858	27,656
Net Income (Loss)	\$ 1,694	\$ 3,706	\$ 7,732	\$ (7,781)

Net Income (Loss)
Applicable to Common
Shareholders per
Weighted Average Common
Shares Outstanding:

Basic	\$ 0.10	\$ 0.22	\$ 0.46	\$ (0.46)
Diluted	\$ 0.10	\$ 0.22	\$ 0.45	\$ (0.46)

Weighted Average
Number of Common
Shares outstanding:

Basic	16,881,979	16,901,514	16,925,815	16,972,445
Diluted	16,894,833	16,972,049	17,007,337	17,071,733

Year Ended December 31, 1999

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total Revenues	\$ 16,212	\$ 20,644	\$ 23,576	\$ 17,522
Total Expenses	13,704	15,410	17,377	17,474
Net Income	\$ 2,508	\$ 5,234	\$ 6,199	\$ 48

Net Income Applicable to
Common Shareholders per
Weighted Average Common
Shares Outstanding:

Basic	\$ 0.16	\$ 0.34	\$ 0.40	\$ --
Diluted	\$ 0.16	\$ 0.34	\$ 0.40	\$ --

Weighted Average
Number of Common
Shares outstanding:

Basic	15,230,052	15,240,563	15,315,174	15,938,385
Diluted	15,230,052	15,260,923	15,340,057	15,938,385

=====

LASALLE HOTEL PROPERTIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
As of December 31, 2000

	Initial Cost			Costs Capitalized Subsequent to Acquisition			Gross Amounts at Which Carried At Close of Period		
	-----			-----			-----		
	Land	Building and Improvements	FF&E	Land	Building and Improvements	FF&E	Land	Building and Improvements	FF&E
Radisson Convention Hotel	\$ 8,172	\$11,258	\$13,811	\$ --	\$ 1,564	\$ 4,841	\$ 8,172	\$ 12,822	\$18,652
Le Meridien New Orleans	--	60,062	6,554	--	344	2,834	--	60,406	9,388
Le Meridien Dallas	2,452	20,847	2,166	--	157	3,065	2,452	21,004	5,231
Marriott Seaview Resort	7,415	40,337	2,339	182	1,490	7,832	7,597	41,827	10,171
Holiday Inn Beachside Resort	5,505	14,702	1,901	--	447	795	5,505	15,149	2,696
San Diego Paradise Point	--	69,639	3,665	--	15,962	7,041	--	85,601	10,706
LaGuardia Airport Marriott	8,127	32,139	3,976	--	1,012	2,236	8,127	33,151	6,212
Omaha Marriott Hotel	4,268	22,405	3,086	--	403	1,371	4,268	22,808	4,457
Radisson Hotel Tampa	4,383	20,223	2,166	--	1,185	3,805	4,383	21,408	5,971
Holiday Inn Plaza Park	1,663	5,335	396	--	212	392	1,663	5,547	788
Le Montrose All Suite Hotel	5,004	19,752	2,951	--	896	1,386	5,004	20,648	4,337
Harborside Hyatt Conference Center & Hotel	--	66,159	5,246	--	522	2,967	--	66,681	8,213
Hotel Viking	2,504	25,183	365	77	8,059	2,641	2,581	33,242	3,006
Totals	\$ 49,493	\$408,041	\$ 48,622	\$ 259	\$32,253	\$41,206	\$49,752	\$440,294	\$89,828

LASALLE HOTEL PROPERTIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
As of December 31, 2000

	Write-down/Sale of Assets	Accumulated Depreciation	Net Book Value	Date of Original Construction	Date of Acquisition	Life On Which Depreciation In Income Statement is Computed
	-----	-----	-----	-----	-----	-----
Radisson Convention Hotel	\$ --	\$ 12,585	\$ 27,061	1969	12/01/95	5 - 30 years
Le Meridien New Orleans	--	9,778	60,016	1984	04/29/98	5 - 30 years
Le Meridien Dallas	--	4,199	24,488	1980	04/29/98	5 - 30 years
Marriott Seaview Resort	--	7,549	52,046	1912	04/29/98	5 - 30 years
Holiday Inn Beachside Resort	--	2,597	20,753	1960	04/29/98	5 - 30 years
San Diego Paradise Point	--	10,387	85,920	1962	06/01/98	5 - 30 years
LaGuardia Airport Marriott	--	5,578	41,912	1981	05/01/98	5 - 30 years
Omaha Marriott Hotel	--	4,080	27,453	1982	04/29/98	5 - 30 years
Radisson Hotel Tampa	10,830(a)	3,905	17,027	1987	04/29/98	5 - 30 years
Holiday Inn Plaza Park	7,998(b)	--	--	1976	04/29/98	5 - 30 years

Le Montrose						
All Suite Hotel	--	3,637	26,352	1976	04/29/98	5 - 30 years
Harborside Hyatt						
Conference Center						
& Hotel	--	8,584	66,310	1993	06/24/98	5 - 30 years
Hotel Viking	--	1,983	36,846	1850	06/02/99	5 - 30 years
		-----	-----			
Totals		\$18,828	\$74,862			\$486,184
		=====	=====			=====

<FN>

- (a) In 2000, the Company recorded a writedown of \$10,830 (net of \$200 accrued closing costs), on Radisson Hotel Tampa, which was held for sale as of December 6, 2000. See Note 6 in Notes to Consolidated Financial Statements.
- (b) The Company recorded writedowns of \$2,000 and \$931 (net of \$358 accrued closing costs), for 2000 and 1999, respectively, on Holiday Inn Plaza Park, which was held for sale as of December 31, 1999. The Company completed the sale of Holiday Inn Plaza Park during 2000. See Note 6 in Notes to Consolidated Financial Statements.

LASALLE HOTEL PROPERTIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION - CONTINUED
As of December 31, 2000

Reconciliation of real estate and accumulated depreciation:

Reconciliation of Real Estate:

Balance at April 29, 1998	\$ 33,241
Acquisitions of hotel properties	444,863
Improvements and additions to hotel properties	10,359

Balance at December 31, 1998	488,463
Acquisition of hotel	28,052
Improvements and additions to hotel properties	32,957
Writedown of hotel	(2,000)

Balance at December 31, 1999	547,472
Improvements and additions to hotel properties	30,402
Writedown of hotels	(11,761)
Disposal of hotel	(5,067)

Balance at December 31, 2000	\$561,046
	=====

Reconciliation of Accumulated Depreciation:

Balance at April 29, 1998	\$ 7,245
Depreciation	13,666

Balance at December 31, 1998	20,911
Depreciation	25,370

Balance at December 31, 1999	46,281
Depreciation	29,064
Disposal of hotel	(483)

Balance at December 31, 2000	\$ 74,862
	=====

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
LaSalle Hotel Lessee, Inc.

We have audited the accompanying balance sheets of LaSalle Hotel Lessee, Inc. (the Company) as of December 31, 2000 and 1999 and the related statements of operations, stockholders' equity (deficit), and cash flows for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LaSalle Hotel Lessee, Inc. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Chicago, Illinois
March 23, 2001

LASALLE HOTEL LESSEE, INC.

BALANCE SHEETS
(Dollars in Thousands)

December 31, 2000	December 31, 1999
-----	-----

ASSETS

Cash and cash equivalents.	\$ 6,208	\$ 5,494
Accounts receivable - trade, net of allowance for doubtful accounts of \$118 and \$108, respectively.	4,375	3,689
Inventories.	609	789
Prepaid expenses and other assets. . .	939	1,174
Due from LaSalle Hotel Properties. . .	756	30
	-----	-----
Total assets.	\$ 12,887	\$ 11,176
	=====	=====

LIABILITIES AND
STOCKHOLDERS' EQUITY (DEFICIT)

Due to LaSalle Hotel Properties. . . .	\$ 2,344	\$ 1,675
Accounts payable		
Trade.	2,278	1,254
Advance deposits	1,192	1,368
Accrued expenses		
Accrued sales, use and occupancy taxes.	544	542
Other accrued liabilities.	2,576	2,038
Notes Payable to LaSalle Hotel Properties	3,900	3,900
	-----	-----
Total liabilities.	12,834	10,777
	-----	-----
Stockholders' equity (deficit)		
Common stock	--	--
Additional paid-in capital	425	425
Retained deficit	(372)	(26)
	-----	-----
Total stockholders' equity (deficit).	53	399
	-----	-----
Total liabilities and stockholders' equity (deficit).	\$ 12,887	\$ 11,176
	=====	=====

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

LASALLE HOTEL LESSEE, INC.

STATEMENTS OF OPERATIONS
(Dollars in Thousands)

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	2000	1999	
REVENUES			
Room revenue	\$ 61,809	\$ 57,515	\$ 36,643
Telephone revenue.	2,050	1,874	1,124
Food and beverage revenue. . .	34,501	31,855	20,897
Golf revenue	5,777	6,422	5,680
Other revenue.	3,635	2,920	1,949
Interest income.	219	114	42
	-----	-----	-----
Total revenues	107,991	100,700	66,335
	-----	-----	-----
EXPENSES			
Departmental expenses of hotels			
Rooms.	14,215	13,373	8,736
Telephone.	1,147	1,057	607
Food and beverage.	24,950	23,550	15,640
Golf	3,838	3,952	3,231
Other.	1,598	1,670	1,212
Repairs and maintenance. . . .	4,243	4,097	2,577
Utilities.	2,739	2,444	1,618
Sales and marketing.	6,001	5,564	3,384
General and administrative . .	7,388	7,367	4,940
Insurance.	723	730	360
Management and incentive fees.	8,138	7,397	4,975
Participation rent	30,963	28,290	19,436
Interest on notes payable. . .	228	228	54
Other expenses	336	373	224
	-----	-----	-----
Total expenses	106,507	100,092	66,994
	-----	-----	-----
Net income (loss) before taxes.	1,484	608	(659)
Income tax (provision) benefit .	(622)	25	--
	-----	-----	-----
Net income (loss).	\$ 862	\$ 633	\$ (659)
	=====	=====	=====

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

STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(Dollars in Thousands)

	Common Stock	APIC - Common Stock	Retained Deficit	Total
	-----	-----	-----	-----
Initial proceeds from stock issuance	\$ --	\$ 425	\$ --	\$ 425
Net loss	--	--	(659)	(659)
	-----	-----	-----	-----
Balance at December 31, 1998	--	425	(659)	(234)
Net income	--	--	633	633
	-----	-----	-----	-----
Balance at December 31, 1999	--	425	(26)	399
Distributions	--	--	(1,208)	(1,208)
Net income	--	--	862	862
	-----	-----	-----	-----
Balance at December 31, 2000	\$ --	\$ 425	\$ (372)	\$ 53
	=====	=====	=====	=====

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

LASALLE HOTEL LESSEE, INC.

STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	----- 2000	1999 -----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$ 862	\$ 633	\$ (659)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Bad debts	98	86	94
Changes in operating assets and liabilities			
Accounts receivable	(784)	30	(3,656)
Inventories	180	(48)	(663)
Prepaid expenses and other assets	236	(105)	(721)
Accounts payable and accrued expenses	1,330	963	2,642
	-----	-----	-----
Net cash provided by (used in) operating activities	1,922	1,559	(2,963)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	--	--	1,500
Capital contributions	--	193	232
Proceeds from prorations	--	--	2,568
Advances from LaSalle Hotel Properties	--	--	2,405
Distributions	(1,208)	--	--
	-----	-----	-----
Net cash provided by (used in) financing activities	(1,208)	193	6,705
	-----	-----	-----
Increase in cash and cash equivalents	714	1,752	3,742
Cash and cash equivalents at beginning of period	5,494	3,742	--
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 6,208	\$ 5,494	\$ 3,742
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:			
Cash paid for interest	\$ 228	\$ 213	\$ 54
	=====	=====	=====
Advances from the Company converted to notes payable	\$ --	\$ 2,400	\$ --
	=====	=====	=====

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

LASALLE HOTEL LESSEE, INC.

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

1. ORGANIZATION

LaSalle Hotel Lessee, Inc. was formed on March 24, 1998 as an Illinois Corporation, (the "Affiliated Lessee") by Jones Lang LaSalle Incorporated (formerly LaSalle Partners Incorporated) ("JLL") in connection with the initial public offering of LaSalle Hotel Properties (the "Company") to serve as lessee for three of the initial hotels owned by the Company. The Affiliated Lessee was owned as follows: 9.0% by the Company, 45.5% by JLL and 45.5% by LPI Charities, a charitable corporation organized under the laws of the state of Illinois. Accordingly, the stockholders shared in the profits and losses of the Affiliated Lessee in accordance with their respective ownership interests. In addition, any cash deficits would have been funded by the stockholders in proportion to their ownership interests.

The Affiliated Lessee had no operations prior to April 29, 1998. On June 24, 1998, the Affiliated Lessee leased Harborside Hyatt Conference Center and Hotel (the "Boston Property") from the Company pursuant to the Company's acquisition of the Boston Property.

The owners capitalized the Affiliated Lessee with cash contributions totaling \$425, which were received during 1999 and 1998. In connection with the formation of the Affiliated Lessee and the subsequent lease of the Boston Property, the Affiliated Lessee assumed certain assets and liabilities of the four hotels. The net liability totaling \$2,568 was paid to the Affiliated Lessee by the Company. All four hotels (the "hotels") are leased under participating leases ("Participating Leases") which provide for rent based on hotel revenues and are managed by independent hotel operators (the "Operators").

On July 28, 2000, the Affiliated Lessee entered into a Stock Purchase Agreement (the "Sale Agreement") with LaSalle Hotel Operating Partnership, L.P. (the "Operating Partnership"), to sell all of the issued and outstanding shares of capital stock of the Affiliated Lessee for \$500. Effective January 1, 2001, the Affiliated Lessee is a 100% owned subsidiary of the Company as provided for under the taxable-REIT subsidiary provisions.

The following hotels are leased to the Affiliated Lessee by the Company:

PROPERTY NAME -----	LOCATION -----
LaGuardia Airport Marriott	New York, NY
Omaha Marriott Hotel	Omaha, NE
Marriott Seaview Resort	Absecon, NJ (Atlantic City)
Harborside Hyatt Conference Center and Hotel	Boston, MA

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Affiliated Lessee is operated on a calendar year basis. However, the Marriott hotels are operated on a fiscal year basis. The Marriott fiscal year ends on the Friday closest to December 31. The 2000 and 1999 fiscal years for Marriott ended on December 29, 2000 and December 31, 1999, respectively. Both Marriott fiscal years are reflected in the accompanying financial statements.

LASALLE HOTEL LESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (Dollars in thousands)

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is determined by using available market information and appropriate valuation methodologies. The Affiliated Lessee's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, which due to their short maturities, are carried at amounts which reasonably approximate fair value.

INVENTORIES

Inventories consisting primarily of food and beverages and gift store merchandise are stated at the lower of cost or market.

REVENUE RECOGNITION

Revenue is recognized as earned. Ongoing credit evaluations are performed and an allowance for potential credit losses is provided against the portion of accounts receivable which is estimated to be uncollectible. Such losses have been within management's expectations.

MEMBERSHIP FEES

Golf course membership fees are recognized as revenue using the straight-line method over the membership period.

3. PARTICIPATING LEASES

The Participating Leases are operating leases with noncancelable terms of 10 years, subject to earlier termination on the occurrence of certain contingencies, as defined. The rent due under each Participating Lease is the greater of base rent, as defined, or participating rent. Participating rent applicable to room and other hotel revenues varies by lease and is calculated by multiplying fixed percentages by the total amounts of such

revenues over specified quarterly threshold amounts. Both the base rent and the participating rent thresholds used in computing percentage rents applicable to room and other hotel revenues, including food and beverage revenues, are subject to annual adjustments based on increases in the applicable Consumer Price Index ("CPI"). Participating Lease expense for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 was \$30,963, \$28,290 and \$19,436 of which approximately \$11,941, \$9,923 and \$7,125 was in excess of base rent, respectively.

LASALLE HOTEL LESSEE, INC.

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

Future minimum rentals (without reflecting future CPI increases) to be paid by the Affiliated Lessee pursuant to the Participating Leases for the years 2001 to 2005 and in total thereafter are as follows:

2001	\$ 19,825
2002	19,825
2003	19,825
2004	19,825
2005	19,825
Thereafter	46,948

Total	\$146,073
	=====

Other than real estate and personal property taxes, ground rent, casualty insurance and capital improvements which are obligations of the Company, the Percentage Leases require the Affiliated Lessee to pay rent, liability insurance premiums, all costs, expenses, utilities and other charges incurred in the operation of the leased hotels. At December 31, 2000 and 1999, the Affiliated Lessee had an outstanding receivable of \$756 and \$30, respectively, from the Company for the reimbursement of capital improvements, which were paid by the Affiliated Lessee.

The Affiliated Lessee is required to indemnify the Company against all liabilities, costs and expenses incurred by or asserted against the Company in the normal course of operating the hotels.

4. ADVISORY AGREEMENT

On April 29, 1998, the Affiliated Lessee entered into an advisory agreement (the "Advisory Agreement") with LaSalle Hotel Advisors, Inc. (the "Advisor"), a wholly owned subsidiary of JLL, to provide all management, administrative and accounting services for the Affiliated Lessee. The Advisory Agreement will remain in effect until either party gives notice of termination. This agreement was not renewed for 2001. The Advisory Agreement provided for an annual fee, prorated for any partial year the Advisory Agreement is in effect. The advisory fee increased 2% annually and increased by \$2,500 with each additional hotel leased by the Company to the Affiliated Lessee.

The advisory fee for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998 was \$27, \$26 and \$17, respectively.

5. INCOME TAXES

The components of the income tax expense (benefit) were as follows:

	2000	1999
	-----	-----
Federal		
Current	\$ 451	\$ 11
Deferred	--	(33)
State and Local		
Current	171	9
Deferred	--	(12)
	-----	-----
Total income tax expense (benefit)	\$ 622	\$ (25)
	=====	=====

LASALLE HOTEL LESSEE, INC.

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as a result of the following differences:

	For the year ended December 31,		For the period from April 29, 1998 (inception) through December 31, 1998
	----- 2000	----- 1999	-----
Computed "Expected" tax expense (benefit) (2000 and 1999 at 34%, 1998 at 25%)	\$ 505	\$ 207	\$ (165)
State income taxes, net of federal income tax effect	113	51	(35)
Change in valuation allowance	--	(292)	200
Other, net	4	9	--
	-----	-----	-----
Income tax expense (benefit)	\$ 622	\$ (25)	\$ --
	=====	=====	=====

The components of the Affiliated Lessee's deferred tax assets as of December 31 were as follows:

	2000	1999
	-----	-----
Deferred tax assets:		
Operating loss carryforward	\$ --	\$ --
Gift certificate liability	--	--
Allowance for doubtful accounts . .	45	45
	-----	-----
Gross deferred tax assets	45	45
Less: valuation allowance	--	--
	-----	-----
Deferred tax assets	\$ 45	\$ 45

The deferred tax asset and corresponding valuation allowance existing at December 31, 1998 were subsequently adjusted to \$292 to account for the final tax loss carryforwards reflected in the 1998 tax returns. Due to the profitability of the Company in 1999 and the use of available loss carryforwards, the adjusted valuation allowance of \$292 is no longer necessary, and has been credited in the 1999 tax provision. The deferred tax asset of \$45 at December 31, 2000 is considered realizable given estimates of future income.

LASALLE HOTEL LESSEE, INC.

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

6. OPERATOR AGREEMENTS

The hotels have entered into separate management agreements ("Operator Agreements") with the Operators. Pursuant to the terms of the Operator Agreements, the Operators are to manage the hotels for a base management fee ranging from 3.0% to 4.0% of gross revenues plus an incentive fee equal to a percentage of certain measures of profitability, as defined. For the year ended December 31, 2000, base and incentive management fees totaled \$3,493 and \$4,645, respectively. For the year ended December 31, 1999, base and incentive management fees totaled \$3,171 and \$4,226, respectively.

For the period from April 29, 1998 (inception) through December 31, 1998, base and incentive management fees totaled \$2,045 and \$2,930, respectively.

Management fees of approximately \$57 and \$49 were payable on December 31, 2000 and December 31, 1999, respectively. In addition, pursuant to the terms of the Operator Agreements, the Operators provide the hotels with various services and supplies, including marketing, reservations, and insurance.

7. CONTINGENCIES

The nature of the operations of the hotels exposes them to the risk of claims and litigation in the normal course of their business. Although the outcome of these matters cannot be determined, management does not expect that the ultimate resolution of these matters to have a material adverse effect on the financial position, operations or liquidity of the hotels.

8. NOTES PAYABLE

The Company provided working capital to the Affiliated Lessee in the aggregate amount of \$3,900 in exchange for notes payable. The notes bear interest at 5.6% or 6.0% per annum and are payable in monthly installments of interest only. The term of each note is identical to the term of the related participating lease (see Note 11). Interest expense totaled \$228, \$228 and \$54 for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, respectively.

9. CONCENTRATION OF RISK

The profitability of the hotels is dependent upon business and leisure

travelers and in certain circumstances, golf tourism. Consequently demand may fluctuate and be seasonal. Unfavorable economic or weather conditions could adversely affect the results of operations.

10. DISTRIBUTIONS

In accordance with the Sale Agreement, the Affiliated Lessee made a remaining capital distribution of \$73 and an estimated retained earnings distribution of \$783 to the owners on December 28, 2000. A distribution adjustment based on actual retained earnings will be made by March 30, 2001.

LASALLE HOTEL LESSEE, INC.

NOTES TO FINANCIAL STATEMENTS
(Dollars in thousands)

11. SUBSEQUENT EVENTS

Effective January 1, 2001, the Company waived all security deposits with the Affiliated Lessee for its Participating Leases for as long as the Affiliated Lessee remains a 100% owned subsidiary of the Company. As a result, on January 5, 2001, \$370 of security deposits was returned to the Affiliated Lessee.

On January 3, 2001, the Affiliated Lessee obtained a three-year commitment for a \$5,000 senior unsecured revolving credit facility (the "2001 Credit Facility") to be used for working capital and general corporate purposes. Borrowings under the 2001 Credit Facility bear interest at floating rates equal to LIBOR plus an applicable margin or an "Adjusted Base Rate" plus an applicable margin, at the election of the Affiliated Lessee. The Affiliated Lessee is required to pay an unused commitment fee which is variable, determined from a ratings based pricing matrix, currently set at 25 basis points.

On January 17, 2001, the \$3,900 note payable due to the Company was paid from cash and cash equivalents and borrowings under the 2001 Credit Facility.

On February 26, 2001, the Company entered into a lease with the Affiliated Lessee for The Hotel Viking, a 237-room historic luxury hotel located in Newport, Rhode Island. Noble House Hotel and Resorts was hired as manager for the property.

On March 8, 2001, the Company acquired a 100% interest in four full-service hotels with a total of 502 guestrooms in Washington, D.C. for an aggregate purchase price of approximately \$44.0 million. The Company leases these hotels to the Affiliated Lessee. Each of the four hotels will be fully renovated, improved and repositioned as unique high-end, independent boutique hotels. The Company will undertake the redevelopment program, currently projected at a total of approximately \$30.0 million, in conjunction with the Kimpton Hotel & Restaurant Group, LLC who was also retained to manage and operate the hotel collection. These four hotels have operated as the 99-room Canterbury Hotel, located at 1733 N Street, NW; the 82-room Clarion Hampshire House Hotel at 1310 New Hampshire Avenue, NW; the 137-room Quality Hotel and Suites Downtown at 1315 16th Street, NW; and the 184-room Howard Johnson Plaza Hotel and Suites, 1430 Rhode Island Avenue, NW. Originally constructed as apartment buildings, each hotel features either large rooms or suites. Upon completion of the redevelopment program, LaSalle intends to rename each property and the Kimpton Group will operate each as independent, non-branded boutique

hotels.

LIST OF SUBSIDIARIES

LaSalle Hotel Properties

LaSalle Hotel Operating Partnership L.P.

LaSalle Hotel Lessee, Inc.

LHO Financing Partnership I, LP

LHO Financing, Inc.

LHO Carlyle 540, L.L.C.

Chicago 540 Hotel, L.L.C.

Chicago 540 Lessee, Inc.

LHO Harborside Hotel, L.L.C.

LHO Mission Bay Hotel, L.P.

LHO Viking Hotel, L.L.C.

LHO Hollywood LM, L.P.

LHO Hollywood Financing, Inc.

LHO Key West HI, L.P.

LHO Key West Financing, Inc.

LHO New Orleans LM, L.P.

LHO New Orleans Financing, Inc.

To the Board of Trustees of
LaSalle Hotel Properties:

We consent to incorporation by reference in the registration statements on Form S-8 (No. 333-72265) and on Form S-3 (Nos. 333-76373 and 333-77371) of LaSalle Hotel Properties of our report dated January 22, 2001, except as to Note 19, which is as of March 8, 2001, relating to the consolidated balance sheets of LaSalle Hotel Properties as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, and the related financial statement schedule and our report dated March 23, 2001, relating to the balance sheets of LaSalle Hotel Lessee, Inc., as of December 31, 2000 and 1999, and the related statements of operations, stockholders' equity (deficit), and cash flows for the years ended December 31, 2000 and 1999 and for the period from April 29, 1998 (inception) through December 31, 1998, which reports appear in the December 31, 2000 annual report on Form 10-K of LaSalle Hotel Properties.

KPMG LLP

Chicago, Illinois
March 26, 2001

STOCK PURCHASE AGREEMENT

AMONG

LASALLE HOTEL OPERATING PARTNERSHIP, L.P.
AS BUYER

AND

LASALLE HOTEL CO-INVESTMENT, INC.
LPI CHARITIES

AND

LASALLE HOTEL PROPERTIES
AS SELLERS

DATED AS OF JULY 28, 2000

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Purchase Agreement") is entered into as of July 28, 2000 by and among LaSalle Hotel Operating Partnership, L.P., a Delaware limited partnership ("Buyer"), and LaSalle Hotel Co-Investment, Inc., a Maryland corporation ("Hotel Co-Investment"), LPI Charities, an Illinois charitable corporation ("LPI") and LaSalle Hotel Properties, a Maryland real estate investment trust ("LHO" and collectively with Hotel Co-Investment and LPI, the "Sellers").

WHEREAS, the Sellers desire to sell, and the Buyer desires to purchase, all of the issued and outstanding shares (the "Shares") of capital stock of LaSalle Hotel Lessee, Inc., an Illinois corporation (the "Company"), for the consideration and on the terms set forth in this Purchase Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereto intending to be legally bound agree as follows:

1. SALE AND PURCHASE OF SHARES

1.1. Sale and Purchase of Shares

(a) SHARES. Subject to the terms and conditions of this Purchase Agreement, at the Closing (as defined herein), the Sellers will sell and transfer the Shares to the Buyer, and the Buyer will purchase the Shares from the Sellers.

(b) PURCHASE AMOUNT. The purchase price to be paid by the Buyer to the Sellers (the "Purchase Price") for the Shares shall equal \$500,000 allocated among the Sellers as specified in Schedule I hereto.

1.2. CLOSING

The purchase and sale (the "Closing") provided for in this Purchase Agreement will take place at the offices of the Buyer's counsel, Brown & Wood LLP, One World Trade Center, New York, New York 10048, at 10:00 a.m., New York City time, on January 1, 2001, or at such other time and place as the parties may agree. At the Closing, each of the Sellers shall deliver to the Buyer certificates representing the Shares, duly endorsed (or accompanied by duly executed stock powers) for transfer to the Buyer. As payment in full for the Shares being purchased by it at the Closing, and against delivery of the stock certificates, on the Closing Date the Buyer shall deliver to the Sellers either (x) promissory notes, payable on demand, to each Seller, or (y) wire transfers of immediately available funds to bank accounts designated by the Sellers the Purchase Price.

2. REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each of the Sellers, individually, with respect to themselves, represents and warrants to the Buyer on the date hereof and on the Closing Date as follows:

2.1. OWNERSHIP OF SHARES

Sellers are and will be on the Closing Date the record and beneficial owners and holders of the Shares, free and clear of all encumbrances. Hotel Co-Investment owns 45.5 Shares, LPI owns 45.5 Shares and LHO owns 9 Shares. No Seller is a party to any agreement affecting or relating to the voting, issuance, purchase, redemption, repurchase, transfer or registration for sale under the Securities Act of 1933, as amended (the "Securities Act"), of any securities of the Company, except as contemplated hereunder.

2.2. AUTHORIZATION; BINDING OBLIGATION

(a) This Purchase Agreement constitutes the legal, valid and binding obligation of the Sellers and, when executed and delivered by the Sellers, will be enforceable in accordance with its terms (except as enforceability may be limited or affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws and equitable principles now or hereafter in effect and affecting the rights and remedies of creditors generally); and

(b) each document to be executed by the Sellers pursuant hereto, when executed and delivered in accordance with the provisions hereof, shall be a valid and binding obligation of the Sellers, enforceable in accordance with its terms.

2.3. NO CONFLICT; ABSENCE OF VIOLATION

The execution, delivery and performance by the Sellers of this Purchase Agreement and all other documents contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof and thereof, and the consummation by the Sellers of the transactions contemplated hereby and thereby, have been duly authorized and do not and will not (a) conflict with, or violate any provision of, any foreign, Federal, state and local statutes, laws, ordinances, regulations, rules, resolutions, orders, determinations, writs, injunctions, awards (including, without limitation, awards of any arbitrator), judgments and decrees applicable to the specified persons or entities and to the businesses and assets thereof, or any provision of the organizational or governing documents of any of the Sellers; or (b) conflict with, or result in any breach of, or constitute a default under any agreement that is material to any Seller to which any Seller is a party or by which any Seller may be bound.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represent and warrant to the Buyer on the date hereof and on the Closing Date as follows:

3.1. ORGANIZATION AND GOOD STANDING

The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and has all requisite corporate power and corporate authority to own, operate and lease its assets, to carry on its business as currently conducted and to carry out the transactions contemplated hereby. The Company is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification. The Company has no subsidiaries and no equity investment or other interest in, nor has the Company made advances or loans to, any corporation, association, partnership, joint venture or other entity, except for loans made to operators of hotels as described to the Buyer.

3.2. CERTIFICATE OF INCORPORATION AND BYLAWS

The Company has delivered to Buyer a true and complete copy of its Certificate of Incorporation, as currently in effect (the "Certificate of Incorporation"), certified as of a recent date by the Secretary of State of Illinois, and a true and complete copy of the bylaws of the Company, as currently in effect (the "Bylaws").

3.3. CAPITAL STRUCTURE OF THE COMPANY

The authorized capital stock of the Company consists of 1,000 shares of Common Stock, par value \$0.01 per share, of which 100 are issued and outstanding. All outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable. No shares of capital stock of the Company have been reserved for any purpose. There are no outstanding securities convertible into or exchangeable for the capital stock of the Company, or warrants to purchase or to subscribe for any shares of such stock or other securities of the Company. There are no outstanding agreements affecting or relating to the voting, issuance, purchase, redemption, repurchase, transfer or registration for sale under the Securities Act, of any securities of the Company, except as contemplated hereunder.

3.4. NO CONFLICT; ABSENCE OF VIOLATION

(a) The execution, delivery and performance by the Company of this Purchase Agreement and all other documents contemplated hereby, the fulfillment of and compliance with the respective terms and provisions hereof and thereof, and the consummation by the Sellers of the transactions contemplated hereby and thereby, have been duly authorized and do not and will not (a) conflict with, or violate any provision of, any foreign, Federal, state and local statutes, laws, ordinances, regulations, rules, resolutions, orders, determinations, writs, injunctions, awards (including, without limitation, awards of any arbitrator), judgments and decrees applicable to the specified persons or entities and to the businesses and assets thereof, or any provision of the Certificate of Incorporation or Bylaws of the Company; (b) conflict with, or result in any breach of, or constitute a default under any agreement that is material to the business of the Company ("Material Agreement") to which the Company is a party or by which the Company or any of its material assets may be bound; or (c) result in or require the creation or imposition of or result in the acceleration of any indebtedness, or of any encumbrance of any nature upon, or with respect to any asset of the Company.

(b) The Company is not in violation of or default under, nor has the Company breached, any term or provision of its Certificate of Incorporation or Bylaws or any Material Agreement or restriction to which the Company is a party or by which the Company is bound.

(c) The Company has not received notice of any violation (or of any investigation, inspection, audit, or other proceeding by any governmental authority involving allegations of any violation) of any Law, nor are they in material default with respect to any Law, and to the Company's knowledge, no investigation, inspection, audit, or other proceeding by any governmental authority involving allegations of violation of any Law is threatened or contemplated.

3.5. NO UNDISCLOSED LIABILITIES

The Company has no liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent, or otherwise) except for liabilities or obligations reflected or reserved against in the balance sheet and current liabilities incurred in the ordinary course of business since the respective dates thereof.

3.6. TAXES

The Company has filed or caused to be filed (on a timely basis since January 1, 1998) all tax returns that are or were required to be filed by or with respect to it, either separately or as a member of a group, pursuant to applicable legal requirements. The Company has made available to the Buyer, all such tax returns filed by the Company. The Company has

paid, or made provision for the payment of all taxes that have or may have become due pursuant to these tax returns or otherwise, or pursuant to any assessment received by the Company.

3.7. TITLE TO PROPERTY AND ASSETS; LIENS

The Company has good and insurable title to its properties and assets and has good title to all its leasehold interests, in each case subject to no mortgage, pledge, lien, lease or charge, other than (i) the lien of current taxes not yet due and payable and (ii) such minor liens and encumbrances which arise in the ordinary course of business, and which do not in any case materially detract from the value or use of the property subject thereto or materially impair the operations of the Company.

3.8. AGREEMENTS; ACTION

(a) Except as disclosed to the Buyer, there are no agreements, understandings, instruments, contracts, proposed transactions, judgments, orders, writs or decrees to which the Company is a party or by which it is bound which may involve (i) material obligations (contingent or otherwise) of or material payments to the Company, or (ii) which would otherwise materially adversely affect the operations of the Company.

(b) Except as disclosed to the Buyer, the Company has not (other than in the ordinary course of business) (i) incurred any material indebtedness for money borrowed to any party other than LHO, (ii) made any material loans or advances to any person, or (iii) sold, exchanged, or otherwise disposed of any of its assets or rights.

3.9. DEBT INSTRUMENTS

Except as disclosed to the Buyer, the Company is not a party, nor has the Company assumed any mortgages, indentures, notes, guarantees or other agreements for or relating to borrowed money (including, without limitation, conditional sales agreements and capital leases) involving payments by the Company other than loans from LHO.

3.10. BOOKS AND RECORDS

The books of account, stock records, minute books and other records of the Company, all of which have been made available to the Buyer, are true and accurate.

3.11. LITIGATION; DISPUTES

There are no actions, suits, proceedings or investigations pending or, to the Company's knowledge, threatened against the Company or its properties before any court or governmental agency that, if determined adversely to the Company, would result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality.

3.12. ABSENCE OF EMPLOYEES

The Company has no employees.

3.13. COMPLIANCE WITH LAW; APPROVALS

The Company has not received notice of any violation (or of any investigation, inspection, audit, or other proceeding by any governmental authority involving allegations of any violation) of any law, nor are they

in material default with respect to any law, and to the Company's knowledge, no investigation, inspection, audit, or other proceeding by any governmental authority involving allegations of violation of any law is threatened or contemplated.

4. REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants, to the Sellers as follows:

4.1. ORGANIZATION AND STANDING; BINDING OBLIGATION

The Buyer is a limited partnership, duly organized, validly existing and in good standing under the laws of the state of Delaware and has the full and unrestricted power and authority to enter into this Purchase Agreement and all other documents contemplated hereby and to carry out the transactions contemplated hereby. This Purchase Agreement constitutes a valid and binding obligation of the Buyer and, when executed and delivered by the Buyer, will be enforceable in accordance with its terms, will be in full force and effect and will constitute a legal, valid and binding obligation of, and is legally enforceable against, the Buyer (except as enforceability may be limited or affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws and equitable principles now or hereafter in effect and affecting the rights and remedies of creditors generally); and each document to be executed by the Buyer pursuant hereto, when executed and delivered in accordance with the provisions thereof, shall be a valid and binding obligation of the Buyer, enforceable in accordance with its terms.

4.2. AUTHORIZATION

The execution, delivery and performance by the Buyer of this Purchase Agreement and all other documents contemplated hereby, the fulfillment of and the compliance with the respective terms and provisions hereof and thereof, and the consummation by the Buyer of the transactions contemplated hereby and thereby have been duly authorized, and will not (a) conflict with, or violate any term or provision of the Buyer's partnership agreement or other governing documents or (b) conflict with, or result in any breach of, or constitute a default under, any agreement to which either Buyer is a party or by which the Buyer or its assets are bound. No other action is necessary for the Buyer to enter into this Purchase Agreement and all other documents contemplated hereby and to consummate the transactions contemplated hereby and thereby.

4.3. NO REGISTRATION UNDER THE SECURITIES ACT

(a) The Buyer understands that the Shares to be purchased by it at Closing pursuant to the terms of this Purchase Agreement have not and will not be registered under the Securities Act or any state securities laws, have been issued in reliance upon exemptions contained in the Securities Act or interpretations thereof and in the applicable state securities laws, and cannot be offered for sale, sold or otherwise transferred unless the Shares being acquired hereunder are registered or qualified for exemption from registration under the Securities Act.

(b) The Buyer understands that the certificates or other instruments representing the Shares, except as set forth below, shall bear a restrictive legend in substantially the following form (and the Company may reasonably place a stop-transfer order against transfer of such stock certificates):

(i) Securities Act legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE OR ANY CERTIFICATE

ISSUED IN EXCHANGE OR TRANSFER THEREFOR HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED FOR SALE, SOLD, ASSIGNED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF (I) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SHARES UNDER THE SECURITIES ACT, OR APPLICABLE STATE SECURITIES LAWS, OR (II) AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS OR (III) UNLESS SOLD PURSUANT TO RULE 144 UNDER THE SECURITIES ACT.

(ii) Any legend imposed or required by the bylaws of the Company or applicable state securities laws.

4.4. ACQUISITION FOR INVESTMENT

The Shares are being acquired under this Purchase Agreement by the Buyer solely for its own account, for investment not as a nominee or agent and not with a view toward distribution, within the meaning of the Securities Act. By executing this Purchase Agreement, the Buyer further represents that the Buyer does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or any third person, with respect to the Shares.

4.5. EVALUATION OF MERITS AND RISKS OF INVESTMENT

The Buyer has knowledge and experience in financial and business matters such that it is capable of evaluating the merits and risks of its investment in the Shares. The Buyer is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act. The Buyer understands and is able to bear any economic risks associated with such investment (including, without limitation, the necessity of holding the Shares for an indefinite period of time).

4.6. ADDITIONAL INFORMATION

The Buyer has received from the Company all of the information which the Buyer and its representatives have requested from the Company and consider necessary or appropriate for deciding whether to purchase the Shares. The Buyer acknowledges that it has been afforded the opportunity to ask questions and receive answers concerning the Company and to obtain additional information that it has requested to verify the accuracy of the information contained herein. Notwithstanding the foregoing, nothing contained herein shall operate to modify or limit in any respect the representations and warranties of the Sellers or to relieve them from any obligations to the Buyer for breach thereof or the making of misleading statements or the omission of material facts in connection with the transactions contemplated herein.

5. CONDITIONS PRECEDENT TO BUYER'S OBLIGATION TO CLOSE

Buyer's obligation to purchase the Shares and to take the other actions required to be taken by Buyer at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions:

5.1. REPRESENTATIONS AND WARRANTIES TO BE TRUE AND CORRECT

The representations and warranties of the Sellers and the Company contained in this Purchase Agreement shall be true, complete and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and an officer of each of the Sellers and the Company shall have

certified to such effect to the Buyer in writing on behalf of each of the Sellers.

5.2. PERFORMANCE

Each Seller shall have performed and complied in all material respects with all agreements contained herein required to be performed or complied with by it prior to or at the Closing Date, and an officer of each Seller shall have certified to the Buyer in writing to such effect on behalf of each Seller.

5.3. NO ADVERSE CHANGE IN LAW

There shall have been no change in law or regulation which would prevent the general partner of the Buyer from being taxed as a Real Estate Investment Trust under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended after consummation of the transactions contemplated by this Purchase Agreement.

5.4. ALL PROCEEDINGS TO BE SATISFACTORY

All corporate and other proceedings to be taken by the Company in connection with the transactions contemplated hereby and all documents incident thereto shall be reasonably satisfactory in form and substance to the Buyer and its counsel and the Buyer and its counsel shall have received all such counterpart originals or certified or other copies of such documents as they reasonably may request.

5.5. SUPPORTING DOCUMENTS

The Company shall deliver a certificate dated as of the Closing Date and certifying that attached thereto is a true and complete copy of the Certificate of Incorporation and Bylaws of the Company as in effect on the date of such certification.

5.6. CONSENTS

The Company shall have received all consents, authorizations and approvals of governmental and private parties which are required to be obtained in order to consummate the transactions contemplated hereby, and such consents, authorizations and approvals shall be in full force and effect on the Closing Date. All such documents shall be reasonably satisfactory in form and substance to the Buyer and its counsel.

6. CONDITIONS PRECEDENT TO SELLERS' OBLIGATION TO CLOSE

Sellers' obligation to sell the Shares and to take the other actions required to be taken by Sellers at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions:

6.1. CAPITAL ACCOUNT DISTRIBUTION

Prior to the Closing the Company shall make a Capital Account Distribution as specified in Schedule II hereto.

6.2. RETAINED EARNINGS DISTRIBUTION

Prior to or contemporaneously with the Closing the Company shall distribute all retained earnings determined in accordance with generally accepted accounting principles ("Retained Earnings") from March 24, 1998 (inception) through December 31, 2000 (the "Retained Earnings Distribution"). Any items of income or expense not received or incurred in

the ordinary course of the Company's business and are inconsistent with the Company's past operations shall be excluded when calculating Retained Earnings. The Company shall pay each of the Sellers their pro rata portion of the Retained Earnings Distribution prior to or contemporaneously with the Closing based upon the Company's good faith estimate of its Retained Earnings as of December 31, 2000 (the "Retained Earnings Estimate"). Hotel Co-Investment shall receive 45.5% of the Retained Earnings Estimate, LPI shall receive 45.5% of the Retained Earnings Estimate and LHO shall receive 9.0% of the Retained Earnings Estimate.

6.3. REPRESENTATIONS AND WARRANTIES TO BE TRUE AND CORRECT

The representations and warranties of the Buyer contained in this Purchase Agreement shall be true, complete and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and the general partner of the Buyer shall have certified to such effect to the Sellers in writing on behalf of the Buyer.

6.4. CONSENTS

The Buyer shall have received all consents, authorizations and approvals of governmental and private parties which are required to be obtained in order to consummate the transactions contemplated hereby, and such consents, authorizations and approvals be in full force and effect on the Closing Date. All such documents shall be reasonably satisfactory in form and substance to the Company and its counsel.

7. SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION REMEDIES

7.1. SURVIVAL OF REPRESENTATIONS

All representations, warranties, covenants, and other agreements made by any party to this Purchase Agreement herein or pursuant hereto shall also be deemed made on and as of the Closing Date as though such representations, warranties, covenants, indemnities and other agreements were made on and as of such date, and all the representations, warranties, covenants, indemnities and other agreements shall remain in full force and effect until the close of business on January 1, 2002. No party to this Purchase Agreement will have any liability with respect to any representation, warranty, covenant, indemnification or other agreement to be performed and complied with by it, unless on or before the close of business on January 1, 2002 such party is notified of a claim specifying the factual basis of that claim in reasonable detail to the extent then known by the party giving such notice.

7.2. GENERAL INDEMNITY

The Sellers severally will indemnify and hold harmless the Buyer and its successors and assigns and their respective directors, officers, employees and agents against and in respect of any and all costs, expenses, debts, liabilities and obligations incurred by any of them, including reasonable attorney fees and expenses, for breach of any representation, warranty or promise made to the Buyer by the Sellers; provided however, each Seller shall only indemnify the Buyer with respect to breaches of any representation, warranty or promise made with respect to it. The Buyer hereby indemnifies and holds harmless the Sellers and their successors and assigns and their respective directors, officers, employees and agents against and in respect of any and all costs, expenses, debts, liabilities and obligations incurred by any of them, including reasonable attorney fees and expenses, for breach of any representation, warranty or promise made to the Sellers by the Buyer.

8. COVENANTS

8.1. BEST EFFORTS

Each party shall use its best efforts timely to satisfy each of the conditions to be satisfied by it as provided in Sections 5 and 6 of this Purchase Agreement.

