

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

FORM 8-K

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

Date of report (Date of earliest event reported): June 1, 1998

LASALLE HOTEL PROPERTIES

-----  
(Exact name of registrant as specified in its charter)

Maryland	1-14045	36-4219376
-----	-----	-----
(State or other juris- diction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

220 East 42nd Street, New York, New York	10017
-----	-----
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code 212/661-6161

Not Applicable

-----  
(Former name or former address, if changed since last report)

This Form 8-K is being filed to report the acquisition of the San Diego Princess Resort.

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On June 1, 1998, LaSalle Hotel Properties (the "Company") acquired an interest in the San Diego Princess Resort (the "Property") through an indirect, majority owned subsidiary, LHO Mission Bay Hotel, L.P. (the "Purchaser"). The Purchaser is a limited partnership organized under the

laws of the state of California, of which LaSalle Hotel Operating Partnership, L.P. (the "Operating Partnership") holds an approximate 95.1% general partnership interest and WestGroup San Diego Associates, Ltd. ("WestGroup") holds an approximate 4.9% limited partnership interest. The Property was acquired from VVH Resorts, Ltd. for an aggregate purchase price of \$73 million (the "Purchase Price") pursuant to a Purchase and Sale Agreement with Joint Escrow Instructions. The Property was renamed the San Diego Paradise Point Resort and the Company expects to invest up to \$8 million in capital improvements over the next two years to renovate and reposition the Property.

On April 30, 1998, the Board of Trustees of the Company, including all of the Independent Trustees (i.e., the Trustees of the Company who are neither officers of the Company nor affiliated with the Company), acting in the Company's capacity as sole general partner of the Operating Partnership, authorized the Operating Partnership to purchase an interest in the Property.

The Property is 51-acres and has nearly one mile of beachfront and 462 guestrooms in 129 single-story villas. The Property is subject to a 50-year ground lease from the City of San Diego with 46 years currently remaining on the term. The Property is located in the heart of Mission Bay on Vacation Island, a 4,600-acre aquatic park in southwest San Diego County. The Property 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 Purchase Price was funded with proceeds from a borrowing under the Company's \$200 million senior unsecured revolving credit facility from Societe Generale, Southwest Agency, The Bank of Montreal, Chicago Branch, and the other banks party thereto and from the proceeds of the sale of 112,458 common shares of beneficial interest, \$.01 par value (the "Common Shares"), for \$17.78438 per share to WestGroup, an affiliate of Noble House Hotels & Resorts ("Noble House"), which will operate the Property pursuant to the terms of a participating lease (the "Participating Lease").

The Company based its determination of the Purchase Price on the expected cash flow, physical condition, location, competitive advantages and potential of improved revenues. The Company did not obtain an independent appraisal on the Property. The Property was operated prior to the acquisition as a resort hotel, and the Company expects to continue to operate it as a resort hotel.

#### ITEM 5. OTHER EVENTS

In connection with the purchase of the Property, and as discussed in Item 2, WestGroup, an affiliate of Noble House, acquired 112,458 Common Shares from the Company at a per share price of \$17.78438. The purchase by WestGroup was a condition to the selection of Noble House as operator of the Property, and the Common Shares have been pledged to the Operating Partnership to secure Noble House's obligations under the Participating Lease. Such sale was made in reliance on an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

#### ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) and (b) Financial Statements of Property Acquired and Pro Forma Financial Information

The financial statements and pro forma financial information required

by Item 7(a) and 7(b) are currently being prepared and it is therefor impracticable to provide this information on the date hereof. The Company will file the required financial statements and information under cover of Form 8-K/A as soon as practicable but in no event later than 60 days after the date on which the Form 8-K was required to be filed.

(c) Exhibits

A list of exhibits is set forth in the Exhibit Index which immediately precedes the exhibits and which is incorporated by reference herein.

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 hereunto duly authorized.

LASALLE HOTEL PROPERTIES

Date: June 15, 1998

By: /S/ JON E. BORTZ  
Jon E. Bortz  
President and  
Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Description
- - - - -	- - - - -
Exhibit 10.1	Purchase and Sale Agreement with Joint Escrow Instructions, dated as of June 1, 1998, by and between VVH Resorts, Ltd. and LHO Mission Bay Hotel, L.P.
Exhibit 10.2	Subscription Agreement (with registration rights), dated as of May 28, 1998, by WestGroup San Diego Associates, Ltd.
Exhibit 10.3	Agreement of Limited Partnership, dated as of June 1, 1998, of LHO Mission Bay Hotel, L.P.
Exhibit 10.4	Lease Agreement, dated as of June 1, 1998, by and between LHO Mission Bay Hotel, L.P. and WestGroup San Diego Associates, Ltd.