8.2. ADDITIONAL PAYMENT/ REBATE AMOUNT

(a) After completion of the Company's audit for the year ended December 31, 2000, but in no event later than March 30, 2001, the Buyer shall pay each of the Sellers an additional amount (the "Additional Payment") if the Company's audited Retained Earnings (the "Audited Retained Earnings") exceed the Retained Earnings Estimate. The Additional Payment shall equal the Audited Retained Earnings less the Retained Earnings Estimate. Hotel Co-Investment shall receive 45.5% of the Additional Payment, LPI shall receive 45.5% of the Additional Payment and LHO shall receive 9.0% of the Additional Payment.

(b) If the Retained Earnings Estimate exceeds the Audited Retained Earnings, the Sellers shall make a payment to the Buyer (the "Rebate Amount"). The Rebate Amount shall equal the Retained Earnings Estimate less the Audited Retained Earnings. Hotel Co-Investment shall pay 45.5% of the Rebate Amount, LPI shall pay 45.5% of the Rebate Amount and LHO shall pay 9% of the Rebate Amount.

8.3. CONFIDENTIALITY

Confidential or proprietary information disclosed by the parties hereto shall be considered confidential information (the "Confidential Information"). Confidential Information shall not include any information which (i) is publicly available at the time of disclosure to the receiving party or thereafter becomes publicly available not as a result of a breach of any duty of confidentiality to any party hereunder, (ii) was known to the party charged with a confidentiality obligation hereunder before disclosure from another party hereto on a confidential basis, (iii) was obtained from a source acting in good faith which the receiving party reasonably believed owed no duty of confidentiality to any party hereunder, or (iv) that is required to be disclosed pursuant to applicable law, a court order, a judicial proceeding, or the enforcement hereof, provided that the disclosing party is provided with reasonable prior written notice so that the disclosing party may contest such disclosure. The Confidential Information shall not be disclosed by any party to this Purchase Agreement to any third party.

9. MISCELLANEOUS

9.1. ADDITIONAL ACTIONS AND DOCUMENTS

After Closing, each of the parties hereto hereby agrees to take or cause to be taken such further actions, to execute, deliver and file or cause to be executed, delivered and filed such further documents, and will obtain such consents, as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Purchase Agreement.

9.2. NO BROKERS

Each of the parties hereto represents and warrants to the other party that such party has not engaged any broker, finder or agent in connection with the transactions contemplated by this Purchase Agreement and has not incurred (and will not incur) any unpaid liability to any broker, finder or

agent for any brokerage fees, finders' fees or commissions, with respect to the transactions contemplated by this Purchase Agreement. Each party agrees to indemnify, defend and hold harmless each of the other parties from and against any and all claims asserted against such parties for any such fees or commissions by any persons purporting to act or to have acted for or on behalf of the indemnifying party.

9.3. JURY WAIVER

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS PURCHASE AGREEMENT OR ANY OF THE TRANSACTIONS OR AGREEMENTS CONTEMPLATED HEREBY.

9.4. PUBLICITY

Neither the Buyer nor the Company shall issue any press release or make any public disclosure regarding the transaction contemplated hereby unless such press release or public disclosure is approved by those parties expressly mentioned by name in the press release in advance. Notwithstanding the foregoing, each of the parties hereto may, in documents required to be filed by it with the Securities and Exchange Commission or other regulatory bodies, make such statements with respect to the transactions contemplated hereby as each may be advised by counsel as legally necessary or advisable and may make such disclosure as it is advised by its counsel as required by law.

9.5. EXPENSES

Each party hereto shall pay its own expenses incident to this Purchase Agreement and the transactions contemplated hereunder, including all legal and accounting fees and disbursements.

9.6. ASSIGNMENT

Neither party shall assign its rights and obligations under this Purchase Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the other party, and any, such assignment contrary to the terms hereof shall be null and void and of no force and effect. In no event shall the assignment by the Company or the Buyer of its rights or obligations under this Purchase Agreement, whether before or after the Closing, release the Company or the Buyer from their respective liabilities and obligations hereunder.

9.7. ENTIRE AGREEMENT; AMENDMENT

This Purchase Agreement, including the Exhibits and other documents referred to herein or furnished pursuant hereto, constitutes the entire agreement among the parties hereto with respect to the transactions contemplated herein, and it supersedes all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein. No amendment or modification of this Purchase Agreement shall be valid or binding unless set forth in writing and duly executed and delivered by the Sellers and the Buyer.

9.8. WAIVER

No delay or failure on the part of any party hereto in exercising any right, power or privilege under this Purchase Agreement or under any other documents furnished in connection with or pursuant to this Purchase Agreement shall impair any such right, power or privilege or be construed as a waiver of any default or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege, or the exercise of any

other right, power or privilege. No waiver shall be valid against any party hereto unless made in writing and signed by the party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

9.9. SEVERABILITY

If any part of any provision of this Purchase Agreement or any other agreement or document given pursuant to or in connection with this Purchase Agreement shall be invalid or unenforceable in any respect, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provision or the remaining provisions of this Purchase Agreement.

9.10. GOVERNING LAW

This Purchase Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of Delaware (excluding the conflicts of law principles thereof).

9.11. NOTICES

All notices, demands, requests, or other communications which may be or are required to be given, served, or sent by any party to any other party pursuant to this Purchase Agreement shall be in writing and shall be hand delivered, sent by overnight courier or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by telegram, telecopy, addressed as follows:

(i) If to the Buyer:

LaSalle Hotel Operating Partnership, L.P.
c/o LaSalle Hotel Properties
4800 Montgomery Lane
Suite M25
Bethesda, Maryland 20814
Attn: Chief Financial Officer
Fax #: (301) 941-1553

with a copy (which shall not constitute notice) to:

Brown & Wood LLP
555 California Street
San Francisco, CA 94104
Attn: Michael F. Taylor
Fax #: (415) 397-4621

(ii) If to the Sellers:

LaSalle Hotel Co-Investment, Inc.
200 East Randolph Drive
Chicago, IL 60601
Attn: Chief Financial Officer
Fax # (312) 782-4339

LPI Charities
200 East Randolph Drive
Chicago, IL 60601
Attn: Chief Financial Officer
Fax # (312) 782-4339

LaSalle Hotel Properties

4800 Montgomery Lane
Suite M25
Bethesda, Maryland 20814
Attn: Chief Financial Officer
Fax #: (301) 941-1553

with a copy (which shall not constitute notice) to:

Hagan & Associates
200 East Randolph Drive
Chicago, IL 60601
Attn: Robert Hagan
Fax # (312) 228-0982

(iii) If to the Company:

LaSalle Hotel Lessee, Inc.
200 East Randolph Drive
Chicago, IL 60601
Attn: Chief Financial Officer
Fax # (312) 782-4339

with a copy (which shall not constitute notice) to:

Hagan & Associates
200 East Randolph Drive
Chicago, IL 60601
Attn: Robert Hagan
Fax # (312) 228-0982

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication which shall be hand delivered, sent, mailed or telecopied in the manner described above, shall be deemed sufficiently given, served, sent, received or delivered for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, or (with respect to a telecopy) the answerback or confirmation being deemed conclusive, but not exclusive, evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

9.12. HEADINGS

Section headings contained in this Purchase Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Purchase Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

9.13. EXECUTION IN COUNTERPARTS

To facilitate execution, this Purchase Agreement may be executed in as many counterparts as may be required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Purchase Agreement to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

9.14. BINDING EFFECT

Subject to any provisions hereof restricting assignment, this Purchase Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, heirs, executors, administrators, legal representatives and assigns.

IN WITNESS WHEREOF, the undersigned have duly executed this Purchase Agreement, or have caused this Purchase Agreement to be duly executed on their behalf, as of the day and year first hereinabove set forth.

BUYER:

THE COMPANY:

LASALLE HOTEL OPERATING
PARTNERSHIP, L.P.

LASALLE HOTEL LESSEE, INC.

By: LaSalle Hotel Properties
its General Partner

By: _____

Name:
Title

By: _____

Name:
Title:

SELLERS:

LASALLE HOTEL CO-INVESTMENT, INC.

By: _____

Name:
Title

LPI CHARITIES

By: _____

Name:
Title

LASALLE HOTEL PROPERTIES

By: _____

Name:
Title

SELLER -----	SHARES -----	PURCHASE PRICE -----
LaSalle Hotel Co-Investment, Inc.. .	45.5	\$227,500
LPI Charities.	45.5	\$227,500
LaSalle Hotel Properties	9.0	\$ 45,000
	-----	-----
Total	100.0	\$500,000
	=====	=====

SCHEDULE II

Seller	Capital Account Distribution
-----	-----
LaSalle Hotel Co-Investment, Inc.. .	\$33,375.16
LPI Charities.	\$33,375.16
LaSalle Hotel Properties	\$ 6,601.68

Total	\$73,352.00
	=====

II-1

SECOND AMENDED AND RESTATED
SENIOR UNSECURED CREDIT AGREEMENT

Dated as of November 13, 2000

Among

LASALLE HOTEL OPERATING PARTNERSHIP, L.P.

AS THE BORROWER,

SOCIETE GENERALE, SOUTHWEST AGENCY

AS JOINT BOOK RUNNER AND ADMINISTRATIVE AGENT,

BANK OF MONTREAL, CHICAGO BRANCH

AS SYNDICATION AGENT,

DEUTSCHE BANC ALEX. BROWN

AS JOINT BOOK RUNNER AND DOCUMENTATION AGENT

and

THE BANKS NAMED HEREIN

AS THE BANKS

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SECOND AMENDED AND RESTATED SENIOR UNSECURED CREDIT AGREEMENT

This SECOND AMENDED AND RESTATED SENIOR UNSECURED CREDIT AGREEMENT, dated as of November 13, 2000, is among LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, as the Borrower, SOCIETE GENERALE, SOUTHWEST AGENCY, as Joint Book Runner and Administrative Agent, BANK OF MONTREAL, CHICAGO BRANCH, as Syndication Agent, DEUTSCHE BANC ALEX. BROWN, as Joint Book Runner and Documentation Agent, and the Banks.

PRELIMINARY STATEMENTS:

WHEREAS, many of the parties hereto previously entered into an Amended and Restated Senior Unsecured Credit Agreement, dated as of October 10, 1998, by and between LaSalle Hotel Operating Partnership, L.P., a Delaware limited partnership, as the Borrower, Societe Generale, Southwest Agency, as Co-Arranger, Administrative Agent, and Documentation Agent, Bank of Montreal, Chicago Branch, as Co-Arranger and Syndication Agent, and the banks and other lenders a party thereto; as amended by First Amendment to Amended and Restated Senior Unsecured Credit Agreement dated as of November 5, 1998; as amended by Second Amendment to Amended and Restated Senior Unsecured Credit Agreement dated as of April 15, 1999; and as amended by Consent dated as of August 10, 2000, all executed by and among such parties (as so amended, the "Existing Credit Agreement") pursuant to which the banks and other lenders party to the Existing Credit Agreement (the "Existing Lenders") have made Advances (as defined in the Existing Credit Agreement) to the Borrower, and have issued or participated in Letters of Credit (as defined in the Existing Credit Agreement) for the account of the Borrower, in each case on the terms and conditions set forth therein;

WHEREAS, the Borrower has requested that the Existing Lenders amend the Existing Credit Agreement and the other Credit Documents (as defined in the Existing Credit Agreement, and as used herein, the "Existing Credit Documents") in order to decrease the Commitments under this Agreement and revise certain terms thereof and the Existing Lenders have agreed to do so on the terms and conditions set forth herein; and

WHEREAS, the parties hereto have agreed to amend and restate the Existing Credit Agreement in its entirety for clarity only, and amend the other Existing Credit Documents, in order to memorialize such amendments;

WHEREAS, this Second Amended and Restated Credit Agreement constitutes for all purposes an amendment to the Existing Credit Agreement and not a new or substitute agreement and each reference to an "Advance"

and "Letter of Credit" herein shall mean such Advance made and each Letter of Credit issued heretofore under the Existing Credit Agreement;

NOW, THEREFORE, in consideration of the foregoing recitals and the provisions contained in this Agreement, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings (unless otherwise indicated, such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Accession Agreement" means an Accession Agreement in the form attached respectively to the Guaranty and Environmental Indemnity as Annex 1 thereto, which agreement causes the Person executing and delivering the same to the Administrative Agent to become a party to the Guaranty and Environmental Indemnity.

"Acquisition Agreements" means for any Hotel Property the agreements entered into in connection with the acquisition of such Hotel Property.

"Adjusted Base Rate" means, for any day, the fluctuating rate per annum of interest equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Rate in effect on such day plus 2%.

"Adjusted Net Worth" means, for the Parent as of any date, the sum of (a) the Parent's Net Worth on such date PLUS (b) the minority interest reflected in the Parent's balance sheet on such date determined in accordance with GAAP.

"Adjusted NOI" means, for any Hotel Property for any period, the EBITDA of such Hotel Property for such period LESS the aggregate FF&E Reserves for such period for such Hotel Property.

"Adjustment Event" has the meaning set forth in Section 2.14(b).

"Administrative Agent" means Societe Generale, Southwest Agency, in its capacity as Administrative Agent for the Banks pursuant to Article IX and any successor Administrative Agent appointed pursuant to Section 9.06.

"Advisor" means LaSalle Hotel Advisors, Inc..

"Advisory Agreement" means collectively that certain Amended and Restated Advisory Agreement and the certain Employee Lease Agreement, both dated January 1, 2000, and both between the Parent and the Advisor, as such agreements may be amended in accordance with the terms of this Agreement.

"Advisory Fee Letter" has the meaning set forth in Section 2.03(d).

"Advance" means an Advance by a Bank to the Borrower, any such Advance being either a Base Rate Advance or a LIBOR Advance.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person or any Subsidiary of such Person. The term "control" (including the terms "controlled by" or "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a

Person, whether through ownership of a Control Percentage, by contract or otherwise.

"Agreement" has the meaning given such term in the initial paragraph of this agreement.

"Allocation Percentage" means, for any Person, with respect to a Person's Joint Venture Subsidiary, the percentage ownership interest of such Person in such Joint Venture Subsidiary.

"Applicable Lending Office" means, with respect to each Bank, such Bank's Domestic Lending Office in the case of a Base Rate Advance and such Bank's LIBOR Lending Office in the case of a LIBOR Advance.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

"Applicable Margin" means, (a) with respect to each Type of Advance at any date, the applicable percentage per annum set forth below based upon the Status then in effect under the column for such Type of Advance, (b) with respect to the letter of credit fee payable under Section 2.03(b) at any date, the applicable percentage per annum set forth below under the column "Letters of Credit & LIBOR Advances," based upon the Status then in effect, and (c) with respect to the commitment fee payable under Section 2.03(a) at any date, the applicable percentage per annum set forth below under the column "Unused Commitment Fee," based upon the Status then in effect.

	Base Rate Advances -----	Letters of Credit & LIBOR Advances -----	Unused Commitment Fee -----
Level I Status	.250%	1.750%	.20%
Level II Status	.375%	1.875%	.25%
Level III Status	.500%	2.000%	.25%
Level IV Status	.625%	2.125%	.25%

Notwithstanding the foregoing, the following provisions shall apply:

(a) if the Leverage Ratio does not exceed 50% on any day from the Closing Date to December 31, 2000, then until December 31, 2000 the Applicable Margin for (i) Letters of Credit and LIBOR Advances shall be 1.750%, (ii) Base Rate Advances shall be .250%, and (iii) the Unused Commitment Fee shall be .250%; PROVIDED that if the Leverage Ratio ever does exceed 50% prior to January 1, 2001, then from and after the date the Leverage Ratio exceeds 50% (and regardless of whether the Leverage Ratio subsequently returns to a level equal to or below 50%) the modification to the Applicable Margins set forth in this paragraph (a) shall no longer apply.

(b) On January 1, 2001, all Applicable Margins shall be reset based upon the Status as calculated on or about November 15, 2000. Thereafter, all such Applicable Margins shall be reset as contemplated by the definition of Status.

"Approved Management Agreements" means those certain management agreements listed on Schedule 4.22 attached hereto and any future management agreement for an Eligible Property in substantially the same form or as otherwise approved by the Administrative Agent in writing which approval shall not be unreasonably withheld or delayed.

"Approved Manager" means those certain managers listed as "Approved Managers" on Schedule 1.01(c) attached hereto, or any other reputable, nationally known, third party manager of a Hotel Property approved by the Administrative Agent in writing which approval shall not be unreasonably withheld or delayed.

"Approved Other Country" means each of the following countries: Canada, Mexico, United Kingdom, France, Germany, Spain, Belgium, The Netherlands, Luxembourg, Italy, Portugal, Austria, Switzerland, Norway, Sweden, Denmark, U. S. Virgin Islands, Bahamas, and Puerto Rico.

"Approved Participating Leases" means those certain Approved Participating Leases listed on Schedule 1.01(d) attached hereto and any future participating lease for an Eligible Property approved by the Administrative Agent in writing (which approval shall not be unreasonably withheld if such participating lease permits the lessor under such participating lease to terminate such lease upon the lessee's failure to achieve reasonable revenue targets for the applicable Hotel Property).

"Approved Participating Lessee" means LaSalle Leasing, each of the other Persons listed on Schedule 1.01(k) attached hereto, and any future participating lessee for a Hotel Property (a) which is approved by the Administrative Agent in writing and (b) does not jeopardize the Parent's REIT status; provided, however, that any lessee (y) in which the Advisor has a Control Percentage in ownership interest or (z) that is an Approved Manager or its Affiliate shall automatically be deemed an Approved Participating Lessee.

"Approved Substitute Advisor" means any Person experienced in the hospitality industry which is reasonably acceptable to the Administrative Agent.

"Approved Substitute Advisory Agreement" means any agreement with an Approved Substitute Advisor pertaining to the providing of advisory services to the Parent and the Parent's Subsidiaries which is reasonably acceptable to the Administrative Agent.

"Asset Disposition" means any sale, lease of substantially all of a Hotel Property (in which the Borrower or a Guarantor is lessor but exclusive of the Approved Participating Leases), conveyance, exchange, transfer, or assignment of any Property by the Borrower or a Guarantor to a Person other than the Borrower or a Guarantor.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Bank and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of the attached Exhibit B.

"Banks" means the lenders listed on the signature pages of this Agreement and each Eligible Assignee that shall become a party to this Agreement pursuant to Section 10.06.

"Base Rate Advance" means an Advance which bears interest as provided in Section 2.06(a).

"Borrower" means LaSalle Hotel Operating Partnership, L.P., a Delaware limited partnership.

"Borrowing" means a borrowing consisting of simultaneous Advances of the same Type made by each Bank pursuant to Section 2.01 or Converted by each Bank to Advances of a different Type pursuant to Section 2.02(b).

"Borrowing Base" means, at any date of its determination, an amount equal to (a) 50% of the Borrowing Base Hotel Value on such date MINUS (b) the Unsecured Indebtedness (except for the Obligations) of the Parent and its Subsidiaries outstanding on such date.

"Borrowing Base Hotel Value" means, at any date of its determination, an amount equal to the sum of the Hotel Values for all Eligible Properties on such date.

"Borrowing Base Certificate" means a certificate of the Borrower in substantially the form of the attached Exhibit C, certified by a Responsible Officer of Borrower to be true, correct and accurate in all material respects.

"Borrowing Base Determination Date" means any date the Borrowing Base is determined in accordance with Section 2.14.

"Borrowing Base Requirements" means collectively that (a) no more than 15% of the Borrowing Base Hotel Value may be comprised of Eligible Properties which are located outside the United States and shall only be in an Approved Other Country; (b) no more than 10% of the Borrowing Base Hotel Value may be comprised of Eligible Properties which are limited service hotels; (c) no more than 20% of the Borrowing Base Hotel Value may be comprised of Renovating Properties; (d) no more than one (1) Renovating Property shall be in the Borrowing Base at any time; (e) no more than 20% of the Borrowing Base Hotel Value may be comprised of Hotel Properties owned or leased by Joint Venture Subsidiaries; (f) no more than 30% of the Borrowing Base Hotel Value may be comprised of any one Eligible Property (except for the San Diego Paradise Point which shall not comprise more than 40% of the Borrowing Base Hotel Value); (g) the Borrowing Base shall be comprised of at least four (4) Eligible Properties; and (h) no Hotel Property or other Property shall cause the Parent to forfeit the Parent's tax status as a REIT.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City or Dallas, Texas and, if the applicable Business Day relates to any LIBOR Advances, any day other than a Saturday or Sunday or a day on which banking institutions are generally authorized or obligated by law or executive order to close in the City of London, England.

"Calculated Value" means for any Hotel Property the product of (a) the lesser of (i) the Adjusted NOI for such Hotel Property for the preceding Rolling Period or (ii) the actual rental payments received by the Parent or its Subsidiary under the participating lease for such Hotel Property during such Rolling Period TIMES (b) ten (10).

"Capital Expenditure" means any payment made directly or indirectly for the purpose of acquiring or constructing fixed assets, Real Property or equipment which in accordance with GAAP would be capitalized in the fixed asset accounts of such Person making such expenditure, including, without limitation, amounts paid or payable for such purpose under any conditional sale or other title retention agreement or under any Capital Lease, but excluding repairs of Property in the normal and ordinary course of business.

"Capitalization Event" means any sale or issuance by the Parent or any of its Subsidiaries of equity securities except for the issuance of the

Borrower's operating partnership units in exchange for a direct or indirect ownership interest in a Person that owns a Hotel Property.

"Capital Lease" means, for any Person, any lease of any Property (whether real, personal or mixed) by that Person as lessee which, in accordance with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"Capitalized Lease Obligations" means, as to any Person, the capitalized amount of all obligations of such Person or any of its Subsidiaries under Capitalized Leases, as determined on a consolidated basis in conformity with GAAP.

"Cash Collateral Account" means a special cash collateral account containing cash deposited pursuant to the terms of this Agreement to be maintained at Societe Generale, New York Branch's office in accordance with Section 8.04.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, state and local analogs, and all rules and regulations and requirements thereunder in each case as now or hereafter in effect.

"Closing Date" means November 13, 2000.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute.

"Commitment" means, with respect to any Bank, the amount set opposite such Bank's name on Schedule 1.01(a) as its Commitment, or if such Bank has entered into any Assignment and Acceptance, the amount set forth for such Bank as its Commitment in the Register maintained by the Administrative Agent pursuant to Section 10.06(c), as such amount may be reduced pursuant to Section 2.04.

"Compliance Certificate" means a certificate of the Borrower in substantially the form of the attached Exhibit D.

"Conditions to Asset Disposition" shall for any Asset Disposition include all of the following requirements: (a) no Default has occurred and is continuing or would occur upon the consummation of such Asset Disposition, as certified by the Borrower; (b) the Borrower shall have delivered to the Administrative Agent a Property Adjustment Report in connection with such Asset Disposition; and (c) if required pursuant to the provisions of Section 2.07(c)(i), the Borrower makes a prepayment of the Advances in an amount of not less than the amount of Advances that would need to be repaid, if any, to cure a Borrowing Base deficiency under Section 2.07(c)(i).

"Consolidated" refers to the consolidation of the accounts of the Borrower with the Borrower's Subsidiaries and the Parent with the Parent's Subsidiaries, as applicable, in accordance with GAAP.

"Control Percentage" means, with respect to any Person, the percentage of the outstanding capital stock of such Person having ordinary voting power which gives the direct or indirect holder of such stock the power to elect a majority of the Board of Directors of such Person.

"Controlled Group" means all members of a controlled group of corporations and all trades (whether or not incorporated) under common control which, together with the Parent and the Borrower, are treated as a single employer under Section 414 of the Code.

"Convert", "Conversion", and "Converted" each refers to a conversion of Advances of one Type into Advances of another Type pursuant to Section 2.02(b).

"Credit Documents" means this Agreement, the Notes, the Guaranties, the Environmental Indemnities, the Fee Letter, the Advisory Fee Letter, and each other agreement, instrument or document executed by the Borrower or any of its Subsidiaries at any time in connection with this Agreement.

"Default" means (a) an Event of Default or (b) any event or condition which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Development Property" means either (a) a new Hotel Property under construction including the conversion of a non-Hotel Property into a Hotel Property or (b) an existing Hotel Property which is undergoing an expansion pursuant to which the total guest rooms for such Hotel Property will be increased by 50% or more.

"Dollar Equivalent" means the equivalent in another currency of an amount in U.S. Dollars to be determined by reference to the rate of exchange quoted by the Administrative Agent, at 12:00 Noon (Dallas, Texas time) on the date of determination, for the spot purchase in the foreign exchange market of such amount of Dollars with such other currency.

"Dollars" and "\$" means lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Operations Contact" in the questionnaire such Bank provided to the Administrative Agent, or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

"EBITDA" means for any Person or Hotel Property, as applicable, for any period for which such amount is being determined, an amount equal to (a) the Net Income for such Person or Hotel Property, as applicable, for such period PLUS (b) to the extent deducted in determining Net Income, Interest Expense, income taxes, depreciation, amortization, and other non-cash items for such period, as determined in accordance with GAAP PLUS (c) for the Hyatt Boston and Hyatt Boston Lessee, as applicable, the Hyatt Boston Deemed Interest.

"Effective Date" means the date all of the conditions precedent set forth in Section 3.01 have been satisfied.

"Eligible Assignee" means (a) a commercial bank (or other financial institution acceptable to the Administrative Agent and the Borrower) organized under the laws of the United States, or any State thereof, and having primary capital of not less than \$250,000,000 and approved by the Administrative Agent and the Issuing Bank, which approvals will not be unreasonably withheld, (b) a commercial bank (or other financial institution acceptable to the Administrative Agent and the Borrower) organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development and having primary capital (or its equivalent) of not less than \$250,000,000 (or its Dollar Equivalent) and approved by the Administrative Agent and the Issuing Bank, which approvals will not be unreasonably withheld, (c) a Bank, and (d) an Affiliate of the respective assigning Bank, without approval of any Person but otherwise meeting the eligibility requirements of (a) or (b) above.

"Eligible Property" means, as of any Borrowing Base Determination Date, any Hotel Property which is owned or leased by the Borrower or any Guarantor on such date and was so owned or leased on the date of the most

recent Borrowing Base Certificate delivered to the Banks, and which satisfies the conditions to qualifying as an Eligible Property set forth in Section 3.03 on such Borrowing Base Determination Date.

"Engineering Report" means with respect to any Hotel Property, an engineering report in accordance with the scope of services attached hereto as Schedule 1.01(e) reasonably satisfactory to the Administrative Agent prepared for the Banks by a Person set forth on Schedule 1.01(f) or otherwise satisfactory to the Administrative Agent covering the physical condition of the Hotel Property, including without limitation the structural, electrical, plumbing, mechanical and other essential components of the Hotel Property.

"Environment" or "Environmental" shall have the meanings set forth in 42 U.S.C. Section 9601(8), as amended.

"Environmental Claim" means any third party (including governmental agencies and employees) action, lawsuit, claim, demand, regulatory action or proceeding, order, decree, consent agreement or notice of potential or actual responsibility or violation (including claims or proceedings under the Occupational Safety and Health Acts or similar laws or requirements relating to health or safety of employees) which seeks to impose liability under any Environmental Law.

"Environmental Indemnity" means one or more environmental indemnity agreements dated of even date herewith in substantially the form of the attached Exhibit E executed or to be executed by the Borrower, the Parent and all Subsidiaries of the Borrower (excluding the Permitted Other Subsidiaries), and any future environmental indemnities executed in connection with any Hotel Property, as any of such environmental indemnities may be amended hereafter in accordance with the terms of such agreements.

"Environmental Law" means all Legal Requirements arising from, relating to, or in connection with the Environment, health, or safety, including without limitation CERCLA, relating to (a) pollution, contamination, injury, destruction, loss, protection, cleanup, reclamation or restoration of the air, surface water, groundwater, land surface or subsurface strata, or other natural resources; (b) solid, gaseous or liquid waste generation, treatment, processing, recycling, reclamation, cleanup, storage, disposal or transportation; (c) exposure to pollutants, contaminants, hazardous, medical, infectious, or toxic substances, materials or wastes; (d) the safety or health of employees; or (e) the manufacture, processing, handling, transportation, distribution in commerce, use, storage or disposal of hazardous, medical, infectious, or toxic substances, materials or wastes.

"Environmental Permit" means any permit, license, order, approval or other authorization under Environmental Law.

"Environmental Report" means with respect to any Hotel Property, an environmental report in accordance with the scope of services attached hereto as Schedule 1.01(g) reasonably satisfactory to the Administrative Agent prepared for the Banks by a Person set forth on Schedule 1.01(h) or otherwise satisfactory to the Administrative Agent certifying to the Administrative Agent and the Banks that the Hotel Property and the soil and the groundwater thereunder do not contain Hazardous Substances except for Permitted Hazardous Substances.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Liabilities" has the meaning assigned to that term in

Regulation D of the Federal Reserve Board (or any successor), as in effect from time to time.

"Exchange Act" has the meaning set forth in Section 2.04.

"Existing Credit Agreement" has the meaning set forth in the preliminary statements to this Agreement.

"Existing Credit Documents" has the meaning set forth in the preliminary statements to this Agreement.

"Existing Lenders" has the meaning set forth in the preliminary statements to this Agreement.

"Existing Letters of Credit" means the letters of credit outstanding on the date of this Agreement issued for the account of the Borrower or its Subsidiaries which are described in the attached Schedule 1.01(1), as the same may be amended, supplemented, and otherwise modified from time to time.

"Existing Notes" means the promissory notes payable under the Existing Credit Agreement.

"Event of Default" has the meaning set forth in Section 8.01.

"Expiration Date" means, with respect to any Letter of Credit, the date on which such Letter of Credit will expire or terminate in accordance with its terms.

"Facilitators" means Societe Generale, Southwest Agency, Bank of Montreal, Chicago Branch, and Bankers Trust Company.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for any such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System or any of its successors.

"Fee Letter" means the letter agreement dated as of September 18, 2000 among the Borrower, the Parent, and the Facilitators.

"FF&E" means furniture, fixtures and equipment.

"FF&E Reserve" means, for any Person or any Hotel Property for any period, a reserve equal to four percent (4%) of gross revenues from any Hotel Property owned by such Person or from such Hotel Property, as applicable, for such period.

"Fiscal Quarter" means each of the three-month periods ending on March 31, June 30, September 30 and December 31.

"Fiscal Year" means the twelve-month period ending on December 31.

"Free Cash Flow" means, for any Person for any period, the Funds From Operations for such period PLUS amortization not included in the

calculation of Funds From Operations LESS (a) the aggregate FF&E Reserves for such Person and its Subsidiaries for such period, and (b) the aggregate amount of scheduled principal payments on the Total Liabilities of such Person (excluding optional prepayments and scheduled principal payments in respect of any such Indebtedness which is payable in a single installment at final maturity) required to be made during such period.

"Fund," "Trust Fund," or "Superfund" means the Hazardous Substance Response Trust Fund, established pursuant to 42 U.S.C. Section 9631 (1988) and the Post-closure Liability Trust Fund, established pursuant to 42 U.S.C. Section 9641 (1988), which statutory provisions have been amended or repealed by the Superfund Amendments and Reauthorization Act of 1986, and the "Fund," "Trust Fund," or "Superfund" that are now maintained pursuant to 42 U.S.C. Section 9507.

"Funding Deadline" means November 30, 2000

"Funds From Operations" means, for any Person for any period for which such amount is being determined, an amount equal to such Person's Net Income for such period excluding gains (losses) from debt restructuring and sales of property (including furniture and equipment), plus depreciation and amortization of Real Property and after adjustments for unconsolidated partnerships and joint ventures, and excluding any payments made in connection with one-time charges referenced in the definition of Parent's Adjusted EBITDA.

"Future Property" means any Hotel Property except for the Initial Properties which the Borrower or any Subsidiary of the Borrower acquires.

"GAAP" means United States generally accepted accounting principles as in effect from time to time, applied on a basis consistent with the requirements of Section 1.03.

"Governmental Authority" means any foreign governmental authority, the United States of America, any state of the United States of America and any subdivision of any of the foregoing, and any agency, department, commission, board, authority or instrumentality, bureau or court having jurisdiction over any Bank, the Parent, the Borrower, any Subsidiaries of the Borrower or the Parent, any participating lessee, a manager or any of their respective Properties.

"Governmental Proceedings" means any action or proceedings by or before any Governmental Authority, including, without limitation, the promulgation, enactment or entry of any Legal Requirement.

"Guarantor" means (a) the Parent, (b) each Subsidiary which owns an Eligible Property, (c) each other direct or indirect Wholly-Owned Subsidiary of the Borrower (except for any direct or indirect Wholly-Owned Subsidiary which is contractually prohibited from acting as a Guarantor by the terms of any document evidencing or securing Indebtedness of the Borrower or its Subsidiaries permitted by the terms of this Agreement), and (d) each other direct or indirect Joint Venture Subsidiary or Unconsolidated Entity of the Borrower designated by the Administrative Agent (except for any such Person which is contractually prohibited from acting as a Guarantor by the terms of (i) any document evidencing or securing Indebtedness of the Borrower or its Subsidiaries permitted by the terms of this Agreement or (ii) the organizational documents of such Person). The Guarantors on the Effective Date are identified on Schedule 1.01(i).

"Guaranty" means one or more Guaranty and Contribution Agreements in substantially the form of the attached Exhibit F executed by the Parent, the Borrower and all of the Subsidiaries of the Borrower (excluding the

Permitted Other Subsidiaries), evidencing the joint and several guaranty by the signatories thereto of the obligations of Borrower in respect of the Credit Documents, and any future guaranty and contribution agreement executed to secure Advances except for Supplemental Guaranties, as any of such agreements may be amended hereafter in accordance with the terms of such agreements.

"Hazardous Substance" means the substances identified as such pursuant to CERCLA and those regulated under any other Environmental Law, including without limitation pollutants, contaminants, petroleum, petroleum products, radio nuclides, radioactive materials, and medical and infectious waste.

"Hazardous Waste" means the substances regulated as such pursuant to any Environmental Law.

"Hotel Property" for any hotel means the Real Property and the Personal Property for such hotel, and the property referred to in Section 10.13.

"Hotel Value" means, with respect to any Hotel Property, at any date, the value thereof to be calculated as follows:

(a) For a Seasoned Property, the Calculated Value for such Seasoned Property; and

(b) For a New Property, the Investment Amount in such New Property; PROVIDED that if the Borrower can provide the Administrative Agent financial reports for such New Property for the period prior to the acquisition of such New Property which have been reviewed by KPMG Peat Marwick L.L.P. or other independent certified public accountants of nationally recognized standing reasonably acceptable to the Administrative Agent, then at the Borrower's election the Hotel Value for such New Property will be the lesser of (i) the Calculated Value for such New Property or (ii) 120% of the Investment Amount in such New Property.

However, the Hotel Value of a Hotel Property owned or leased by a Joint Venture Subsidiary shall be deemed to be the Allocation Percentage of the value calculated above for such Hotel Property. The initial Hotel Value for the Initial Properties is set forth on Schedule 1.01(b) attached hereto.

"Hyatt Boston" means the Hotel Property called the Hyatt Harborside Hotel, located in Boston, Massachusetts.

"Hyatt Boston Bond Overlap Period" has the meaning set forth in Section 10.21.

"Hyatt Boston Deemed Interest" means approximately \$200,000 per year of payments made or to be made by the Hyatt Boston Lessee under the Hyatt Boston Lease which terminate upon the redemption of the Hyatt Boston Replacement Bonds.

"Hyatt Boston Existing Bonds" means Massachusetts Port Authority Special Project Revenue Bonds, Series 1990 issued by the Hyatt Boston Issuer.

"Hyatt Boston Existing Bonds Credit Enhancement" means any letter of credit, guaranty or other form of credit enhancement which supports the Hyatt Boston Existing Bonds.

"Hyatt Boston Issuer" means the Massachusetts Port Authority.

"Hyatt Boston Lease" means that certain Amended and Restated Ground

Lease, by and between the Hyatt Boston Issuer and the Hyatt Boston Lessee, as amended.

"Hyatt Boston Lessee" means LHO Harborside Hotel, LLC.

"Hyatt Boston Replacement Bonds" means bonds issued by the Hyatt Boston Issuer in an amount approximately equal to the amount needed to redeem the Hyatt Boston Existing Bonds, including interest on such bonds and the costs and expenses of redeeming such bonds and issuing the Hyatt Boston Replacement Bonds.

"Hyatt Boston Replacement Bonds Proceeds" means the aggregate cash proceeds received from the issuance of the Hyatt Boston Replacement Bonds MINUS the expenses incurred in connection with such issuance.

"Hyatt Boston Replacement Bonds Credit Enhancement" means any letter of credit, guaranty or other form of credit enhancement which supports the Hyatt Boston Replacement Bonds.

"Improvements" for any hotel means all buildings, structures, fixtures, tenant improvements and other improvements of every kind and description now or hereafter located in or on or attached to the Land for such hotel; and all additions and betterments thereto and all renewals, substitutions and replacements thereof.

"Indebtedness" means (without duplication), at any time and with respect to any Person, (a) indebtedness of such Person for borrowed money (whether by loan or the issuance and sale of debt securities) or for the deferred purchase price of property or services purchased (other than amounts constituting trade payables, accruals or bank drafts arising in the ordinary course of business); (b) indebtedness of others in the amount which such Person has directly or indirectly assumed or guaranteed or otherwise provided credit support therefor or for which such Person is liable as a partner of such Person; (c) indebtedness of others in the amount secured by a Lien on assets of such Person, whether or not such Person shall have assumed such indebtedness; (d) obligations of such Person in respect of letters of credit, acceptance facilities, or drafts or similar instruments issued or accepted by banks and other financial institutions for the account of such Person (other than trade payables or bank drafts arising in the ordinary course); (e) obligations of such Person under Capital Leases; and (f) obligations under interest rate swap agreements, interest rate cap agreements, interest rate collar agreements or other similar agreements or arrangements designed to protect against fluctuations in interest rates.

"Initial Properties" means collectively the Hotel Properties listed on Schedule 1.01(b), and "Initial Property" means any of such Hotel Properties.

"Interest Expense" means, for any Person for any period for which such amount is being determined, the total interest expense (including that properly attributable to Capital Leases in accordance with GAAP) and all charges incurred with respect to letters of credit determined on a consolidated basis in conformity with GAAP, PLUS capitalized interest of such Person and its Subsidiaries PLUS for the Hyatt Boston Lessee, the Hyatt Boston Deemed Interest.

"Interest Period" means, for each LIBOR Advance comprising part of the same Borrowing, the period commencing on the date of such Advance or the date of the Conversion of any Base Rate Advance into such an Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and Section 2.02 and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest

Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below and Section 2.02. The duration of each such Interest Period shall be one, two, three, six, nine or twelve months, in each case as the Borrower may select, upon notice received by the Administrative Agent not later than 12:00 Noon (Dallas, Texas time) on the third Business Day prior to the first day of such Interest Period, PROVIDED, HOWEVER, that:

(a) Interest Periods for Advances of the same Borrowing shall be of the same duration;

(b) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, PROVIDED that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(c) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month; and

(d) each successive Interest Period shall commence on the day on which the next preceding Interest Period expires; and

(e) no Interest Period with respect to any portion of any Advance shall extend beyond the Maturity Date.

"Interest Rate Agreements" means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect the Borrower, the Parent or any of their respective Subsidiaries against fluctuations in interest rates.

"Investment" means, with respect to any Person, (a) any loan or advance to any other Person, (b) the ownership, purchase or other acquisition of, any Stock, Stock Equivalents, other equity interest, obligations or other securities of, (i) any other Person, or (ii) all or substantially all of the assets of any other Person, or (iii) all or substantially all of the assets constituting the business of a division, branch or other unit operation of any other Person, or (c) any joint venture or partnership with, or any capital contribution to, or other investment in, any other Person or any real property.

"Investment Amount" means (a) for any Hotel Property the sum of (i) for any Initial Property, the amount set forth for such Initial Property on Schedule 1.01(b) attached hereto, and for any other Hotel Property, the aggregate purchase price paid by the Borrower or its Subsidiary for such other Hotel Property (giving effect to any securities used to purchase a Hotel Property at the fair market value of the securities at the time of purchase based upon the price at which such securities could be exchanged into the Parent's common stock assuming such exchange occurred on the date of acquiring the Hotel Property), and (ii) 95% of (A) the actual cost of any Capital Expenditures or FF&E expenditures for such Hotel Property made by the Borrower or its Subsidiaries during any period minus (B) the FF&E Reserve for such Hotel Property for such period, and (b) for any other Investment the aggregate purchase price paid by the Borrower or its Subsidiary for such other Investment (giving effect to any securities used to purchase such Investment at the fair market value of the securities at the time of purchase based upon the price at which such securities could be exchanged into the Parent's common stock assuming such exchange occurred on

the date of acquiring such Investment).

"Issuing Bank" means Societe Generale, Southwest Agency; any Bank approved by the Administrative Agent and the Borrower as an "Issuing Bank"; or any Bank acting as a successor issuing bank pursuant to Section 9.06, and "Issuing Banks" means, collectively, all of such Banks.

"Joint Venture Subsidiary" of a Person means any Subsidiary of such Person which is controlled and managed by such Person, except for a Wholly-Owned Subsidiary.

"Land" for any hotel means the real property upon which the hotel is located, together with all rights, title and interests appurtenant to such real property, including without limitation all rights, title and interests to (a) all strips and gores within or adjoining such property, (b) the streets, roads, sidewalks, alleys, and ways adjacent thereto, (c) all of the tenements, hereditaments, easements, reciprocal easement agreements, rights-of-way and other rights, privileges and appurtenances thereunto belonging or in any way pertaining thereto, (d) all reversions and remainders, (e) all air space rights, and all water, sewer and wastewater rights, (e) all mineral, oil, gas, hydrocarbon substances and other rights to produce or share in the production of anything related to such property, and (f) all other appurtenances appurtenant to such property, including without limitation, any now or hereafter belonging or in anywise appertaining thereto.

"LaSalle Leasing" means LaSalle Hotel Lessee, Inc.

"Legal Requirement" means any law, statute, ordinance, decree, requirement, order, judgment, rule, regulation (or official interpretation of any of the foregoing) of, and the terms of any license or permit issued by, any Governmental Authority.

"Letter of Credit" means, individually, any letter of credit issued by the Issuing Bank in accordance with the provisions of Section 2.13 of this Agreement including any Existing Letter of Credit, and "Letters of Credit" means all such letters of credit collectively.

"Letter of Credit Documents" means, with respect to any Letter of Credit, such Letter of Credit and any reimbursement or other agreements, documents, and instruments entered into in connection with or relating to such Letter of Credit.

"Letter of Credit Exposure" means, at any time, the sum of (a) the aggregate undrawn maximum face amount of each Letter of Credit and (b) the aggregate unpaid amount of all Letter of Credit Obligations at such time.

"Letter of Credit Obligations" means all obligations of the Borrower arising in respect of the Letter of Credit Documents, including without limitation the aggregate drawn amounts of Letters of Credit which have not been reimbursed by the Borrower or converted into an Adjusted Base Rate Advance pursuant to the provisions of Section 2.13(c).

"Leverage Ratio" means the percentage obtained by dividing (a) the Parent's Total Liabilities by (b) the Parent Aggregate Asset Value.

"LIBOR" means, for the Interest Period for each LIBOR Advance comprising part of the same Borrowing, an interest rate per annum (rounded upward to the nearest whole multiple of 1/16 of 1% per annum) equal to (A) the rate per annum at which deposits in Dollars are offered by the Administrative Agent to leading banks and accepted by leading banks in the London interbank eurodollar market at approximately 12:00 Noon (London time) two (2) Business Days before the first day of such Interest Period,

in an amount substantially equal to the Administrative Agent's LIBOR Advance comprising part of such Borrowing and for a period equal to such Interest Period divided by (B) one minus the LIBOR Reserve Requirement. It is agreed that for purposes of this definition, LIBOR Advances made hereunder shall be deemed to constitute Eurocurrency Liabilities as defined in Regulation D and to be subject to the reserve requirements of Regulation D.

"LIBOR Advance" means any Advance which bears interest as provided in Section 2.06(b).

"LIBOR Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Operations Contact" in the questionnaire such Bank provided to the Administrative Agent, or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

"LIBOR Reserve Requirement" shall mean, on any day, that percentage (expressed as a decimal fraction) which is in effect on such date, as provided by the Federal Reserve System for determining the maximum reserve requirements generally applicable to financial institutions regulated by the Federal Reserve Board comparable in size and type to the Administrative Agent (including, without limitation, basic, supplemental, marginal and emergency reserves) under Regulation D with respect to "Eurocurrency liabilities" as currently defined as Regulation D, or under any similar or successor regulation with respect to Eurocurrency liabilities or Eurocurrency funding (or other category of liabilities which includes deposits by reference to which the interest rate on a LIBOR Advance is determined or any category or extensions of credit which includes loans by a non-United States office of the Administrative Agent to United States residents). Each determination by the Administrative Agent of the LIBOR Reserve Requirement, shall, in the absence of manifest error, be conclusive and binding upon the Borrower.

"Lien" means any mortgage, lien, pledge, charge, deed of trust, security interest, encumbrance or other type of preferential arrangement to secure or provide for the payment of any obligation of any Person, whether arising by contract, operation of law or otherwise (including, without limitation, the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement).

"Liquid Investments" means cash and the following:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States;

(b) (i) negotiable or nonnegotiable certificates of deposit, time deposits, or other similar banking arrangements maturing within 180 days from the date of acquisition thereof ("bank debt securities"), issued by (A) any Bank or (B) any other bank or trust company which has a combined capital surplus and undivided profit of not less than \$250,000,000 or the Dollar Equivalent thereof, if at the time of deposit or purchase, such bank debt securities are rated not less than "A" (or the then equivalent) by the rating service of S&P or of Moody's, and (ii) commercial paper issued by (A) any Bank or (B) any other Person if at the time of purchase such commercial paper is rated not less than "A-2" (or the then equivalent) by the rating service of S&P or not less than "P-2" (or the then equivalent) by the rating service of Moody's, or upon the discontinuance of both of such services, such other nationally recognized rating service or services, as the case may be, as shall be selected by the Borrower with the consent of the Administrative Agent;

(c) repurchase agreements relating to investments described in

clauses (a) and (b) above with a market value at least equal to the consideration paid in connection therewith, with any Person who regularly engages in the business of entering into repurchase agreements and has a combined capital surplus and undivided profit of not less than \$250,000,000 or the Dollar Equivalent thereof, if at the time of entering into such agreement the debt securities of such Person are rated not less than "A" (or the then equivalent) by the rating service of S&P or of Moody's; and

(d) such other instruments (within the meaning of New York's Uniform Commercial Code) as the Borrower may request and the Administrative Agent may approve in writing, which approval will not be unreasonably withheld.

"Material Adverse Change" shall mean a material adverse change in the business, financial condition, or results of operations of the Borrower, the Parent or any Guarantor, in each case since the date of the most recent financial statements of the Borrower or the Parent delivered to the Banks.

"Maturity Date" means December 31, 2003.

"Maximum Rate" means the maximum nonusurious interest rate under applicable law.

"Minimum Tangible Net Worth" means, with respect to the Parent, at any time, the sum of (a) \$230,000,000 PLUS (b) 75% of the aggregate net proceeds received by the Parent or any of its Subsidiaries after the Closing Date in connection with any offering of Stock or Stock Equivalents of the Parent or its Subsidiaries, PLUS (c) 75% of the value of any partnership interests in Borrower issued after the Closing Date for the acquisition of a Hotel Property or any interest in a Hotel Property permitted hereunder.

"Moody's" means Moody's Investor Service Inc.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Parent, the Borrower or any member of a Controlled Group is making or accruing an obligation to make contributions.

"Net Cash Proceeds" means (a) the aggregate cash proceeds (including, without limitation, insurance proceeds) received by the Parent, the Borrower or any of their respective Subsidiaries (as applicable) in connection with any Asset Disposition or Capitalization Event, MINUS (b) the reasonable expenses of such Person in connection with such Asset Disposition or such Capitalization Event.

"Net Income" means, for any Person or Hotel Property for any period for which such amount is being determined, the net income of such Person (on a consolidated basis) or Hotel Property, as applicable, after taxes, as determined in accordance with GAAP, excluding, however, extraordinary items, including but not limited to (i) any net gain or loss during such period arising from the sale, exchange, or other disposition of capital assets (such term to include all fixed assets and all securities) other than in the ordinary course of business and (ii) any write-up or write-down of assets; PROVIDED that to the extent that the Net Income for any Hotel Property does not include a reasonable allocation of administrative, accounting or other overhead of the Person or Persons who directly or indirectly own or lease such Hotel Property which directly pertains to the operation of Hotel Properties, then such allocation amount shall be deemed subtracted from such Net Income for purposes of the financial tests and other definitions contained in this Agreement which utilize Hotel Property Net Income.

"Net Worth" means, for any Person, stockholders equity of such Person determined in accordance with GAAP.

"New Property" means, as at any date, any Hotel Property (including a Renovating Property) that is not a Seasoned Property.

"Note" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of the attached Exhibit A, evidencing indebtedness of the Borrower to such Bank resulting from Advances owing to such Bank, and "Notes" means all of such promissory notes.

"Notice of Borrowing" means a notice of borrowing in the form of the attached Exhibit G signed by a Responsible Officer of the Borrower.

"Notice of Conversion or Continuation" means a notice of conversion or continuation in the form of the attached Exhibit H signed by a Responsible Officer of the Borrower.

"Obligations" means all Advances, Letter of Credit Obligations, and other amounts payable by the Borrower to the Administrative Agent or the Banks under the Credit Documents.

"Parent" means LaSalle Hotel Properties, a Maryland trust.

"Parent Aggregate Asset Value" means the sum of (a) the aggregate Hotel Value of the Parent Hotel Properties which meet the Parent Hotel Property Requirements, (b) the Parent's and the Parent's Subsidiaries' Liquid Investments, (c) for Investments in Unconsolidated Entities which are in the form of loans to such Unconsolidated Entities, the Investment Amount of all such Investments and (d) for Investments in Unconsolidated Entities which are not in the form of loans to such Unconsolidated Entities, the aggregate sum of the products obtained by multiplying the Hotel Value for each Hotel Property owned or leased by an Unconsolidated Entity by the Parent's Unconsolidated Entity Percentage for such Unconsolidated Entity.

"Parent Common Stock" means the common shares of beneficial interest of Parent, par value \$.01 per share.

"Parent Hotel Properties" means all Hotel Properties owned or leased by the Parent or one of the Parent's Subsidiaries, including without limitation Eligible Properties.

"Parent Hotel Property Requirements" means (a) that all Parent Hotel Properties are (i) in either the United States of America or an Approved Other Country and (ii) either (A) full service hotels primarily located in a resort, convention or urban market or (B) limited service hotels primarily located in an urban market, (b) that all Parent Hotel Properties would not, if all were deemed Eligible Properties, cause a material variation to the Borrowing Base Requirements, (c) no Parent Hotel Property has a Hotel Value which exceeds 25% of the difference of (i) the Parent Aggregate Asset Value MINUS (ii) to the extent added in determining the Parent Aggregate Asset Value, the amount of Liquid Investments, (d) no Parent Hotel Property is subject to a ground lease which fails in a material way to qualify as a Qualified Ground Lease, and (e) no Parent Hotel Property (i) fails to comply in any material respect with all applicable Environmental Laws, and (ii) is subject to any material Environmental Claim, all as evidenced by an Environmental Report for such Parent Hotel Property delivered by the Parent to the Administrative Agent.

"Parent's Adjusted EBITDA" means, for the Parent and the Parent's Subsidiaries on a Consolidated basis for any period, (a) the EBITDA for

such period PLUS (b) to the extent deducted in determining EBITDA, any one-time charges on or before December 31, 2001 which in the aggregate do not exceed \$1,800,000 and which are (i) taken within a Rolling Period of the consummation of the Permitted Proposed Transaction in connection with the Permitted Proposed Transaction or a write-off of intangible assets pertaining to LaSalle Leasing or (ii) otherwise approved by the Administrative Agent LESS (c) the sum of (i) the aggregate base management fees and employee lease fees paid during such period under the Advisory Agreement or any Approved Substitute Advisory Agreement and (ii) the aggregate FF&E Reserves for such period in respect of each Hotel Property owned by the Parent or its Subsidiaries (whether located on land owned by or land leased to such owner of the Hotel Property).

"Parent's Fixed Charge Coverage Ratio" means, as of the end of any Rolling Period, a ratio of (a) the Parent's Adjusted EBITDA for such Rolling Period to (b) the Parent's Fixed Charges for such Rolling Period.

"Parent's Fixed Charges" means, for the period for which such amount is being determined, the sum of the following amounts for the Parent and the Parent's Subsidiaries on a Consolidated basis: (a) the amount (without duplication) of all mandatory principal payments scheduled to be made (excluding optional prepayments and scheduled principal payments in respect of any such Indebtedness which is payable in a single installment at final maturity), (b) Parent's Interest Expense, (c) all payments scheduled to be made in respect of Capital Leases, and (d) all preferred stock dividends.

"Parent's Interest Coverage Ratio" means, as of the end of any Rolling Period, a ratio of (a) Parent's Adjusted EBITDA for such Rolling Period to (b) the Parent's Interest Expense for such Rolling Period.

"Parent's Interest Expense" means, for the period for which such amount is being determined, the Interest Expense for the Parent and the Parent's Subsidiaries on a Consolidated basis.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Encumbrances" means the Liens permitted to exist pursuant to Section 6.01.

"Permitted Hazardous Substances" means (a) Hazardous Substances, petroleum and petroleum products which are (i) used in the ordinary course of business and in typical quantities for a hotel and (ii) generated, used and disposed of in accordance with all Legal Requirements and good hotel industry practice and (b) non-friable asbestos to the extent (i) that no applicable Legal Requirements require removal of such asbestos from the Hotel Property and (ii) such asbestos is encapsulated in accordance with all applicable Legal Requirements and such reasonable operations and maintenance program as may be required by the Administrative Agent.

"Permitted Hotel Sale" means the Asset Disposition of all, but not a portion, of (a) a Hotel Property or (b) the ownership interest in a Subsidiary of the Borrower which owns a Hotel Property, in either case for which the Conditions to Asset Disposition are satisfied or will be satisfied within the time periods required under this Agreement.

"Permitted Non-Eligible Property" means any Hotel Property (a) which either (i) does NOT satisfy the conditions to qualifying as an Eligible Property set forth in Section 3.03, (ii) has not been submitted to the Banks as a potential Eligible Property or (iii) has been removed as an Eligible Property by the Borrower; (b) which is owned by a Permitted Other Subsidiary; (c) which neither is subject to any Environmental Claim, nor contains any Hazardous Substance which could reasonably be expected to

cause a Material Adverse Change as evidenced by an Environmental Report delivered to the Administrative Agent at least 10 days prior to the acquisition of such Hotel Property by Borrower or one of Borrower's Subsidiaries; and (d) which, with all other Parent Hotel Properties, will not cause a violation of the Parent Hotel Property Requirements.

"Permitted Other Subsidiaries" means a Wholly-Owned Subsidiary or a Joint Venture Subsidiary of the Borrower which (a) does not own any Eligible Property, and (b) is a bankruptcy remote, single purpose Person.

"Permitted Proposed Transaction" means the purchase by Borrower or a Subsidiary of Borrower of all of the issued and outstanding shares of the capital stock of LaSalle Leasing for cash consideration which does not exceed \$1,200,000; PROVIDED that (a) while the Borrower can enter into an agreement pertaining to such purchase at any time, the Borrower shall not consummate such purchase until on or after January 1, 2001; (b) the Borrower shall consummate such purchase pursuant to documentation reasonably acceptable to the Administrative Agent; (c) the Borrower shall provide to the Administrative Agent evidence reasonably satisfactory to the Administrative Agent that the consummation of such purchase shall not cause a potential Event of Default under Section 8.01(o) of this Agreement pertaining to the Parent's REIT status.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, limited liability company, joint venture or other entity, or a government or any political subdivision or agency thereof or any trustee, receiver, custodian or similar official.

"Personal Property" for any Hotel Property means all FF&E, inventory and other personal property of every kind, whether now existing or hereafter acquired, tangible and intangible, now or hereafter located on or about the Land, and used or to be used in the future in connection with the operation of such Hotel Property.

"Plan" means an employee benefit plan (other than a Multiemployer Plan) maintained for employees of the Parent, the Borrower or any member of a Controlled Group and covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

"Preliminary Property Plan" means for any Hotel Property, the preliminary financial projections of the Capital Expenditures and the expenditures for FF&E for such Hotel Property in connection with a renovation or expansion (but not maintenance) of such Hotel Property, as such projections may be amended by the Borrower from time to time.

"Prime Rate" means a fluctuating interest rate per annum as shall be in effect from time to time equal to the rate of interest publicly announced by the Administrative Agent as its prime commercial lending rate (which may not be the lowest rate offered to its customers), whether or not the Borrower has notice thereof.

"Property" of any Person means any property or assets (whether real, personal, or mixed, tangible or intangible) of such Person.

"Property Adjustment Report" means a certificate of the Borrower in substantially the form of the attached Exhibit I.

"Property Information" for any Hotel Property means the information and documentation for such Hotel Property listed in Sections 3.03(f), 3.03(g), 3.03(j) (i)-(iii) and (v) and a commitment for a title policy for such Hotel Property, together with a legible copy of all documents referred to in such commitment.

"Property Owner" for any Initial Property or Future Property, means the Person who owns fee or leasehold title interest (as applicable) in, and to such Property.

"Pro Rata Share" means, at any time with respect to any Bank, either (a) the ratio (expressed as a percentage) of such Bank's Commitment at such time to the aggregate Commitments at such time or (b) if the Commitments have been terminated, the ratio (expressed as a percentage) of such Bank's aggregate outstanding Advances and participation interest in the Letter of Credit Exposure at such time to the aggregate outstanding Advances and Letter of Credit Exposure of all the Banks at such time.

"Prescribed Forms" means such duly executed form(s) or statement(s), and in such number of copies, which may, from time to time, be prescribed by law and which, pursuant to applicable provisions of (a) an income tax treaty between the United States and the country of residence of the Bank providing the form(s) or statement(s), (b) the Code, or (c) any applicable rule or regulation under the Code, permit the Borrower to make payments hereunder for the account of such Bank free of deduction or withholding of income or similar taxes (except for any deduction or withholding of income or similar taxes as a result of any change in or in the interpretation of any such treaty, the Code or any such rule or regulation).

"Public Offering" means the initial public offering of approximately 14,200,000 shares of Parent Common Stock.

"Qualified Ground Lease" means each of the ground leases or subground leases set forth on Schedule 1.01(j) hereto and for a Future Property means any ground lease (a) which is a direct ground lease granted by the fee owner of real property, (b) which may be transferred and/or assigned without the consent of the lessor (or as to which the lease expressly provides that (i) such lease may be transferred and/or assigned with the consent of the lessor and (ii) such consent shall not be unreasonably withheld or delayed) or subject to certain reasonable pre-defined requirements, (c) which has a remaining term (including any renewal terms exercisable at the sole option of the lessee) of at least twenty (20) years, (d) under which no material default has occurred and is continuing, (e) with respect to which a Lien may be granted without the consent of the lessor, (f) which contains lender protection provisions acceptable to the Administrative Agent, including, without limitation, provisions to the effect that (i) the lessor shall notify any holder of a Lien in such lease

of the occurrence of any default by the lessee under such lease and shall afford such holder the option to cure such default, and (ii) in the event that such lease is terminated, such holder shall have the option to enter into a new lease having terms substantially identical to those contained in the terminated lease and (g) which is otherwise acceptable in form and substance to the Administrative Agent.

"Real Property" for any hotel means the Land and the Improvements for such hotel, including without limitation, parking and other ancillary functions necessary for the operation of such hotel.

"Register" has the meaning set forth in paragraph (c) of Section 10.06.

"REIT" means a real estate investment trust under Sections 856-860 of the Code.

"Release" shall have the meaning set forth in CERCLA or under any other Environmental Law.

"Renovating Property" means a Hotel Property (a) that has been

designated as such in writing by the Borrower to the Administrative Agent, and (b) with respect to which a renovation (i) was commenced consisting of alterations, remodeling and other similar work having an aggregate cost exceeding ten percent (10%) of the Investment Amount in such Hotel Property and (ii) was completed, or is reasonably expected to be completed, within twenty-four (24) months of the commencement of such renovation; PROVIDED that the Borrower shall only be able to designate (y) one (1) Hotel Property as a Renovating Property at any one time and (z) a Hotel Property as a Renovating Property only during the Fiscal Quarters for which the renovation is occurring (not exceeding eight (8) Fiscal Quarters) and the Rolling Period following such period.

"Reportable Event" means any of the events set forth in Section 4043(b) of ERISA.

"Required Lenders" means, at any time, Banks holding at least 51% of the then aggregate unpaid principal amount of the Notes and the Letter of Credit Exposure of the Banks at such time, or, if no such principal amount of the Notes and Letter of Credit Exposure is then outstanding, Banks having at least 51% of the aggregate amount of the Commitments at such time.

"Required Work" means, for any Future Property which the Borrower requests be an Eligible Property, the work agreed upon by the Borrower and the Administrative Agent, if any, as the Required Work for such Future Property.

"Response" shall have the meaning set forth in CERCLA or under any other Environmental Law.

"Responsible Officer" means the Chief Executive Officer, President, Executive Vice President, Chief Operating Officer, Chief Financial Officer, or Treasurer of any Person.

"Restricted Payment" means (a) any direct or indirect payment, prepayment, redemption, purchase, or deposit of funds or Property for the payment (including any sinking fund or defeasance), prepayment, redemption or purchase of Indebtedness not permitted by this Agreement, and (b) the making by any Person of any dividends or other distributions (in cash, property, or otherwise) on, or payment for the purchase, redemption or other acquisition of, any shares of any capital stock, any limited liability company interests or any partnership interests of such Person, other than dividends or distributions payable in such Person's stock, limited liability company interests or any partnership interests.

"Rolling Period" means, as of any date, the four Fiscal Quarters ending immediately preceding such date.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., or any successor thereof.

"Seasoned Property" means, as at any date, a Hotel Property (excluding any Renovating Property) that has been owned for four (4) or more Fiscal Quarters, by the Parent or by a Person that has been a Subsidiary of the Parent during such entire period.

"Secured Non-Recourse Indebtedness" of any Person means all Indebtedness of such Person with respect to which recourse for payment is limited to specific assets encumbered by a Lien securing such Indebtedness; PROVIDED, HOWEVER, that personal recourse of a holder of Indebtedness against any obligor with respect thereto for fraud, misrepresentation, misapplication of cash, non-payment of real estate taxes or ground lease rent, waste and other circumstances customarily excluded from non-recourse

provisions in non-recourse financing of real estate shall not, by itself, prevent any Indebtedness from being characterized as Secured Non-Recourse Indebtedness, PROVIDED FURTHER THAT if a personal recourse claim is made in connection therewith, such claim shall not constitute Secured Non-Recourse Indebtedness for the purposes of this Agreement.

"Secured Recourse Indebtedness" of any Person means any Total Liabilities (excluding any Secured Non-Resource Indebtedness) of such Person for which the obligations thereunder are secured by a Lien on any assets of such Person or its Subsidiaries.

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"Status" means the existence of Level I Status, Level II Status, Level III Status, or Level IV Status, as the case may be. As used in this definition:

"Level I Status" exists at any date if, at such date, the Leverage Ratio is less than or equal to 35%;

"Level II Status" exists at any date if, at such date, the Leverage Ratio is greater than 35% but less than or equal to 40%;

"Level III Status" exists at any date if, at such date, the Leverage Ratio is greater than 40% but less than or equal to 45%; and

"Level IV Status" exists at any date if, at such date, the Leverage Ratio is greater than 45%.

Status shall be determined and changed as of the 45th day following any Fiscal Quarter. The Leverage Ratio shall be based upon the components of the calculation of the Leverage Ratio for the Rolling Period just ended or as of the end of such Rolling Period, as applicable.

"Stock" means shares of capital stock, beneficial or partnership interests, participations or other equivalents (regardless of how designated) of or in a corporation or equivalent entity, whether voting or non-voting, and includes, without limitation, common stock and preferred stock.

"Stock Equivalents" means all securities (other than Stock) convertible into or exchangeable for Stock and all warrants, options or other rights to purchase or subscribe for any stock, whether or not presently convertible, exchangeable or exercisable.

"Subsidiary" of a Person means any corporation, association, partnership or other business entity of which more than 50% of the outstanding shares of capital stock (or other equivalent interests) having by the terms thereof ordinary voting power under ordinary circumstances to elect a majority of the board of directors or Persons performing similar functions (or, if there are no such directors or Persons, having general voting power) of such entity (irrespective of whether at the time capital stock (or other equivalent interests) of any other class or classes of such entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more Subsidiaries of such Person or by one or more Subsidiaries of such Person.

"Supplemental Guarantor" means any partner of the Borrower except for the Parent or the Guarantors that executes a Supplemental Guaranty.

"Supplemental Guaranty" means any future assumption of liability in a

form reasonably acceptable to the Administrative Agent executed by a Supplemental Guarantor to secure Advances, as such future supplemental guaranties may be amended hereafter in accordance with their terms.

"Termination Event" means (a) the occurrence of a Reportable Event with respect to a Plan, as described in Section 4043 of ERISA and the regulations issued thereunder (other than a Reportable Event not subject to the provision for 30-day notice to the PBGC under such regulations), (b) the withdrawal of the Parent, the Borrower or any of a Controlled Group from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (c) the giving of a notice of intent to terminate a Plan under Section 4041(c) of ERISA, (d) the institution of proceedings to terminate a Plan by the PBGC, or (e) any other event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"Total Commitments" means the aggregate amount of the Banks' Commitments which shall initially be Two Hundred Million Dollars (\$200,000,000); as such amount may be increased pursuant to the provisions of Section 1.06 or decreased pursuant to the provisions of Section 2.04 or other applicable provisions of this Agreement.

"Total Liabilities" of any Person means the sum of the following (without duplication): (a) all Indebtedness of such Person and its Subsidiaries determined on a Consolidated basis in conformity with GAAP, PLUS (b) such Person's Unconsolidated Entity Percentage of Indebtedness (including Secured Non-Recourse Indebtedness) of such Person's Unconsolidated Entities, PLUS (c) to the extent not already included in the calculation of either of the preceding clauses (a) or (b), the aggregate amount of letters of credit for which such Person or any of its Subsidiaries would have a direct or contingent obligation to reimburse the issuers of such letters of credit upon a drawing under such letters of credit MINUS (d) to the extent included in the calculation of any of the preceding clauses (a), (b) or (c), (i) trade payables and accruals incurred in the ordinary course of business, (ii) the amount of any minority interests and (iii) Capital Lease Obligations for a ground lease for any Hotel Property for which the annual rental payments for such ground lease do not exceed 30% of the Adjusted NOI for such Hotel Property.

"Type" has the meaning set forth in Section 1.04.

"Unconsolidated Entity" means, with respect to any Person, at any date, any other Person in whom such Person holds an Investment, which Investment is accounted for in the financial statements of such Person on an equity basis of accounting or as a loan or advance to the other Person, and whose financial results would not be consolidated under GAAP with the financial results of such Person on the consolidated financial statements of such Person, if such statements were prepared as of such date.

"Unconsolidated Entity Percentage" means, for any Person, with respect to a Person's Unconsolidated Entity, the percentage ownership interest of such Person in such Unconsolidated Entity; PROVIDED that, in the event that such Person is the general partner of such Unconsolidated Entity, such Person's Unconsolidated Entity Percentage with respect to such Unconsolidated Entity shall be 100% with respect to any Indebtedness for which recourse may be made against any general partner of such Unconsolidated Entity (provided that such Indebtedness shall not be deemed to be recourse to such general partner solely because of certain customary carveouts to non-recourse Indebtedness); PROVIDED FURTHER that when the Investment in an Unconsolidated Entity is in the form of preferred stock or a loan or advance, the Unconsolidated Entity Percentage shall be a percentage equal to (a) the amount of such Investment DIVIDED by (b) the

aggregate amount of the Investments by all Persons in the Unconsolidated Entity.

"Unencumbered" means, with respect to any Hotel Property, at any date of determination, the circumstance that such Hotel Property on such date:

(a) is not subject to any Liens (including restrictions on transferability or assignability) of any kind (including any such Lien or restriction imposed by (i) any agreement governing Indebtedness, and (ii) the organizational documents of the Borrower or any of its Subsidiaries, but excluding Permitted Encumbrances and, in the case of any Qualified Ground Lease (to the extent permitted by the definition thereof), restrictions on transferability or assignability in respect of such Qualified Ground Lease);

(b) is not subject to any agreement (including (i) any agreement governing Indebtedness, and (ii) if applicable, the organizational documents of the Borrower or any of its Subsidiaries) which prohibits or limits the ability of the Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon such Hotel Property, other than Permitted Encumbrances (excluding any agreement or organizational document which limits generally the amount of Indebtedness which may be incurred by the Borrower or its Subsidiaries); and

(c) is not subject to any agreement (including any agreement governing Indebtedness) which entitles any Person to the benefit of any Lien (other than Permitted Encumbrances) on such Hotel Property, or would entitle any Person to the benefit of any such Lien upon the occurrence of any contingency (including, without limitation, pursuant to an "equal and ratable" clause).

For the purposes of this Agreement, any Hotel Property owned by a Subsidiary of the Borrower shall not be deemed to be Unencumbered unless both (i) such Hotel Property and (ii) all Stock owned directly or indirectly by Borrower in such Subsidiary is Unencumbered.

"Unsecured Indebtedness" of any Person means the Total Liabilities of such Person MINUS the sum of the Secured Recourse Indebtedness and Secured Non-Recourse Indebtedness of such Person.

"Unsecured Interest Coverage Ratio" means, as of the end of any Rolling Period, a ratio of (a) the amount of (i) the aggregate Adjusted NOI for all Eligible Properties for such Rolling Period MINUS (ii) for any Eligible Property the Adjusted NOI attributable to the period of time prior to a Hotel Property qualifying as an Eligible Property PLUS (iii) for any previous Eligible Property that no longer qualifies as an Eligible Property during such Rolling Period the Adjusted NOI for such Hotel Property for the portion of such Rolling Period that such Hotel Property qualified as an Eligible Property to (b) the portion of Parent's Interest Expense attributable to Unsecured Indebtedness for such Rolling Period.

"Wholly-Owned Subsidiary" of a Person means any Subsidiary for which such Person's ownership interest is 99% or more.

SECTION 1.02 COMPUTATION OF TIME PERIODS. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

SECTION 1.03 ACCOUNTING TERMS; CHANGES IN GAAP.

(a) All accounting terms not specifically defined in this Agreement shall be construed in accordance with GAAP applied on a

consistent basis.

(b) Unless otherwise indicated, all financial statements of the Borrower and the Parent, all calculations for compliance with covenants in this Agreement, and all calculations of any amounts to be calculated under the definitions in Section 1.01 shall be based upon the Consolidated accounts of the Borrower, the Parent and their respective Subsidiaries (as applicable) in accordance with GAAP.

(c) If any changes in accounting principles after September 30, 2000 required by GAAP or the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or similar agencies results in a change in the method of calculation of, or affects the results of such calculation of, any of the financial covenants, standards or terms found in this Agreement, then the parties shall enter into and diligently pursue negotiations in order to amend such financial covenants, standards or terms so as to equitably reflect such change, with the desired result that the criteria for evaluating the financial condition of Borrower and its Subsidiaries (determined on a Consolidated basis) shall be the same after such change as if such change had not been made.

SECTION 1.04 TYPES OF ADVANCES. Advances are distinguished by "Type". The "Type" of an Advance refers to the determination whether such Advance is a LIBOR Advance or Base Rate Advance, each of which constitutes a Type.

SECTION 1.05 MISCELLANEOUS. Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified.

SECTION 1.06 AMENDMENT AND RESTATEMENT; COMMITMENT INCREASES. The parties hereto agree to use reasonable efforts to accomplish the matters set forth in the preliminary statements of this Agreement and, without limitation, agree to the following:

(a) For each Bank which does not have an Existing Note, the Borrower will execute a Note payable to such Bank in the amount of such Bank's Commitment which Note will constitute the Note the Borrower is obligated to deliver to such Bank as provided in Section 3.01.

(b) For each Bank which has an Existing Note, the Borrower will execute a Note payable to such Bank in the amount of such Bank's Commitment which Note (i) will replace in its entirety such Bank's Existing Note and either increase or decrease, as applicable, the Indebtedness evidenced by the Existing Note and (ii) constitute the Note the Borrower is obligated to deliver to such Bank as provided in Section 3.01.

(c) The Borrower shall be entitled to request that the Total Commitments be increased to an amount not exceeding Three Hundred Million Dollars (\$300,000,000); PROVIDED that (i) no Default then exists, (ii) the Borrower gives the Banks thirty (30) days prior written notice of such election, (iii) no Bank shall be obligated to increase such Bank's Commitment without such Bank's written consent which may be withheld in such Bank's sole discretion, (iv) the Borrower, not the Banks or the Administrative Agent, is responsible for arranging for Persons to provide the additional Commitment amounts; and (v) any Person providing any additional Commitment amount must qualify as an Eligible Assignee and be reasonably acceptable to the Administrative Agent if such Person is not already a Bank. In connection with any such increase in the Total Commitments the parties shall execute any documents reasonably requested in connection with or to evidence such increase, including without limitation an amendment to this Agreement.

(d) On the date ("Funding Date") the conditions precedent set

forth in Section 3.01 are satisfied, or, in connection with any future increase in the Total Commitments permitted by this Agreement, the date designated by the Administrative Agent, the Banks whose Commitments have increased in connection with this Agreement or such future increase in the Total Commitments, as applicable, shall fund to the Administrative Agent such amounts as may be required to cause each of them to hold its Pro Rata Share of Advances based upon the Commitments as of such Funding Date, and the Administrative Agent shall distribute the funds so received to the other Banks in such amounts as may be required to cause each of them to hold its Pro Rata Share of Advances as of such Funding Date. The Banks and the Existing Lenders, as applicable, receiving such amounts to be applied to LIBOR Advances may demand payment of the breakage costs under Section 2.08 as though Borrower had elected to prepay such LIBOR Advances on such date and the Borrower shall pay the amount so demanded as provided in Section 2.08. The first payment of interest and letter of credit fees received by the Administrative Agent after such Funding Date shall be paid to the Banks in amounts adjusted to reflect the adjustments of their respective Pro Rata Shares of the Advances as of the Funding Date. On the Funding Date each Bank shall be deemed to have either sold or purchased, as applicable, participations in the Letter of Credit Exposure sold to the Banks pursuant to Section 2.13(b) of the Original Credit Agreement so that upon consummation of all such sales and purchases each Bank holds participations in the Letter of Credit Exposure equal to such Bank's Pro Rata Share of the total Letter of Credit Exposure as of such Funding Date.

ARTICLE II

THE ADVANCES AND THE LETTERS OF CREDIT

SECTION 2.01 THE ADVANCES. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make Advances to the Borrower from time to time on any Business Day up to 30 days prior to the Maturity Date in an aggregate amount not to exceed at any time outstanding an amount equal to such Bank's Commitment LESS such Bank's Pro Rata Share of the Letter of Credit Exposure at such time. The aggregate amount of all outstanding Advances and Letter of Credit Exposure at any time may not exceed either the lesser of (i) the Total Commitments at such time or (ii) the Borrowing Base at such time. Within the limits of each Bank's Commitment and the Borrowing Base limitation set forth above, the Borrower may from time to time prepay pursuant to Section 2.07 and reborrow under this Section 2.01. Notwithstanding any notice requirement in this Agreement to the contrary, for the initial Advance only the Banks and the Borrower agree that if the conditions precedent for the initial Advance set forth in Section 3.01 are satisfied on or prior to November 14, 2000, the initial Advance shall be on November 14, 2000 and shall be a LIBOR Advance if requested by the Borrower.

SECTION 2.02 METHOD OF BORROWING.

(A) NOTICE. Each Borrowing shall be made by telephone (promptly confirmed in writing on the same day) pursuant to a Notice of Borrowing, given not later than 12:00 Noon (Dallas, Texas time) (i) on the third Business Day before the date of the proposed Borrowing, in the case of a Borrowing consisting of LIBOR Advances, or (ii) on the Business Day before the date of the proposed Borrowing, in the case of a Borrowing consisting of Base Rate Advances, by the Borrower to the Administrative Agent, which shall give each Bank prompt notice on the day of receipt of such timely telephone call or Notice of Borrowing of such proposed Borrowing by telecopier. Each Notice of Borrowing shall be in writing or by telecopier specifying the requested (i) date of such Borrowing, (ii) Type of Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, and (iv) if such Borrowing is to be comprised of LIBOR Advances,

the Interest Period for each such Advance. In the case of a proposed Borrowing comprised of LIBOR Advances, the Administrative Agent shall promptly notify each Bank of the applicable interest rate under Section 2.06(b). Each Bank shall, before 12:00 Noon (Dallas, Texas time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in Section 10.02, or such other location as the Administrative Agent may specify by notice to the Banks, in same day funds, such Bank's Pro Rata Share of such Borrowing. Upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower at its account with the Administrative Agent or to such other account as the Borrower shall specify to the Administrative Agent in writing.

(b) CONVERSIONS AND CONTINUATIONS. In order to elect to Convert or continue Advances comprising part of the same Borrowing under this Section, the Borrower shall deliver an irrevocable Notice of Conversion or Continuation to the Administrative Agent at the Administrative Agent's office no later than 12:00 Noon (Dallas, Texas time) (i) on the date which is at least three Business Days in advance of the proposed Conversion or continuation date in the case of a Conversion to or a continuation of a Borrowing comprised of LIBOR Advances and (ii) on the Business Day prior to the proposed conversion date in the case of a Conversion to a Borrowing comprised of Base Rate Advances. Each such Notice of Conversion or Continuation shall be in writing or by telecopier, specifying (i) the requested Conversion or continuation date (which shall be a Business Day), (ii) the Borrowing amount and Type of the Advances to be Converted or continued, (iii) whether a Conversion or continuation is requested, and if a Conversion, into what Type of Advances, and (iv) in the

case of a Conversion to, or a continuation of, LIBOR Advances, the requested Interest Period. Promptly after receipt of a Notice of Conversion or Continuation under this paragraph, the Administrative Agent shall provide each Bank with a copy thereof and, in the case of a Conversion to or a continuation of LIBOR Advances, notify each Bank of the applicable interest rate under Section 2.06(b). For purposes other than the conditions set forth in Section 3.02, the portion of Advances comprising part of the same Borrowing that are Converted to Advances of another Type shall constitute a new Borrowing. If the Borrower shall fail to specify an Interest Period for a LIBOR Advance including the continuation of a LIBOR Advance, the Borrower shall be deemed to have selected a Base Rate Advance.

(c) CERTAIN LIMITATIONS. Notwithstanding anything in paragraphs (a) and (b) above:

(i) in the case of LIBOR Advances each Borrowing shall be in an aggregate amount of not less than \$1,000,000 or greater multiples of \$100,000;

(ii) except for Borrowings for the acquisition by the Borrower or its Subsidiary of Investments permitted under Sections 6.07 (c) and (d), the Borrower may not request Borrowings on more than three days in any calendar month.

(iii) at no time shall there be more than eight (8) Interest Periods applicable to outstanding LIBOR Advances;

(iv) the Borrower may not select LIBOR Advances for any Borrowing to be made, Converted or continued if a Default has occurred and is continuing;

(v) if any Bank shall, at any time prior to the making of any requested Borrowing comprised of LIBOR Advances, notify the Administrative

Agent that the introduction of or any change in or in the interpretation of any law or regulation after the date hereof makes it unlawful, or that any central bank or other governmental authority asserts that it is unlawful, for such Bank or its LIBOR Lending Office to perform its obligations under this Agreement to make LIBOR Advances or to fund or maintain LIBOR Advances, then such Bank's Pro Rata Share of such Borrowing shall be made as a Base Rate Advance, provided that such Base Rate Advance shall be considered part of the same Borrowing and interest on such Base Rate Advance shall be due and payable at the same time that interest on the LIBOR Advances comprising the remainder of such Borrowing shall be due and payable; and such Bank agrees to use commercially reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such designation would avoid the effect of this paragraph and would not, in the reasonable judgment of such Bank, be otherwise materially disadvantageous to such Bank;

(vi) if the Administrative Agent is unable to determine the LIBOR for LIBOR Advances comprising any requested Borrowing, the right of the Borrower to select LIBOR Advances for such Borrowing or for any subsequent Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist, and each Advance comprising such Borrowing shall be a Base Rate Advance;

(vii) if the Required Lenders shall, at least one Business Day before the date of any requested Borrowing, notify the Administrative Agent that the LIBOR for LIBOR Advances comprising such Borrowing will not adequately reflect the cost to such Banks of making or funding their respective LIBOR Advances, as the case may be, for such Borrowing, the right of the Borrower to select LIBOR Advances for such Borrowing or for any subsequent Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist, and each Advance comprising such Borrowing shall be a Base Rate Advance; and

(viii) if the Borrower shall fail to select the duration or continuation of any Interest Period for any LIBOR Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01 and paragraph (a) or (b) above, the Administrative Agent will forthwith so notify the Borrower and the Banks and such Advances will be made available to the Borrower on the date of such Borrowing as Base Rate Advances or, if an existing Advance, Converted into Base Rate Advances.

(d) NOTICES IRREVOCABLE. Each Notice of Borrowing and Notice of Conversion or Continuation shall be irrevocable and binding on the Borrower. In the case of any Borrowing which the related Notice of Borrowing specifies is to be comprised of LIBOR Advances, the Borrower shall indemnify each Bank against any loss, out-of-pocket cost or expense incurred by such Bank as a result of any condition precedent for Borrowing set forth in Article III not being satisfied for any reason, including, without limitation, any loss, cost or expense actually incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Advance to be made by such Bank as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(e) ADMINISTRATIVE AGENT RELIANCE. Unless the Administrative Agent shall have received notice from a Bank before the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's Pro Rata Share of the Borrowing, the Administrative Agent may assume that such Bank has made its Pro Rata Share of such Borrowing available to the Administrative Agent on the date of such Borrowing in

accordance with paragraph (a) of this Section 2.02 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made its Pro Rata Share of such Borrowing available to the Administrative Agent, such Bank and the Borrower severally agree to immediately repay to the Administrative Agent on demand such corresponding amount, together with interest on such amount, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable on each such day to Advances comprising such Borrowing and (ii) in the case of such Bank, the Federal Funds Rate for each such day. If such Bank shall repay to the Administrative Agent such corresponding amount and interest as provided above, such corresponding amount so repaid shall constitute such Bank's Advance as part of such Borrowing for purposes of this Agreement even though not made on the same day as the other Advances comprising such Borrowing.

(f) BANK OBLIGATIONS SEVERAL. The failure of any Bank to make the Advance to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation, if any, to make its Advance on the date of such Borrowing. No Bank shall be responsible for the failure of any other Bank to make the Advance to be made by such other Bank on the date of any Borrowing.

(g) NOTES. The indebtedness of the Borrower to each Bank resulting from Advances owing to such Bank shall be evidenced by the Note of the Borrower payable to the order of such Bank in substantially the form of Exhibit A.

SECTION 2.03 FEES.

(a) COMMITMENT FEES. For the period from the Effective Date to but excluding the Maturity Date the Borrower agrees to pay to the Administrative Agent for the account of each Bank a commitment fee on the average daily amount by which such Bank's Commitment exceeds the sum of such Bank's outstanding Advances and Pro Rata Share of the Letter of Credit Exposure at a rate per annum equal to the Applicable Margin based upon a 360-day year. Such fees shall be due and payable quarterly in arrears (i) on the date which is 30 days following the last Business Day of each March, June, September and December and (ii) on the Maturity Date.

(b) LETTER OF CREDIT FEES. The Borrower agrees to pay to the Administrative Agent for the benefit of the Banks, fees in respect of all Letters of Credit outstanding at a rate per annum equal to the Applicable Margin calculated based upon a 360-day year and in respect of the maximum amount available from time to time to be drawn under such outstanding Letters of Credit, payable quarterly in arrears (i) on the date which is 30 days following the last Business Day of each March, June, September and December and (ii) on the Maturity Date. In addition, the Borrower agrees to pay to the Issuing Bank for its own account a fee on the average daily amount of the aggregate undrawn maximum face amount of each Letter of Credit issued by such Issuing Bank at a rate per annum equal to .125%, such fees due and payable quarterly in arrears (i) on the date which is 30 days following the last Business Day of each March, June, September and December and (ii) on the Maturity Date.

(c) FACILITATORS' FEES. The Borrower agrees to pay to the Facilitators for their benefit the fees set forth in the Fee Letter as and when the same are due and payable pursuant to the terms of the Fee Letter.

(d) SG COWEN'S FEES. The Borrower agrees to pay to SG Cowen for SG Cowen's account the fees set forth in the Advisory Fee Letter (the "Advisory Fee Letter") dated September 18, 2000, by and between such

parties, as and when the same are due and payable pursuant to the terms of such Advisory Fee Letter.

SECTION 2.04 REDUCTION OF THE COMMITMENTS. The Borrower may, upon at least three Business Days' prior notice to the Administrative Agent, permanently terminate in whole or permanently reduce ratably in part the Commitments of the Banks; PROVIDED, HOWEVER, that (i) each partial reduction shall be in the aggregate amount of not less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, (ii) no such reduction shall result in a Borrowing Base deficiency as provided in Section 2.07(c)(i), and (iii) no such reduction shall result in the Total Commitments of the Banks being less than \$100,000,000.

SECTION 2.05 REPAYMENT OF ADVANCES. The Borrower shall repay the outstanding principal amount of each Advance on the Maturity Date.

SECTION 2.06 INTEREST, LATE PAYMENT FEE. The Borrower shall pay interest on the unpaid principal amount of each Advance made by each Bank from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) BASE RATE ADVANCES. If such Advance is a Base Rate Advance, a rate per annum (computed on the actual number of days elapsed, including the first day and excluding the last, based on a 365 day year) equal at all times to the lesser of (i) the Adjusted Base Rate in effect from time to time plus the Applicable Margin and (ii) the Maximum Rate, payable in arrears on the first day of each calendar month, provided that during the continuance of an Event of Default, Base Rate Advances shall bear interest at a rate per annum equal at all times to the lesser of (i) the rate required to be paid on such Advance immediately prior to the date on which such Event of Default commenced plus two percent (2%) and (ii) the Maximum Rate.

(b) LIBOR ADVANCES. If such Advance is a LIBOR Advance, a rate per annum (computed on the actual number of days elapsed, including the first day and excluding the last, based on a 360 day year) equal at all times during the Interest Period for such Advance to the lesser of (i) the LIBOR for such Interest Period plus the Applicable Margin and (ii) the Maximum Rate, payable in arrears on the last day of such Interest Period, and on the date such LIBOR Advance shall be paid in full, and, with respect to LIBOR Advances having an Interest Period in excess of one month, the first day of each calendar month during such Interest Period; provided that during the continuance of an Event of Default, LIBOR Advances shall bear interest at a rate per annum equal at all times to the lesser of (i) the rate required to be paid on such Advance immediately prior to the date on which such Event of Default commenced plus two percent (2%) and (ii) the Maximum Rate.

(c) USURY RECAPTURE. In the event the rate of interest chargeable under this Agreement or the Notes at any time is greater than the Maximum Rate, the unpaid principal amount of the Notes shall bear interest at the Maximum Rate until the total amount of interest paid or accrued on the Notes equals the amount of interest which would have been paid or accrued on the Notes if the stated rates of interest set forth in this Agreement had at all times been in effect. In the event, upon payment in full of the Notes, the total amount of interest paid or accrued under the terms of this Agreement and the Notes is less than the total amount of interest which would have been paid or accrued if the rates of interest set forth in this Agreement had, at all times, been in effect, then the Borrower shall, to the extent permitted by applicable law, pay the Administrative Agent for the account of the Banks an amount equal to the difference between (i) the lesser of (A) the amount of interest which would have been charged on the Notes if the Maximum Rate had, at all times, been

in effect and (B) the amount of interest which would have accrued on the Notes if the rates of interest set forth in this Agreement had at all times been in effect and (ii) the amount of interest actually paid or accrued under this Agreement on the Notes. In the event the Banks ever receive, collect or apply as interest any sum in excess of the Maximum Rate, such excess amount shall, to the extent permitted by law, be applied to the reduction of the principal balance of the Notes, and if no such principal is then outstanding, such excess or part thereof remaining shall be paid to the Borrower.

(d) OTHER AMOUNTS OVERDUE. If any amount payable under this Agreement other than the Advances is not paid when due and payable, including without limitation, accrued interest and fees, then such overdue amount shall accrue interest hereon due and payable on demand at a rate per annum equal to the Adjusted Base Rate plus two percent (2%), from the date such amount became due until the date such amount is paid in full.

SECTION 2.07 PREPAYMENTS.

(a) RIGHT TO PREPAY. The Borrower shall have no right to prepay any principal amount of any Advance except as provided in this Section 2.07.

(b) OPTIONAL PREPAYMENTS. The Borrower may elect to prepay any of the Advances, after giving by 12:00 Noon (Dallas, Texas time) (i) in the case of LIBOR Advances, at least three Business Days' prior written notice or (ii) in case of Base Rate Advances, at least one Business Day's prior written notice to the Administrative Agent stating the proposed date and aggregate principal amount of such prepayment, and if applicable, the relevant Interest Period for the Advances to be prepaid. If any such notice is given, the Borrower shall prepay Advances comprising part of the same Borrowing in whole or ratably in part in an aggregate principal amount equal to the amount specified in such notice, and with respect to LIBOR Advances shall also pay accrued interest to the date of such prepayment on the principal amount prepaid and amounts, if any, required to be paid pursuant to Section 2.08 as a result of such prepayment being made on such date; PROVIDED, HOWEVER, that each partial prepayment shall be in an aggregate principal amount not less than \$1,000,000 and in integral multiples of \$100,000.