PURCHASE AND SALE AGREEMENT WITH JOINT ESCROW INSTRUCTIONS

between

VVH RESORTS, LTD.,  
a Delaware limited partnership

as Seller

and

LHO MISSION BAY HOTEL, L.P.,  
a California limited partnership

as Buyer

PURCHASE AND SALE AGREEMENT WITH JOINT ESCROW INSTRUCTIONS

THIS PURCHASE AND SALE AGREEMENT WITH JOINT ESCROW INSTRUCTIONS ("Agreement") dated as of the 1st day of June, 1998 is by and between VVH RESORTS, LTD., a Delaware limited partnership ("Seller"), and LHO MISSION BAY HOTEL, L.P., a California limited partnership ("Buyer"). Capitalized terms used in the RECITALS below, not otherwise defined therein, shall have the meanings ascribed to them in SECTION 1 of this Agreement.

R E C I T A L S

WHEREAS, this Agreement is made and entered into with reference to the following facts:

WHEREAS, Seller is the lessee pursuant to the Ground Lease (as defined below) of the Land which is improved with, among other things, the hotel commonly known as The San Diego Princess Resort located at 1404 West Vacation Road, San Diego, California, 92109.

WHEREAS, Buyer desires to purchase, and Seller desires to sell, the Property on the terms and conditions set forth in this Agreement.

A G R E E M E N T

NOW, THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the following terms shall have the following meanings:

1.1 "Accounts Receivable" means all accounts receivable of the Hotel and the Property, including the Tray Ledger, receivables from Room Revenues, Other Revenues and Leases.

1.2 "Assignment of Capital Leases" means the Assignment of Capital Leases assigning to Buyer all of Seller's right, title and interest in and to those Capital Leases which by their terms are assignable or assignable with the other party's consent. The Assignment of Capital Leases shall be in the form of, and upon the terms contained in, EXHIBIT "A".

1.3 "ASSIGNMENT OF GROUND LEASE" means the Assignment and Assumption of Ground Lease assigning to Buyer all of Seller's right, title and interest in, to and under the Ground Lease. The Assignment of Ground Lease shall be in the form of, and upon the terms contained in, EXHIBIT "B".

1.4 "ASSIGNMENT OF INTANGIBLE PROPERTY" means the Assignment of Intangible Property assigning to Buyer all of Seller's right, title and interest in and to the Intangible Property. The Assignment of Intangible Property shall be in the form of, and upon the terms contained in, EXHIBIT "C".

1.5 "ASSIGNMENT OF LEASES" means the Assignment of Leases, assigning to Buyer all of Seller's right, title and interest in and to the Leases. The Assignment of Leases shall be in the form of, and upon the terms contained in, EXHIBIT "D".

1.6 "ASSIGNMENT OF SERVICE CONTRACTS" means the Assignment of Service Contracts assigning to Buyer all of Seller's right, title and interest in and to those Service Contracts which Buyer will assume pursuant to SECTION 5.2.6 below. The Assignment of Service Contracts shall be in the form of, and upon the terms contained in, EXHIBIT "E".

1.7 "ASSIGNMENT FEE" means the fee payable to the City upon an assignment of the Ground Lease pursuant to Section 8.5 of the Ground Lease.

1.8 "BILL OF SALE" means the Bill of Sale conveying to Buyer the Personal Property. The Bill of Sale shall be in the form of, and on the terms contained in EXHIBIT "F".

1.9 "BUYER INDEMNITEES" has the meaning ascribed to it in SECTION 12 of this Agreement.

1.10 "CAPITAL LEASES" means the leases of equipment used in the operation of the Hotel, which are set forth on EXHIBIT "G".

1.11 "CITY" means the City of San Diego, a municipal corporation.

1.12 "CLOSING" means the consummation of the conveyances of the Property to Buyer.

1.13 "CLOSING CERTIFICATES" mean (a) as to Seller, a certificate of Seller stating that the warranties and representations of Seller contained in this Agreement are true and correct in all material respects as of the Closing Date, except as set forth in such certificate, and (b) as to Buyer, a certificate of Buyer stating that the warranties and representations of Buyer contained in this Agreement are true and correct in all material respects as of the Closing Date, except as set forth in such certificate.

1.14 "CLOSING DATE" means May 28, 1998 unless otherwise mutually agreed to in writing by Buyer and Seller or extended pursuant to the terms of this Agreement, but in no event later than the Outside Closing Date (as defined below).

1.15 "CODE" means the United States Internal Revenue Code of 1986, as amended.

1.16 "DEPOSIT" means a deposit by Buyer in cash or immediately available funds in Escrow of an amount equal to Five Hundred Thousand and

No/100 Dollars (\$500,000.00) to be delivered by Buyer to Escrow Holder within two (2) business days after the date of this Agreement.

1.17 "EELGRASS MITIGATION PLAN" means the eelgrass mitigation plan set forth in the Ground Lease.

1.18 "EMPLOYMENT CONTRACTS" means all employment contracts, except for any management contracts, consulting agreements, union contracts, labor agreements, collective bargaining agreements, pension plans, profit sharing plans and employee benefit plans, together with all supplements, amendments and modifications thereto, which affect the Property, and which are set forth on EXHIBIT "H".

1.19 "ESCROW" means the escrow established with Escrow Holder for the consummation of the purchase and sale of the Property in accordance with this Agreement.

1.20 "ESCROW HOLDER" means Chicago Title Insurance Company.