(c) MANDATORY PREPAYMENTS.

(i) BORROWING BASE DEFICIENCY. On or prior to the fifth (5th) Business Day following a Borrowing Base Determination Date occurring under the provisions of Section 2.14, the Borrower shall be required to prepay Advances in an aggregate amount equal to the excess of (A) the aggregate amount of outstanding Advances and Letter of Credit Exposure on such date over (B) the lesser of (1) the Borrowing Base, as determined on such Borrowing Base Determination Date or (2) the Total Commitments at such time (or, upon payment in full of all outstanding Advances, to deposit into the Cash Collateral Account an amount equal to the amount of the Letter of Credit Exposure which exceeds the Borrowing Base).

(ii) ACCRUED INTEREST. Each prepayment pursuant to this Section 2.07(c) of a LIBOR Advance shall be accompanied by accrued interest on the amount prepaid to the date of such prepayment and amounts, if any, required to be paid pursuant to Section 2.08 as a result of such prepayment being made on such date.

(d) RATABLE PAYMENTS. Each payment of any Advance pursuant to this Section 2.07 or any other provision of this Agreement shall be made in a manner such that all Advances comprising part of the same Borrowing are paid in whole or ratably in part.

(e) EFFECT OF NOTICE. All notices given pursuant to this Section 2.07 shall be irrevocable and binding upon the Borrower.

SECTION 2.08 BREAKAGE COSTS. If (a) any payment of principal of any LIBOR Advance is made other than on the last day of the Interest Period for such Advance as a result of any payment pursuant to Section 2.07 or the acceleration of the maturity of the Notes pursuant to Article VIII or otherwise; (b) any Conversion of a LIBOR Advance is made other than on the last day of the Interest Period for such Advance pursuant to Section 2.12 or otherwise; or (c) the Borrower fails to make a principal or interest payment with respect to any LIBOR Advance on the date such payment is due and payable, the Borrower shall, within 10 days of any written demand sent by any Bank to the Borrower through the Administrative Agent, pay to the Administrative Agent for the account of such Bank any amounts (without duplication of any other amounts payable in respect of breakage costs) required to compensate such Bank for any losses (other than lost profit), out-of-pocket costs or expenses which it may reasonably incur as a result of such payment or nonpayment, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Advance.

SECTION 2.09 INCREASED COSTS.

(a) LIBOR ADVANCES. If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the calculation of the LIBOR) in or in the interpretation of any law or regulation enacted, issued or promulgated after the date of this Agreement or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) enacted, issued or promulgated after the date of this Agreement, there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining LIBOR Advances, then the Borrower shall from time to time, within 10 days of written demand by such Bank (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Bank additional amounts (without duplication of any other amounts payable in respect of increased costs) sufficient to compensate such Bank for such increased cost; PROVIDED, HOWEVER, that, before making any such demand, each Bank agrees to use commercially reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost and would not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate as to the amount of such increased cost and detailing the calculation of such cost submitted to the Borrower and the Administrative Agent by such Bank at the time such Bank demands payment under this Section shall be conclusive and binding for all purposes, absent manifest error.

(b) CAPITAL ADEQUACY. If any Bank or the Issuing Bank determines in good faith that compliance with any law or regulation or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) enacted, issued or promulgated after the date of this Agreement affects or would affect the amount of capital required or expected to be maintained by such Bank or the Issuing Bank and that the amount of such capital is increased by or based upon the existence of such Bank's commitment to lend or the Issuing Bank's commitment to issue Letters of Credit or any Bank's commitment to risk participate in Letters of Credit and other commitments of this type, then, upon 30 days prior written notice by such Bank or the Issuing Bank (with a copy of any such demand to the Administrative Agent), the Borrower shall immediately pay to the Administrative Agent for the account of such Bank or

to the Issuing Bank, as the case may be, from time to time as specified by such Bank or the Issuing Bank, additional amounts (without duplication of any other amounts payable in respect of increased costs) sufficient to compensate such Bank or the Issuing Bank, in light of such circumstances, (i) with respect to such Bank, to the extent that such Bank reasonably determines such increase in capital to be allocable to the existence of such Bank's commitment to lend under this Agreement or its commitment to risk participate in Letters of Credit and (ii) with respect to the Issuing Bank, to the extent that such Issuing Bank reasonably determines such increase in capital to be allocable to the issuance or maintenance of the Letters of Credit. A certificate as to such amounts and detailing the calculation of such amounts submitted to the Borrower and the Administrative Agent by such Bank or the Issuing Bank shall be conclusive and binding for all purposes, absent manifest error.

(c) LETTERS OF CREDIT. If any change in any law or regulation or in the interpretation thereof by any court or administrative or Governmental Authority charged with the administration thereof enacted, issued or promulgated after the date of this Agreement shall either (i) impose, modify, or deem applicable any reserve, special deposit, or similar requirement against letters of credit issued by, or assets held by, or deposits in or for the account of, Issuing Bank or any Bank or (ii) impose on Issuing Bank or any Bank any other condition regarding the provisions of this Agreement relating to the Letters of Credit or any Letter of Credit Obligations, and the result of any event referred to in the preceding clause (i) or (ii) shall be to increase the cost to Issuing Bank of issuing or maintaining any Letter of Credit, or increase the cost to such Bank of its risk participation in any Letter of Credit (which increase in cost shall be determined by Issuing Bank's or such Bank's reasonable allocation of the aggregate of such cost increases resulting from such event), then, within 10 days of written demand by Issuing Bank or such Bank (with a copy sent to the Administrative Agent), as the case may be, the Borrower shall pay to the Administrative Agent for the account of Issuing Bank or Bank, as the case may be, from time to time as specified by Issuing Bank or such Bank, additional amounts which shall be sufficient to compensate such Issuing Bank or such Bank for such increased cost. Issuing Bank and each Bank agrees to use commercially reasonable efforts (consistent with internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office for the booking of its Letters of Credit or risk participations if the making of such designation would avoid the effect of this paragraph and would not, in the reasonable judgment of Issuing Bank or such Bank, be otherwise disadvantageous to Issuing Bank or such Bank, as the case may be. A certificate as to such increased cost incurred by Issuing Bank or such Bank, as the case may be, as a result of any event mentioned in clause (i) or (ii) above, and detailing the calculation of such increased costs submitted by Issuing Bank or such Bank to the Borrower and the Administrative Agent, shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.10 PAYMENTS AND COMPUTATIONS.

(a) Payment Procedures. Except if otherwise set forth herein, the Borrower shall make each payment under this Agreement and under the Notes not later than 12:00 Noon (Dallas, Texas time) on the day when due in Dollars to the Administrative Agent without setoff, deduction or counterclaim at the location referred to in the Notes (or such other location as the Administrative Agent shall designate in writing to the Borrower) in same day funds. The Administrative Agent will on the same day such payment is deemed received from the Borrower cause to be distributed like funds relating to the payment of principal, interest or fees ratably (other than amounts payable solely to the Administrative Agent, the Issuing Banks, or a specific Bank pursuant to Section 2.03(b), 2.03(c), 2.06(c), 2.08, 2.09, 2.11, 2.12, or 2.13(c) but after taking into account payments

effected pursuant to Section 10.04) to the Banks in accordance with each Bank's Pro Rata Share for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank or Issuing Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. If and to the extent that the Administrative Agent shall not have so made payment to a Bank on the day required under this Agreement, the Administrative Agent agrees to immediately pay such Bank such payment, together with interest on such amount, for each day from the date such amount was deemed received by the Administrative Agent until the date such amount is paid to such Bank at the Federal Funds Rate for each such day.

(b) COMPUTATIONS. All computations of interest based on the Adjusted Base Rate shall be made by the Administrative Agent on the basis of a year of 365 days and all computations of fees and interest based on the LIBOR and the Federal Funds Rate shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day, but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent of an interest rate shall be conclusive and binding for all purposes, absent manifest error.

(c) NON-BUSINESS DAY PAYMENTS. Whenever any payment shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be; PROVIDED, however, that if such extension would cause payment of interest on or principal of LIBOR Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) ADMINISTRATIVE AGENT RELIANCE. Unless the Administrative Agent shall have received written notice from the Borrower prior to the date on which any payment is due to the Banks that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such date an amount equal to the amount then due such Bank. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent forthwith on demand such amount distributed to such Bank, together with interest, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Administrative Agent, at the Federal Funds Rate for each such day.

(e) APPLICATION OF PAYMENTS. Unless otherwise specified in Section 2.07 hereof, whenever any payment received by the Administrative Agent under this Agreement is insufficient to pay in full all amounts then due and payable under this Agreement and the Notes, such payment shall be distributed and applied by the Administrative Agent and the Banks in the following order: FIRST, to the payment of fees and expenses due and payable to the Administrative Agent under and in connection with this Agreement or any other Credit Document; SECOND, to the payment of all expenses due and payable under Section 2.11(c), ratably among the Banks in accordance with the aggregate amount of such payments owed to each such Bank; THIRD, to the payment of fees due and payable to the Issuing Bank pursuant to Section 2.03(b); FOURTH, to the payment of all other fees due and payable under Section 2.03; and FIFTH, to the payment of the interest accrued on and the principal amount of all of the Notes and the interest accrued on and all Letter of Credit Obligations, regardless of whether any such amount is then due and payable, ratably among the Banks in accordance

with the respective Pro Rata Share.

(f) REGISTER. The Administrative Agent shall record in the Register the Commitment and the Advances from time to time of each Bank and each repayment or prepayment in respect to the principal amount of such Advances of each Bank. Any such recordation shall be conclusive and binding on the Borrower and each Bank, absent manifest error; PROVIDED HOWEVER, that failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligations hereunder in respect of such Advances.

SECTION 2.11 TAXES.

(a) NO DEDUCTION FOR CERTAIN TAXES. Any and all payments by the Borrower shall be made, in accordance with Section 2.10, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank, Issuing Bank, and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank, Issuing Bank, or the Administrative Agent (as the case may be) is organized or any political subdivision of such jurisdiction or by the jurisdiction of such Bank's Applicable Lending Office or any political subdivision of such jurisdiction (all such nonexcluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable to any Bank, Issuing Bank, or the Administrative Agent, (i) the sum payable shall be increased as may be necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 2.11), such Bank, Issuing Bank, or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made; PROVIDED, however, that if the Borrower's obligation to deduct or withhold Taxes is caused solely by such Bank's, Issuing Bank's, or the Administrative Agent's failure to provide the forms described in paragraph (e) of this Section 2.11 and such Bank, Issuing Bank, or the Administrative Agent could have provided such forms, no such increase shall be required; (ii) the Borrower shall make such deductions; and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Legal Requirements.

(b) OTHER TAXES. In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the Notes, or the other Credit Documents (hereinafter referred to as "Other Taxes").

(c) INDEMNIFICATION. Subject to the proviso of Section 2.11(a), the Borrower indemnifies each Bank, Issuing Bank, and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any Governmental Authority on amounts payable under this Section 2.11) paid by such Bank, Issuing Bank, or the Administrative Agent (as the case may be) and any liability (including interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Each payment required to be made by the Borrower in respect of this indemnification shall be made to the Administrative Agent for the benefit of any party claiming such indemnification within 30 days from the date the Borrower receives written demand detailing the calculation of such amounts therefor from the Administrative Agent on behalf of itself as Administrative Agent, Issuing

Bank, or any such Bank. If any Bank, the Administrative Agent, or Issuing Bank receives a refund in respect of any Taxes or Other Taxes paid by the Borrower under this paragraph (c), such Bank, the Administrative Agent, or Issuing Bank, as the case may be, shall promptly pay to the Borrower the Borrower's share of such refund.

(d) EVIDENCE OF TAX PAYMENTS. The Borrower will pay prior to delinquency all Taxes and Other Taxes payable in respect of any payment. Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Administrative Agent, at its address referred to in Section 10.02, the original or a certified copy of a receipt evidencing payment of such Taxes or Other Taxes.

(e) FOREIGN BANK WITHHOLDING EXEMPTION. Each Bank and each Issuing Bank that is not incorporated under the laws of the United States of America or a state thereof agrees that it will deliver to the Borrower and the Administrative Agent on the date of this Agreement or upon the effectiveness of any Assignment and Acceptance two duly completed copies of the Prescribed Forms, certifying in each case that such Bank is entitled to receive payments under this Agreement and the Notes payable to it, without deduction or withholding of any United States federal income taxes. Each Bank which delivers to the Borrower and the Administrative Agent a Prescribed Form further undertakes to deliver to the Borrower and the Administrative Agent two further copies of a replacement Prescribed Form, on or before the date that any such Prescribed Form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower and the Administrative Agent, and such extensions or renewals thereof as may reasonably be requested by the Borrower and the Administrative Agent certifying that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes. If an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any delivery required by the preceding sentence would otherwise be required which renders all such forms inapplicable or which would prevent any Bank from duly completing and delivering any such Prescribed Form with respect to it and such Bank advises the Borrower and the Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, such Bank shall not be required to deliver such forms. The Borrower shall withhold tax at the rate and in the manner required by the laws of the United States with respect to payments made to a Bank failing to timely provide the requisite Prescribed Forms.

SECTION 2.12 ILLEGALITY. If any Bank shall notify the Administrative Agent and the Borrower that the introduction of or any change in or in the interpretation of any Legal Requirement makes it unlawful, or that any central bank or other Governmental Authority asserts that it is unlawful for such Bank or its LIBOR Lending Office to perform its obligations under this Agreement to maintain any LIBOR Advances of such Bank then outstanding hereunder, then, notwithstanding anything herein to the contrary, the Borrower shall, if demanded by such Bank by notice to the Borrower and the Administrative Agent no later than 12:00 Noon (Dallas, Texas time), (a) if not prohibited by Legal Requirement to maintain such LIBOR Advances for the duration of the Interest Period, on the last day of the Interest Period for each outstanding LIBOR Advance of such Bank or (b) if prohibited by Legal Requirement to maintain such LIBOR Advances for the duration of the Interest Period, on the second Business Day following its receipt of such notice from such Bank, Convert all LIBOR Advances of such Bank then outstanding to Base Rate Advances, and pay accrued interest on the principal amount Converted to the date of such Conversion and amounts, if any, required to be paid pursuant to Section 2.08 as a result of such Conversion being made on such date. Each Bank agrees to use

commercially reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such designation would avoid the effect of this paragraph and would not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank.

SECTION 2.13 LETTERS OF CREDIT.

(a) ISSUANCE. From time to time from the date of this Agreement until three months before the Maturity Date, at the request of the Borrower, the Issuing Bank shall, on any Business Day and on the terms and conditions hereinafter set forth, issue, increase, decrease, amend, or extend the expiration date of Letters of Credit for the account of the Borrower (for its own benefit or for the benefit of any of its Subsidiaries). Upon the Effective Date, but subject to the limitations contained in the following sentence, each Existing Letter of Credit shall be automatically converted to a Letter of Credit. No Letter of Credit will be issued, increased, or extended and no Existing Letter of Credit will be converted to a Letter of Credit (i) if such issuance, increase, or extension would cause the Letter of Credit Exposure to exceed the lesser of (x) \$25,000,000 or (y) an amount equal to (A) the lesser of the Borrowing Base or the Total Commitments LESS (B) the aggregate outstanding Advances and Letter of Credit Exposure at such time; (ii) unless such Letter of Credit has an Expiration Date not later than the earlier of (A) one year after the date of issuance thereof and (B) one day prior to the Maturity Date; (iii) unless such Letter of Credit is in form and substance acceptable to the respective Issuing Bank; (iv) unless such Letter of Credit is a standby letter of credit not supporting the repayment of indebtedness for borrowed money of any Person; (v) unless the Borrower has delivered to the respective Issuing Bank the completed and executed Letter of Credit Documents (other than the Letter of Credit) on such Issuing Bank's standard form, which shall contain terms no more restrictive than the terms of this Agreement; (vi) unless such Letter of Credit is governed by the International Standby Practices (1998) ("ISP") or any successor to the ISP; and (vii) unless no Default has occurred and is continuing or would result from the issuance of such Letter of Credit. If the terms of any of the Letter of Credit Documents referred to in the foregoing clause (v) conflicts with the terms of this Agreement, the terms of this Agreement shall control.

(b) PARTICIPATIONS. On the date of the issuance or increase of any Letter of Credit on or after the Effective Date or the conversion of any Existing Letter of Credit to a Letter of Credit in accordance with provisions of the preceding Section 2.13(a), each Issuing Bank shall be deemed to have sold to each other Bank and each other Bank shall have been deemed to have purchased from such Issuing Bank a participation in the Letter of Credit Exposure related to the Letters of Credit issued by such Issuing Bank equal to such Bank's Pro Rata Share at such date and such sale and purchase shall otherwise be in accordance with the terms of this Agreement. Each Issuing Bank shall promptly notify each such participant Bank by telex, telephone, or telecopy of each Letter of Credit of such Issuing Bank issued, increased or decreased, and the actual dollar amount of such Bank's participation in such Letter of Credit. Each Bank's obligation to purchase participating interests pursuant to this Section and to reimburse the respective Issuing Bank for such Bank's Pro Rata Share of any payment under a Letter of Credit by such Issuing Bank not reimbursed in full by the Borrower shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any of the circumstances described in paragraph (d) below, (ii) the occurrence and continuance of a Default, (iii) an adverse change in the financial condition of the Borrower or any Guarantor, or (iv) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing, except for any such circumstance, happening or event

constituting or arising from gross negligence or willful misconduct on the part of such Issuing Bank.

(c) REIMBURSEMENT. The Borrower shall pay promptly on demand to each Issuing Bank in respect of each Letter of Credit issued by such Issuing Bank an amount equal to any amount paid by such Issuing Bank under or in respect of such Letter of Credit. In the event any Issuing Bank makes a payment pursuant to a request for draw presented under a Letter of Credit and such payment is not promptly reimbursed by the Borrower upon demand, such Issuing Bank shall give notice of such payment to the Administrative Agent and the Banks, and each Bank shall promptly reimburse such Issuing Bank for such Bank's Pro Rata Share of such payment, and such reimbursement shall be deemed for all purposes of this Agreement to constitute a Base Rate Advance to the Borrower from such Bank. If such reimbursement is not made by any Bank to any Issuing Bank on the same day on which such Issuing Bank shall have made payment on any such draw, such Bank shall pay interest thereon to such Issuing Bank for each such day from the date such payment should have been made until the date repaid at a rate per annum equal to the Federal Funds Rate for each such day. The Borrower hereby unconditionally and irrevocably authorizes, empowers, and directs the Administrative Agent and the Banks to record and otherwise treat each payment under a Letter of Credit not immediately reimbursed by the Borrower as a Borrowing comprised of Base Rate Advances to the Borrower.

(d) OBLIGATIONS UNCONDITIONAL. Except to the extent provided in Section 2.13(e), the obligations of the Borrower under this Agreement in respect of each Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, notwithstanding the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit Documents;

(ii) any amendment or waiver of or any consent to departure from any Letter of Credit Documents;

(iii) the existence of any claim, set-off, defense or other right which the Borrower or any Bank or any other Person may have at any time against any beneficiary or transferee of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), the respective Issuing Bank or any other Person or entity, whether in connection with this Agreement, the transactions contemplated in this Agreement or in any Letter of Credit Documents or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect to the extent the respective Issuing Bank would not be liable therefor pursuant to the following paragraph (e);

(v) payment by the respective Issuing Bank under such Letter of Credit against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

(e) LIABILITY OF ISSUING BANKS. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. No Issuing Bank, nor any other Bank, nor any of their respective officers or directors shall be liable or responsible for:

(i) the use which may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith;

(ii) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged;

(iii) payment by such Issuing Bank against presentation of documents which do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the relevant Letter of Credit; or

(iv) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit (including such Issuing Bank's own negligence);

EXCEPT that the Borrower shall have a claim against such Issuing Bank, and such Issuing Bank shall be liable to, and shall promptly pay to, the Borrower, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower which the Borrower proves were caused by (A) such Issuing Bank's willful misconduct or gross negligence in determining whether documents presented under a Letter of Credit comply with the terms of such Letter of Credit or (B) such Issuing Bank's gross negligence in failing to make lawful payment under any Letter of Credit after the presentation to it of a draft and certificate strictly complying with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, any Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation.

SECTION 2.14 DETERMINATION OF BORROWING BASE. The Borrowing Base shall be determined by the Administrative Agent, as follows:

(a) QUARTERLY. On the 45th day following each calendar quarter the Administrative Agent shall determine the Borrowing Base upon receipt of a Borrowing Base Certificate setting forth the components of the Borrowing Base dated as of the last day of the immediately preceding calendar quarter.

(b) PROPERTY ADJUSTMENTS. Following each addition or deletion of a Hotel Property as an Eligible Property (an "Adjustment Event"), and the Administrative Agent's receipt of a Property Adjustment Report with respect thereto, the Administrative Agent shall adjust the Borrowing Base accordingly.

(c) REDUCTION OF COMMITMENTS. Following each reduction of the Commitments pursuant to the provisions of Section 2.04.

(d) NOTICE OF BORROWING BASE CHANGE. Promptly following any date the Borrowing Base is re-determined in accordance with the preceding paragraphs, the Administrative Agent shall give notice to the Banks and the Borrower of the new Borrowing Base.

SECTION 2.15 BANK REPLACEMENT.

(a) RIGHT TO REPLACE. The Borrower shall have the right to replace each Bank affected by a condition under Section 2.02(c)(v), 2.09,

2.11, or 2.12 for more than 90 days (each such affected Bank, an "Affected Bank") in accordance with the procedures in this Section 2.15 and provided that no reduction of the total Commitments occurs as a result thereof.

(b) FIRST RIGHT OF REFUSAL; REPLACEMENT.

(i) Upon the occurrence of any condition permitting the replacement of a Bank, the Administrative Agent in its sole discretion shall have the right to reallocate the amount of the Commitments of the Affected Banks, including without limitation to Persons which are not already party to this Agreement but which qualify as Eligible Assignees, which election shall be made by written notice within 30 days after the date such condition occurs.

(ii) If the aggregate amount of the reallocated Commitments is less than the Commitments of the Affected Banks, (A) the respective Commitments of the Banks which have received such reallocated Commitments shall be increased by the respective amounts of their proposed reallocations, and (B) the Borrower shall have the right to add additional Banks which are Eligible Assignees to this Agreement to replace such Affected Banks, which additional Banks would have aggregate Commitments no greater than those of the Affected Banks MINUS the amounts of the Commitments already reallocated.

(c) PROCEDURE. Any assumptions of Commitments pursuant to this Section 2.15 shall be (i) made by the purchasing Bank or Eligible Assignee and the selling Bank entering into an Assignment and Assumption and by following the procedures in Section 10.06 for adding a Bank. In connection with the reallocation of the Commitments of any Bank pursuant to the foregoing paragraph (b), each Bank with a reallocated Commitment shall purchase from the Affected Banks at par such Bank's ratable share of the outstanding Advances of the Affected Banks and assume such Bank's ratable share of the Affected Banks' Letter of Credit Exposure.

SECTION 2.16 SHARING OF PAYMENTS, ETC. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off or otherwise) on account of its Advances or its share of Letter of Credit Obligations in excess of its Pro Rata Share of payments on account of the Advances or Letter of Credit Obligations obtained by all the Banks, such Bank shall notify the Administrative Agent and forthwith purchase from the other Banks such participations in the Advances made by them or Letter of Credit Obligations held by them as shall be necessary to cause such purchasing Bank to share the excess payment ratably in accordance with the requirements of this Agreement with each of them; PROVIDED, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (a) the amount of the participation sold by such Bank to the purchasing Bank as a result of such excess payment to (b) the total amount of such excess payment) of such recovery, together with an amount equal to such Bank's ratable share (according to the proportion of (a) the amount of such Bank's required repayment to the purchasing Bank to (b) the total amount of all such required repayments to the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.16 may, to the fullest extent permitted by Legal Requirement, unless and until rescinded as provided above, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

CONDITIONS OF LENDING

SECTION 3.01 CONDITIONS PRECEDENT TO INITIAL ADVANCE. The obligation of each Bank to make its initial Advance as part of the initial Borrowing and of the Issuing Bank to issue the initial Letter of Credit are subject to the following conditions precedent being satisfied on or prior to the Funding Deadline:

(a) DOCUMENTATION. The Administrative Agent shall have received counterparts of this Agreement executed by the Borrower and the Banks, and the following duly executed by all the parties thereto, in form and substance satisfactory to the Administrative Agent, and, with respect to this Agreement, all Guaranties and the Environmental Indemnity, in sufficient copies for each Bank:

(i) the Notes, all Guaranties, and the Environmental Indemnity;

(ii) a certificate from the Chief Executive Officer, President or Chief Financial Officer of the Parent on behalf of the Borrower dated as of the Effective Date stating that as of the Effective Date (A) all representations and warranties of the Borrower set forth in this Agreement and the Credit Documents are true and correct in all material respects; (B) no Default has occurred and is continuing; (C) the conditions in this Section 3.01 have been met or waived in writing; and (D) to the best of the Borrower's knowledge there are no claims, defenses, counterclaims or offsets by the Borrower against the Banks under the Credit Documents;

(iii) a certificate of the Secretary or an Assistant Secretary of the Parent on behalf of the Borrower and each Guarantor dated as of the date of this Agreement certifying as of the date of this Agreement (A) the names and true signatures of officers or authorized representatives of the general partner of the Borrower and such Guarantor authorized to sign the Credit Documents to which such Person is a party as general partner of such Person, (B) resolutions of the Board of Directors or the members of the general partner of such Person with respect to the transactions herein contemplated, (C) either (x) the copies of the organizational documents of the general partner of such Person delivered to the Banks are still true and correct and have not been amended or modified since such date or (y) copies of any modification or amendment to the organizational documents of the general partner of such Person made since such date, (D) a true and correct copy of the partnership agreement for such Person, and (E) a true and correct copy of all partnership authorizations necessary or desirable in connection with the transactions herein contemplated;

(iv) a certificate of the Secretary or an Assistant Secretary of the Parent dated as of the date of this Agreement certifying as of the date of this Agreement (A) resolutions of the Board of Directors of such Person with respect to the transactions herein contemplated, (B) the copies of the charter and bylaws of the Parent and any modification or amendment to the articles or certificate of incorporation or bylaws of the Parent made since such date, and (C) that the Parent owns 100% of the general partner interests and at least 70% of the limited partnership interests in the Borrower;

(v) (A) one or more favorable written opinions of Brown & Wood L.L.P., special counsel for the Borrower, the Parent, and their Subsidiaries, in a form reasonably acceptable to the Administrative Agent, in each case dated as of the Closing Date and with such changes as the Administrative Agent may approve, and (B) such other legal opinions as the Administrative Agent shall reasonably request, in each case dated as of the Closing Date and with such changes as the Administrative Agent may approve;

(vi) a Borrowing Base Certificate dated as of the Closing Date, duly completed and executed by the Chief Financial Officer or Treasurer of the Parent on behalf of the Borrower; and

(vii) such other documents, governmental certificates, agreements, and lien searches as the Administrative Agent may reasonably request.

(b) REPRESENTATIONS AND WARRANTIES. The representations and warranties contained in Article IV hereof, the Guaranties, and the Environmental Indemnity shall be true and correct in all material respects.

(c) CERTAIN PAYMENTS. The Borrower shall have paid the fees required to be paid as of the execution of this Credit Agreement pursuant to the Fee Letter.

(d) REQUIREMENTS. The Borrowing Base Requirements and the Parent Hotel Property Requirements are met.

(e) OTHER. The Administrative Agent shall have received such other approvals, opinions or documents deemed necessary or desirable by any Bank or the Administrative Agent as such party may reasonably request.

If the conditions set forth in this Section 3.01 are not satisfied on or prior to the Funding Deadline, the obligation of each Bank to make Advances and the obligation of each Issuing Bank to issue, increase, or extend Letters of Credit shall immediately and automatically be terminated and the Notes, all interest on the Notes, all Letter of Credit Obligations, and all other amounts payable under this Agreement shall immediately and automatically become and be due and payable in full, without presentment, demand, protest or any notice of any kind (including, without limitation, any notice of intent to accelerate or notice of acceleration), all of which are hereby expressly waived by the Borrower. However, Borrower shall pay to the Facilitators all fees and expenses as set forth in the Fee Letter.

SECTION 3.02 CONDITIONS PRECEDENT FOR EACH BORROWING OR LETTER OF CREDIT. The obligation of each Bank to fund an Advance on the occasion of each Borrowing (other than the Conversion or continuation of any existing Borrowing) and of any Issuing Bank to issue or increase or extend any Letter of Credit shall be subject to the further conditions precedent that on the date of such Borrowing or the issuance or increase or extension of such Letter of Credit:

(a) the following statements shall be true (and each of the giving of the applicable Notice of Borrowing and the acceptance by the Borrower of the proceeds of such Borrowing or the issuance or increase or extension of such Letter of Credit shall constitute a representation and warranty by the Borrower that on the date of such Borrowing or the issuance or increase or extension of such Letter of Credit such statements are true):

(i) the representations and warranties contained in Article IV hereof, the Guaranties, and the Environmental Indemnity are correct in all material respects on and as of the date of such Borrowing or the issuance or increase or extension of such Letter of Credit, before and after giving effect to such Borrowing or to the issuance or increase or extension of such Letter of Credit and to the application of the proceeds from such Borrowing, as though made on and as of such date; and

(ii) no Default has occurred and is continuing or would result from such Borrowing or from the application of the proceeds therefrom;

(b) the Borrower shall have executed and delivered to the

Administrative Agent a Borrowing Base Certificate dated not earlier than the date 10 days prior to the anticipated date of such Borrowing and a Notice of Borrowing delivered in accordance with Section 2.02; and

(c) the Administrative Agent shall have received such other approvals, opinions or documents deemed necessary or desirable by any Bank or the Administrative Agent as such party may reasonably request.

SECTION 3.03 CONDITIONS PRECEDENT TO A HOTEL PROPERTY QUALIFYING AS AN ELIGIBLE PROPERTY. In order for an Initial Property or a Future Property to qualify initially and thereafter to continue to qualify as an Eligible Property, the following conditions precedent must be satisfied and remain satisfied for that Property:

(a) TITLE. Such Hotel Property (i) is Unencumbered, (ii) free of all material title defects, and (iii) either (A) owned (together with the land on which it is located) in fee simple by the Borrower or its direct or indirect Wholly-Owned Subsidiary or Joint Venture Subsidiary or (B) owned by the Borrower or its direct or indirect Wholly-Owned Subsidiary or Joint Venture Subsidiary and located on land leased to the Borrower or such Subsidiary pursuant to a Qualified Ground Lease, all as evidenced by a copy of the most recent ALTA Owner's Policy of Title Insurance (or commitment to issue such a policy to the Borrower or its Subsidiary owning or to own such Hotel Property) relating to such Hotel Property showing the identity of the fee titleholder thereto and all matters of record as of its date.

(b) GUARANTOR. In addition, if the Property Owner for such Hotel Property is not the Borrower, the following:

(i) The Property Owner shall be either a Wholly-Owned Subsidiary or a Joint Venture Subsidiary of the Borrower whose sole assets are Eligible Properties, who is not liable for any Indebtedness other than the Obligations, who complies in all material respects with all of the covenants and requirements of Guarantors under the Credit Documents and who has delivered to the Administrative Agent either (A) an original Guaranty and Environmental Indemnity executed by such Subsidiary or (B) an Accession Agreement executed by such Subsidiary; and

(ii) a written opinion of the Borrower's counsel or counsels covering such matters relating to the Property Owner as the Administrative Agent reasonably requires.

(c) APPROVED PARTICIPATING LEASE. (i) Such Hotel Property is leased to an Approved Participating Lessee pursuant to an Approved Participating Lease, (ii) no material default by the Approved Participating Lessee or the Property Owner under the Approved Participating Lease exists beyond any applicable cured period (provided that for purposes of this subsection (c) such cure period will be deemed to commence running when the Borrower, the Parent or a Guarantor has knowledge of such default), (iii) the Approved Participating Lease remains in full force and effect, and (iv) no failure to achieve specified financial results under such Approved Participating Lease has occurred which would allow the Property Owner for such Hotel Property to terminate such Approved Participating Lease.

(d) APPROVED MANAGEMENT AGREEMENT. Except for those Hotel Properties managed pursuant to an Approved Participating Lease for such Hotel Property, (i) such Hotel Property is managed by an Approved Manager pursuant to an Approved Management Agreement, (ii) no material default by the owner under the Approved Management Agreement exists, and (iii) the Approved Management Agreement remains in full force and effect;

(e) QUALIFIED GROUND LEASES. In addition, if the Hotel

Property is subject to a Qualified Ground Lease, no default by the lessee under the Qualified Ground Lease exists and the Qualified Ground Lease remains in full force and effect.

(f) PROPERTY CONDITION. Such Hotel Property is free of all material structural defects, as evidenced by an Engineering Report.

(g) ENVIRONMENTAL CONDITION. Such Hotel Property is (1) in compliance, in all material respects, with all applicable Environmental Laws, and (2) not subject to any material Environmental Claim, all as evidenced by an Environmental Report.

(h) ADVERSE PROPERTY SITUATION. Neither all nor any material portion of the Hotel Property shall be the subject of any proceeding by a governmental authority for the condemnation, seizure or appropriation thereof, nor the subject of any negotiations for sale in lieu of condemnation, seizure or appropriation.

(i) TYPE AND LOCATION. Such Hotel Property is (i) located in either the United States of America or in an Approved Other Country and (ii) either (A) a full service hotel located in a resort, convention or urban market or (B) a limited service hotel located in an urban market.

(j) DOCUMENTS AND INFORMATION. The Administrative Agent shall have received each of the following executed by the Borrower, the Property Owner or other appropriate person, in form and substance reasonably satisfactory to the Administrative Agent:

(i) a copy of each of the following for such Hotel Property certified as true and correct by the Borrower:

A. if the Hotel Property is subject to an Approved Management Agreement, the Approved Management Agreement for the Hotel Property;

B. the Approved Participating Lease;

C. if the Hotel Property is subject to a Qualified Ground Lease, the Qualified Ground Lease; and

D. if the Property Owner is not the Borrower, the Property Owner's articles of incorporation, by-laws, partnership agreements, as applicable, and certificates of existence, good standing and authority to do business from each appropriate state authority, and partnership or corporate, as applicable, authorizations authorizing the execution, delivery and performance of the Accession Agreement all certified to be true and complete by a duly authorized officer of such Property Owner;

(ii) if the Borrower has received a survey of the Real Property, a copy of such survey;

(iii) (A) a description of such Hotel Property, such description to include the age, location and number of rooms or suites of such Hotel Property, and (B) to the extent available, statistics with respect to the occupancy of the Hotel Property, operating statements, and an analysis of the revenue per available room, in each case for the three (3) prior Fiscal Years and the completed Fiscal Quarters of the current Fiscal Year;

(iv) certificates and, to the extent within the Borrower's control, policies of insurance evidencing that the Hotel Property is covered by the insurance required pursuant to Section 5.07 hereof; and

(v) all other documents reasonably required by the Administrative Agent.

(k) OTHER REQUIREMENTS. In addition, the following:

(i) As certified in writing by the Borrower to the Administrative Agent and the Banks at least 10 Business Days prior to the date the Borrower proposes such Hotel Property qualify as an Eligible Property, the Hotel Property individually qualifies as an Eligible Property and the addition of the Hotel Property as an Eligible Property shall not (A) cause the Eligible Properties in the aggregate to violate the Borrowing Base Requirements, (B) cause a Default, or (C) cause or result in the Borrower or the Parent failing to comply with any of the financial covenants contained herein; and

(ii) The Borrower shall have delivered to the Administrative Agent the Property Information for such Hotel Property 10 Business Days prior to the date the Borrower proposes such Hotel Property qualify as an Eligible Property.

(l) OTHER ACTIONS. Borrower shall have executed and acknowledged (or caused to be executed and acknowledged) and delivered to the Administrative Agent, on behalf of the Banks, all documents, and taken all actions reasonably required by the Administrative Agent from time to time to confirm the rights created or now or hereafter intended to be created under the Credit Documents, or otherwise to carry out the purposes of the Credit Documents, and the transactions contemplated thereunder. The Administrative Agent shall have received all other evidence and information that they may reasonably require.

As of the date of this Agreement, (a) the Borrower represents to the Banks and the Administrative Agent that to the best of the Borrower's knowledge the Initial Properties qualify as Eligible Properties, and (b) the Banks and the Administrative Agent agree with the Borrower that to their actual knowledge, without investigation, the Initial Properties qualify as Eligible Properties.

Upon 10 Business Days prior written notice from the Borrower to the Administrative Agent, the Borrower can designate that a Hotel Property be added (subject to the other requirements for a Hotel Property qualifying as an Eligible Property) or deleted as an Eligible Property. Such notice shall be accompanied by a Property Adjustment Report with respect to such addition or deletion and (a) with respect to an addition, the certificate required under Section 3.03(k)(i) and (b) with respect to a deletion, Borrower's certification in such detail as reasonably required by the Administrative Agent that such deletion shall not (A) cause the Eligible Properties in the aggregate to violate the Borrowing Base Requirements, (B) cause a Default, or (C) cause or result in the Borrower or the Parent failing to comply with any of the financial covenants contained herein.

Notwithstanding anything contained in this Agreement to the contrary, the Required Lenders in their reasonable discretion may upon 30 days prior written notice to the Borrower designate that a Hotel Property is no longer an Eligible Property upon their determination that such Hotel Property does not satisfy the requirements for qualifying as an Eligible Property; PROVIDED that if during such 30 day period the Borrower can satisfy those requirements deemed unsatisfied by the Required Lenders, such Hotel Property shall remain an Eligible Property.

If no Default exists at such time, then in connection with any deletion of a Hotel Property from qualifying as an Eligible Property, any Borrower's Subsidiary which owned or leased such Hotel Property, but not any other Eligible Property, shall be released from such Subsidiaries obligations under the Guaranty.

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants as follows:

SECTION 4.01 EXISTENCE; QUALIFICATION; PARTNERS; SUBSIDIARIES.

(a) The Borrower is a limited partnership duly organized, validly existing, and in good standing under the laws of Delaware and in good standing and qualified to do business in each jurisdiction where its ownership or lease of property or conduct of its business requires such qualification, except where the failure to so qualify would not cause a Material Adverse Change.

(b) The Parent is a real estate investment trust duly organized, validly existing, and in good standing under the laws of Maryland and in good standing and qualified to do business in each jurisdiction where its ownership or lease of property or conduct of its business requires such qualification, except where the failure to so qualify would not have a material adverse effect on the Parent. The Parent has no first tier Subsidiaries except for the Borrower or members of Permitted Other Subsidiaries.

(c) The Parent is the Borrower's sole general partner with full power and authority to bind the Borrower to the Credit Documents.

(d) The Parent owns a 1.1% general partner interest in and an approximately 89.7% limited partnership interest in the Borrower.

(e) Each Subsidiary of the Borrower is a limited partnership, general partnership or limited liability company duly organized, validly existing, and in good standing under the laws of its jurisdiction of formation and in good standing and qualified to do business in each jurisdiction where its ownership or lease of property or conduct of its business requires such qualification, except where the failure to so qualify would not have a material adverse effect on such Subsidiary. The Borrower has no Subsidiaries on the date of this Agreement other than the Subsidiaries listed on the attached Schedule 4.01, and Schedule 4.01 lists the jurisdiction of formation and the address of the principal office of each such Subsidiary existing on the date of this Agreement. As of the date of this Agreement, the Borrower and/or the Parent owns, directly or indirectly, at least 99% of the interests in each such Subsidiary.

(f) As of the date of this Agreement, neither the Borrower, nor the Parent, nor any of the Subsidiaries own directly or indirectly (i) such a percentage of the beneficial ownership interest in any Approved Participating Lessee or (ii) such an Investment in the Personal Property for any Hotel Property as would cause a potential Event of Default under Section 8.01(o).

SECTION 4.02 PARTNERSHIP AND CORPORATE POWER. The execution, delivery, and performance by the Borrower, the Parent, and each Guarantor of the Credit Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby (a) are within such Persons' trust, partnership, limited liability company and corporate powers, as applicable, (b) have been duly authorized by all necessary trust, corporate, limited liability company and partnership action, as applicable, (c) do not contravene (i) such Person's declaration of trust, certificate or articles, as the case may be, of incorporation or by-laws, operating agreement or partnership agreement, as applicable, or (ii) any law or any contractual restriction binding on or affecting any such Person, the contravention of which could reasonably be expected to cause a Material Adverse Change, and (d) will not result in or require the creation or imposition of any Lien prohibited by this Agreement. At the time of each

Borrowing, such Borrowing and the use of the proceeds of such Borrowing will be within the Borrower's partnership powers, will have been duly authorized by all necessary partnership action, (a) will not contravene (i) the Borrower's partnership agreement or (ii) any law or any contractual restriction binding on or affecting the Borrower, the contravention of which could reasonably be expected to cause a Material Adverse Change, and (b) will not result in or require the creation or imposition of any Lien prohibited by this Agreement.

SECTION 4.03 AUTHORIZATION AND APPROVALS. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Borrower, the Parent, or any Guarantor of the Credit Documents to which it is a party or the consummation of the transactions contemplated thereby. At the time of each Borrowing, no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority will be required for such Borrowing or the use of the proceeds of such Borrowing the absence of which could reasonably be expected to cause a Material Adverse Change.

SECTION 4.04 ENFORCEABLE OBLIGATIONS. This Agreement, the Notes, and the other Credit Documents to which the Borrower is a party have been duly executed and delivered by the Borrower; each Guaranty and the other Credit Documents to which each Guarantor and the Parent is a party have been duly executed and delivered by such Guarantor and the Environmental Indemnity has been duly executed and delivered by the parties thereto. Each Credit Document is the legal, valid, and binding obligation of the Borrower, the Parent, and each Guarantor which is a party to it enforceable against the Borrower, the Parent, and each such Guarantor in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar law affecting creditors' rights generally and by general principles of equity (whether considered in proceeding at law or in equity).

SECTION 4.05 PARENT COMMON STOCK. The entire authorized capital stock of the Parent consists of 100,000,000 shares of Parent Common Stock of which 16,982,416 shares of Parent Common Stock are duly and validly issued and outstanding, fully paid and nonassessable as of the Effective Date. The issuance and sale of such Parent Common Stock either (i) has been registered under applicable federal and state securities laws or (ii) was issued pursuant to an exemption therefrom. The Parent meets the requirements for taxation as a REIT under the Code.

SECTION 4.06 FINANCIAL STATEMENTS. The Consolidated balance sheet of the Parent and its Subsidiaries, and the related Consolidated statements of operations, shareholders' equity and cash flows, of the Parent and its Subsidiaries contained in the most recent financial statements delivered to the Banks, fairly present the financial condition in all material respects and reflects the Indebtedness of the Parent and its Subsidiaries as of the respective dates of such statements and the results of the operations of the Initial Properties for the periods indicated, and such balance sheet and statements were prepared in accordance with GAAP, subject to year-end adjustments. Since the date of the statements for the Fiscal Quarter ending September 30, 2000, neither a Material Adverse Change, nor any material adverse change to the prospects or the Property of the Parent or the Borrower has occurred.

SECTION 4.07 TRUE AND COMPLETE DISCLOSURE. No representation, warranty, or other statement made by the Borrower (or on behalf of the Borrower) in this Agreement or any other Credit Document contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements contained therein not misleading in light

of the circumstances in which they were made as of the date of this Agreement. There is no fact known to the Borrower or the Parent on the date of this Agreement that has not been disclosed to the Administrative Agent which could reasonably be expected to cause a Material Adverse Change. All projections, estimates, and pro forma financial information furnished by the Borrower and the Parent or on behalf of the Borrower or the Parent were prepared on the basis of assumptions, data, information, tests, or conditions believed to be reasonable at the time such projections, estimates, and pro forma financial information were furnished.

No representation, warranty or other statement made in any filing required by the Exchange Act contains any untrue statement of material fact or omits to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which they were made as of the date same were made. Borrower and/or Parent have made all filings required by the Exchange Act.

SECTION 4.08 LITIGATION. Except as set forth in the attached Schedule 4.08, as of the date of this Agreement there is no pending or, to the best knowledge of the Borrower, threatened action or proceeding affecting the Borrower, the Parent, any Approved Participating Lessee or any of their respective Subsidiaries before any court, Governmental Authority or arbitrator.

SECTION 4.09 USE OF PROCEEDS.

(a) ADVANCES. The proceeds of the Advances have been, and will be used by the Borrower (i) to refinance existing Indebtedness, (ii) to make investments permitted pursuant to the provisions of Section 6.07, (iii) to finance the renovation, repair, restoration and expansion of Hotel Properties, Capital Expenditures and expenditures for FF&E for any Hotel Properties in accordance with the provisions of Section 5.06 and as permitted pursuant to the provisions of Sections 6.07 and 6.14, (iv) for general corporate purposes of the Borrower and its Subsidiaries, (v) to repurchase Parent Common Stock as permitted pursuant to the provisions of Section 6.04(f), and (vi) for costs incurred in connection with any Capitalization Event done in compliance with this Agreement.

(b) REGULATIONS. No proceeds of Advances will be used to purchase or carry any margin stock in violation of Regulations T, U or X of the Federal Reserve Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Federal Reserve Board).

SECTION 4.10 INVESTMENT COMPANY ACT. Neither the Borrower, the Parent nor any of their respective Subsidiaries is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.11 TAXES. All federal, state, local and foreign tax returns, reports and statements required to be filed (after giving effect to any extension granted in the time for filing) by the Parent, the Borrower, their respective Subsidiaries, or any member of a Controlled Group have been filed with the appropriate governmental agencies in all jurisdictions in which such returns, reports and statements are required to be filed, and where the failure to file could reasonably be expected to cause a Material Adverse Change, except where contested in good faith and by appropriate proceedings; and all taxes and other impositions due and payable (which are material in amount) have been timely paid prior to the date on which any fine, penalty, interest, late charge or loss (which are material in amount) may be added thereto for non-payment thereof except where contested in good faith and by appropriate proceedings. As of the date of this Agreement, neither the Parent, the Borrower nor any member of a Controlled Group has given, or been requested to give, a waiver of the statute of limitations relating to the payment of any federal, state, local

or foreign taxes or other impositions. None of the Property owned by the Parent, the Borrower or any other member of a Controlled Group is Property which the Parent, the Borrower or any member of a Controlled Group is required to be treated as being owned by any other Person pursuant to the provisions of Section 168(f)(8) of the Code. Proper and accurate amounts have been withheld by the Borrower and all members of each Controlled Group from their employees for all periods to comply in all material respects with the tax, social security and unemployment withholding provisions of applicable federal, state, local and foreign law. Timely payment of all material sales and use taxes required by applicable law have been made by the Parent, the Borrower and all other members of each Controlled Group, the failure to timely pay of which could reasonably be expected to cause a Material Adverse Change. The amounts shown on all tax returns to be due and payable have been paid in full or adequate provision therefor is included on the books of the appropriate member of the applicable Controlled Group.

SECTION 4.12 PENSION PLANS. All Plans are in compliance in all material respects with all applicable provisions of ERISA. No Termination Event has occurred with respect to any Plan, and each Plan has complied with and been administered in all material respects in accordance with applicable provisions of ERISA and the Code. No "accumulated funding deficiency" (as defined in Section 302 of ERISA) has occurred and there has been no excise tax imposed under Section 4971 of the Code. No Reportable Event has occurred with respect to any Multiemployer Plan, and each Multiemployer Plan has complied with and been administered in all material respects with applicable provisions of ERISA and the Code. Neither the Parent, the Borrower, nor any member of a Controlled Group has had a complete or partial withdrawal from any Multiemployer Plan for which there is any material withdrawal liability. As of the most recent valuation date applicable thereto, neither the Parent, the Borrower nor any member of a Controlled Group has received notice that any Multiemployer Plan is insolvent or in reorganization.

SECTION 4.13 CONDITION OF HOTEL PROPERTY; CASUALTIES; CONDEMNATION. Except as disclosed in an Engineering Report, each Initial Property and any Future Property (a) is and will continue to be in good repair, working order and condition, normal wear and tear excepted, (b) is free of structural defects, (c) is not subject to material deferred maintenance and (d) has and will have all building systems contained therein and all other FF&E in good repair, working order and condition, normal wear and tear excepted. The FF&E Reserve for each Hotel Property provides or will provide adequate financial reserves for the payment of the maintenance of the Hotel Properties, including replacement of FF&E, in accordance with Section 5.06. None of the Properties of the Borrower or of any of its Subsidiaries has been materially and adversely affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of property or cancellation of contracts, permits or concessions by a Governmental Authority, riot, activities of armed forces or acts of God or of any public enemy. No condemnation or other like proceedings that has had, or could reasonably be expected to result in, a Material Adverse Change, are pending and served nor, to the knowledge of the Borrower, threatened against any Property in any manner whatsoever. No casualty has occurred to any Property that could reasonably be expected to have a Material Adverse Change.

SECTION 4.14 INSURANCE. The Borrower and each of its Subsidiaries carry, or are the beneficiaries under, the insurance required pursuant to the provisions of Section 5.07.

SECTION 4.15 NO BURDENSOME RESTRICTIONS; NO DEFAULTS.

(a) Except in connection with Indebtedness which is (i) either permitted pursuant to the provisions of Section 6.02, or (ii) being repaid with the proceeds of the initial Borrowing, neither the Parent, the Borrower nor any of their respective Subsidiaries is a party to any indenture, loan or credit agreement. Neither the Borrower, the Parent nor any of their respective Subsidiaries is a party to any agreement or instrument or subject to any charter or corporate restriction or provision of applicable law or governmental regulation which could reasonably be expected to cause a Material Adverse Change. Neither the Borrower, the Parent nor any of their Subsidiaries is in default under or with respect to (i) any contract, agreement, lease or other instrument which could reasonably be expected to cause a Material Adverse Change or (ii) any Qualified Ground Lease, Approved Participating Lease, franchise agreement or Approved Management Agreement. Neither the Borrower, the Parent nor any of their Subsidiaries has received any notice of default under any material contract, agreement, lease or other instrument which is continuing and which, if not cured, could reasonably be expected to cause a Material Adverse Change.

(b) No Default has occurred and is continuing.

SECTION 4.16 ENVIRONMENTAL CONDITION.

(a) Except as disclosed in the Environmental Reports, to the knowledge of the Borrower, the Borrower and its Subsidiaries (i) have obtained all Environmental Permits material for the ownership and operation of their respective Properties and the conduct of their respective businesses; (ii) have been and are in material compliance with all terms and conditions of such Environmental Permits and with all other requirements of applicable Environmental Laws; (iii) have not received notice of any violation or alleged violation of any Environmental Law or Environmental Permit; and (iv) are not subject to any actual or contingent Environmental Claim.

(b) Except as set forth in the Environmental Reports, to the knowledge of Borrower, none of the present or previously owned or operated Property of the Borrower or of any of its present or former Subsidiaries, wherever located, (i) has been placed on or proposed to be placed on the National Priorities List, the Comprehensive Environmental Response Compensation Liability Information System list, or their state or local analogs, or have been otherwise investigated, designated, listed, or identified as a potential site for removal, remediation, cleanup, closure, restoration, reclamation, or other response activity under any Environmental Laws which could reasonably be expected to cause a Material Adverse Change; (ii) is subject to a Lien, arising under or in connection with any Environmental Laws, that attaches to any revenues or to any Property owned or operated by the Borrower or any of its Subsidiaries, wherever located; (iii) has been the site of any Release, use or storage of Hazardous Substances or Hazardous Wastes from present or past operations except for Permitted Hazardous Substances, which Permitted Hazardous Substances have not caused at the site or at any third-party site any condition that has resulted in or could reasonably be expected to result in the need for Response or (iv) none of the Improvements are constructed on land designated by any Governmental Authority having land use jurisdiction as wetlands.

SECTION 4.17 LEGAL REQUIREMENTS, ZONING, UTILITIES, ACCESS. Except as set forth on Schedule 4.17 attached hereto, the use and operation of each Hotel Property as a commercial hotel with related uses constitutes a legal use under applicable zoning regulations (as the same may be modified by special use permits or the granting of variances) and complies in all material respects with all Legal Requirements, and does not violate in any material respect any material approvals, material restrictions of record or

any material agreement affecting any Hotel Property (or any portion thereof). The Borrower and its Subsidiaries possess all certificates of public convenience, authorizations, permits, licenses, patents, patent rights or licenses, trademarks, trademark rights, trade names rights and copyrights (collectively "Permits") required by Governmental Authority to own and operate the Hotel Properties, except for those Permits if not obtained would not cause a Material Adverse Change. The Borrower and its Subsidiaries own and operate their business in material compliance with all applicable Legal Requirements. To the extent necessary for the full utilization of each Hotel Property in accordance with its current use, telephone services, gas, steam, electric power, storm sewers, sanitary sewers and water facilities and all other utility services are available to each Hotel Property, are adequate to serve each such Hotel Property, exist at the boundaries of the Land and are not subject to any conditions, other than normal charges to the utility supplier, which would limit the use of such utilities. All streets and easements necessary for the occupancy and operation of each Hotel Property are available to the boundaries of the Land.

SECTION 4.18 EXISTING INDEBTEDNESS. Except for the Obligations, the only Indebtedness of the Borrower, the Parent or any of their respective Subsidiaries existing as of the Effective Date is the Secured Non-Recourse Indebtedness, Secured Recourse Indebtedness and other Indebtedness set forth on Schedule 4.18 attached hereto and certain other Indebtedness incurred in the ordinary course of business not to exceed \$50,000. No "default" or "event of default", however defined, has occurred and is continuing under any such Indebtedness (or with respect to the giving of this representation after the date of this Agreement, as otherwise disclosed to the Administrative Agent in writing after the date of this Agreement and prior to the date such representation is deemed given).

SECTION 4.19 TITLE; ENCUMBRANCES. With respect to the Initial Properties, the Borrower or any Guarantor, as the case may be, has (i) good and marketable fee simple title to the Real Property (other than for Real Property subject to a ground lease, as to which it has a valid leasehold interest) and (ii) good and marketable title to the Personal Property (other than Personal Property for any Hotel Property for which the Property Owner has a valid leasehold interest) free and clear of all Liens, and there exists no Liens or other charges against such Property or leasehold interest or any of the real or personal, tangible or intangible, Property of the Borrower or any Guarantor (including without limitation statutory and other Liens of mechanics, workers, contractors, subcontractors, suppliers, taxing authorities and others; provided that certain Capital Expenditures have been made to the Hotel Properties prior to the Effective Date for which the payment is not past due), except (A) Permitted Encumbrances and (B) the Personal Property (plus any replacements thereof) owned by an Approved Participating Lessee.

SECTION 4.20 LEASING ARRANGEMENTS. The only material leases of Eligible Properties for which either the Borrower or a Guarantor is a lessee are the Qualified Ground Leases. The Property Owner for a Real Property subject to a Qualified Ground Lease is the lessee under such Qualified Ground Lease and no consent is necessary to such Person being the lessee under such Qualified Ground Lease which has not already been obtained. The Qualified Ground Leases are in full force and effect and no defaults exist thereunder. The only material leases burdening the Hotel Properties for which the lessee is entitled to participate in the increased revenues of the Hotel Properties are the Approved Participating Leases. The Approved Participating Leases are in full force and effect and no defaults by the Borrower or any Subsidiary exist thereunder.

SECTION 4.21 APPROVED MANAGEMENT AGREEMENTS. The only management agreements burdening the Initial Properties (excluding the Permitted Non-Eligible Properties) are the Approved Management Agreements set forth on Schedule 4.21 attached hereto. To the knowledge of the Borrower, the Approved Participating Lessee for a Hotel Property subject to a Approved Management Agreement is a party to such Approved Management Agreement and no consent is necessary to such Person being the owner under such Approved Management Agreement which has not already been obtained. To the knowledge of the Borrower, the Approved Management Agreements are in full force and effect and no material defaults by the Approved Participating Lessee exist thereunder.

ARTICLE V

AFFIRMATIVE COVENANTS

So long as any Note or any amount under any Credit Document shall remain unpaid, any Letter of Credit shall remain outstanding, or any Bank shall have any Commitment hereunder, unless the Administrative Agent shall otherwise consent in writing (subject to the provisions of Section 10.01), the Borrower agrees to comply with the following covenants.

SECTION 5.01 COMPLIANCE WITH LAWS, ETC. The Borrower will comply, and cause each of its Subsidiaries to comply, in all material respects with all Legal Requirements.

SECTION 5.02 PRESERVATION OF EXISTENCE, SEPARATENESS, ETC.

(a) The Borrower will (i) preserve and maintain, and cause each of its Subsidiaries and the Parent to preserve and maintain, its partnership, limited liability company, corporate or trust (as applicable) existence, rights, franchises and privileges in the jurisdiction of its formation, and (ii) qualify and remain qualified, and cause each such Subsidiary and the Parent to qualify and remain qualified, as a foreign partnership, limited liability company, corporation or trust, as applicable, in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its properties, and, in each case, where failure to qualify or preserve and maintain its rights and franchises could reasonably be expected to cause a Material Adverse Change.

(b) (i) The Parent Common Stock shall at all times be duly listed on the New York Stock Exchange, Inc. and (ii) the Parent shall timely file all reports required to be filed by it with the New York Stock Exchange, Inc. and the Securities and Exchange Commission.

(c) The Borrower shall cause the Permitted Other Subsidiaries which have Indebtedness and own a Hotel Property to, (i) maintain financial statements, payroll records, accounting records and other corporate records and other documents separate from each other and any other Person, (ii) maintain its own bank accounts in its own name, separate from each other and any other Person, (iii) pay its own expenses and other liabilities from its own assets and incur (or endeavor to incur) obligations to other Persons based solely upon its own assets and creditworthiness and not upon the creditworthiness of each other or any other Person, and (iv) file its own tax returns or, if part of a consolidated group, join in the consolidated tax return of such group as a separate member thereof. The Borrower shall use reasonable efforts to correct any known misunderstanding or misrepresentation regarding the independence of the Permitted Other Subsidiaries from the Borrower and the Borrower's other Subsidiaries.

(d) The Borrower shall, and shall cause the Permitted Other Subsidiaries which have Indebtedness and own a Hotel Property to, take all actions necessary to keep such Permitted Other Subsidiaries separate from the Borrower and the Borrower's other Subsidiaries, including, without limitation, (i) the taking of action under the direction of the Board of Directors, members or partners, as applicable, of such Permitted Other Subsidiaries and, if so required by the Certificate of Incorporation or the bylaws, operating agreement or partnership agreement, as applicable, of such Permitted Other Subsidiaries or by any Legal Requirement, the approval or consent of the stockholders, members or partners, as applicable, of such Permitted Other Subsidiaries, (ii) the preparation of corporate, partnership or limited liability company minutes for or other appropriate evidence of each significant transaction engaged in by such Permitted Other Subsidiaries, (iii) the observance of separate approval procedures for the adoption of resolutions by the Board of Directors or consents by the partners, as applicable, of such Permitted Other Subsidiaries, on the one hand, and of the Borrower and the Borrower's other Subsidiaries, on the other hand, (iv) the holding of the annual stockholders meeting, if applicable, of such Permitted Other Subsidiaries, which are corporations on a date other than the date of the annual stockholders' meeting of the Parent, and (v) preventing the cash, cash equivalents, credit card receipts or other revenues of the Hotel Properties owned by such Permitted Other Subsidiaries or any other assets of such Permitted Other Subsidiaries from being commingled with the cash, cash equivalents, credit card receipts or other revenues collected by the Borrower or the Borrower's other Subsidiaries.

(e) The Borrower shall, and shall cause the Permitted Other Subsidiaries to, manage the business of and conduct the administrative activities of the Permitted Other Subsidiaries independently from the business of the Borrower, any of the Borrower's other Subsidiaries and any other Person. Any moneys earned by the Permitted Other Subsidiaries on their assets or proceeds of the sale of any of their assets shall be deposited in bank accounts separate from any of the assets of the Borrower, any of the Borrower's other Subsidiaries and any other Person, and no assets of the Permitted Other Subsidiaries shall become commingled with assets of such Persons.

(f) The Borrower shall hold itself out, and shall continue to hold itself out, to the public and to its creditors as a legal entity, separate and distinct from all other entities, and shall continue to take all steps reasonably necessary to avoid (i) misleading any other Person as to the identity of the entity with which such Person is transacting business or (ii) implying that the Borrower is, directly or indirectly, absolutely or contingently, responsible for the Indebtedness or other obligations of the Permitted Other Subsidiaries or any other Person.

SECTION 5.03 PAYMENT OF TAXES, ETC. The Borrower will pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent (a) all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or Property that are material in amount, prior to the date on which penalties attach thereto and (b) all lawful claims that are material in amount which, if unpaid, might by Legal Requirement become a Lien upon its Property; PROVIDED, HOWEVER, that neither the Borrower nor any such Subsidiary shall be required to pay or discharge any such tax, assessment, charge, levy, or claim (a) which is being contested in good faith and by appropriate proceedings, (b) with respect to which reserves in conformity with GAAP have been provided, (c) such charge or claim does not constitute and is not secured by any choate Lien on any portion of any Hotel Property and no portion of any Hotel Property is in jeopardy of being sold, forfeited or lost during or as a result of such contest, (d) neither the Administrative Agent nor any Bank could become subject to any civil fine or penalty or criminal fine or penalty, in each case as a result of non-payment of such charge or claim and (e) such contest does not, and could not reasonably be expected to, result in a Material Adverse Change.

SECTION 5.04 VISITATION RIGHTS; BANK MEETING. At any reasonable time and from time to time and so long as any visit or inspection will not unreasonably interfere with the Borrower's or any of its Subsidiaries' operations, upon reasonable notice and during normal business hours, the Borrower will, and will cause its Subsidiaries and the Approved Participating Lessees to, permit the Administrative Agent or any of its agents or representatives thereof (at Borrower's expense) and any Bank or any of its agents or representatives thereof (at such Bank's expense), to examine and make copies of and abstracts from the records and books of account of, and visit and inspect at its reasonable discretion the properties of, the Borrower and any such Subsidiary, to discuss the affairs, finances and accounts of the Borrower and any such Subsidiary with any of their respective officers or directors. Without in any way limiting the foregoing, the Borrower will, upon the request of the Administrative Agent, participate in a meeting with the Administrative Agent and the Banks once during each calendar year to be held at a location as may be agreed to by the Borrower and the Administrative Agent at such time as may be agreed to by the Borrower and the Administrative Agent; provided that the Borrower shall not be obligated to reimburse the Banks for such Persons' travel expenses in connection with such meeting.

SECTION 5.05 REPORTING REQUIREMENTS. The Borrower will furnish to the Administrative Agent and, with respect to those items set forth in clauses (a)-(f) and (k), furnish copies to each Bank:

(a) QUARTERLY FINANCIALS. As soon as available and in any event not later than 45 days after the end of each Fiscal Quarter of the Parent, the unaudited Consolidated balance sheets of the Parent and its Subsidiaries as of the end of such quarter and the related unaudited statements of income, shareholders' equity and cash flows of the Parent and its Subsidiaries for such Fiscal Quarter and the period commencing at the end of the previous year and ending with the end of such Fiscal Quarter, and the corresponding figures as at the end of, and for, the corresponding periods in the preceding Fiscal Year, all duly certified with respect to such statements (subject to year-end audit adjustments) by a Responsible Officer of the Parent as having been prepared in accordance with GAAP, together with (i) a Compliance Certificate duly executed by a Responsible Officer of the Parent, (ii) a completed Borrowing Base Certificate duly executed by a Responsible Officer of the Parent setting forth the components of the Borrowing Base as of the last day of the immediately preceding Fiscal Quarter, and (iii) a certificate in form similar to the Borrowing Base Certificate duly executed by a Responsible Officer of the Parent setting forth for those Hotel Properties owned or leased by the Parent or any of its Subsidiaries except for the Eligible Properties the Adjusted NOI for the Rolling Period just ended and Investment Amount, separately totaled for those Hotel Properties which are unencumbered, those Hotel Properties which secure Secured Recourse Indebtedness and those Hotel Properties which secure Secured Non-Recourse Indebtedness. As soon as available and in any event not later than 60 days after the end of each Fiscal Quarter of the Parent, (i) written notice of any anticipated material variation to an operating budget prepared pursuant to Section 5.05(e) and (ii) a report certified by a Responsible Officer of the Parent setting forth for each of the Hotel Properties owned or leased by the Parent or any of its Subsidiaries for the Fiscal Quarter just ended the average daily rate, the average occupancy, the RevPAR, the total gross revenues, the total expenses, the Adjusted NOI and the payments made under the participating leases for such Hotel Properties.

(b) ANNUAL FINANCIALS. As soon as available and in any event not later than 90 days after the end of each Fiscal Year of the Parent, a copy of the Consolidated balance sheets of the Parent and its Subsidiaries as of the end of such Fiscal Year and the related Consolidated statements of income, shareholders' equity and cash flows of the Parent and its

Subsidiaries for such Fiscal Year, and the corresponding figures as at the

end of, and for, the preceding Fiscal Year, and certified by KPMG Peat Marwick L.L.P. or other independent certified public accountants of nationally recognized standing reasonably acceptable to the Administrative Agent in an opinion, without qualification as to the scope, and including, if requested by the Administrative Agent, any management letters delivered by such accountants to the Parent in connection with such audit, together with (i) a Compliance Certificate duly executed by a Responsible Officer of the Parent, (ii) a completed Borrowing Base Certificate duly executed by a Responsible Officer of the Parent setting forth the components of the Borrowing Base as of the day of such financial statements and (iii) the document required in clauses (iii) of the first sentence of the preceding Section 5.05(a). As soon as available and in any event not later than 105 days after the end of each Fiscal Year of the Parent, the documents required in the second sentence of the preceding Section 5.05(a).

(c) LASALLE LEASING FINANCIALS. As soon as available and in any event not later than 60 days after the end of each Fiscal Quarter of LaSalle Leasing, the unaudited Consolidated balance sheets of LaSalle Leasing and its Subsidiaries as of the end of such quarter and the related unaudited statements of income, shareholders' equity and cash flows of LaSalle Leasing and its Subsidiaries for the period commencing at the end of the previous year and ending with the end of such Fiscal Quarter, and the corresponding figures as at the end of, and for, the corresponding period in the preceding Fiscal Year, all duly certified with respect to such statements (subject to year-end audit adjustments) by a Responsible Officer of LaSalle Leasing as having been prepared in accordance with GAAP.

As soon as available and in any event not later than 120 days after the end of each Fiscal Year of LaSalle Leasing, as applicable, (i) a copy of the annual audit report for such year for LaSalle Leasing and its Subsidiaries, if any, including therein audited Consolidated balance sheets of LaSalle Leasing and its Consolidated Subsidiaries as of the end of such fiscal year and the related Consolidated statements of income, shareholders' equity and cash flows of LaSalle Leasing and its Subsidiaries for such fiscal year, and the corresponding figures as at the end of, and for, the preceding fiscal year, in each case certified by an independent certified public accountant reasonably acceptable to the Administrative Agent and including, if requested by the Administrative Agent, any management letters delivered by such accountants to LaSalle Leasing in connection with such audit.

(d) ANNUAL BUDGETS. No later than 60 days after the start of each Fiscal Year, the annual operating budget and Capital Expenditure and FF&E expenditure budget for such Fiscal Year for each Hotel Property owned or leased by the Parent or one of its Subsidiaries and such budgets on a Consolidated basis for the Parent and its subsidiaries, all in reasonable detail and duly certified by a Responsible Officer of the Parent as the budgets presented or to be presented to the Parent's Board of Directors for their review.

(e) SECURITIES LAW FILINGS. Promptly and in any event within 10 Business Days after the sending or filing thereof, copies of all proxy material, reports and other information which the Borrower, the Parent or any of their respective Subsidiaries sends to or files with the United States Securities and Exchange Commission or sends to all shareholders of the Parent or partners of the Borrower.

(f) DEFAULTS. As soon as possible and in any event within five days after the occurrence of each Default known to a Responsible Officer of the Borrower, the Parent or any of their respective Subsidiaries, a statement of an authorized financial officer or Responsible Officer of the Borrower setting forth the details of such Default and the actions which the Borrower has taken and proposes to take with respect thereto.

(g) ERISA NOTICES. As soon as possible and in any event (i) within 30 days after the Parent, the Borrower or any of a Controlled Group knows that any Termination Event described in clause (a) of the definition of Termination Event with respect to any Plan has occurred, (ii) within 10 days after the Parent, the Borrower or any of a Controlled Group knows that any other Termination Event with respect to any Plan has occurred, a statement of the Chief Financial Officer of the Parent describing such Termination Event and the action, if any, which the Parent, the Borrower or such member of such Controlled Group proposes to take with respect thereto; (iii) within 10 days after receipt thereof by the Parent, the Borrower or any of a Controlled Group from the PBGC, copies of each notice received by the Parent, the Borrower or any such member of such Controlled Group of the PBGC's intention to terminate any Plan or to have a trustee appointed to administer any Plan; and (iv) within 10 days after receipt thereof by the Parent, the Borrower or any member of a Controlled Group from a Multiemployer Plan sponsor, a copy of each notice received by the Parent, the Borrower or any member of such Controlled Group concerning the imposition or amount of withdrawal liability pursuant to Section 4202 of ERISA.

(h) ENVIRONMENTAL NOTICES. Promptly upon receipt thereof by the Parent, the Borrower or any of their Subsidiaries, a copy of any form of notice, summons or citation received from the United States Environmental Protection Agency, or any other Governmental Authority concerning (i) violations or alleged violations of Environmental Laws, which seeks to impose liability therefor, (ii) any action or omission on the part of the Parent or Borrower or any of their present or former Subsidiaries in connection with Hazardous Waste or Hazardous Substances which, based upon information reasonably available to the Borrower, could reasonably be expected to cause a Material Adverse Change or an Environmental Claim in excess of \$1,000,000, (iii) any notice of potential responsibility under CERCLA, or (iv) concerning the filing of a Lien upon, against or in connection with the Parent, Borrower, their present or former Subsidiaries, or any of their leased or owned Property, wherever located.

(i) OTHER GOVERNMENTAL NOTICES OR ACTIONS. Promptly and in any event within five Business Days after receipt thereof by the Borrower, the Parent or any of their respective Subsidiaries, (i) a copy of any notice, summons, citation, or proceeding seeking to adversely modify in any material respect, revoke, or suspend any license, permit, or other authorization from any Governmental Authority, which action could reasonably be expected to cause a Material Adverse Change, and (ii) any revocation or involuntary termination of any license, permit or other authorization from any Governmental Authority, which revocation or termination could reasonably be expected to cause a Material Adverse Change.

(j) REPORTS AFFECTING THE BORROWING BASE. On or prior to the 5th day following any Adjustment Event, a Property Adjustment Report with respect to such Adjustment Event.

(k) PRESS RELEASES. Promptly and in any event within 5 days after the sending or releasing thereof, copies of all press releases or other releases of information to the public by the Borrower, the Parent or any of their respective Subsidiaries or releases of information to the Parent's shareholders.

(1) OTHER NOTICES.

(i) Promptly, a copy of any notice of default or any other material notice (including without limitation property condition reviews) received by the Borrower or any Guarantor from any franchisor, Approved Manager, or any ground lessor under a Qualified Ground Lease, and

(ii) Promptly following any merger or dissolution of any Subsidiary of the Borrower which is permitted hereunder or event which would make any of the representations in Section 4.01-4.04 untrue, notice thereof.

(m) MATERIAL LITIGATION. As soon as possible and in any event within five days of any of the Borrower, the Parent or any of their respective Subsidiaries having knowledge thereof, notice of any litigation, claim or any other event which could reasonably be expected to cause a Material Adverse Change.

(n) PRELIMINARY PROPERTY PLAN. Prior to making Capital Expenditures or FF&E expenditures for the renovation or expansion of a Hotel Property, the Preliminary Property Plan for such renovation or expansion in sufficient detail as the Administrative Agent shall reasonably request.

(o) OTHER INFORMATION. Such other information respecting the business or Properties, or the condition or operations, financial or otherwise, of the Borrower, the Parent or any of their respective Subsidiaries, as the Administrative Agent may from time to time reasonably request.

SECTION 5.06 MAINTENANCE OF PROPERTY AND REQUIRED WORK. The Borrower will, and will cause each of its Subsidiaries to, (a) maintain their owned, leased, or operated Property in a manner consistent for hotel properties and related property of the same quality and character and shall keep or cause to be kept every part thereof and its other properties in good condition and repair, reasonable wear and tear excepted, and make all reasonably necessary repairs, renewals or replacements thereto as may be reasonably necessary to conduct the business of the Borrower and its Subsidiaries, (b) not remove, demolish or structurally alter, or permit or suffer the removal, demolition or structural alteration of, any of the Improvements except for the renovation or expansion of a Hotel Property (i) for which the Borrower has delivered a Preliminary Property Plan to the Administrative Agent and (ii) which complies with the limitations set forth in this Agreement on the aggregate amount of renovations and expansions the Borrower, the Parent and their Subsidiaries are permitted at any one time, (c) not knowingly or willfully permit the commission of waste or other injury, or the occurrence of pollution, contamination or any other condition in, on or about any Hotel Property, (d) maintain and repair each Hotel Property as required by any franchise agreement, license agreement, management agreement or ground lease for such Hotel Property, (e) commence the Required Work for any Hotel Property by a date which would allow a reasonable period of time to complete such work on or prior to the deadline set for such Required Work agreed to by the Borrower and the Administrative Agent, and (f) after any commencement of any of work for any Hotel Property diligently perform such work (i) for the Required Work, by the required deadline, (ii) in a good and workmanlike manner and (iii) in compliance in all material respects with all Legal Requirements. Except as may be required to maintain the Parent's status as a REIT under the Code, any Capital Expenditures or expenditures or leases for FF&E made for any Hotel Property shall be in the name of the Property Owner for such Hotel Property.

SECTION 5.07 INSURANCE. The Borrower will maintain and/or remain the beneficiary under, and cause each of its Subsidiaries to maintain

and/or remain the beneficiary under, the insurance required pursuant to Schedule 5.07.

SECTION 5.08 BORROWING BASE REQUIREMENTS. The Borrower shall cause the Hotel Properties in the Borrowing Base to at all times comply with the Borrowing Base Requirements; PROVIDED that (a) if the requirements of clauses (a), (b), (c), or (e) of the definition of Borrowing Base Requirements are not met, then within 2 Business Days of notice of such failure either (i) the Borrower shall have cured such failure or (ii) for Borrowing Base purposes the Borrower shall have lowered the Hotel Value of those Eligible Properties that contributed to such failure to the point that such failure no longer exists, (b) if the requirements of clause (f) of the definition of Borrowing Base Requirements are not met, then within 180 days of notice of such failure either (i) the Borrower shall have cured such failure or (ii) for Borrowing Base purposes the Borrower shall have lowered the Hotel Value of those Eligible Properties that contributed to such failure to the point that such failure no longer exists, and (c) if the requirements of clause (g) of the definition of Borrowing Base Requirements are not met and such failure remains uncured 180 days after notice of the commencement of such failure, then such failure shall constitute an Event of Default without any notice being given to the Borrower or any Guarantor in connection therewith.

SECTION 5.09 SUPPLEMENTAL GUARANTIES. The Borrower has requested and the Administrative Agent has agreed that any partner of the Borrower except the Parent or any other Guarantor may execute a Supplemental Guaranty. However, the execution of or release of any Supplemental Guaranty shall not be construed as a release or modification of any obligation of a Guarantor under a Guaranty or Environmental Indemnity.

SECTION 5.10 LASALLE LEASING. Prior to the consummation of the Permitted Proposed Transaction, upon knowledge of a material default by LaSalle Leasing under an Approved Participating Lease, the Borrower will send, or will cause the Guarantor who is a party to such Approved Participating Lease to send, a notice of such default to LaSalle Leasing as provided in the document under which such default has occurred and provide a copy of such notice to the Administrative Agent. For purposes of this Section 5.10, a "material default" shall mean a monetary default and any default, which if not cured, would be a default under any applicable franchise agreement and Approved Management Agreement allowing the Person party to such agreement to terminate such agreement.

SECTION 5.11 USE OF PROCEEDS. The proceeds of the Advances have been, and will be used by the Borrower for the purposes set forth in Section 4.09(a).

SECTION 5.12 NEW GUARANTORS. Within ten (10) days of the creation of or Investment in a Person which falls within the definition of a Guarantor, Borrower shall cause such Person to deliver to the Administrative Agent either (A) an original Guaranty and Environmental Indemnity executed by such Person or (B) an Accession Agreement executed by such Person.

ARTICLE VI

NEGATIVE COVENANTS

So long as any Note or any amount under any Credit Document shall remain unpaid, any Letter of Credit shall remain outstanding, or any Bank shall have any Commitment, the Borrower agrees, unless the Administrative Agent shall otherwise consent in writing (subject to the provisions of Section 10.01), to comply with the following covenants.

SECTION 6.01 LIENS, ETC. The Borrower will not create, assume,

incur or suffer to exist, or permit any of its Subsidiaries (except for Permitted Other Subsidiaries) to create, assume, incur, or suffer to exist, any Lien on or in respect of any of its Property whether now owned or hereafter acquired, or assign any right to receive income, except that the Borrower and its Subsidiaries may create, incur, assume or suffer to exist Liens:

(a) securing the Obligations;

(b) for taxes, assessments or governmental charges or levies on Property of the Borrower or any Guarantor to the extent not required to be paid pursuant to Sections 5.03;

(c) Liens imposed by law (such as landlords', carriers', warehousemen's and mechanics' liens or otherwise arising from litigation) (a) which are being contested in good faith and by appropriate proceedings, (b) with respect to which reserves in conformity with GAAP have been provided, (c) which have not resulted in any Hotel Property being in jeopardy of being sold, forfeited or lost during or as a result of such contest, (d) neither the Administrative Agent nor any Bank could become subject to any civil fine or penalty or criminal fine or penalty, in each case as a result of non-payment of such charge or claim and (e) such contest does not, and could not reasonably be expected to, result in a Material Adverse Change;

(d) on leased personal property to secure solely the lease obligations associated with such property;

(e) Liens securing Secured Recourse Indebtedness and Secured Non-Recourse Indebtedness permitted pursuant to the provisions of Section 6.02; and

(f) Liens on the Hyatt Boston Replacement Bonds Proceeds as contemplated by Section 10.21.

SECTION 6.02 INDEBTEDNESS. The Borrower, the Parent and their respective Subsidiaries will not incur or permit to exist any Indebtedness other than the Obligations and the following:

(a) Unsecured Indebtedness which is less than or equal to \$50,000,000;

(b) Secured Recourse Indebtedness and Secured Non-Recourse Indebtedness incurred by Permitted Other Subsidiaries to the extent (i) that the covenants contained in Article VII are complied with, (ii) the Secured Recourse Indebtedness secured by a Hotel Property does not exceed 65% of the Hotel Value of such Hotel Property and all Secured Recourse Indebtedness in the aggregate secured by Hotel Properties does not exceed 65% of the aggregate Hotel Value of such Hotel Properties, and (iii) the Secured Non-Recourse Indebtedness secured by a Hotel Property does not exceed 70% of the Hotel Value of such Hotel Property and all Secured Non-Recourse Indebtedness in the aggregate secured by Hotel Properties does not exceed 70% of the aggregate Hotel Value of such Hotel Properties;

(c) Indebtedness in the form of Interest Rate Agreements; provided that (i) such agreements shall be unsecured, (ii) the dollar amount of indebtedness subject to such agreements and the indebtedness subject to Interest Rate Agreements in the aggregate shall not exceed the sum of the amount of the Commitments and other Indebtedness permitted pursuant to this Section 6.02 which bears interest at a variable rate, and (iii) the agreements shall be at such interest rates and otherwise in form and substance reasonably acceptable to the Administrative Agent;

(d) Any of the following Indebtedness incurred by the Parent:

(i) guaranties in connection with the Indebtedness secured by a Hotel Property of (A) if the Hotel Property is subject to a ground lease, the payment of rent under such ground lease, (B) real estate taxes relating to such Hotel Property, and (C) capital reserves required under such Indebtedness; and

(ii) indemnities for certain acts of malfeasance, MISAPPROPRIATION and misconduct and an environmental indemnity for the lender under Indebtedness permitted under this Agreement; and

(iii) indemnities for certain acts of malfeasance, misappropriation and misconduct by the Permitted Other Subsidiaries and environmental indemnities, all for the benefit of the lenders of other Permitted Other Subsidiary Indebtedness in connection with such Indebtedness; and

(iv) guaranties of franchise agreements; and

(v) extensions, renewals and refinancing of any of the Indebtedness specified in paragraphs (a) - (d) above so long as the principal amount of such Indebtedness is not thereby increased; and

(e) The Indebtedness secured by the Hyatt Boston Replacement Bonds Proceeds as contemplated by Section 10.21.

SECTION 6.03 AGREEMENTS RESTRICTING DISTRIBUTIONS FROM SUBSIDIARIES.

The Borrower will not, nor will it permit any of its Subsidiaries (other than Permitted Other Subsidiaries) to, enter into any agreement (other than a Credit Document) which limits distributions to or any advance by any of the Borrower's Subsidiaries to the Borrower.

SECTION 6.04 RESTRICTED PAYMENTS. Neither the Parent, the Borrower, nor any of their respective Subsidiaries, will make any Restricted Payment, except that:

(a) provided no Default has occurred and is continuing or would result therefrom, the Parent may in any Fiscal Quarter, based on the immediately preceding Rolling Period, make cash payments to its shareholders (including in connection with the repurchase of Stock or Stock Equivalents) which with the previous such cash payments in the three immediately preceding Fiscal Quarters are not in excess of the greater of (i) the lesser of (A) ninety percent (90%) of the Funds From Operations of the Parent during such preceding Rolling Period or (B) one hundred percent (100%) of Free Cash Flow of the Parent during such preceding Rolling Period and (ii) the greater of (A) the amount required for the Parent to maintain its status as a REIT or (B) the amount required to ensure that the Parent will avoid imposition of an excise tax for failure to make certain minimum distributions on a calendar year basis;

(b) provided no Default has occurred and is continuing or would result therefrom, the Borrower shall be entitled to make cash distributions to its partners, including the Parent;

(c) a Subsidiary of the Borrower may make a Restricted Payment to the Borrower,

(d) the limited partners of the Borrower shall be entitled to exchange limited partnership interests in the Borrower for the Parent's stock or redeem such interests for cash, as provided in the Borrower's limited partnership agreement;

(e) the Borrower shall be entitled to issue limited partnership interests in the Borrower in exchange of ownership interests in Subsidiaries and Unconsolidated Entities which own a Future Property to the extent such Investment is permitted pursuant to the provisions of Section 6.07; and

(f) provided no Default has occurred and is continuing or would result therefrom, the Parent may repurchase up to \$25,000,000 of Parent Common Stock in the aggregate.

SECTION 6.05 FUNDAMENTAL CHANGES; ASSET DISPOSITIONS. Neither the Parent, the Borrower, nor any of their respective Subsidiaries (other than the Permitted Other Subsidiaries) will, (a) merge or consolidate with or into any other Person, unless (i) a Guarantor is merged into the Borrower or another Guarantor and the Borrower or such other Guarantor, as the case may be, is the surviving Person or a Subsidiary (other than a Permitted Other Subsidiary which has Indebtedness other than the Obligations) is merged into any Subsidiary (other than a Permitted Other Subsidiary which has Indebtedness other than the Obligations), and (ii) immediately after giving effect to any such proposed transaction no Default would exist; (b) sell, transfer, or otherwise dispose of all or any of the such Person's material property except for a Permitted Hotel Sale, dispositions or replacements of personal property in the ordinary course of business, or Hotel Properties which are not Eligible Properties; (c) enter into a lease (other than an Approved Participating Lease) of all or substantially all of any Eligible Property with any Person without the consent of the Administrative Agent; (d) sell or otherwise dispose of any material shares of capital stock, membership interests or partnership interests of any Subsidiary (except for a Permitted Other Subsidiary); (e) except for the Permitted Proposed Transaction, sales of ownership interests permitted under this Agreement, and the issuance of limited partnership interests in the Borrower in exchange for ownership interests in Subsidiaries and Unconsolidated Entities to the extent permitted pursuant to the provisions of Section 6.04, materially alter the corporate, capital or legal structure of any such Person (except for a Permitted Other Subsidiary); (f) liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) provided that nothing herein shall prohibit the Borrower from dissolving any Subsidiary which has no assets on the date of dissolution or (g) materially alter the character of their respective businesses from that conducted as of the date of this Agreement.

SECTION 6.06 APPROVED PARTICIPATING LESSEE OWNERSHIP. Neither the Parent nor the Borrower shall, nor shall permit any of their respective Subsidiaries to own directly or indirectly such a percentage of the beneficial ownership interest in any Approved Participating Lessee as would cause a potential Event of Default under Section 8.01(o) of this Agreement.

SECTION 6.07 INVESTMENTS, LOANS, FUTURE PROPERTIES. Neither the Parent nor the Borrower shall, nor shall permit any of their respective Subsidiaries to, acquire by purchase, or otherwise, all or substantially all of the business, property or fixed assets of any Person or any Hotel Property, make or permit to exist any loans, advances or capital contributions to, or make any Investments in (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or purchase or commit to purchase any evidences of Indebtedness of, stock or other securities, partnership interests, member interests or other interests in any Person, except the following (provided that after giving effect thereto there shall exist no Default):

(a) the purchase of Liquid Investments with any Person which qualifies as an Eligible Assignee;

(b) trade and customer accounts receivable which are for goods

furnished or services rendered in the ordinary course of business and are payable in accordance with customary trade terms, and other assets owned in the ordinary course of owning the Parent Hotel Properties;

(c) a Future Property which qualifies as an Eligible Property or a Permitted Non-Eligible Property;

(d) Investments in (i) unimproved land which do not in the aggregate have an Investment Amount which exceeds 5% of the Parent Aggregate Asset Value; (ii) Development Properties which do not in the aggregate have an Investment Amount which exceeds 20% of the Parent Aggregate Asset Value, (iii) Unconsolidated Entities (A) which do not in the aggregate have an Investment Amount which exceeds 20% of the Parent Aggregate Asset Value, (B) for which the Investment Amounts for those Investments which are in the form of preferred stock or a loan or advance do not exceed \$5,000,000 in the aggregate, and (C) which have not for any individual Unconsolidated Entity incurred Indebtedness which exceeds 75% of the lesser of the appraised value or the Investment Amount of the Hotel Properties owned by such Unconsolidated Entity, and (iv) mortgages, deeds of trust, deeds to secure debt or similar instruments that are a lien on real property which are improved by fully operational hotels and secure Indebtedness evidenced by a note or bond which do not in the aggregate have an Investment Amount which exceeds 10% of the Parent Aggregate Asset Value; PROVIDED that the aggregate Investment Amount for all Investments made pursuant to this Section 6.07(d) shall not exceed 30% of the Parent Aggregate Asset Value;

(e) The Investment to be made in connection with the Permitted Proposed Transaction; and

(f) The Investment in the Hyatt Boston Replacement Bonds Proceeds as contemplated by Section 10.21.

Notwithstanding the foregoing, neither the Borrower, nor the Parent, nor their respective Subsidiaries shall acquire a Future Property or otherwise make an Investment which would (a) cause the Eligible Properties in the aggregate to violate the Borrowing Base Requirements, (b) cause the Parent Hotel Properties in the aggregate to violate in any material way the Parent Hotel Property Requirements without the Administrative Agent's written consent, (c) cause a Default, (d) cause or result in the Borrower or the Parent failing to comply with any of the financial covenants contained herein, (e) cause the aggregate Investment Amount for (i) all Future Properties located outside the United States and (ii) all Investments made pursuant to Section 6.07(d) which are either located outside the United States or in an Unconsolidated Entity which has at least 50% of its assets located outside the United States to exceed 15% of the Parent Aggregate Asset Value, (f) cause the Parent's or any Subsidiary's Investment in the Personal Property for any Hotel Property to cause a potential Event of Default under Section 8.01(o) of this Agreement.

SECTION 6.08 AFFILIATE TRANSACTIONS. Except for the Advisory Agreement and payments allowed in accordance therewith, the Approved Participating Leases, the Permitted Proposed Transaction, and as otherwise approved by a majority of the Board of Trustees of the Parent including a majority of the independent trustees, the Borrower will not, and will not permit any of its Subsidiaries to, make, directly or indirectly (a) any transfer, sale, lease, assignment or other disposal of any assets to any Affiliate of the Borrower which is not a Guarantor or any purchase or acquisition of assets from any such Affiliate; or (b) any arrangement or other transaction directly or indirectly with or for the benefit of any such Affiliate (including without limitation, guaranties and assumptions of obligations of an Affiliate), other than in the ordinary course of business and at market rates.

SECTION 6.09 SALE AND LEASEBACK. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any arrangement with any Person, whereby in contemporaneous transactions the Borrower or such Subsidiary sells essentially all of its right, title and interest in a material asset and the Borrower or such Subsidiary acquires or leases back the right to use such property.

SECTION 6.10 SALE OR DISCOUNT OF RECEIVABLES. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, sell with recourse, or discount or otherwise sell for less than the face value thereof, any of its notes or accounts receivable.

SECTION 6.11 NO FURTHER NEGATIVE PLEDGES. The Borrower will not, and will not permit any of its Subsidiaries to, enter into or suffer to exist any agreement (other than this Agreement and the Credit Documents) (a) prohibiting the creation or assumption of any Lien upon the Properties of the Borrower or any of its Subsidiaries (except for the Permitted Other Subsidiaries), whether now owned or hereafter acquired, or (b) requiring an obligation to be secured if some other obligation is or becomes secured.

SECTION 6.12 INTENTIONALLY DELETED.

SECTION 6.13 MATERIAL DOCUMENTS. The Borrower will not, nor will it permit any of its Subsidiaries (other than Permitted Other Subsidiaries) or any Approved Participating Lessee (other than as a lessee of a Permitted Non-Eligible Property) to, enter into any termination, material modification or material amendment any of the following documents without the written consent of the Administrative Agent:

- (a) Approved Management Agreement;
- (b) Approved Participating Lease;
- (c) Qualified Ground Lease; and
- (d) Any other material agreement.

In addition, the Borrower will not permit the Parent to enter into any termination, material modification or material amendment of the Advisory Agreement or any Approved Substitute Advisory Agreement without the written consent of the Administrative Agent; provided that the Advisory Agreement or any Approved Substitute Advisory Agreement may be terminated without the consent of the Administrative Agent if either (a) within 10 days of such termination the Parent enters into an Approved Substitute Advisory Agreement or (b) within 10 days of such termination the Parent or the Borrower employs Jon E. Bortz or another person reasonably acceptable to the Required Lenders as such Person's chairman of the board, president or chief executive officer. Any termination, modification or amendment prohibited under this Section 6.13 shall, to the extent permitted by applicable law, be void and of no force and effect.

SECTION 6.14 LIMITATIONS ON DEVELOPMENT, CONSTRUCTION, RENOVATION AND PURCHASE OF HOTEL PROPERTIES. Neither the Parent nor the Borrower shall or shall permit any of their respective Subsidiaries to (a) engage in the development, construction or expansion of any Hotel Properties (except for Development Properties permitted by the provisions of Section 6.07 or Renovating Properties) or (b) enter into any binding agreements to purchase Hotel Properties or other assets; provided that the Parent, the Borrower and their Subsidiaries may enter into binding agreements to purchase Hotel Properties or other assets if at all times such Person has available sources of capital equal to the portion of the purchase price of such Hotel Properties or other assets which constitutes a recourse obligation of the Parent, the Borrower or its Subsidiary, which available sources of capital may include Advances to the extent that the Borrower may borrow the same for the purposes required or other Indebtedness permitted by the terms of this Agreement.

ARTICLE VII

FINANCIAL COVENANTS

So long as any Note or any amount under any Credit Document shall remain unpaid, any Letter of Credit shall remain outstanding, or any Bank shall have any Commitment hereunder, unless the Administrative Agent shall otherwise consent in writing (subject to the provisions of Section 10.01), the Borrower agrees to comply and cause the Parent to comply with the following covenants.

SECTION 7.01 PARENT'S FIXED CHARGE COVERAGE RATIO. The Parent shall maintain at the end of each Rolling Period a Parent's Fixed Charge Coverage Ratio of not less than 2.00 to 1.0.

SECTION 7.02 PARENT'S INTEREST COVERAGE RATIO. The Parent shall maintain at the end of each Rolling Period a Parent's Interest Coverage Ratio of not less than 2.25 to 1.0.

SECTION 7.03 UNSECURED INTEREST COVERAGE RATIO. The Parent shall maintain at the end of each Rolling Period an Unsecured Interest Coverage Ratio of not less than 2.25 to 1.0.

SECTION 7.04 MAINTENANCE OF NET WORTH. The Parent shall at all times maintain an Adjusted Net Worth of not less than the Minimum Tangible Net Worth.

SECTION 7.05 LIMITATIONS ON TOTAL LIABILITIES. The Parent shall not on any date permit the Leverage Ratio to be greater than 50%.

SECTION 7.06 LIMITATIONS ON SECURED RECOURSE INDEBTEDNESS. The Parent shall not on any date on a Consolidated basis permit the Secured Recourse Indebtedness (excluding the Obligations) of the Parent, to exceed 15% of the Parent Aggregate Asset Value.

SECTION 7.07 LIMITATIONS ON SECURED INDEBTEDNESS. The Parent shall not at any time on a Consolidated basis permit the sum of the Parent's Secured Non-Recourse Indebtedness and Secured Recourse Indebtedness to exceed 35% of the Parent Aggregate Asset Value.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

SECTION 8.01 EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an "Event of Default" under any Credit Document:

(a) PRINCIPAL OR LETTER OF CREDIT OBLIGATION PAYMENT. The Borrower shall fail to pay any principal of any Note or any Letter of Credit Obligation when the same becomes due and payable as set forth in this Agreement;

(b) INTEREST OR OTHER OBLIGATION PAYMENT. The Borrower shall fail to pay any interest on any Note or any fee or other amount payable hereunder or under any other Credit Document when the same becomes due and payable as set forth in this Agreement, provided however that the Borrower will have a grace period of five days after the payments covered by this Section 8.01(b) becomes due and payable for the first two defaults under

this Section 8.01(b) in every calendar year;

(c) REPRESENTATION AND WARRANTIES. Any representation or warranty made or deemed to be made (i) by the Borrower in this Agreement or in any other Credit Document, (ii) by the Borrower (or any of its officers) in connection with this Agreement or any other Credit Document, or (iii) by any Subsidiary in any Credit Document shall prove to have been incorrect in any material respect when made or deemed to be made;

(d) COVENANT BREACHES. (i) The Borrower shall fail to perform or observe any covenant contained in Sections 5.02(a)(i), (b)(i) or (f), Article VI or Article VII of this Agreement or the Borrower shall fail to perform or observe, or shall fail to cause any Guarantor to perform or observe any covenant in any Credit Document beyond any notice and/or cure period for such default expressly provided in such Credit Document or (ii) the Borrower or any Guarantor shall fail to perform or observe any term or covenant set forth in any Credit Document which is not covered by clause (i) above or any other provision of this Section 8.01, in each case if such failure shall remain unremedied for 30 days after the earlier of the date written notice of such default shall have been given to the Borrower or such Guarantor by the Administrative Agent or any Bank or the date a Responsible Officer of the Borrower or any Guarantor has actual knowledge of such default, unless such default in this clause (ii) cannot be cured in such 30 day period and the Borrower is diligently proceeding to cure, or caused to be cured, such default, in which event the cure period shall be extended to 90 days;

(e) CROSS-DEFAULTS.

(i) with respect to (A) any Secured Non-Recourse Indebtedness which is outstanding in a principal amount of at least \$10,000,000 individually or when aggregated with all such Secured Non-Recourse Indebtedness of the Borrower, the Parent or any of their respective Subsidiaries or (B) any other Indebtedness (but excluding Indebtedness evidenced by the Notes) which is outstanding in a principal amount of at least \$5,000,000 individually or when aggregated with all such Indebtedness of the Borrower, the Parent or any of their respective Subsidiaries, any of the following:

A. any such Indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof,

B. the Borrower, the Parent or any of their respective Subsidiaries shall fail to pay any principal of or premium or interest of any of such Indebtedness (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness, or

C. any other event shall occur or condition shall exist under any agreement or instrument relating to such Indebtedness, and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to permit the holders of such Indebtedness to accelerate the maturity of such Indebtedness;

(f) INSOLVENCY. The Borrower, the Parent, any of their respective Subsidiaries, or the Approved Participating Lessee or Approved Manager for Hotel Properties which comprise twenty-five percent (25%) or more of the Borrowing Base Hotel Value shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower, the

Parent, any of their respective Subsidiaries, or the Approved Participating Lessee or Approved Manager for Hotel Properties which comprise twenty-five percent (25%) or more of the Borrowing Base Hotel Value seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against the Borrower, the Parent, any of their respective Subsidiaries, or the Approved Participating Lessee or Approved Manager for Hotel Properties which comprise twenty-five percent (25%) or more of the Borrowing Base Hotel Value, either such proceeding shall remain undismissed for a period of 60 days or any of the actions sought in such proceeding shall occur; or the Borrower, the Parent, any of their respective Subsidiaries, or the Approved Participating Lessee or Approved Manager for Hotel Properties which comprise twenty-five percent (25%) or more of the Borrowing Base Hotel Value shall take any corporate action to authorize any of the actions set forth above in this paragraph (f);

(g) JUDGMENTS. Any judgment or order for the payment of money in excess of \$10,000,000 (reduced for purposes of this paragraph for the amount in respect of such judgment or order that a reputable insurer has acknowledged being payable under any valid and enforceable insurance policy) shall be rendered against the Borrower, the Parent or any of their respective Subsidiaries which, within 60 days from the date such judgment is entered, shall not have been discharged or execution thereof stayed pending appeal;

(h) ERISA. (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is likely to result in the termination of such Plan for purposes of Title IV of ERISA, unless such Reportable Event, proceedings or appointment are being contested by the Parent or the Borrower in good faith and by appropriate proceedings, (iv) any Plan shall terminate for purposes of Title IV of ERISA, (v) the Parent, the Borrower or any member of a Controlled Group shall incur any liability in connection with a withdrawal from a Multiemployer Plan or the insolvency (within the meaning of Section 4245 of ERISA) or reorganization (within the meaning of Section 4241 of ERISA) of a Multiemployer Plan, unless such liability is being contested by the Parent or the Borrower in good faith and by appropriate proceedings, or (vi) any other event or condition shall occur or exist, with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could subject the Borrower or any Guarantor to any tax, penalty or other liabilities in the aggregate exceeding \$10,000,000;

(i) GUARANTY. Any Guaranty except a Supplemental Guaranty shall for any reason cease to be valid and binding on any Guarantor or any Guarantor shall so state in writing;

(j) ENVIRONMENTAL INDEMNITY. Any Environmental Indemnity shall for any reason cease to be valid and binding on any Person party thereto or any such Person shall so state in writing;

(k) APPROVED PARTICIPATING LESSEE. Either (i) a material default by the Approved Participating Lessee shall occur under any Approved

Participating Lease related to Hotel Properties which comprise twenty-five percent (25%) or more of the Borrowing Base Hotel Value which shall remain uncured following any notice and cure period under such document, or (ii) with respect to Hotel Properties which comprise twenty-five percent (25%) or more of the Borrowing Base Hotel Value, the Approved Participating Lease for any Hotel Property is terminated;

(l) INTENTIONALLY DELETED.;

(m) DEFAULT UNDER QUALIFIED GROUND LEASE. Qualified Ground Leases for Hotel Properties which comprise twenty-five percent (25%) or more of the Borrowing Base Hotel Value have in the aggregate either (i) been terminated because of a default by the lessee under such Qualified Ground Lease or (ii) are subject to a default by the lessee under such Qualified Ground Lease which has not been cured or waived 10 days prior to the date the ground lessors under such Qualified Ground Lease would have the right to terminate such Qualified Ground Leases;

(n) MANAGER. The Approved Participating Lessees for Hotel Properties which comprise twenty-five percent (25%) or more of the Borrowing Base Hotel Value shall not have replaced the Approved Manager for such Hotel Properties with a reputable, nationally known, third party manager acceptable to the Administrative Agent within 120 days of the terminations of the Approved Management Agreements for such Hotel Properties except in connection with an Asset Disposition;

(o) PARENT'S REIT STATUS. There shall be a determination from the applicable Governmental Authority from which no appeal can be taken that the Parent's tax status as a REIT has been lost;

(p) PARENT COMMON STOCK. The Parent at any time hereafter fails to cause the Parent Common Stock to be duly listed on the New York Stock Exchange, Inc.; or

(q) CHANGES IN OWNERSHIP AND CONTROL. Any of the following occur without the written consent of the Required Lenders : (a) the Parent (i) amends the Borrower's partnership agreement in any material respect, (ii) admits a new general partner to the Borrower, (iii) own less than 70% of the partnership interests in and beneficial ownership of the Borrower, or (iv) resigns as general partner of the Borrower; (b) the Advisory Agreement or any Approved Substitute Advisory Agreement shall be modified, amended or terminated except as permitted by the provisions of Section 6.13; or (c) if (i) neither the Advisory Agreement nor any Approved Substitute Advisory Agreement remains in effect for 10 or more days, (ii) the Parent or the Borrower shall cease to employ Jon E. Bortz or other persons as contemplated by Section 6.13, and, (iii) within 180 days following the termination of such employment of Mr. Bortz or other such persons for any reason, another person reasonably acceptable to the Required Lenders is not employed as the applicable officer of the Parent or the Borrower.

SECTION 8.02 OPTIONAL ACCELERATION OF MATURITY. If any Event of Default (other than an Event of Default pursuant to paragraph (f) of Section 8.01 with respect to the Borrower or the Parent) shall have occurred and be continuing, then, and in any such event,

(a) the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the obligation of each Bank to make Advances and the obligation of each Issuing Bank to issue, increase, or extend Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Notes, all interest thereon, the Letter of Credit Obligations, and all other amounts payable under this Agreement to be

forthwith due and payable, whereupon the Notes, all such interest, all such Letter of Credit Obligations and all such amounts shall become and be forthwith due and payable in full, without presentment, demand, protest or further notice of any kind (including, without limitation, any notice of intent to accelerate or notice of acceleration), all of which are hereby expressly waived by the Borrower,

(b) the Borrower shall, on demand of the Administrative Agent at the request or with the consent of the Required Lenders, deposit into the Cash Collateral Account an amount of cash equal to the Letter of Credit Exposure as security for the Obligations to the extent the Letter of Credit Obligations are not otherwise paid at such time, and

(c) the Administrative Agent shall at the request of, or may with the consent of, the Required Lenders proceed to enforce its rights and remedies under the Credit Documents for the ratable benefit of the Banks by appropriate proceedings.

SECTION 8.03 AUTOMATIC ACCELERATION OF MATURITY. If any Event of Default pursuant to paragraph (f) of Section 8.01 with respect to the Borrower or the Parent shall occur,

(a) the obligation of each Bank to make Advances and the obligation of each Issuing Bank to issue, increase, or extend Letters of Credit shall immediately and automatically be terminated and the Notes, all interest on the Notes, all Letter of Credit Obligations, and all other amounts payable under this Agreement shall immediately and automatically become and be due and payable in full, without presentment, demand, protest or any notice of any kind (including, without limitation, any notice of intent to accelerate or notice of acceleration), all of which are hereby expressly waived by the Borrower and

(b) to the extent permitted by law or court order, the Borrower shall deposit into the Cash Collateral Account an amount of cash equal to the outstanding Letter of Credit Exposure as security for the Obligations to the extent the Letter of Credit Obligations are not otherwise paid at such time.

SECTION 8.04 CASH COLLATERAL ACCOUNT.

(a) PLEDGE. The Borrower hereby pledges, and grants to the Administrative Agent for the benefit of the Banks, a security interest in all funds held in the Cash Collateral Account maintained with Societe Generale, New York Branch from time to time, but under the control of the Administrative Agent, and all proceeds thereof, as security for the payment of the Obligations, including without limitation all Letter of Credit Obligations owing to any Issuing Bank or any other Bank due and to become due from the Borrower to any Issuing Bank or any other Bank under this Agreement in connection with the Letters of Credit and the Borrower agrees to execute all cash management or cash collateral agreements and UCC-1 Financing Statements requested by the Administrative Agent as needed or desirable for the Administrative Agent to have a perfected first lien security interest in the Cash Collateral Account.

(b) APPLICATION AGAINST LETTER OF CREDIT OBLIGATIONS. The Administrative Agent may, at any time or from time to time apply funds then held in the Cash Collateral Account to the payment of any Letter of Credit Obligations owing to any Issuing Bank, in such order as the Administrative Agent may elect, as shall have become or shall become due and payable by the Borrower to any Issuing Bank under this Agreement in connection with the Letters of Credit.

(c) DUTY OF CARE. The Administrative Agent shall cause Societe

Generale, New York Branch to exercise reasonable care in the custody and preservation of any funds held in the Cash Collateral Account and Societe Generale, New York Branch shall be deemed to have exercised such care if such funds are accorded treatment substantially equivalent to that which Societe Generale, New York Branch accords its own property, it being understood that neither Societe Generale, New York Branch, nor the Administrative Agent shall have any responsibility for taking any necessary steps to preserve rights against any parties with respect to any such funds.

SECTION 8.05 NON-EXCLUSIVITY OF REMEDIES. No remedy conferred upon the Administrative Agent or the Banks is intended to be exclusive of any other remedy, and each remedy shall be cumulative of all other remedies existing by contract, at law, in equity, by statute or otherwise.

SECTION 8.06 RIGHT OF SET-OFF. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the granting of the consent, if any, specified by Section 8.02 to authorize the Administrative Agent to declare the Notes and any other amount payable hereunder due and payable pursuant to the provisions of Section 8.02 or the automatic acceleration of the Notes and all amounts payable under this Agreement pursuant to Section 8.03, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, the Note held by such Bank, and the other Credit Documents, irrespective of whether or not such Bank shall have made any demand under this Agreement, such Note, or such other Credit Documents, and although such obligations may be unmatured. Each Bank agrees to promptly notify the Borrower after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to any other rights and remedies (including, without limitation, other rights of set-off) which such Bank may have.

ARTICLE IX

AGENCY AND ISSUING BANK PROVISIONS

SECTION 9.01 AUTHORIZATION AND ACTION. Each Bank hereby appoints and authorizes the Administrative Agent to take such action as the Administrative Agent on its behalf and to exercise such powers under this Agreement and the other Credit Documents as are delegated to the Administrative Agent by the terms hereof and of the other Credit Documents, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement or any other Credit Document (including, without limitation, enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Banks and all holders of Notes; PROVIDED, however, that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement, any other Credit Document, or applicable law. The functions of the Administrative Agent are administrative in nature and in no event shall the Administrative Agent have a fiduciary or trustee relation in respect of any Bank by reason of this Agreement or any other Credit Document. Within 5 Business Days of the Administrative Agent or a Bank receiving actual notice (without any duty to

investigate) of a Default, the Administrative Agent or such Bank, as applicable, will provide written notice of such Default to the Banks.

SECTION 9.02 ADMINISTRATIVE AGENT'S RELIANCE, ETC. Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken (including such Person's own negligence) by it or them under or in connection with this Agreement or the other Credit Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Administrative Agent: (a) may treat the payee of any Note as the holder thereof until the Administrative Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Administrative Agent; (b) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with this Agreement or the other Credit Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any other Credit Document on the part of the Parent, the Borrower or their Subsidiaries or to inspect the property (including the books and records) of the Borrower or its Subsidiaries; (e) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Credit Document; and (f) shall incur no liability under or in respect of this Agreement or any other Credit Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 9.03 ADMINISTRATIVE AGENT AND ITS AFFILIATES. With respect to its Commitment, the Advances made by it and the Notes issued to it, the Administrative Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Administrative Agent. The term "Bank" or "Banks" shall, unless otherwise expressly indicated, include the Administrative Agent in its individual capacity. The Administrative Agent and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower or any of its Subsidiaries, and any Person who may do business with or own securities of the Borrower or any such Subsidiary, all as if the Administrative Agent were not the Administrative Agent hereunder and without any duty to account therefor to the Banks.

SECTION 9.04 BANK CREDIT DECISION. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank and based on the Parent's and the Borrower's financial statements and the Parent's filings under the Exchange Act and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 9.05 INDEMNIFICATION. The Banks severally agree to indemnify the Administrative Agent and each Issuing Bank (to the extent not reimbursed by the Borrower), according to their respective Pro Rata Shares from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of

any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent or such Issuing Bank in any way relating to or arising out of this Agreement or any action taken or omitted by the Administrative Agent or such Issuing Bank under this Agreement or any other Credit Document (including the Administrative Agent's or such Issuing Bank's own negligence), provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's or such Issuing Bank's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Administrative Agent promptly upon demand for its Pro Rata Share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Credit Document, to the extent that the Administrative Agent is not reimbursed for such expenses by the Borrower.

SECTION 9.06 SUCCESSOR ADMINISTRATIVE AGENT AND ISSUING BANKS. The Administrative Agent or any Issuing Bank may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with cause by the Required Lenders upon receipt of written notice from the Required Lenders to such effect. Upon receipt of notice of any such resignation or removal, the Required Lenders shall have the right to appoint a successor Administrative Agent or Issuing Bank acceptable to the Borrower. If no successor Administrative Agent or Issuing Bank shall have been so appointed, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's or Issuing Bank's giving of notice of resignation or the Required Lenders' removal of the retiring Administrative Agent or Issuing Bank, then the retiring Administrative Agent or Issuing Bank may, on behalf of the Banks and the Borrower, appoint a successor Administrative Agent or Issuing Bank acceptable to the Borrower, which shall be a commercial bank meeting the financial requirements of an Eligible Assignee and, in the case of an Issuing Bank, a

Bank. Upon the acceptance of any appointment as Administrative Agent or Issuing Bank by a successor Administrative Agent or Issuing Bank, such successor Administrative Agent or Issuing Bank shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent or Issuing Bank, and the retiring Administrative Agent or Issuing Bank shall be discharged from its duties and obligations under this Agreement and the other Credit Documents, except that the retiring Issuing Bank shall remain an Issuing Bank with respect to any Letters of Credit issued by such Issuing Bank and outstanding on the effective date of its resignation or removal and the provisions affecting such Issuing Bank with respect to such Letters of Credit shall inure to the benefit of the retiring Issuing Bank until the termination of all such Letters of Credit. After any retiring Administrative Agent's or Issuing Bank's resignation or removal hereunder as Administrative Agent or Issuing Bank, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was such Administrative Agent or Issuing Bank under this Agreement and the other Credit Documents.

SECTION 9.07 JOINT BOOK RUNNERS, SYNDICATION AGENT AND DOCUMENTATION AGENT. Bank of Montreal, Chicago Branch shall be named Syndication Agent under the Credit Documents, but the Syndication Agent shall have no right or duty to act as agent on behalf of the Banks in such capacity. Deutsche Banc Alex. Brown shall be named Joint Book Runner and Documentation Agent under the Credit Documents, but such Joint Book Runner and the Documentation Agent shall have no right or duty to act as agent on behalf of the Banks in such capacities. Societe Generale, Southwest Agency shall be named Joint Book Runner Agent under the Credit Documents, but such Joint

Book Runner shall have no right or duty to act as agent on behalf of the Banks in such capacity.

ARTICLE X

MISCELLANEOUS

SECTION 10.01 AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement, the Notes, or any other Credit Document, nor consent to any departure by the Borrower or any Guarantor therefrom, nor increase in the aggregate Commitments of the Banks, shall in any event be effective unless the same shall be in writing and signed by the Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED, however, that no amendment shall increase the Commitment of any Bank without the written consent of such Bank, and no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) increase the aggregate Commitments of the Banks in excess of \$300,000,000, (b) reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder or under any other Credit Document or otherwise release the Borrower from any Obligations, (c) postpone any date fixed for any scheduled payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, (d) change the percentage of the Commitments of the Banks which shall be required for the Banks or any of them to take any action hereunder or under any other Credit Document, (e) amend this Section 10.01, (f) amend the definition of "Required Lenders", (g) amend the definition of "Borrowing Base", "Borrowing Base Hotel Value" or "Hotel Value", but not the definitions that are used in such definitions, or (h) release the Parent from its obligations under the Guaranty; and PROVIDED, further, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent or any Issuing Bank in addition to the Banks required above to take such action, affect the rights or duties of the Administrative Agent or such Issuing Bank, as the case may be, under this Agreement or any other Credit Document. In addition, none of the following decisions shall be made without the written consent of the Required Lenders:

(a) release any Guarantor except the Parent from its obligations under any of the Guaranties, provided that the Administrative Agent can (i) release any Supplemental Guarantor from its obligations under any of the Supplemental Guaranties and (ii) if no Default then exists, release any Subsidiary of the Borrower which no longer is a Property Owner of an Eligible Property;

(b) release any Person from its obligations under any of the Environmental Indemnities;

(c) any determination to make a Borrowing after the occurrence and during the continuance of an Event of Default;

(d) increases the maximum duration of Interest Periods permitted under this Agreement;

(e) any waiver or any amendment to the financial covenants contained in Article VII of this Agreement or any definitions used therein;

(f) any material waiver or modification of the covenants contained in Article V or Article VI;

(g) amends any of the definitions that are used in the definition of "Borrowing Base" or "Borrowing Base Hotel Value";

(h) any amendment, supplement or modification to, or waiver of, the provisions of Section 8.01 of this Agreement;

(i) any determination to send notice to the Borrower of, or otherwise declare, an Event of Default pursuant to Section 8.01 of this Agreement;

(j) any determination to accelerate the Obligations pursuant to Section 8.02 of this Agreement;

(k) any exercise remedies under any Credit Document;

(l) any material decision regarding the operation, maintenance, sale or other disposition of any Property after the foreclosure upon such Property, provided that Administrative Agent shall be able to take any action it determines necessary to preserve or maintain any such Property and provided further that if the Required Lenders cannot agree on the sale or disposition of such Property, the Administrative Agent shall not sell or dispose of such Property, but shall continue to hold such Property for the benefit of the Banks;

(m) any waiver for more than 45 days of, or any material amendment to, the reporting requirements set forth in clauses (a)-(d) of Section 5.05 of this Agreement;

(n) any material waiver of the conditions to a Hotel Property qualifying as either an Eligible Property or a Permitted Non-Eligible Property; and

(o) any other material waiver or modification of the Credit Documents.

Any amendment to a covenant of the Parent or any of its Subsidiaries or amendment to a definition shall require the Borrower's written consent.

SECTION 10.02 NOTICES, ETC. Except as specifically provided herein, all notices and other communications shall be in writing (including teletype or telex) and mailed, telecopied, telexed, hand delivered or delivered by a nationally recognized overnight courier, (a) if to the Borrower, at its address at 4800 Montgomery Lane, Suite M25, Bethesda, Maryland 20814, Attention: Mr. Hans S. Weger, with a copy to Michael F. Taylor at Brown & Wood LLP, 555 California Street, San Francisco, California 94104-1715 (telephone: (415) 772-1205; telecopy (415) 397-4621) and a copy to Robert K. Hagan at Hagan & Associates, Suite 4322, 200 East Randolph Drive, Chicago, Illinois 60601 (telephone: (312) 228-2050; telecopy (312) 228-0982); (b) if to any Bank at its Domestic Lending Office; (c) if to the Administrative Agent or to Societe Generale, Southwest Agency in its capacity as an Issuing Bank, at its address at 4900 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201, Attention: Carina Huynh, (telecopy: (214) 979-2727; telephone: (214) 979-2774); or, (d) as to each party, at such other address or teletransmission number as shall be designated by such party in a written notice to the other parties.

All such notices and communications shall, when mailed, telecopied, telexed or hand delivered or delivered by overnight courier, be effective three days after deposited in the mails, when telecopy transmission is completed, when confirmed by telex answer-back or when delivered, respectively, except that notices and communications to the Administrative Agent pursuant to Article II or Article IX shall not be effective until received by the Administrative Agent.

SECTION 10.03 NO WAIVER; REMEDIES. No failure on the part of any

Bank, the Administrative Agent, or any Issuing Bank to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement and the other Credit Documents are cumulative and not exclusive of any remedies provided by law.

SECTION 10.04 COSTS AND EXPENSES. The Borrower agrees to pay on demand all out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery, due diligence, administration, modification and amendment of this Agreement, the Notes and the other Credit Documents and syndication of the Obligations including, without limitation, (a) the reasonable fees and out-of-pocket expenses of Bracewell & Patterson, L.L.P., counsel for the Administrative Agent and the Banks, and (b) to the extent not included in the foregoing, the costs of any local counsel, travel expenses of the Administrative Agent and its consultants and representatives, Engineering Reports, Environmental Reports, mortgage and intangible taxes (if any), and any title or Uniform Commercial Code search costs, any flood plain search costs, insurance consultant costs and other costs usual and customary in connection with a credit facility of this type. In addition, the Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses, if any, of the Administrative Agent, each Issuing Bank, and each Bank (including, without limitation, reasonable counsel fees and expenses of the Administrative Agent, such Issuing Bank, and each Bank) in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement and the other Credit Documents.

SECTION 10.05 BINDING EFFECT. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent, and when the Administrative Agent shall have, as to each Bank, either received a counterpart hereof executed by such Bank or been notified by such Bank that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent, each Issuing Bank, and each Bank and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or delegate its duties under this Agreement or any interest in this Agreement without the prior written consent of each Bank.

SECTION 10.06 BANK ASSIGNMENTS AND PARTICIPATIONS.

(a) ASSIGNMENTS. Any Bank may assign to one or more banks or other entities all or any portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it, the Notes held by it, and the participation interest in the Letter of Credit Obligations held by it); PROVIDED, HOWEVER, that (i) each such assignment shall be of a constant, and not a varying, percentage of all of such Bank's rights and obligations under this Agreement and shall involve a ratable assignment of such Bank's Commitment, such Bank's Advances and such Bank's participation in Letter of Credit Exposure, (ii) the amount of the resulting Commitment and Advances of the assigning Bank (unless it is assigning all its Commitment) and the assignee Bank pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$10,000,000 and shall be an integral multiple of \$1,000,000, (iii) each such assignment shall be to an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with the Notes subject to such assignment, (v) the Administrative Agent shall consent to such assignment, which consent shall not be unreasonably withheld or delayed, and (vi) each Eligible Assignee (other than an Eligible Assignee which is an Affiliate of the assigning Bank) shall pay to the Administrative Agent a \$3,500

administrative fee. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least three Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto for all purposes and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (B) such Bank thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of such Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto). Notwithstanding anything herein to the contrary, any Bank may assign, as collateral or otherwise, any of its rights under the Credit Documents to any Federal Reserve Bank.

(b) TERM OF ASSIGNMENTS. By executing and delivering an Assignment and Acceptance, the Bank thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency of value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the Guarantors or the performance or observance by the Borrower or the Guarantors of any of their obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements and filings under the Exchange Act referred to in Sections 4.06 and 5.05, if applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are

delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) THE REGISTER. The Administrative Agent shall maintain at its address referred to in Section 10.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitments of, and principal amount of the Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent, the Issuing Banks, and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) PROCEDURES. Upon its receipt of an Assignment and Acceptance executed by a Bank and an Eligible Assignee, together with the Note subject

to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of the attached Exhibit B, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register, and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the surrendered Note, a new Note payable to the order of such Eligible Assignee in amount equal to, respectively, the Commitment and the outstanding Advances assumed by it pursuant to such Assignment and Acceptance, and if the assigning Bank has retained any Commitment hereunder, a new Note payable to the order of such Bank in an amount equal to, respectively, the Commitment and the outstanding Advances retained by it hereunder. Such new Note shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the attached Exhibit A.

(e) PARTICIPATIONS. Each Bank may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it, its participation interest in the Letter of Credit Obligations, and the Notes held by it); PROVIDED, HOWEVER, that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Administrative Agent, and the Issuing Banks and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) such Bank shall not require the participant's consent to any matter under this Agreement, except for change in the principal amount of any Note in which the participant has an interest, reductions in fees or interest, or extending the Maturity Date except as permitted in this Agreement. The Borrower hereby agrees that participants shall have the same rights under Sections 2.08, 2.09, and 2.11(c) hereof as the Bank to the extent of their respective participations, PROVIDED that no participant shall be able to collect in excess of amounts payable to the Bank selling to such participant under such Sections in respect of the interest sold to such participant or to collect any such amounts from the Borrower.

(f) CONFIDENTIALITY. Each Bank may furnish any information concerning the Borrower and its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees and participants); PROVIDED that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree in writing to preserve the confidentiality of any confidential information relating to the Borrower and its Subsidiaries received by it from or on behalf of such Bank in accordance with Section 10.20. Such Bank shall promptly deliver a signed copy of any such confidentiality agreement to the Administrative Agent.

SECTION 10.07 INDEMNIFICATION. The Borrower shall indemnify the Administrative Agent, the Banks (in any capacity or title and including any lender which was a Bank hereunder prior to any full assignment of its Commitment), the Issuing Banks, and each affiliate thereof and their respective directors, officers, employees and agents from, and discharge, release, and hold each of them harmless against, any and all losses, liabilities, claims or damages to which any of them may become subject, insofar as such losses, liabilities, claims or damages arise out of or result from (i) any actual or proposed use by the Borrower or any Affiliate of the Borrower of the proceeds of any Advance, (ii) any breach by the Borrower or any Guarantor of any provision of this Agreement or any other Credit Document, (iii) any investigation, litigation or other proceeding

(including any threatened investigation or proceeding) relating to the foregoing, or (iv) any Environmental Claim or requirement of Environmental Laws concerning or relating to the present or previously-owned or operated properties, or the operations or business, of the Borrower or any of its Subsidiaries, and the Borrower shall reimburse the Administrative Agent, each Issuing Bank, and each Bank, and each affiliate thereof and their respective directors, officers, employees and agents, upon demand for any reasonable out-of-pocket expenses (including legal fees) incurred in connection with any such investigation, litigation or other proceeding; and expressly including any such losses, liabilities, claims, damages, or expense incurred by reason of the Person being indemnified's own negligence, but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified.

SECTION 10.08 EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 10.09 SURVIVAL OF REPRESENTATIONS, INDEMNIFICATIONS, ETC. All representations, warranties contained in this Agreement or made in writing by or on behalf of the Borrower in connection herewith shall survive the execution and delivery of this Agreement and the Credit Documents, the making of the Advances and any investigation made by or on behalf of the Banks, none of which investigations shall diminish any Bank's right to rely on such representations and warranties. All obligations of the Borrower provided for in Sections 2.08, 2.09, 2.11(c), 9.05 and 10.07 shall survive any termination of this Agreement and repayment in full of the Obligations.

SECTION 10.10 SEVERABILITY. In case one or more provisions of this Agreement or the other Credit Documents shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not be affected or impaired thereby.

SECTION 10.11 ENTIRE AGREEMENT. This Agreement, the Notes and the other Credit Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersede any prior agreements, written or oral, with respect thereto.

SECTION 10.12 USURY NOT INTENDED. It is the intent of the Borrower and each Bank in the execution and performance of this Agreement and the other Credit Documents to contract in strict compliance with applicable usury laws, including conflicts of law concepts, governing the Advances of each Bank including such applicable laws of the State of New York and the United States of America from time to time in effect. In furtherance thereof, the Banks and the Borrower stipulate and agree that none of the terms and provisions contained in this Agreement or the other Credit Documents shall ever be construed to create a contract to pay, as consideration for the use, forbearance or detention of money, interest at a rate in excess of the Maximum Rate and that for purposes hereof "interest" shall include the aggregate of all charges which constitute interest under such laws that are contracted for, charged or received under this Agreement; and in the event that, notwithstanding the foregoing, under any circumstances the aggregate amounts taken, reserved, charged, received or paid on the Advances, include amounts which by applicable law are deemed interest which would exceed the Maximum Rate, then such excess shall be deemed to be a mistake and each Bank receiving same shall credit the same on the principal of its Notes (or if such Notes shall have been paid in full, refund said excess to the Borrower). In the event that the maturity

of the Notes is accelerated by reason of any election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest may never include more than the Maximum Rate and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited on the applicable Notes (or, if the applicable Notes shall have been paid in full, refunded to the Borrower). In determining whether or not the interest paid or payable under any specific contingencies exceeds the Maximum Rate, the Borrower and the Banks shall to the maximum extent permitted under applicable law amortize, prorate, allocate and spread in equal parts during the period of the full stated term of the Notes all amounts considered to be interest under applicable law at any time contracted for, charged, received or reserved in connection with the Obligations. The provisions of this Section shall control over all other provisions of this Agreement or the other Credit Documents which may be in apparent conflict herewith.

SECTION 10.13 GOVERNING LAW. ANY DISPUTE BETWEEN THE BORROWER, THE ADMINISTRATIVE AGENT, THE ISSUING BANK, ANY BANK, OR ANY INDEMNITEE ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF NEW YORK.

SECTION 10.14 CONSENT TO JURISDICTION; SERVICE OF PROCESS; JURY TRIAL.

(a) EXCLUSIVE JURISDICTION. EXCEPT AS PROVIDED IN SUBSECTION (B), EACH OF THE PARTIES HERETO AGREES THAT ALL DISPUTES AMONG THEM ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED EXCLUSIVELY BY STATE OR FEDERAL COURTS LOCATED IN NEW YORK, NEW YORK, BUT THE PARTIES HERETO ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK, NEW YORK. EACH OF THE PARTIES HERETO WAIVES IN ALL DISPUTES BROUGHT PURSUANT TO THIS SUBSECTION (A) ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE.

(b) OTHER JURISDICTIONS. THE BORROWER AGREES THAT THE ADMINISTRATIVE AGENT, ANY BANK OR ANY INDEMNITEE SHALL HAVE THE RIGHT TO PROCEED AGAINST THE BORROWER OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE SUCH PERSON TO (1) OBTAIN PERSONAL JURISDICTION OVER THE BORROWER OR (2) ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF SUCH PERSON. THE BORROWER AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY SUCH PERSON TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF SUCH PERSON. THE BORROWER WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH SUCH PERSON HAS COMMENCED A PROCEEDING DESCRIBED IN THIS SUBSECTION (B).

(c) SERVICE OF PROCESS. THE BORROWER WAIVES PERSONAL SERVICE OF ANY PROCESS UPON IT AND IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY WRITS, PROCESS OR SUMMONSES IN ANY SUIT, ACTION OR PROCEEDING BY THE MAILING THEREOF BY THE ADMINISTRATIVE AGENT OR THE BANKS BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE BORROWER ADDRESSED AS PROVIDED HEREIN. NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF THE ADMINISTRATIVE AGENT OR THE BANKS TO SERVE ANY SUCH WRITS, PROCESS OR SUMMONSES IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW. THE BORROWER

IRREVOCABLY WAIVES ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION OF THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH IN ANY JURISDICTION SET FORTH ABOVE.

(d) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH. EACH OF THE PARTIES HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) WAIVER OF BOND. THE BORROWER WAIVES THE POSTING OF ANY BOND OTHERWISE REQUIRED OF ANY PARTY HERETO IN CONNECTION WITH ANY JUDICIAL PROCESS OR PROCEEDING TO REALIZE ON THE COLLATERAL ENFORCE ANY JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF SUCH PARTY, OR TO ENFORCE BY SPECIFIC PERFORMANCE, TEMPORARY RESTRAINING ORDER, PRELIMINARY OR PERMANENT INJUNCTION, THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT.

(f) ADVICE OF COUNSEL. EACH OF THE PARTIES REPRESENTS TO EACH OTHER PARTY HERETO THAT IT HAS DISCUSSED THIS AGREEMENT AND, SPECIFICALLY, THE PROVISIONS OF THIS SECTION 10.14, WITH ITS COUNSEL.

SECTION 10.15 KNOWLEDGE OF BORROWER. For purposes of this Agreement, "knowledge of the Borrower" means the actual knowledge of any of the executive officers and all other Responsible Officers of the Parent.

SECTION 10.16 BANKS NOT IN CONTROL. None of the covenants or other provisions contained in the Credit Documents shall or shall be deemed to, give the Banks the rights or power to exercise control over the affairs and/or management of the Borrower, any of its Subsidiaries or any Guarantor, the power of the Banks being limited to the right to exercise the remedies provided in the Credit Documents; provided, however, that if any Bank becomes the owner of any stock, or other equity interest in, any Person whether through foreclosure or otherwise, such Bank shall be entitled (subject to requirements of law) to exercise such legal rights as it may have by being owner of such stock, or other equity interest in, such Person.

SECTION 10.17 HEADINGS DESCRIPTIVE. The headings of the several Sections and paragraphs of the Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

SECTION 10.18 TIME IS OF THE ESSENCE. Time is of the essence under the Credit Documents.

SECTION 10.19 SCOPE OF INDEMNITIES. THE BORROWER ACKNOWLEDGES AND AGREES THAT CERTAIN OF ITS OBLIGATIONS AND INDEMNITIES UNDER THIS AGREEMENT INCLUDE ANY CLAIMS RESULTING FROM THE NEGLIGENCE OR ALLEGED NEGLIGENCE OF THE ADMINISTRATIVE AGENT, THE BANKS, OR ANY OTHER PERSON BEING INDEMNIFIED.

SECTION 10.20 CONFIDENTIALITY. The Administrative Agent, Issuing Bank and each Bank severally agrees that it will use its best efforts not to disclose without the prior written consent of the Parent or the Borrower (other than to an Affiliate or such Person's or their Affiliate's

directors, officers, employees, auditors, regulators or counsel) any information with respect to the Parent or the Borrower which is furnished pursuant to this Agreement except that the Administrative Agent, Issuing Bank and each Bank may disclose any such information (a) which is or becomes generally available to the public other than by a breach of this Section 10.20, (b) which is known by or becomes known by such Person from another Person, (c) as may be required or appropriate in any report, statement or testimony submitted to any Governmental Authority (whether in the United States or elsewhere), (d) as may be required or appropriate in response to any summons or subpoena or any law, order, regulation or ruling applicable to such Agent, Issuing Bank or Bank and (e) to any prospective participant or assignee in connection with any contemplated transfer pursuant to Section 10.06 in accordance with the provisions of Section 10.06(f).

SECTION 10.21 HYATT BOSTON. The Borrower represents to the Banks that the Borrower currently anticipates that (a) in order to refinance the Hyatt Boston Existing Bonds the Hyatt Boston Issuer will issue the Hyatt Boston Replacement Bonds, (b) that for a period of time (the "Hyatt Boston Bond Overlap Period") currently anticipated to be less than sixty (60) days (i) both the Hyatt Boston Existing Bonds and the Hyatt Boston Replacement Bonds will be outstanding at the same time, and (ii) the Hyatt Boston Replacement Bonds Proceeds will be deposited in an account and serve as collateral for the Hyatt Boston Replacement Bonds and the Hyatt Boston Replacement Bonds Credit Enhancement until such time as (A) such sums are used to redeem the Hyatt Boston Existing Bonds and (B) the Hyatt Boston Replacement Bonds and the Hyatt Boston Replacement Bonds Credit Enhancement are secured by the Hyatt Boston and the Hyatt Boston Lease. For purposes of the financial covenants set forth in Article 7, the definitions used in such financial covenants, and the determination of the Leverage Ratio, during the Hyatt Boston Bond Overlap Period, (a) the interest paid on the Hyatt Boston Existing Bonds will be excluded up to an amount equal to the interest earned from the Hyatt Boston Replacement Bonds Proceeds, (b) except as provided in the preceding clause (a), the interest earned from the Hyatt Boston Replacement Bonds Proceeds will be excluded, (c) the Hyatt Boston Replacement Bonds will not be deemed Indebtedness of the Parent, the Borrower or any of their Subsidiaries, and (d) the Hyatt Boston Replacement Bonds Proceeds will not be deemed an asset of the Parent, the Borrower or any of their Subsidiaries; PROVIDED that (i) no Default exists, (ii) neither the Parent, nor the Borrower nor any of their Subsidiaries except for the Hyatt Boston Lessee has any recourse liability for either the Hyatt Boston Existing Bonds, the Hyatt Boston Existing Credit Enhancement, the Hyatt Boston Replacement Bonds, or the Hyatt Boston Replacement Bonds Credit Enhancement except for customary exceptions of non-recourse Indebtedness, (iii) the Hyatt Boston Bond Overlap Period does not exceed ninety (90) days, (iv) no event of default has been declared for any of the Hyatt Boston Existing Bonds, the Hyatt Boston Existing Credit Enhancement, the Hyatt Boston Replacement Bonds, or the Hyatt Boston Replacement Bonds Credit Enhancement, and (v) the transactions contemplated by this Section 10.21 are completed pursuant to documentation reasonably acceptable to the Administrative Agent.

[SIGNATURE PAGE OF SENIOR UNSECURED CREDIT AGREEMENT]

EXECUTED as of the date first referenced above.

BORROWER:

LASALLE HOTEL OPERATING PARTNERSHIP, L.P.

By: LaSalle Hotel Properties,

its general partner

By: -----

Name: -----

Title: -----

ENVIRONMENTAL INDEMNIFICATION AGREEMENT

This Environmental Indemnification Agreement (this "Agreement") is made and entered into effective for all purposes as of the 13th day of November, 2000, by the parties signatory hereto or to an Accession Agreement (as hereinafter defined) (collectively, the "Indemnitor" whether one or more), to and for the benefit of SOCIETE GENERALE, SOUTHWEST AGENCY, as Joint Book Runner and Administrative Agent (the "Administrative Agent"), BANK OF MONTREAL, CHICAGO BRANCH as Syndication Agent (the "Syndication Agent"), DEUTSCHE BANC ALEX. BROWN, as Joint Book Runner and Documentation Agent ("Documentation Agent"), and the banks and other lenders named in the Credit Agreement herein described (the "Banks").

INTRODUCTION

WHEREAS, this Agreement is given in connection with that certain Second Amended and Restated Senior Unsecured Credit Agreement dated as of even date as this Agreement ("Credit Agreement"), among LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "Borrower"), Administrative Agent, Syndication Agent, Documentation Agent and the banks and other lenders party thereto (collectively the "Banks") pursuant to which the Banks are making, subject to future advances, a loan in an amount up to \$200,000,000.00 (the "Loan") to Borrower as more specifically described therein;

WHEREAS, the Borrower and Subsidiaries of the Borrower now or hereafter will own certain Hotel Properties which include without limitation the Initial Properties, the Future Properties, the Permitted Non-Eligible Properties and the properties owned by the Permitted Other Subsidiaries (said properties together with all property owned by the Participating Lessees in connection with such Hotel Properties, all rights and appurtenances to such Hotel Properties and all improvements presently located or hereafter constructed on such Hotel Properties are hereinafter collectively called the "Properties", and each a "Property");

WHEREAS, the Borrower is the principal financing entity for capital requirements of its Subsidiaries, and from time to time the Borrower has made and will continue to make capital contributions and advances to its Subsidiaries, including the Subsidiaries which are parties hereto. Other than the Parent, each Indemnitor is a direct or indirect subsidiary of the Borrower. Each Indemnitor will derive substantial direct and indirect benefit from the transactions contemplated by the Credit Agreement; and

WHEREAS, the Banks have required the execution and delivery of this Agreement as a condition precedent to the execution of the Credit Agreement. The Banks would not be willing to execute the Credit Agreement in the absence of the execution and delivery by Indemnitor of this Agreement.

AGREEMENT

NOW, THEREFORE, Indemnitor, as an inducement to the Banks to make the Loan, hereby covenants and agrees to and for the benefit of the Banks as follows:

1. DEFINED TERMS. All terms used in this Agreement, but not defined herein, shall have the meaning given such terms in the Credit Agreement.

2. HAZARDOUS MATERIAL. As used in this Agreement, the term "Hazardous Materials" shall mean any flammable explosives, radioactive materials, hazardous wastes, hazardous materials, hazardous or toxic substances, or related materials as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601 et. seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Section 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901 et seq.), and in the regulations adopted and publications promulgated pursuant thereto, and all friable asbestos, petroleum derivatives, polychlorinated biphenyls, and materials defined as hazardous materials under any federal, state or local laws, ordinances, codes, rules, orders, regulations or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal thereof (collectively, "Environmental Laws").

3. REPRESENTATION. Except as set forth in the Environmental Reports, Indemnitor warrants and represents to the Banks that it has no knowledge of (a) the presence of any Hazardous Materials on any of the Properties except for Permitted Hazardous Substances; or (b) any material spills, releases, discharges or disposal of Hazardous Materials that have occurred or are presently occurring off any of the Properties as a result of any construction on or operation and use of any of the Properties. In connection with the operation and use of any of the Properties, Indemnitor warrants and represents that, as of the date of this Agreement, it has no knowledge of any failure to comply in all material respects with all applicable law, state and federal environmental laws, regulations, ordinances and administrative and judicial orders relating to the generation, recycling, reuse, sale, storage, handling, transport and disposal of any Hazardous Materials other than as set forth in the Environmental Reports.

4. COVENANT. Indemnitor covenants and agrees not to cause or permit the presence, use, generation, release, discharge, storage, disposal or transportation of any Hazardous Materials on, under, in, about, to or from any of the Properties except for Permitted Hazardous Substances.

5. INDEMNIFICATION. Indemnitor shall exonerate, indemnify, pay and protect, defend (with counsel approved pursuant to the Credit Agreement) and save the Administrative Agent, the Syndication Agent, the Documentation Agent, the Banks, and their respective directors, trustees, beneficiaries, officers, shareholders, employees and agents of the Banks (collectively, the "Indemnified Parties"), harmless from and against any claims (including, without limitation, third party claims for personal injury or real or personal property damage), actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, taxes, assessments, liabilities (including, without limitation, sums paid in settlements of claims), interest or losses, including reasonable attorneys' fees and expenses (including, without limitation, any such reasonable fees and expenses incurred in enforcing this Agreement or collecting any sums due hereunder), consultant fees, and expert fees, together with all other reasonable costs and expenses of any kind or nature (collectively, the "Costs") that arise directly or indirectly in connection with the presence, suspected presence, release or suspected release of any Hazardous Materials in or into the air,

soil, ground water, surface water or improvements at, on, about, under or within any of the Properties, or any portion thereof, or elsewhere in connection with the transportation of Hazardous Materials to or from any of the Properties (any such release being referred to herein as a "Release");

provided however that Indemnitor shall not be so liable for any Costs arising because of the gross negligence or willful misconduct of an Indemnified Party or Costs arising because of a Release from or on a Property after the Administrative Agent or the Administrative Agent's nominee acquires title to such Property. INDEMNITOR'S OBLIGATION TO SO INDEMNIFY THE INDEMNIFIED PARTIES SHALL INCLUDE INDEMNIFICATION FOR ANY OF SUCH MATTERS CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES. The indemnification provided in this Section shall specifically apply to and include claims or actions brought by or on behalf of tenants or employees of Indemnitor; Indemnitor hereby expressly waives (with respect to any claims of the Indemnified Parties arising under this Agreement) any immunity to which Indemnitor may otherwise be entitled under any industrial or worker's compensation laws. In the event any of the Indemnified Parties shall suffer or incur any such Costs, Indemnitor shall pay to the Administrative Agent for the benefit of the Indemnified Party the total of all such Costs suffered or incurred by such Indemnified Party within ten (10) days after demand therefor, such payment to be disbursed by the Administrative Agent in accordance with the Credit Agreement. Without limiting the generality of the foregoing, the indemnification provided by this Section 5 shall specifically cover Costs, including, without limitation, capital, operating and maintenance costs, incurred in connection with any investigation or monitoring of site conditions, any clean-up, containment, remedial, removal or restoration work required or performed by any federal, state or local governmental agency or political subdivision ("Governmental Agency") or performed by any non-governmental entity or person as required or requested, by any Governmental Agency because of the presence, suspected presence, release or suspected release of any Hazardous Materials in or into the air, soil, groundwater, surface water or improvements at, on, under or within any of the Properties (or any portion thereof), or elsewhere in connection with the transportation of Hazardous Materials to or from any of the Properties, and any claims of third parties for loss or damage due to such Hazardous Materials.

6. REMEDIAL WORK. In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work ("Remedial Work") is required (a) under any Environmental Law, (b) by any judicial, arbitral or administrative order, (c) in order to comply with any agreements affecting any of the Properties, or (d) to maintain any of the Properties in a standard of environmental condition which prevents the release or generation of any Hazardous Materials except for Permitted Hazardous Substances, Indemnitor shall perform or cause to be performed such Remedial Work; provided, that Indemnitor may withhold commencement of such Remedial Work pending resolution of any good faith contest regarding the application, interpretation or validity of any law, regulation, order or agreement, subject to the requirements of Section 7 below. All Remedial Work shall be conducted (i) in a diligent and timely fashion by a licensed environmental engineer, (ii) pursuant to a detailed written plan for the Remedial Work approved by any Governmental Agency with a legal or contractual right to such approval, (iii) with such insurance coverage pertaining to liabilities arising out of the Remedial Work as is then customarily maintained with respect to such activities and (iv) only following receipt of all required permits, licenses or approvals. In addition, Indemnitor shall submit to the Banks promptly upon receipt or preparation, copies of any and all reports, studies, analyses, correspondence, governmental comments or approvals, proposed removal or other Remedial Work contracts and similar information prepared or received by Indemnitor in connection with any Remedial Work or Hazardous Materials relating to any of the Properties. All costs and expenses of such Remedial Work shall be paid by Indemnitor, including, without limitation, the charges of the Remedial Work contractors and the consulting environmental engineer, any taxes or penalties assessed in connection with the Remedial Work and the Banks' reasonable fees and costs incurred in connection with monitoring or review of such Remedial Work. In the event Indemnitor should

fail to commence or cause to be commenced such Remedial Work, in a timely fashion, or fail diligently to prosecute to completion, such Remedial Work, the Administrative Agent following consent of the Required Lenders (following thirty (30) days written notice to Indemnitor) may, but shall not be required to, cause such Remedial Work to be performed, and all costs and expenses thereof, or incurred in connection therewith shall be Costs within the meaning of Section 5 above. All such Costs shall be due and payable to the Administrative Agent by Indemnitor upon thirty (30) days after demand therefor, such payments to be disbursed by the Administrative Agent in accordance with the Credit Agreement.

7. PERMITTED CONTESTS. Notwithstanding any provision of this Agreement to the contrary, Indemnitor may contest by appropriate action any Remedial Work requirement imposed by any Governmental Agency or similar agency provided that (a) Indemnitor has given the Banks written notice that Indemnitor is contesting or shall contest and Indemnitor does in fact contest the application, interpretation or validity of the law, regulation, order or agreement pertaining to the Remedial Work by appropriate legal or administrative proceedings conducted in good faith and with due diligence and dispatch, (b) such contest shall not subject any of the Indemnified Parties nor any assignee of all or any portion of the Banks' interest in the Loan nor any of the Properties to civil or criminal liability and does not jeopardize any such party's lien upon or interest in any of the Properties and (c) if the estimated cost of the Remedial Work is greater than \$1,000,000, Indemnitor shall give such security or assurances as may be reasonably required by the Banks as determined pursuant to the Credit Agreement to ensure ultimate compliance with all legal or contractual requirements pertaining to the Remedial Work (and payment of all costs, expenses, interest and penalties in connection therewith) and to prevent any sale, forfeiture or loss by reason of nonpayment or non-compliance.

8. REPORTS AND CLAIMS. Indemnitor shall deliver to the Banks copies of any reports, analyses, correspondence, notices, licenses, approvals, orders or other written materials relating to the environmental condition of any of the Properties promptly upon receipt, completion or delivery thereof. Indemnitor shall give notice to the Banks of any claim, action, administrative proceeding (including, without limitation, informal proceedings) or other demand by any governmental agency or other third party involving Costs or Remedial Action at the time such claim or other demand first becomes known to Indemnitor. Receipt of any such notice shall not be deemed to create any obligation on the Banks to defend or otherwise respond to any claim or demand. All notices, approvals, consents, requests and demands upon the respective parties hereto shall be in writing, including telegraphic communication and delivered or teletransmitted to the Administrative Agent, as set forth in the Credit Agreement and to each Indemnitor, at the address set forth beneath such Indemnitor's signature or in the Accession Agreement executed by such Indemnitor, or to such other address as shall be designated by any Indemnitor or the Administrative Agent in written notice to the other parties. All such notices and other communications shall be effective when delivered or teletransmitted to the above addresses.

9. BANKS AS OWNER. If for any reason, the Administrative Agent or any of the Banks (or any successor or assign of such parties) becomes the fee owner of any of the Properties and any claim, action, notice, administrative proceeding (including, without limitation, informal proceedings) or other demand is made by any governmental agency or other third party which implicate Costs or Remedial Work, Indemnitor shall cooperate with such party in any defense or other appropriate response to any such claim or other demand; provided however that Indemnitor shall not be so liable for any Costs arising because of the gross negligence or willful misconduct of an Indemnified Party. Indemnitor's duty to cooperate and right to participate in the defense or response to any such claim or demand shall not be deemed to limit or otherwise modify Indemnitor's obligations under this Agreement. Any party subject to a claim or other proceeding referenced in the first sentence of this Section 9 shall give notice to Indemnitor of any claim or demand governed by this Section 9 at the time such claim or other demand first becomes known to such party.

10. SUBROGATION OF INDEMNITY RIGHTS. If Indemnitor fails to fully perform its obligations under Sections 5 and 6 above, the Indemnified Parties shall be subrogated to any rights or claims Indemnitor may have against any present, future or former owners, tenants or other occupants or users of any of the Properties, any portion thereof or any adjacent or proximate properties, relating to the recovery of Costs or the performance of Remedial Work.

11. ASSIGNMENT BY AGENTS AND BANKS. No consent by Indemnitor shall be required for any assignment or reassignment of the rights of the Administrative Agent, the Syndication Agent, the Documentation Agent or the Banks under this Agreement to any successor of such party or a purchaser of the Loan or any interest in or portion of the Loan including participation interests in accordance with the terms of the Credit Agreement.

12. MERGER, CONSOLIDATION OR SALE OF ASSETS. In the event Indemnitor is dissolved, liquidated or terminated or all or substantially all the assets of Indemnitor are sold or otherwise transferred to one or more persons or other entities, the surviving entity or transferee of assets, as the case may be, (i) shall be formed and existing under the laws of a state, (ii) shall deliver to the Banks an acknowledged instrument in recordable form assuming all obligations, covenants and responsibilities of Indemnitor under this Agreement.

13. INDEPENDENT OBLIGATIONS; SURVIVAL. The obligations of Indemnitor under this Agreement shall survive the consummation of the Loan transaction described above and the repayment of the Loan. The obligations of Indemnitor under this Agreement are separate and distinct from the obligations of Indemnitor under the Credit Documents. This Agreement may be enforced by the Banks without regard to or affecting any rights and remedies the Administrative Agent and/or the Banks may have against Indemnitor under the Credit Documents and without regard to any limitations on the Administrative Agent's or Banks' recourse for recovery of the Loan as may be provided in the Credit Documents. Enforcement of this Agreement is not and shall not be deemed to constitute an action for recovery of the indebtedness of the Loan.

14. DEFAULT INTEREST. In addition to all other rights and remedies of the Banks against Indemnitor as provided herein, or under applicable law, Indemnitor shall pay to the Administrative Agent, immediately upon demand therefor, Default Interest (as defined below) on any Costs and other payments required to be paid by Indemnitor to the Banks under this Agreement which are not paid within ten (10) days after demand therefor, such payments to be disbursed by the Administrative Agent in accordance with the Credit Agreement. Default Interest shall be paid by Indemnitor from the date such payment becomes delinquent through and including the date of payment of such delinquent sums. "Default Interest" shall mean a per annum interest rate equal to three percent (3%) above the Adjusted Base Rate or reference rate for the then current calendar month, as of the first day of such calendar month, which is publicly announced from time to time by the Administrative Agent.

15. CONTRIBUTION. As a result of the transactions contemplated by the Credit Agreement, each of the Indemnitors will benefit, directly and indirectly, from the Obligations and in consideration thereof desire to enter into a contribution agreement among themselves as set forth in this Section 15 to allocate such benefits among themselves and to provide a fair and equitable arrangement to make contributions in the event any payment is made by any Indemnitor hereunder to the Administrative Agent, the Syndication Agent, the Documentation Agent or the Banks (such payment being referred to herein as a "Contribution," and for purposes of this Agreement, includes any exercise of recourse by the Administrative Agent against any

Property of a Contributor and application of proceeds of the sale of such Property in satisfaction of such Indemnitor's obligations under this Agreement). The Indemnitors hereby agree as follows:

15.1. CALCULATION OF CONTRIBUTION. In order to provide for just and equitable contribution among the Indemnitors in the event any Contribution is made by an Indemnitor (a "Funding Indemnitor"), such Funding Indemnitor shall be entitled to a contribution from certain other Indemnitors for all payments, damages and expenses incurred by that Funding Indemnitor in discharging any of the obligations under this Agreement (the "Obligations"), in the manner and to the extent set forth in this Section. The amount of any Contribution under this Agreement shall be equal to the payment made by the Funding Indemnitor to the Administrative Agent or any other beneficiary pursuant to this Agreement and shall be determined as of the date on which such payment is made.

15.2. BENEFIT AMOUNT DEFINED. For purposes of this Agreement, the "Benefit Amount" of any Indemnitor as of any date of determination shall be the net value of the benefits to such Indemnitor and all of its Subsidiaries (including any Subsidiaries which may be Indemnitors) from extensions of credit made by the Banks to the Borrower under the Credit Agreement; provided, that in determining the contribution liability of any Indemnitor which is a Subsidiary to its direct or indirect parent corporation or of any Indemnitor to its direct or indirect Subsidiary, the Benefit Amount of such Subsidiary and its Subsidiaries, if any, shall be subtracted in determining the Benefit Amount of the parent corporation. Such benefits shall include benefits of funds constituting proceeds of Advances made to the Borrower by the Banks which are in turn advanced or contributed by the Borrower to such Indemnitor or its Subsidiaries and benefits of Letters of Credit issued pursuant to the Credit Agreement on behalf of, or the proceeds of which are advanced or contributed or otherwise benefit, directly or indirectly, such Indemnitor and its Subsidiaries (collectively, the "Benefits"). In the case of any proceeds of Advances or Benefits advanced or contributed to a Person (an "Owned Entity") any of the equity interests of which are owned directly or indirectly by an Indemnitor, the Benefit Amount of an Indemnitor with respect thereto shall be that portion of the net value of the benefits attributable to Advances or Benefits equal to the direct or indirect percentage ownership of such Indemnitor in its Owned Entity.

15.3. CONTRIBUTION OBLIGATION. Each Indemnitor shall be liable to a Funding Indemnitor in an amount equal to the greater of (A) the (i) ratio of the Benefit Amount of such Indemnitor to the total amount of Obligations, multiplied by (ii) the amount of Obligations paid by such Funding Indemnitor and (B) 95% of the excess of the fair saleable value of the property of such Indemnitor over the total liabilities of such Indemnitor (including the maximum amount reasonably expected to become due in respect of contingent liabilities) determined as of the date on which the payment made by a Funding Indemnitor is deemed made for purposes of this Agreement (giving effect to all payments made by other Funding Indemnitors as of such date in a manner to maximize the amount of such contributions).

15.4. ALLOCATION. In the event that at any time there exists more than one Funding Indemnitor with respect to any Contribution (in any such case, the "Applicable Contribution"), then payment from other Indemnitors pursuant to this Agreement shall be allocated among such Funding Indemnitors in proportion to the total amount of the Contribution made for or on account of the Borrower by each such Funding Indemnitor pursuant to the Applicable Contribution. In the event that at any time any Indemnitor pays an amount under this Agreement in excess of the amount calculated pursuant to clause (A) of Subsection 15.3 above, that Indemnitor shall be deemed to be a Funding Indemnitor to the extent of such excess and

shall be entitled to contribution from the other Indemnitors in accordance with the provisions of this Section.

15.5. SUBSIDIARY PAYMENT. The amount of contribution payable under this Section by any Indemnitor shall be reduced by the amount of any contribution paid hereunder by a Subsidiary of such Indemnitor.

15.6. EQUITABLE ALLOCATION. If as a result of any reorganization, recapitalization, or other corporate change in the Borrower or any of its Subsidiaries, or as a result of any amendment, waiver or modification of the terms and conditions of other Sections of this Agreement or the Obligations, or for any other reason, the contributions under this Section become inequitable as among the Indemnitors, the Indemnitors shall promptly modify and amend this Section to provide for an equitable allocation of contributions. Any of the foregoing modifications and amendments shall be in writing and signed by all Indemnitors.

15.7. ASSET OF PARTY TO WHICH CONTRIBUTION IS OWING. The Indemnitors acknowledge that the right to contribution hereunder shall constitute an asset in favor of the Indemnitor to which such contribution is owing.

15.8. SUBORDINATION. No payments payable by an Indemnitor pursuant to the terms of this Section 15 shall be paid until all amounts then due and payable by the Borrower to the Administrative Agent, the Syndication Agent, the Documentation Agent, or any Bank, pursuant to the terms of the Credit Documents, are paid in full in cash. Nothing contained in this Section 15 shall affect the obligations of any Indemnitor to the Administrative Agent, the Syndication Agent, the Documentation Agent, or any Bank under the Credit Agreement or any other Credit Documents.

16. MISCELLANEOUS. If there shall be more than one Indemnitor hereunder, or pursuant to any other indemnification of Banks relating to Hazardous Materials arising out of or in connection with the Loan ("Other Indemnitor"), each Indemnitor and Other Indemnitor agrees that (a) the obligations of the Indemnitor hereunder, and each Other Indemnitor, are joint and several, (b) a release of any one or more Indemnitors or Other Indemnitors or any limitation of this Agreement in favor of or for the benefit of one or more Indemnitors or Other Indemnitors shall not in any way be deemed a release of or limitation in favor of or for the benefit of any other Indemnitor or Other Indemnitor and (c) a separate action hereunder may be brought and prosecuted against any or all Indemnitors or Other Indemnitors. If any term of this Agreement or any application thereof shall be invalid, illegal or unenforceable, the remainder of this Agreement and any other application of such term shall not be affected thereby. No delay or omission in exercising any right hereunder shall operate as a waiver of such right or any other right. This Agreement shall be binding upon, inure to the benefit of and be enforceable by Indemnitor and the Banks, and their respective successors and assigns, including (without limitation) any assignee or purchaser of all or any portion of the Banks' interest in (i) the Loan, (ii) the Credit Documents, or (iii) any of the Properties.

17. GOVERNING LAW. ANY DISPUTE BETWEEN THE INDEMNITOR, ANY AGENT, ANY BANK, OR ANY INDEMNITEE ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF NEW YORK.

18. CONSENT TO JURISDICTION; SERVICE OF PROCESS; JURY TRIAL.

(A) EXCLUSIVE JURISDICTION. EXCEPT AS PROVIDED IN SUBSECTION (B), EACH OF THE PARTIES HERETO AGREES THAT ALL DISPUTES AMONG THEM ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED EXCLUSIVELY BY STATE OR FEDERAL COURTS LOCATED IN NEW YORK, NEW YORK, BUT THE PARTIES HERETO ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK, NEW YORK. EACH OF THE PARTIES HERETO WAIVES IN ALL DISPUTES BROUGHT PURSUANT TO THIS SUBSECTION (A) ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE.

(B) OTHER JURISDICTIONS. THE INDEMNITOR AGREES THAT ANY AGENT, ANY BANK OR ANY INDEMNITEE SHALL HAVE THE RIGHT TO PROCEED AGAINST THE INDEMNITOR OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE SUCH PERSON TO (1) OBTAIN PERSONAL JURISDICTION OVER THE INDEMNITOR OR (2) ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF SUCH PERSON. THE INDEMNITOR AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY SUCH PERSON TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF SUCH PERSON. THE INDEMNITOR WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH SUCH PERSON HAS COMMENCED A PROCEEDING DESCRIBED IN THIS SUBSECTION (B).

(C) SERVICE OF PROCESS. THE INDEMNITOR WAIVES PERSONAL SERVICE OF ANY PROCESS UPON IT AND IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY WRITS, PROCESS OR SUMMONSES IN ANY SUIT, ACTION OR PROCEEDING BY THE MAILING THEREOF BY ANY AGENT OR THE BANKS BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE INDEMNITOR ADDRESSED AS PROVIDED HEREIN. NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF ANY AGENT OR THE BANKS TO SERVE ANY SUCH WRITS, PROCESS OR SUMMONSES IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW. THE INDEMNITOR IRREVOCABLY WAIVES ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION OF THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith IN ANY JURISDICTION SET FORTH ABOVE.

(D) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith. EACH OF THE PARTIES HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(E) ADVICE OF COUNSEL. EACH OF THE PARTIES REPRESENTS TO EACH OTHER PARTY HERETO THAT IT HAS DISCUSSED THIS AGREEMENT AND, SPECIFICALLY, THE PROVISIONS OF THIS SECTION 18, WITH ITS COUNSEL.

19. AMENDMENTS/ACCESSION AGREEMENT. No waiver of any provision of this Agreement nor consent to any departure by any Indemnitor therefrom shall be effective unless the same shall be in writing and signed by the

Administrative Agent and the Required Lenders, and no amendment of this Agreement shall be effective unless the same shall be in writing and signed by the Administrative Agent, with the consent of the Required Lenders; PROVIDED that any amendment or waiver releasing any Indemnitor from any liability hereunder shall be signed by all the Banks; and PROVIDED FURTHER that any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Notwithstanding the foregoing, in the event that any Subsidiary or Affiliate of the Borrower hereafter is required in accordance with the terms of the Credit Agreement or otherwise agrees to become an Indemnitor under this Agreement, then such Subsidiary or Affiliate may become a party to this Agreement by executing an Accession Agreement ("Accession Agreement") in the form attached hereto as ANNEX 1, and each Indemnitor and the Administrative Agent hereby agrees that upon such Subsidiary's or Affiliate's execution of such Accession Agreement, this Agreement shall be deemed to have been amended to make such Person an Indemnitor hereunder for all purposes and a party hereto and no signature is required on behalf of the other Indemnitors or the Administrative Agent to make such an amendment to this Agreement effective.

[INTENTIONALLY BLANK]

IN WITNESS WHEREOF, Indemnitor has caused this Agreement to be executed as of the day and year first written above.

INDEMNITORS:

LASALLE HOTEL OPERATING PARTNERSHIP, L.P.,
a Delaware limited partnership

By: LASALLE HOTEL PROPERTIES, a Maryland
real estate investment trust,
its general partner

By: _____

Name: _____

Title: _____

Address: 4800 Montgomery Lane, Suite M25
Bethesda, Maryland 20814
Attn: Mr. Hans S. Weger

SIGNATURE PAGE OF ENVIRONMENTAL INDEMNIFICATION AGREEMENT

LASALLE HOTEL PROPERTIES,
a Maryland real estate investment trust

By: _____
Name: _____
Title: _____

Address: 4800 Montgomery Lane, Suite M25
Bethesda, Maryland 20814
Attn: Mr. Hans S. Weger

LHO MISSION BAY HOTEL, L.P.,
a California limited partnership

By: LaSalle Hotel Operating Partnership, L.P.,
a Delaware limited partnership,
its general partner

By: LaSalle Hotel Properties,
its general partner

By: _____
Name: _____
Title: _____

Address: 4800 Montgomery Lane, Suite M25
Bethesda, Maryland 20814
Attn: Mr. Hans S. Weger

Signature Page of Environmental Indemnification Agreement

ANNEX 1
to Environmental Indemnification Agreement

ACCESSION AGREEMENT

_____ [NAME OF ENTITY], a [limited partnership/corporation] (the "Company"), hereby agrees with (i) SOCIETE GENERALE, SOUTHWEST AGENCY, as Joint Book Runner and Administrative Agent (the "Administrative Agent") under the Second Amended and Restated Senior Unsecured Credit Agreement dated as of _____, 2000 (the "Credit Agreement") among LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, as the Borrower, the Administrative Agent, BANK OF MONTREAL, CHICAGO BRANCH as Syndication Agent, DEUTSCHE BANC ALEX. BROWN, as Joint Book Runner and Documentation Agent, and the Banks; (ii) the parties to the Environmental Indemnity and Agreement (the "Environmental Indemnity") dated as of _____, 2000 executed in connection with the Credit Agreement, (iii) the parties to the Guaranty and Contribution Agreement (the "Guaranty") dated as of _____, 2000 executed in connection with the Credit Agreement, as follows:

The Company hereby agrees and confirms that, as of the date hereof, it (a) intends to be a party to the Environmental Indemnity and the Guaranty and undertakes to perform all the obligations expressed therein, respectively, of an Indemnitor and a Guarantor (as defined in the Environmental Indemnity and the Guaranty, respectively), (b) agrees to be bound by all of the provisions of the Environmental Indemnity and the Guaranty as if it had been an original party to such agreements, (c) confirms that the representations and warranties set forth in the Environmental Indemnity and the Guaranty, respectively, with respect to the Company, a party thereto, are true and correct in all material respects as of the date of this Accession Agreement and (d) has received and reviewed copies of each of the Environmental Indemnity and the Guaranty.

For purposes of notices under the Environmental Indemnity and the Guaranty the address for the Company is as follows:

Attention: _____
Telephone: _____
Telecopy: _____

This Accession Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF this Accession Agreement was executed and delivered as of the ___ day of _____, 20__.

[NAME OF ENTITY]

By: _____
Title: _____

GUARANTY AND CONTRIBUTION AGREEMENT

This Guaranty and Contribution Agreement (this "Agreement") is made and entered into effective for all purposes as of the 13th day of November, 2000, by the parties signatory hereto or to an Accession Agreement (as hereinafter defined) (collectively, the "Guarantor" whether one or more) to and for the benefit of SOCIETE GENERALE, SOUTHWEST AGENCY, as Joint Book Runner and Administrative Agent (the "Administrative Agent"), BANK OF MONTREAL, CHICAGO BRANCH as Syndication Agent (the "Syndication Agent"), DEUTSCHE BANC ALEX. BROWN, as Joint Book Runner and Documentation Agent ("Documentation Agent"), and the banks and other lenders named in the Credit Agreement herein described.

INTRODUCTION

WHEREAS, this Agreement is given in connection with that certain Second Amended and Restated Senior Unsecured Credit Agreement dated as of even date as this Agreement ("Credit Agreement"), among LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "Borrower"), Administrative Agent, Syndication Agent, Documentation Agent and the banks and other lenders party thereto (collectively the "Banks");

WHEREAS, pursuant to the Credit Agreement the Banks are making a loan (the "Loan") to Borrower as more specifically described therein;

WHEREAS, the Borrower is the principal financing entity for capital requirements of its Subsidiaries, and from time to time the Borrower has made and will continue to make capital contributions and advances to its Subsidiaries, including the Subsidiaries which are or will become parties hereto. Other than the Parent, each Guarantor is a direct or indirect subsidiary of the Borrower. Each Guarantor will derive substantial direct and indirect benefit from the transactions contemplated by the Credit Agreement; and

WHEREAS, the Banks have required the execution and delivery of this Agreement as a condition precedent to the execution of the Credit Agreement. The Banks would not be willing to execute the Credit Agreement in the absence of the execution and delivery by Guarantor of this Agreement.

AGREEMENT

NOW, THEREFORE, in order to induce the Banks to make the Advances and the Issuing Bank to issue its Letters of Credit, each Guarantor hereby agrees as follows:

SECTION 1. DEFINED TERMS. All terms used in this Agreement, but not defined herein, shall have the meaning given such terms in the Credit Agreement.

SECTION 2. GUARANTY. Each Guarantor hereby unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of the Borrower

now or hereafter existing under the Credit Agreement, the Notes and any other Credit Document, whether for principal, interest, fees, expenses, or otherwise (such obligations being the "Guaranteed Obligations") and any and all expenses (including reasonable counsel fees and expenses) incurred by the Administrative Agent, the Syndication Agent, the Documentation Agent, or any Bank in enforcing any rights under this Agreement. Each Guarantor agrees that its guaranty obligation under this Agreement is a guarantee of payment, not of collection and that such Guarantor is primarily liable for the payment of the Guaranteed Obligations.

SECTION 3. LIMIT OF LIABILITY. Each Guarantor that is a Subsidiary of the Borrower shall be liable under this Agreement with respect to the Guaranteed Obligations only for amounts aggregating up to the largest amount that would not render its guaranty obligation hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any state law.

SECTION 4. GUARANTY ABSOLUTE. Each Guarantor guarantees that the Guaranteed Obligations will be paid and performed strictly in accordance with the terms of the Credit Agreement, the other Credit Documents and the Participating Leases, as applicable, regardless of any law, regulation, or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Administrative Agent, the Syndication Agent, the Documentation Agent, the Banks or the Participating Lessees with respect thereto. The liability of each Guarantor under this Agreement shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of the Credit Agreement, any other Credit Document, any Participating Lease or any other agreement or instrument relating thereto;

(b) any change in the time, manner, or place of payment of, or in any other term of, any of the Guaranteed Obligations, or any other amendment or waiver of or any consent to departure from the Credit Agreement, any Credit Document or any Participating Lease;

(c) any exchange, release, or nonperfection of any collateral, if applicable, or any release or amendment or waiver of or consent to departure from any other agreement or guaranty, for any of the Guaranteed Obligations; or

(d) any other circumstances which might otherwise constitute a defense available to, or a discharge of the Borrower or a Guarantor.

SECTION 5. CONTINUATION AND REINSTATEMENT, ETC. Each Guarantor agrees that, to the extent that the Borrower makes payments to the Administrative Agent, the Syndication Agent, the Documentation Agent or any Bank or the Administrative Agent, the Syndication Agent, the Documentation Agent or any Bank receives any proceeds of any property of Borrower or any Guarantor and such payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, or otherwise required to be repaid, then to the extent of such repayment the Guaranteed Obligations shall be reinstated and continued in full force and effect as of the date such initial payment or collection of proceeds occurred. The Guarantor shall defend and indemnify the Administrative Agent, the Syndication Agent, the Documentation Agent and each Bank from and against any claim or loss under this Section 5 (including reasonable attorneys' fees and expenses) in the defense of any such action or suit.

SECTION 6. CERTAIN WAIVERS.

6.01 NOTICE. Each Guarantor hereby waives promptness, diligence, notice of acceptance, notice of acceleration, notice of intent to

accelerate and any other notice with respect to any of the Guaranteed Obligations and this Agreement.

6.02 OTHER REMEDIES. Each Guarantor hereby waives any requirement that the Administrative Agent, the Syndication Agent, the Documentation Agent or any Bank protect, secure, perfect, or insure any Lien or any Property subject thereto or exhaust any right or take any action against the Borrower or any other Person or any collateral, if any, including any action required pursuant to a Legal Requirement.

6.03 WAIVER OF SUBROGATION.

(a) Each Guarantor hereby irrevocably waives, until payment in full of all Guaranteed Obligations and termination of all Commitments, any claim or other rights which it may acquire against the Borrower that arise from such Guarantor's obligations under this Agreement or any other Credit Document, including, without limitation, any right of subrogation (including, without limitation, any statutory rights of subrogation under Section 509 of the Bankruptcy Code, 11 U.S.C. Section 509, or otherwise), reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of the Administrative Agent, the Syndication Agent, the Documentation Agent or any Bank against the Borrower or any collateral which the Administrative Agent, the Syndication Agent, the Documentation Agent or any Bank now has or acquires. If any amount shall be paid to any Guarantor in violation of the preceding sentence and the Guaranteed Obligations shall not have been paid in full and all of the Commitments terminated, such amount shall be held in trust for the benefit of the Administrative Agent, the Syndication Agent, the Documentation Agent or any Bank and shall promptly be paid to the Administrative Agent for the benefit of Administrative Agent, the Syndication Agent, the Documentation Agent and the Banks to be applied to the Guaranteed Obligations, whether matured or unmatured, as the Administrative Agent may elect. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Agreement and that the waiver set forth in this Section 6.03(a) is knowingly made in contemplation of such benefits.

(b) Each Guarantor further agrees that it will not enter into any agreement providing, directly or indirectly, for any contribution, reimbursement, repayment, or indemnity by the Borrower or any other Person on account of any payment by such Guarantor to the Administrative Agent, the Syndication Agent, the Documentation Agent or the Banks under this Agreement.

SECTION 7. REPRESENTATIONS AND WARRANTIES. Each Guarantor hereby represents and warrants as follows:

7.01 CORPORATE AUTHORITY. Such Guarantor is either a corporation, limited liability company, limited partnership or trust duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. The execution, delivery and performance by such Guarantor of this Agreement are within such Guarantor's organizational powers, have been duly authorized by all necessary organizational action and do not contravene (a) such Guarantor's organizational authority or (b) any law or material contractual restriction affecting such Guarantor or its Property.

7.02 GOVERNMENT APPROVAL. No authorization or approval or other action by and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by such Guarantor of this Agreement.

7.03 BINDING OBLIGATIONS. This Agreement is the legal, valid and

binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium, or similar law affecting creditors' rights (whether considered in a proceeding at law or in equity).

SECTION 8. COVENANTS. Each Guarantor will comply with all covenant provisions of Article V and Article VI of the Credit Agreement to the extent such provisions are applicable.

8.01 ADDITIONAL COVENANT. As soon as possible and in any event within five days after the incurrence of any Indebtedness by the Parent or any Subsidiary of the Parent other than the Obligations or any other Indebtedness permitted under the Credit Agreement, the Parent shall notify the Administrative Agent in writing of such incurrence.

SECTION 9. CONTRIBUTION. As a result of the transactions contemplated by the Credit Agreement, each of the Guarantors will benefit, directly and indirectly, from the Guaranteed Obligations and in consideration thereof desire to enter into a contribution agreement among themselves as set forth in this Section 9 to allocate such benefits among themselves and to provide a fair and equitable arrangement to make contributions in the event any payment is made by any Guarantor hereunder to the Administrative Agent, the Syndication Agent, the Documentation Agent or the Banks (such payment being referred to herein as a "Contribution," and for purposes of this Agreement, includes any exercise of recourse by the Administrative Agent against any Property of a Guarantor and application of proceeds of such Property in satisfaction of such Guarantor's obligations under this Agreement). The Guarantors hereby agree as follows:

9.01 CALCULATION OF CONTRIBUTION. In order to provide for just and equitable contribution among the Guarantors in the event any Contribution is made by a Guarantor (a "Funding Guarantor"), such Funding Guarantor shall be entitled to a contribution from certain other Guarantors for all payments, damages and expenses incurred by that Funding Guarantor in discharging any of the Guaranteed Obligations, in the manner and to the extent set forth in this Section. The amount of any Contribution under this Agreement shall be equal to the payment made by the Funding Guarantor to the Administrative Agent or any other beneficiary pursuant to this Agreement and shall be determined as of the date on which such payment is made.

9.02 BENEFIT AMOUNT DEFINED. For purposes of this Agreement, the "Benefit Amount" of any Guarantor as of any date of determination shall be the net value of the benefits to such Guarantor and all of its Subsidiaries (including any Subsidiaries which may be Guarantors) from extensions of credit made by the Banks to the Borrower under the Credit Agreement and the benefit of entering into the Participating Leases; provided, that in determining the contribution liability of any Guarantor which is a Subsidiary to its direct or indirect parent corporation or of any Guarantor to its direct or indirect Subsidiary, the Benefit Amount of such Subsidiary and its Subsidiaries, if any, shall be subtracted in determining the Benefit Amount of the parent corporation. Such benefits shall include benefits of funds constituting proceeds of Advances made to the Borrower by the Banks which are in turn advanced or contributed by the Borrower to such Guarantor or its Subsidiaries and benefits of Letters of Credit issued pursuant to the Credit Agreement on behalf of, or the proceeds of which are advanced or contributed or otherwise benefit, directly or indirectly, such Guarantor and its Subsidiaries (collectively, the "Benefits"). In the case of any proceeds of Advances or Benefits advanced or contributed to a Person (an "Owned Entity") any of the equity interests of which are owned directly or indirectly by a Guarantor, the Benefit Amount of a Guarantor with respect thereto shall be that portion of the net value of the benefits attributable to Advances or Benefits equal to the direct or indirect percentage ownership of such Guarantor in its Owned Entity.

9.03 CONTRIBUTION OBLIGATION. Each Guarantor shall be liable to a Funding Guarantor in an amount equal to the greater of (A) the (i) ratio of the Benefit Amount of such Guarantor to the total amount of Guaranteed Obligations, multiplied by (ii) the amount of Guaranteed Obligations paid by such Funding Guarantor and (B) 95% of the excess of the fair saleable value of the property of such Guarantor over the total liabilities of such Guarantor (including the maximum amount reasonably expected to become due in respect of contingent liabilities) determined as of the date on which the payment made by a Funding Guarantor is deemed made for purposes of this Agreement (giving effect to all payments made by other Funding Guarantors as of such date in a manner to maximize the amount of such contributions).

9.04 ALLOCATION. In the event that at any time there exists more than one Funding Guarantor with respect to any Contribution (in any such case, the "Applicable Contribution"), then payment from other Guarantors pursuant to this Agreement shall be allocated among such Funding Guarantors in proportion to the total amount of the Contribution made for or on account of the Borrower by each such Funding Guarantor pursuant to the Applicable Contribution. In the event that at any time any Guarantor pays an amount under this Agreement in excess of the amount calculated pursuant to clause (A) of Subsection 9.03 above, that Guarantor shall be deemed to be a Funding Guarantor to the extent of such excess and shall be entitled to contribution from the other Guarantors in accordance with the provisions of this Section.

9.05 SUBSIDIARY PAYMENT. The amount of contribution payable under this Section by any Guarantor shall be reduced by the amount of any contribution paid hereunder by a Subsidiary of such Guarantor.

9.06 EQUITABLE ALLOCATION. If as a result of any reorganization, recapitalization, or other corporate change in the Borrower or any of its Subsidiaries, or as a result of any amendment, waiver or modification of the terms and conditions of other Sections of this Agreement or the Guaranteed Obligations, or for any other reason, the contributions under this Section become inequitable as among the Guarantors, the Guarantors shall promptly modify and amend this Section to provide for an equitable allocation of contributions. Any of the foregoing modifications and amendments shall be in writing and signed by all Guarantors.

9.07 ASSET OF PARTY TO WHICH CONTRIBUTION IS OWING. The Guarantors acknowledge that the right to contribution hereunder shall constitute an asset in favor of the Guarantor to which such contribution is owing.

9.08 SUBORDINATION. No payments payable by a Guarantor pursuant to the terms of this Section 9 shall be paid until all amounts then due and payable by the Borrower to any Bank, pursuant to the terms of the Credit Documents, are paid in full in cash. Nothing contained in this Section 9 shall affect the obligations of any Guarantor to any Bank under the Credit Agreement or any other Credit Documents.

SECTION 10. MISCELLANEOUS.

10.01 ADDRESSES FOR NOTICES. All notices and other communications provided for hereunder shall be in writing, including telegraphic communication and delivered or teletransmitted to the Administrative Agent, as set forth in the Credit Agreement and to each Guarantor, at the address set forth under such Guarantor's signature hereto or in the Accession Agreement executed by such Guarantor, or to such other address as shall be designated by any Guarantor or the Administrative Agent in written notice to the other parties. All such notices and other communications shall be

effective when delivered or teletransmitted to the above addresses.

10.02 AMENDMENTS, ETC. No waiver of any provision of this Agreement nor consent to any departure by any Guarantor therefrom shall be effective unless the same shall be in writing and signed by the Administrative Agent, the Required Lenders and the Borrower and no amendment of this Agreement shall be effective unless the same shall be in writing and signed by each Guarantor and the Administrative Agent, with the consent of the Required Lenders; PROVIDED that any amendment or waiver releasing any Guarantor from any liability hereunder shall be signed by all the Banks; and PROVIDED FURTHER that any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Notwithstanding the foregoing, in the event that any Subsidiary or Affiliate of the Borrower hereafter is required in accordance with the terms of the Credit Agreement or otherwise agrees to become a guarantor of the Borrower's obligations under the Credit Documents, then such Subsidiary or Affiliate may become a party to this Agreement by executing an Accession Agreement ("Accession Agreement") in the form attached hereto as ANNEX 1 and each Guarantor and the Administrative Agent hereby agrees that upon such Subsidiary's or Affiliate's execution of such Accession Agreement, this Agreement shall be deemed to have been amended to make such Person a Guarantor hereunder for all purposes and a party hereto and no signature is required on behalf of the other Guarantors or the Administrative Agent to make such an amendment to this Agreement effective.

10.03 NO WAIVER; REMEDIES. No failure on the part of Administrative Agent, the Syndication Agent, the Documentation Agent or any Bank to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10.04 RIGHT OF SET-OFF. Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Banks are hereby authorized at any time, to the fullest extent permitted by law, to set off and apply any deposits (general or special, time or demand, provisional or final) and other indebtedness owing by the Administrative Agent, the Syndication Agent, the Documentation Agent or the Banks to the account of any Guarantor against any and all of the obligations of such Guarantor under this Agreement, irrespective of whether or not the Administrative Agent, the Syndication Agent, the Documentation Agent or the Banks shall have made any demand under this Agreement and although such obligations may be contingent and unmatured. The Administrative Agent, the Syndication Agent, the Documentation Agent and the Banks agree promptly to notify each Guarantor affected by any such set-off after any such set-off and application made by the Administrative Agent, the Syndication Agent, the Documentation Agent or the Banks provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Administrative Agent, the Syndication Agent, the Documentation Agent and the Banks under this Section 10.04 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Administrative Agent, the Syndication Agent, the Documentation Agent and the Banks may have.

10.05 CONTINUING GUARANTY; TRANSFER OF INTEREST. This Agreement shall create a continuing guaranty and shall (a) remain in full force and effect until payment in full and termination of the Guaranteed Obligations, (b) be binding upon each Guarantor, its successors and assigns, and (c) inure, together with the rights and remedies of the Administrative Agent hereunder, to the benefit of the Administrative Agent, the Syndication Agent, the Documentation Agent and the Banks and their

respective successors, transferees and assigns. Without limiting the generality of the foregoing clause, when any Bank assigns or otherwise transfers any interest held by it under the Credit Agreement or other Credit Document to any other Person pursuant to the terms of the Credit Agreement or other Credit Document, that other Person shall thereupon become vested with all the benefits held by such Bank under this Agreement.

Upon the payment in full and termination of the Guaranteed Obligations, the guaranties granted hereby shall terminate and all rights hereunder shall revert to each Guarantor to the extent such rights have not been applied pursuant to the terms hereof. Upon any such termination, the Administrative Agent will, at each Guarantor's expense, execute and deliver to such Guarantor such documents as such Guarantor shall reasonably request and take any other actions reasonably requested to evidence or effect such termination.

10.06 GOVERNING LAW. ANY DISPUTE BETWEEN THE GUARANTOR, ANY AGENT, ANY BANK, OR ANY INDEMNITEE ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS, AND WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO THE CONFLICTS OF LAWS PROVISIONS) OF THE STATE OF NEW YORK.

10.07 CONSENT TO JURISDICTION; SERVICE OF PROCESS; JURY TRIAL.

(A) EXCLUSIVE JURISDICTION. EXCEPT AS PROVIDED IN SUBSECTION (B), EACH OF THE PARTIES HERETO AGREES THAT ALL DISPUTES AMONG THEM ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS WHETHER ARISING IN CONTRACT, TORT, EQUITY, OR OTHERWISE, SHALL BE RESOLVED EXCLUSIVELY BY STATE OR FEDERAL COURTS LOCATED IN NEW YORK, NEW YORK, BUT THE PARTIES HERETO ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK, NEW YORK. EACH OF THE PARTIES HERETO WAIVES IN ALL DISPUTES BROUGHT PURSUANT TO THIS SUBSECTION (A) ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT CONSIDERING THE DISPUTE.

(B) OTHER JURISDICTIONS. THE GUARANTOR AGREES THAT ANY AGENT, ANY BANK OR ANY INDEMNITEE SHALL HAVE THE RIGHT TO PROCEED AGAINST THE GUARANTOR OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE SUCH PERSON TO (1) OBTAIN PERSONAL JURISDICTION OVER THE GUARANTOR OR (2) ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF SUCH PERSON. THE GUARANTOR AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY SUCH PERSON TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF SUCH PERSON. THE GUARANTOR WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH SUCH PERSON HAS COMMENCED A PROCEEDING DESCRIBED IN THIS SUBSECTION (B).

(C) SERVICE OF PROCESS. THE GUARANTOR WAIVES PERSONAL SERVICE OF ANY PROCESS UPON IT AND IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY WRITS, PROCESS OR SUMMONSES IN ANY SUIT, ACTION OR PROCEEDING BY THE MAILING THEREOF BY ANY AGENT OR THE BANKS BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE GUARANTOR ADDRESSED AS PROVIDED HEREIN. NOTHING HEREIN SHALL IN ANY WAY BE DEEMED TO LIMIT THE ABILITY OF ANY AGENT OR THE BANKS TO SERVE ANY SUCH WRITS, PROCESS OR SUMMONSES IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW. THE GUARANTOR IRREVOCABLY WAIVES ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION OF THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR

HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith IN ANY JURISDICTION SET FORTH

ABOVE.

(D) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH. EACH OF THE PARTIES HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(E) ADVICE OF COUNSEL. EACH OF THE PARTIES REPRESENTS TO EACH OTHER PARTY HERETO THAT IT HAS DISCUSSED THIS AGREEMENT AND, SPECIFICALLY, THE PROVISIONS OF THIS SECTION 10.08, WITH ITS COUNSEL.

[INTENTIONALLY BLANK]

Each Guarantor has caused this Agreement to be duly executed as of the date first above written.

GUARANTORS:

LASALLE HOTEL PROPERTIES,
a Maryland real estate investment trust

By: _____
Name: _____
Title: _____

Address: 4800 Montgomery Lane, Suite M25
Bethesda, Maryland 20814
Attn: Mr. Hans S. Weger

LHO VIKING HOTEL, L.L.C.,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

Address: 4800 Montgomery Lane, Suite M25
Bethesda, Maryland 20814
Attn: Mr. Hans S. Weger

LHO MISSION BAY HOTEL, L.P.,
a California limited partnership

By: LaSalle Hotel Operating Partnership,
L.P., a Delaware limited partnership,
its general partner

By: LaSalle Hotel Properties,
its general partner

By: _____
Name: _____
Title: _____

Address: 4800 Montgomery Lane, Suite M25
Bethesda, Maryland 20814
Attn: Mr. Hans S. Weger

SIGNATURE PAGE OF GUARANTY AND CONTRIBUTION AGREEMENT

ANNEX 1
Guaranty and Contribution Agreement

ACCESSION AGREEMENT

_____ [NAME OF ENTITY], a [limited
partnership/corporation] (the "Company"), hereby agrees with (i) SOCIETE
GENERALE, SOUTHWEST AGENCY, as Administrative Agent (the "Administrative
Agent") under the Second Amended and Restated Senior Unsecured Credit
Agreement dated as of _____, 2000 (the "Credit Agreement") among
LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership,
as the Borrower, the Administrative Agent, BANK OF MONTREAL, CHICAGO BRANCH
as Syndication Agent, DEUTSCHE BANC ALEX. BROWN, as Joint Book Runner and
Documentation Agent, and the Banks; (ii) the parties to the Environmental
Indemnity Agreement (the "Environmental Indemnity") dated as of _____,
2000 executed in connection with the Credit Agreement, (iii) the parties to
the Guaranty and Contribution Agreement (the "Guaranty") dated as of
_____, 2000 executed in connection with the Credit Agreement, as
follows:

The Company hereby agrees and confirms that, as of the date hereof,
it (a) intends to be a party to the Environmental Indemnity and the
Guaranty and undertakes to perform all the obligations expressed therein,
respectively, of an Indemnitor and a Guarantor (as defined in the
Environmental Indemnity and the Guaranty, respectively), (b) agrees to be
bound by all of the provisions of the Environmental Indemnity and the
Guaranty as if it had been an original party to such agreements, (c)
confirms that the representations and warranties set forth in the
Environmental Indemnity and the Guaranty, respectively, with respect to the
Company, a party thereto, are true and correct in all material respects as
of the date of this Accession Agreement and (d) has received and reviewed
copies of each of the Environmental Indemnity and the Guaranty.

For purposes of notices under the Environmental Indemnity and the
Guaranty the address for the Company is as follows:

Attention: _____

Telephone: -----

Telecopy: -----

This Accession Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF this Accession Agreement was executed and delivered as of the ___ day of _____, 2000.

[NAME OF ENTITY]

By: -----

Title: -----

TERMINATION AND SERVICES AGREEMENT

Dated as of December 28, 2000

between

LASALLE HOTEL PROPERTIES

and

LASALLE HOTEL ADVISORS, INC.

and

LASALLE INVESTMENT MANAGEMENT, INC.

Relating to
the Amended and Restated Advisory Agreement dated January 1, 2000
and
the Employee Lease Agreement dated January 1, 2000

TERMINATION AND SERVICES AGREEMENT

This TERMINATION AND SERVICES AGREEMENT (this "Agreement") is dated as of December [], 2000, and is between LaSalle Hotel Properties, a Maryland real estate investment trust ("LHO"), LaSalle Hotel Advisors, Inc., a Maryland corporation (the "Advisor") and LaSalle Investment Management, Inc., a Maryland corporation, ("LIM").

W I T N E S S E T H:

WHEREAS, LHO is an externally advised real estate investment trust that wishes to convert to a self managed real estate investment trust;

WHEREAS, pursuant to the terms of the Amended and Restated Advisory Agreement dated January 1, 2000 and the Employee Lease Agreement dated January 1, 2000 (collectively, the "Advisory Agreement"), the Advisor

provides inter alia services consisting of acquisition, leasing, investment management, financing, ownership and disposition of LHO's properties and the lease of employees;

WHEREAS, the Advisor is an affiliate of LIM;

WHEREAS, the Advisory Agreement is automatically renewed each year for an additional one year unless either LHO or the Advisor provides the other with notice of termination 180 days prior to the expiration of the then current term; and

WHEREAS, LHO and the Advisor are desirous to terminate the Advisory Agreement and for LIM and the Advisor to provide services to LHO to aid the transition to an internally managed real estate investment trust pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. TERMINATION OF ADVISORY AGREEMENT.

1.1. TERMINATION

Notwithstanding the language in the Advisory Agreement, the parties hereby agree to immediately and completely terminate the Advisory Agreement and all of their continuing rights and obligations thereunder, with the exception of the indemnification provisions pursuant to Section 7.2 of the said agreement, effective as of 12.01a.m., January 1, 2001 (the "Termination Date").

This Agreement shall not affect any party's rights obligations or liabilities under or pursuant to the Advisory Agreement which have already accrued up to the Termination Date, including, but not limited to, LIM's right to receive fees (including any incentive fees) earned in 2000 but to be paid in 2001.

1.2. TERMINATION PAYMENT.

In consideration for the termination of the Advisory Agreement prior to the end of the requisite 180 day notice period, the services to be provided and the execution of this Agreement, LHO shall pay LIM \$600,000.00 (the "Termination Payment") by wire transfer or by company check.

The Termination Payment shall be paid by LHO upon the earlier of the date upon which the Services (as hereinafter defined) are substantially completed to the reasonable satisfaction of LHO or March 30, 2001, provided however that should the Services not be so completed by March 30, 2001, LHO shall make such payment as in its reasonable opinion reflects the Services provided to date and shall only be obliged to pay the remainder of the Termination Payment when the Services have been so completed.

The parties acknowledge and agree that the Termination Payment shall be paid in lieu of any other payments which may otherwise be deemed to be payable in respect of the termination of the Advisory Agreement.

2. OBLIGATIONS OF LIM AND THE ADVISOR.

2.1. PROVISION OF SERVICES

LIM and the Advisor shall promptly and expeditiously and in any event prior to the March 30, 2001 provide to LHO services to facilitate the

transition from an externally advised real estate investment trust to an internally managed real estate investment trust as are more particularly set out in Exhibit A to this Agreement (the "Services").

2.2. BEST EFFORTS

LIM and the Advisor shall use their reasonable best efforts in the provision of the Services.

2.3. EXPENSES AND PAYABLES

LIM will be responsible for all of the Advisor's expenses and payables for activities pursuant to the Advisory Agreement prior to the Termination Date.

2.4. ACCRUED EMPLOYEE COMPENSATION

LIM will be responsible for all accrued employee compensation and benefits for work done prior to the Termination Date, including bonuses earned in 2000 but scheduled to be paid in 2001 per the current understanding between LHO's management and LIM's management.

2.5. PAYMENT FOR ADVISORY SERVICES

LIM shall reimburse LHO the payments more particularly set out in Section 3.5 below, being the costs associated with LHO allowing its employees to provide the Advisory Services.

2.6. REPRESENTATIONS

LIM and the Advisor represent that all of the furniture, fixtures and equipment to be transferred to LHO and/or LaSalle Hotel Operating Partnership, L.P., a Delaware limited partnership (the "Partnership") pursuant to Section 3.1 and 3.2 below, shall be free of all liens and encumbrances not expressly assumed by LHO, and have been paid for in full, without deduction or setoff.

3. OBLIGATIONS OF LHO

3.1. FIXTURES AND FITTINGS ETC.

On or before January 15, 2001 LHO will, or will cause the Partnership to, buy the furniture, fixtures and equipment currently used by the Advisor in the Bethesda office and leasehold improvements of the office for \$301,994.

3.2. ACCOUNTING SERVER

On or before January 15, 2001 LHO shall pay LIM \$50,000, being the cost of installing a new accounting server in the Bethesda office.

3.3. LEASE OF 4800 MONTGOMERY LANE

LHO shall assume the lease of the office space located at 4800 Montgomery Lane, Suite M25, Bethesda, MD at the stated price of the lease, effective as of the Termination Date.

3.4. EMPLOYEES OF THE ADVISOR

Prior to the Termination Date, LHO shall offer employment to all current employees of the Advisor effective January 1, 2001.

3.5. ADVISORY SERVICES

Effective as of the Termination Date, LHO shall make its employees available for the purpose of the said employees providing advisory services to LIM and its clients for:

(i) the Peabody Hotel in Orlando, Fl, for \$266,000 per year together with any third party expenses incurred by LHO which would be reimbursable under the terms of the Advisory Agreement; and

(ii) the Holiday Inn on the Hill in Washington, DC for \$129,000 per year (the "Advisory Services").

The Advisory Services shall continue in respect of each hotel until that hotel is sold by LIM's clients.

These amounts to be paid quarterly in arrears and shall be increased on each anniversary of the Termination Date by an amount equal to the Consumer Price Index on that date should the said separate agreements be then continuing. Should any period be less than a quarter then the payment due shall be pro-rated accordingly.

4. MISCELLANEOUS

4.1. CONFIDENTIALITY

Confidential or proprietary information disclosed by the parties hereto shall be considered confidential information (the "Confidential Information"). Confidential Information shall not include any information which (i) is publicly available at the time of disclosure to the receiving party or thereafter becomes publicly available not as a result of a breach of any duty of confidentiality to any party hereunder, (ii) was known to the party charged with a confidentiality obligation hereunder before disclosure from another party hereto on a confidential basis, (iii) was obtained from a source acting in good faith which the receiving party reasonably believed owed no duty of confidentiality to any party hereunder, or (iv) that is required to be disclosed pursuant to applicable law, a court order, a judicial proceeding, or the enforcement hereof, provided that the disclosing party is provided with reasonable prior written notice so that the disclosing party may contest such disclosure. The Confidential Information shall not be disclosed by any party to this Agreement to any third party.

4.2. JURY WAIVER

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR ANY OF THE TRANSACTIONS OR AGREEMENTS CONTEMPLATED HEREBY.

4.3. PUBLICITY

None of the parties hereto shall issue any press release or make any public disclosure regarding the transaction contemplated hereby unless such press release or public disclosure is approved by those parties expressly mentioned by name in the press release in advance. Notwithstanding the foregoing, each of the parties hereto may, in documents required to be filed by it with the Securities and Exchange Commission or other regulatory bodies, make such statements with respect to the transactions contemplated hereby as each may be advised by counsel as legally necessary or advisable and may make such disclosure as it is advised by its counsel as required by law.

4.4. EXPENSES

Each party hereto shall pay its own expenses incident to this Agreement, including all legal and accounting fees and disbursements.

4.5. ASSIGNMENT

No party to this Agreement shall assign its rights and obligations under this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the other party, and any, such assignment contrary to the terms hereof shall be null and void and of no force and effect. In no event shall the assignment by the parties hereto of their rights or obligations under this Agreement, release that party from their respective liabilities and obligations hereunder.

4.6. INDEPENDENT CONTRACTORS

It is understood and agreed by and between the parties hereto that LIM [and the Advisor], in the performance of the Services, shall act as, and be an independent contractor and not an agent or employee of LHO.

All such acts of LIM and the Advisor, its agents, officers and employees and all other actions on behalf of LHO relating to the performance of the Services, shall be performed as independent contractors not as agents, officers, or employees of LHO.

4.7. ENTIRE AGREEMENT; AMENDMENT

This Agreement, including the Exhibits and other documents referred to herein or furnished pursuant hereto, constitutes the entire agreement among the parties hereto with respect to the transaction contemplated herein, and it supersedes all prior oral or written agreements, commitments or understandings with respect to the matters provided for herein. No amendment or modification of this Agreement shall be valid or binding unless set forth in writing and duly executed and delivered by the parties hereto.

4.8. WAIVER

No delay or failure on the part of any party hereto in exercising any right, power or privilege under this Agreement or under any other documents furnished in connection with or pursuant to this Agreement shall impair any such right, power or privilege or be construed as a waiver of any default or any acquiescence therein. No single or partial exercise of any such right, power or privilege shall preclude the further exercise of such right, power or privilege, or the exercise of any other right, power or privilege. No waiver shall be valid against any party hereto unless made in writing and signed by the party against whom enforcement of such waiver is sought and then only to the extent expressly specified therein.

4.9. SEVERABILITY

If any part of any provision of this Agreement or any other agreement or document given pursuant to or in connection with this Agreement shall be invalid or unenforceable in any respect, such part shall be ineffective to the extent of such invalidity or unenforceability only, without in any way affecting the remaining parts of such provision or the remaining provisions of this Agreement.

4.10. GOVERNING LAW

This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of New York (excluding the

conflicts of law principles thereof).

4.11. NOTICES

All notices, demands, requests, or other communications which may be or are required to be given, served, or sent by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered, sent by overnight courier or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by telegram, telecopy, addressed as follows:

(i) If to LHO:

4800 Montgomery Lane
Suite M25
Bethesda, Maryland 20814
Attn: President
Fax #: (301) 941-1553

with a copy (which shall not constitute notice) to:

Brown & Wood LLP
555 California Street
San Francisco, California 94104
Attn: Michael F. Taylor
Fax #: (415) 397-4621

(ii) If to LIM:

22 Hanover Square
London W1A 2BN
United Kingdom
Attn: Stuart L. Scott
Fax #: 011-44-20-7399-5757

with a copy (which shall not constitute notice) to:

Hagan & Associates
200 East Randolph Drive
Suite 4322
Chicago, Illinois 60601
Attn: Dean Hagan
Fax #: (312) 228-0982

Each party may designate by notice in writing a new address, to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication which shall be hand delivered, sent, mailed or telecopied in the manner described above, shall be deemed sufficiently given, served, sent, received or delivered for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, or (with respect to a telecopy) the answerback or confirmation being deemed conclusive, but not exclusive, evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

4.12. HEADINGS

Section headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

4.13. EXECUTION IN COUNTERPARTS

To facilitate execution, this Agreement may be executed in as many counterparts as may be required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a number of counterparts containing the respective signatures of or on behalf of, all of the parties hereto.

4.14. BINDING EFFECT

Subject to any provisions hereof restricting assignment, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, heirs, executors, administrators, legal representatives and assigns.

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

LASALLE HOTEL PROPERTIES

By: _____

LASALLE HOTEL ADVISORS, INC

By: _____

LASALLE INVESTMENT MANAGEMENT, INC.

By: _____

EXHIBIT A

The Services to be provided by LIM and the Advisor are as follows:

. Migrating all of LHO's accounting and tax records, workpapers and worksheets and similar from LIM's and the Advisor's servers to LHO's servers;

. Providing information technology support and the migration of management information systems to LHO's own servers (including the usage of

LIM's systems through the first quarter of 2001 to facilitate the orderly transfer of LHO's accounting books and records);

. Providing the necessary tax accounting assistance for the preparation of LHO's tax return and related real estate investment trust ("REIT") tax accounting for the calendar year 2000;

. Assigning the lease of the office space at 4800 Montgomery Lane, Suite M25, Bethesda, Maryland, 20814 currently leased by the Advisor to LHO;

. Providing LHO with accounting assistance to institute an employee payroll system;

. Providing LHO with human resources assistance for employees, including instituting benefit plans and other matters necessary for employee transition;

. Assisting in the placement of a master property insurance program for all properties; and

. Such other assistance as may be required to facilitate LHO's transition from an externally advised to a self-managed REIT.

REVOLVING CREDIT NOTE

\$5,000,000.00

Cincinnati, Ohio
January 03, 2001

FOR VALUE RECEIVED, LASALLE HOTEL LESSEE, INC., with its principal place of business at 4800 Montgomery Lane, Suite M25, Bethesda, Maryland 20814 ("Borrower"), promises to pay, to the order of FIRSTAR BANK, NATIONAL ASSOCIATION ("Lender"), at its office located at 425 Walnut Street, Cincinnati, Ohio 45202 or such other location as Lender may from time to time designate, the principal sum of FIVE MILLION DOLLARS (the "Total Facility") or such lesser amount as may be advanced and outstanding hereunder, together with interest thereon as provided below from the date of disbursement thereof until paid, all in lawful money of the United States of America and in immediately available funds.

1. DEFINITIONS. For purposes hereof:

1.1 Adjusted Base Rate will have the meaning set forth in the Senior Unsecured Credit Facility.

1.2 "Adjusted Base Rate Advance" will have the meaning set forth in the Senior Unsecured Credit Facility.

1.3 "Advance" will mean a disbursement under this Note.

1.4 "Business Day" will mean any day other than Saturday, Sunday and any other day on which banks are required or authorized to close in Ohio, and, if the applicable Business Day relates to a Libor Rate Advance, other than any day on which dealings are not carried on in dollar deposits in the London interbank market.

1.5 "Conversion" will mean the change from one Interest Rate to another for a particular Advance in accordance with the terms of this Note.

1.6 "Default" will mean any event or condition that with notice or lapse of time or both would constitute an event of Default.

1.7 "Default Rate" will mean two percent (2%) per annum in excess of the then current rate of interest in effect under this Note, but not more than the highest rate permitted by law.

1.8 "Eurocurrency Liabilities" has the meaning given to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

1.9 "Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for any such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

1.10 "Guarantor" will mean any present or future guarantor of all or any part of this Note. Initially, LaSalle Hotel Properties and LaSalle Hotel Operating Partnership, L.P., are Guarantors.

1.11 "Interest Period" means for each Libor Rate Advance one calendar month.

1.12 "Interest Rate" will mean, as applicable, the Adjusted Base Rate or Libor Rate, all subject to the applicability of the Default Rate. All Interest Rate determinations and calculations by Lender hereunder will be conclusive and binding absent manifest error.

1.13 "Leverage Ratio" will have the meaning set forth in the Senior Unsecured Credit Facility.

1.14 "Libor" will have the meaning set forth in the Senior Unsecured Credit Facility.

1.15 "Libor Rate Advance" will mean any Advance that bears interest based upon Libor.

1.16 "Libor Reserve Requirement" will have the meaning set forth in the Senior Unsecured Credit Facility.

1.17 "Loan Documents" will mean this note, the guarantees executed by the Guarantors in favor of Lender and any other document executed in connection with this Note.

1.18 "Maturity date" has the meaning given such term in Section 4 of this Note entitled "Payments and Application of Payments".

1.19 "Parent" means LaSalle Hotel Properties, a Maryland trust.

1.20 "Prime Rate" will have the meaning set forth in the Senior Unsecured Credit Facility.

1.21. "Senior Unsecured Credit Agreement" will mean the Second Amended and Restated Senior Unsecured Credit Agreement dated as of November 13, 2000 among LaSalle Hotel Operating Partnership, L.P., as the borrower, Societe Generale, Southwest Agency, as Administrative Agent and the Lenders named therein, and all amendments thereto and restatements thereof.

2. RATE OF INTEREST.

2.1 Subject to the applicability of the Default Rate as provided below, the outstanding principal balance of each Advance will bear interest at a rate per annum as follows: (i) in the case of an Adjusted Base Rate Advance, at a fluctuating rate per annum equal to the Adjusted Base Rate Applicable Margin (as defined in Section 2.3, below) plus the Adjusted Base Rate in effect from time to time; or (ii) in the case of a Libor Rate Advance, at a rate per annum equal to Libor Rate Applicable Margin (as defined in Section 2.3, below) plus the Libor Rate for the applicable Interest Period. All interest calculations under this Note will be made based on (i) for Adjusted Base Rate Advances, a year of 365 days for the actual number of days elapsed in each Interest Period, and (ii) for Libor Advances, a year of 360 days for the actual number of days in each Interest Period. In no event will the rate of interest hereunder exceed 25% per annum or the equivalent rate for a shorter or longer period.

2.2 The Interest Rate for Advances will be as designated in writing by Borrower to Lender from time to time. If Borrower fails to so designate an Interest Rate for an Advance, such advance will be deemed to be an Adjusted Base Rate Advance until and unless a proper designation is made by Borrower pursuant to this Note.

2.3 The initial Adjusted Base Rate Applicable Margin will be .50 and the initial Libor Rate Applicable Margin will be 2.00%. Beginning with the fiscal quarter of the Borrower ending March 31, 2001, the Adjusted Base Rate Applicable Margin and the Libor Rate Applicable Margin will be adjusted 45 days after the end of each fiscal quarter of the Borrower based on the Leverage Ratio of Parent for the immediately preceding four fiscal quarters as follows, all as determined under the Senior Unsecured Credit Agreement:

Leverage Ratio -----	ABR Spread (bps) -----	LIBOR Spread (bps) -----	Unused Fee (bps) -----
Less than or equal to 35%	25	175.0	20
Greater than 35% but less than or equal to 40%	37.5	187.0	25
Greater than 40% but less than or equal to 45%	50.0	200.0	25
Greater than 45% but less than or equal to 50%	62.5	212.5	25

3. ADVANCES AND FEES.

3.1 Upon the execution of this Note, Borrower will pay Lender a fee of \$32,500. In addition Borrower will pay Lender an Unused Fee computed from the date hereof through the Maturity Date on the average daily amount by which the Total Facility exceeds the outstanding amount of Advances times the per annum rate set forth above in Section 2.3 under the chart heading "Unused Fee" based on a year of 360 days. Such fees will be due and payable quarterly in arrears 30 days after the last Business Day of each calendar quarter and on the Maturity Date.

3.2 Advances will be made hereunder pursuant to the Treasury Management Services Master Agreement and other agreements related thereto between Borrower and Lender. Initially, the target balance under the Treasury Management Service Agreement and related documents will be \$100,000 and will be adjusted from time to time as agreed to by Borrower and Lender. In the event of any conflict between terms of this Note and the Treasury Management Services Master Agreement and such other agreements related thereto, the terms of this Note will control.

3.3 Borrower may on any Business Day elect to convert all or any portion of any Advance into an Advance or Advances having a different Interest Rate ("Conversion") upon delivering to Lender of a written notice requesting such Conversion not later than 11 o'clock a.m. (Cincinnati time) on the Business Day of the proposed Conversion; provided, however, that any Conversion of any Libor Rate Advance will be made effective only on the last day of the Interest Period applicable thereto prior to Lender's

receipt of such request for Conversion.

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3.4 Borrower may borrow, repay and reborrow under this Note subject to the terms, conditions and limits set forth herein. Lender is authorized to record in its books and records the date and amount of each Advance and payment hereunder, Interest Rate of each Advance and other information related thereto, which books and records will constitute PRIMA FACIE evidence of the accuracy of the information so recorded; PROVIDED, however, that failure of Lender to record, or any error in recording, any such information will not relieve Borrower of any of its obligations under this Note or any of the other Loan Documents.

3.5 Lender hereby is authorized, at any time and from time to time, to make an advance under this Note for the payment on behalf of Borrower of any principal, interest, fees or other sums due under this Note or any of the Loan Documents. Notwithstanding the foregoing, Lender is not obligated to make any such Advance.

3.6 Each request of Borrower for a Conversion or an Advance will be subject to all of the terms and conditions of this Note and the Loan Documents. Without limiting the generality of the foregoing, Lender will have no duty to make any Advance or allow any Conversion if after giving effect thereto the aggregate outstanding principal balance under this Note would exceed the Total Facility, or any other maximum amount limits set forth herein or in any of the Loan Documents, or if any other term or condition applicable hereunder or thereunder is not satisfied; and Borrower also will not be entitled to any Advance or Conversion under this Note after (i) maturity (whether by stated maturity, acceleration or otherwise), (ii) any Event of Default, or (iii) any Default.

3.7 If at any time or times Lender determines (which determination will be conclusive and binding) that (i) by reason of circumstances affecting the interbank eurodollar market, adequate and reasonable means do not exist for ascertaining the Libor Rate, or (ii) that the Libor Rate will not adequately and fairly reflect the cost to Lender of maintaining or funding Libor Rate Advances, Lender promptly will give notice of such determination and the basis therefor to Borrower. If such notice is given, and until such notice has been withdrawn by Lender, no additional Libor Rate Advances will be made and no additional Conversions to Libor Rate Advances will be permitted.

3.8 Notwithstanding any other provisions herein, if any law, treaty, rule or regulation, or determination of a court, governmental authority, central bank or comparable agency charged with the interpretation or administration thereof (whether or not having the force of law), or any change therein or in the interpretation or application thereof, makes it unlawful or impossible for Lender to make or maintain Libor Rate Advances, no additional Libor Rate Advances will be made, no additional Conversions thereto will be permitted and outstanding Libor Rate Advances will be converted to Adjusted Base Rate Advances on either (i) the last day of the applicable Interest Period for such Advance if Lender may continue to maintain such Advance until such day or (ii) immediately if Lender may not continue to maintain such Advances.

4. PAYMENTS AND APPLICATION OF PAYMENTS.

4.1 Accrued interest will be due and payable the first day of each month and will be paid by a debit to Borrower's checking account with Lender if sufficient funds are available; and if sufficient funds are not available, amounts due will be paid by an Advance hereunder provided such Advance will not cause the principal outstanding hereunder to exceed the Total Facility.

4.2 The entire outstanding principal balance of all Advances and all accrued and unpaid interest thereon will be due and payable on December 31, 2003 (the "Maturity Date").

4.3 Payments received will be applied in the following order: (i) to repayment of any amounts owed to Lender for charges, fees and expenses under this Agreement (including reasonable attorneys' fees), (ii) to accrued interest, and (iii) to principal.

4.4 Prepayments of Advances in full or in part may be made under this Note at any time; provided that each such payment will be applied in the foregoing order and, to the extent applied to principal, will be applied to the net balance of principal due at maturity.

5. LATE PAYMENTS. If Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within 5 calendar days of the date due and payable, Borrower also shall pay to Lender a late charge equal to the greater 2% of the amount of such payment or \$50.00 (the "Late Charge").

6. PROCEEDS. Borrower acknowledges that the proceeds of this Note will be used exclusively for business or commercial purposes and no portion of such proceeds will be used for personal, family, educational, or household purposes.

6.1 EVENTS CAUSING NOTE TO BECOME DUE. The occurrence of any of the following events will be deemed to be an "Event of Default" under this Note: (i) the non-payment of any sums when due under this Note within all applicable grace periods; (ii) the occurrence of any Event of Default (as defined in any of the following) or a default under any of the following that does not have a defined set of "Events of Default" and the lapse of any notice or cure period provided with respect to such default in any of the following: any other debt, liability or obligation to Lender of Borrower or any Guarantor, including but not limited to any of the foregoing arising under the Loan Documents or any other documents now or in the future securing the obligations of Borrower or any Guarantor to Lender; (iii) the revocation or attempted revocation, in whole or in part, of any guarantee by any Guarantor; (iv) any representation or warranty made by Borrower or any Guarantor to Lender in any document, including but not limited to the Loan, is false or erroneous in any material respect; (v) the failure of Borrower or any Guarantor to observe or perform any covenant or other agreement with Lender contained in any document, including but not limited to the Loan Documents and (vi) the occurrence of an Event of Default (as defined therein) under the Senior Unsecured Credit Agreement regardless of whether or not such event of Default is waived by the Lenders under the Senior Unsecured Credit Agreement or whether or not the Senior Unsecured Credit Agreement is terminated or no longer in effect. Immediately and automatically upon any Event of Default relating to a

or, at the option of Lender upon the occurrence of any other Event of Default hereunder, in either case without demand or notice of any kind (which are hereby expressly waived): (a) the outstanding principal balance hereunder together with all accrued and unpaid interest thereon, and any additional amounts secured by the Loan Documents, will be accelerated and become immediately due and payable, (b) Borrower will pay to Lender all reasonable costs and expenses (including reasonable attorneys' fees) incurred by Lender in connection with Lender's efforts to collect the indebtedness evidenced hereby, (c) Lender may offset any apply to all or any part of the indebtedness evidenced hereby all monies, credits and other property of any nature whatsoever of Borrower now or hereafter in the possession of, in transit to or from, under the control or custody of or on deposit with (whether held by Borrower individually or jointly with another party), Lender or any affiliate of Lender, and (d) Lender may exercise from time to time any of the rights and remedies available to Lender under the Loan Documents or applicable law. Upon and after the occurrence of any Event of Default or the maturity of this Note (by acceleration or otherwise), the principal balance of this Note, together with any arrearage of interest, will bear interest until paid in full, whether before or after judgment, at a rate per annum equal to the Default Rate. Borrower, all other makers, co-signers and indorser waive presentment, demand, protest, and notice of demand, protest, non-payment and dishonor. Borrower also waives all defenses based on suretyship or impairment of collateral.

7. MISCELLANEOUS.

7.1 Both the Late Charge and the Default Rate are imposed as liquidated damages for the purpose of defraying Lender's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, Lender's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or any reasonable fees and charges of any attorneys which Lender may employ. In addition, the Default Rate reflects the increased credit risk to Lender of carrying a loan that is in default. Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by Lender, and that the actual harm incurred by Lender cannot be estimated with certainty and without difficulty.

7.2 Nothing contained in this Note regarding late charges or the Default Rate will be construed in any way to extend the due date of any payment or waive any payment default, and each such right is in addition to, and not in lieu of, the other any other rights and remedies of Lender hereunder, under any of the Loan Documents or under applicable law (including, without limitation, the right to interest, reasonable attorneys' fees and other expenses).

7.3 This Note will bind Borrower and the heirs, executors, administrators, successors and assigns of Borrower, and the benefits hereof will inure to the benefit of Lender and its successors and assigns. All references herein to the "Borrower" and "Lender" will include the respective heirs, administrators, successors and assigns thereof; provided, however, that Borrower may not assign this Note in whole or in part without the prior written consent of Lender and Lender at any time may assign this

Note in whole or in part (but no assignment by the Lender of less than all of this Note will operate to relieve Borrower from any duty to Lender with respect to the unassigned portion of this Note).

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7.4 If any provision of this Note is prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision and without invalidating any other provision in this Note; provided however, that if the provision that is the subject of such invalidity or prohibition pertains to repayment of this Note, then, at the option of Lender, all of the obligations hereunder will become immediately due and payable.

7.5 Without limiting the generality of the foregoing, if from any circumstances whatsoever the fulfillment of any provision of this Note involves transcending the limit of validity prescribed by any applicable usury statute or any other applicable law with regard to obligations of like character and amount, then the obligation to be fulfilled will be reduced to the limit of such validity as provided in such statute or law, so that in no event will any exaction of interest be possible under this Note in excess of the limit of such validity and the right to demand any such excess is hereby expressly waived by Lender. As used in this paragraph, "applicable usury statute" and "applicable law" mean such statute and law in effect on the date hereof, subject to any change therein that results in a higher permissible rate of interest.

7.6 No delay or failure on the part of Lender to exercise any right, remedy or power hereunder, under any of the Loan Documents or under applicable law will impair or waive any such right, remedy or power (or any other right, remedy or power), be considered a waiver of or an acquiescence in any breach, Default or Event of Default or affect any other or subsequent breach, Default or Event of Default of the same or a different nature. No waiver of any breach, Default or Event of Default, nor any modification, waiver, discharge or termination of any provision of this Note, nor consent to any departure by Borrower therefrom, will be established by conduct, custom or course of dealing; and no modification, waiver, discharge, termination or consent will in any event be effective unless the same is in writing, signed by Lender and specifically refers to this Note, and then such modification, waiver, discharge or termination or consent will be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on Borrower in any case will entitle Borrower to any other or further notice or demand in the same or any similar or other circumstance.

7.7 No single or partial exercise of any right or remedy by Lender will preclude any other or further exercise thereof or the exercise of any other right or remedy. All remedies hereunder, under any Loan Document or any other instrument or document now or hereafter evidencing, securing, guaranteeing or relating to this Note, or now or hereafter existing at law or in equity are cumulative and none of them will be exclusive of the others or of any other right or remedy. All such rights and remedies may be exercised separately, successively, concurrently, independently or cumulatively from time to time and as often and in such order as Lender may deem appropriate.

7.8 If any ant time all or any part of any payment or transfer of any kind received by Lender with respect to all or any part of this Note is repaid, set aside or invalidated by reason of any judgment, decree or order of any court or administrative body, or by reason of any agreement, settlement or compromise of any claim made at any time with respect to the repayment, recovery, setting aside or invalidation of all or any part of such payment or transfer, Borrower's obligations under this Note will continue (and/or be reinstated) and Borrower will be and remain liable, and will indemnify, defend and hold harmless Lender for, the amount or amounts so repaid, recovered, set aside or invalidated and all other claims, demands, liabilities, judgments, losses, damages, costs and expenses incurred in connection therewith. The provisions of this Section will be and remain effective notwithstanding any contrary action which may have been taken by Borrower in reliance upon such payment or transfer, and any such contrary action so taken will be without prejudice to Lender's rights hereunder and will be deemed to have been conditioned upon such payment or transfer having become final and irrevocable. The provisions of this Section will survive any termination, cancellation or discharge of this Note.

7.9 Time is of the essence in the performance of this Note.

7.10 This Note has been delivered and accepted at and will be deemed to have been made at Cincinnati, Ohio and will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State of Ohio, without regard to conflicts of law principles.

7.11 Borrower hereby irrevocably agrees and submits to the exclusive jurisdiction of any state or federal court located within Hamilton County, Ohio, or, at the option of Lender in its sole discretion, of any state or federal court(s) located within any other county, state or jurisdiction in which Lender at any time or from time to time chooses in its sole discretion to bring an action or otherwise exercise a right or remedy, and Borrower waives any objection based on FORUM NON CONVENIENS and any objection to venue of any such action or proceeding. Borrower hereby irrevocably consents that all service of process be made by certified mail directed to Borrower at its address set forth herein for notices and service so made will be deemed to be completed the earlier of Borrower's actual receipt thereof or five (5) business days after the same has been deposited in U.S. Mails, postage prepaid. Nothing contained herein will prevent Lender from serving process in any other manner permitted by law. Borrower and Lender each waive any right to trial by jury in any action or proceeding relating to this Note, the Loan Documents, the collateral described therein, or any actual or proposed transaction or other matter contemplated in or relating to any of the foregoing.

LASALLE HOTEL LESSEE, INC.

By: /s/ Hans S. Weger

Print Name: Hans S. Weger
Title: Chief Financial Officer

STATE OF MARYLAND)
) ss.:
COUNTY OF MONTGOMERY)

On the 3rd day of January, 2001, before me, the undersigned, a Notary Public in and for said State, personally appeared Hans S. Weger, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individuals, or the persons upon behalf of which the individual acted, executed the instrument.

/s/ Susan K. Wojciechowski

Susan K. Wojciechowski
Notary Public
Montgomery County
Maryland

GUARANTY
(Commercial Real Estate)

In consideration of the extension of credit by FIRSTAR BANK, NATIONAL ASSOCIATION, a national banking association under the laws of the United States of America ("Lender"), whose mailing address is c/o Commercial Real Estate Department, 425 Walnut Street, Cincinnati, Ohio 45202, to LASALLE HOTEL LESSEE, INC. ("Borrower"), and other good and valuable consideration, the receipt of which is acknowledged, the undersigned, jointly and severally if more than one, hereby guarantees to Lender the prompt performance and payment of all indebtedness, interest, principal, liabilities and obligations of Borrower to Lender pursuant to Borrower's note ("Note") in the principal amount of \$5,000,000 of even date herewith and all amendments thereto and restatements and extensions thereof (hereinafter collectively referred to as the "Obligations"). This is a Guaranty of payment and performance and not of collection. Without limiting the foregoing, the undersigned, absolutely, irrevocably and unconditionally indemnifies and saves Lender harmless from and against all liabilities, suits, proceedings, actions, claims, assertions, charges, demands, delays, injuries, expenses (including reasonable attorney fees and disbursements) which are incurred by Lender as a result of any allegation or determination that the Obligations involve a fraudulent conveyance, transfer or obligation under federal or state law.

This is an absolute, irrevocable, unconditional and continuing Guaranty of the Obligations. This Guaranty will extend to and cover renewals of the Obligations and any number of extensions of time for payment thereof and will not be affected by any surrender, exchange, acceptance, or release by Lender of any other guarantee or any security held by it for any of the Obligations. Notice of acceptance of this Guaranty, notice of extensions of credit to the Borrower from time to time, notice of default, diligence, presentment, protest, demand for payment, notice of demand or protest, and any defense based upon a failure of Lender to comply with the notice requirements of the applicable version of Uniform Commercial Code Section 9-504 are hereby waived. Lender at any time and from time to time, without the consent of the undersigned, may change the manner, place or terms of payment of or interest rates on, or change or extend the time of payment, or renew or alter, any of the Obligations, without impairing or releasing the liabilities of the undersigned hereunder. Lender in its sole discretion may determine the reasonableness of the period which may elapse prior to the making of demand for any payment upon the undersigned, but in no event shall such period be less than fifteen (15) days. Lender need not pursue any of its remedies against said Borrower before having recourse against the undersigned under this Guaranty.

The undersigned hereby grants the Lender a security interest in all deposits and account balances and credits of the undersigned or other sums credited by or due from the Lender to the undersigned in the possession of or in transit to Lender, now existing or hereafter arising or coming due (including without limitation certificates of deposit, repurchase agreements and securities in transit), and such amounts and all proceeds thereof may at all times be held and treated as collateral security hereunder ("Collateral"), it being understood that, unless and until an Event of Default has occurred under the Note, no restrictions, setoff, or similar provisions shall be enforced against the Collateral, or the undersigned's use, transfer or replacement of the Collateral. Further, undersigned agrees at any time at the Lender's request, to sign financing statements, trust receipts, security agreements or other documents deemed by Lender as reasonably necessary to evidence, perfect, secure, preserve, protect and/or enforce this Guaranty and existing or additional security

interests in the Collateral created in Lender hereunder or otherwise.

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To the extent the Obligations are due and payable, and unpaid, and at any time thereafter, Lender shall have all the rights and remedies as against the Collateral of a secured party and further, Lender may apply or set-off such Collateral against the Obligations as the Lender deems appropriate, and/or refuse to honor orders to pay or withdraw the Collateral or sums represented thereby, all at Lender's sole and absolute discretion.

The undersigned is presently informed of the financial condition of the Borrower and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of non-payment or performance of the Obligations.

If any demand is made at any time upon Lender for the repayment or recovery of any amount or amounts received by it in payment or on account of any of the Obligations and if Lender repays all or any part of such amount or amounts by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the undersigned will be and remain liable hereunder for the amount or amounts so repaid or recovered to the same extent as if such amount or amounts had never been received originally by Lender.

Unless and until Lender shall consent in writing to a modification, the undersigned shall have no right of subrogation against Borrower by reason of any payments or acts of performance by the undersigned in compliance with the obligations of the undersigned hereunder. The undersigned hereby irrevocably waives all legal and equitable rights to recover from Borrower any sums paid by the undersigned under the terms of this Guaranty. Undersigned further agrees not to transfer any of its assets without fair and adequate consideration, except for gifts made in the ordinary course to spouse or children, or as otherwise agreed to in writing by Lender.

The undersigned shall pay to Lender all reasonable attorneys' fees and costs of litigation in connection with the enforcement of the terms of this Guaranty.

The undersigned will provide Lender with current financial statements annually within 90 days after the end of each calendar year, or upon request, in form and detail reasonably satisfactory to Lender and all in compliance with the terms of the Mortgage. This Guaranty shall be binding upon the undersigned and the personal representatives, heirs, successors and assigns thereof and inure to the benefit of Lender and its successors and assigns.

Upon sale, transfer, or assignment of the above stated Note by Lender to any third party (the "Third Party"), this Guaranty may also be assigned by Lender to the Third Party and the undersigned acknowledges liability under this Guaranty to such Third Party.

This Guaranty may not be changed orally, and no obligation of the undersigned can be released or waived by Lender, except in writing signed by a duly authorized officer of Lender.

This Guaranty shall be construed and enforced pursuant to the laws of the State of Ohio.

WAIVER OF JURY TRIAL: GUARANTOR AND LENDER HEREBY JOINTLY AND SEVERALLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS INSTRUMENT AND TO ANY OF THE LOAN DOCUMENTS, THE OBLIGATIONS HEREUNDER OR THEREUNDER, ANY COLLATERAL SECURING THE OBLIGATIONS, OR ANY TRANSACTION ARISING THEREFROM OR CONNECTED THERETO. GUARANTOR AND LENDER EACH REPRESENTS TO THE OTHER THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY GIVEN.

Signed this 3rd day of January, 2001

GUARANTOR:

LASALLE HOTEL OPERATING PARTNERSHIP, L.P.

By: LaSalle Hotel Properties, its General Partner

By: /s/ Hans Weger

Hans Weger, Chief Financial Officer

LASALLE HOTEL PROPERTIES

By: /s/ Hans Weger

Hans Weger, Chief Financial Officer

NOTICE ADDRESS FOR EACH GUARANTOR SHALL BE:

4800 Montgomery Lane
Suite M25
Bethesda, Maryland 20814

STATE OF MARYLAND)
) ss.:
COUNTY OF MONTGOMERY)

On the 3rd day of January, 2001, before me, the undersigned, a Notary Public in and for said State, personally appeared Hans S. Weger, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individuals, or the persons upon behalf of which the individual acted, executed the instrument.

/s/ Susan K. Wojciechowski

Susan K. Wojciechowski
Notary Public
Montgomery County
Maryland