1.21 "EXCLUDED PERSONAL PROPERTY" means (a) all personal property depicting the name "Princess" or any logo or trademark, of the "Princess Resort" and (b) the personal property described on EXHIBIT "I".

1.22 "GOVERNMENTAL REGULATIONS" means any local, state, and federal laws, ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, environmental, labor relations, notification of sale to employees, Hazardous Materials, occupational health

and safety, water, earthquake hazard reduction and building and fire codes) bearing on the construction, development, alteration, rehabilitation, maintenance, use, operation, or sale of the Property.

1.23 "GROUND LEASE" means the City of San Diego Percentage Lease dated December 30, 1994 between the City, as lessor, and Seller, as Lessee.

1.24 "GROUND LESSOR ESTOPPEL" means a written statement executed by the City dated within thirty (30) days prior to the Closing in substantially the form and content of EXHIBIT "J" attached hereto.

1.25 "HAZARDOUS MATERIALS" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, any agency of the State of California or any agency of the United States Government. The term "Hazardous Materials" includes, without limitation, any material or substance which (a) contains petroleum or any petroleum by-products, (b) contains asbestos, (c) contains urea formaldehyde foam insulation, (d) is designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. ' 1317), (e) is defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. ' 6901 (42 U.S.C. ' 6903), or (f) is defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ' 9601 (42 U.S.C. ' 9601). Each reference to a statute or law in this definition shall be deemed to include any amendments thereto which are enacted from time to time.

1.26 "HOTEL" means the real property and the improvements comprising The San Diego Princess Resort located on the Land.

1.27 "HOUSE FUNDS" means cash on hand at the Hotel as of the Transfer Time. At Closing, Buyer shall pay to Seller an amount equal to the aggregate amount of such House Funds in readily available funds in addition to, and not as part of, the Purchase Price.

1.28 "INTANGIBLE PROPERTY" means all of Seller's right, title and interest in and to any and all intangible personal property owned by Seller and used in connection with the ownership, construction, development (including, without limitation, the benefit of future development rights, plans, models and specifications, which include plans for the Marina Construction (as defined below) and the "Master Plan 2000"), use and/or operation of the Property, including, without limitation, the toll-free telephone numbers for the Property, the Licenses and Permits, the Records and Plans, and the Warranties. Notwithstanding the foregoing, in no event shall the Intangible Property include any trade names, trademarks, service marks or logos including, without limitation, the name "Princess" or any mark or trade name that includes the word "Princess" as an element, which property shall remain the property of Seller.

1.29 "LAND" means the leasehold estate in real property located in the City of San Diego, County of San Diego, State of California, as legally described in EXHIBIT "K".

1.30 "LEASES" means all existing leases, rental and occupancy agreements and lease commitments relating to the Real Property, which Leases are set forth on Exhibit "L", together with any and all leases which are entered into after the date of this Agreement in accordance with Section 5.1 of this Agreement.

1.31 "LICENSES AND PERMITS" means all of Seller's right, title, interests, privileges, benefits and remedies in, to and under all authorizations, approvals, permits, licenses, agreements, variances, tentative maps, final maps, plans and specifications and land use entitlements held by Seller and/or relating to the construction, reconstruction, occupancy, operation or use of any part of the Property (other than the Liquor License), including, without limitation, the Marina Permits.

1.32 "LIQUOR ACT" means the Alcoholic Beverage Control Act, as the same may be amended from time to time.

1.33 "LIQUOR ESCROW AGREEMENT" means the Agreement for Purchase and Sale of Liquor Inventory and Liquor License and Escrow Instructions to be executed and delivered by the holder of the Liquor Licenses and Buyer (or Buyer's designee) within five (5) business days after the execution of this Agreement for the acquisition of the Liquor Licenses and the Liquor Inventory by Buyer (or Buyer's designee) from the holder thereof. The Liquor Escrow Agreement shall be in substantially the form of, and upon the terms contained in, EXHIBIT "M".

1.34 "LIQUOR INVENTORY" means all wine, beer and other alcoholic beverages on hand at the Hotel as of the Transfer Time.

1.35 "LIQUOR LICENSES" means collectively the On Site General Liquor License Number 47-208932, 47-208932-1, and 47-208932-2, the Caterer Permit No. 58-208932-1 and the Controlled Access Cabinet Permit No. 66-208932-1.

1.36 "MARINA CONSTRUCTION" means the construction of the marina as contemplated by the Ground Lease and in accordance with the plans and specifications previously submitted to the City, as the same may be amended prior to the Closing.

1.37 "MARINA PERMITS" means collectively (a) Permit No. 6-97-64 to be issued by the California Coastal Commission upon the satisfaction of all special conditions contained therein (the "Coastal Development Permit") and (b) Permit No. 96-20054-DZ issued by the United States Army Corps of Engineers (the "Army Corps Permit") relating to the Marina

Construction.

1.38 "OTHER REVENUES" means all revenues earned from the operation of the Property, other than Room Revenues, including, without limitation, revenues from the sale of food, the sale of alcoholic and non-alcoholic beverages, rental of meeting and banquet rooms, telephone sales, pay television sales, valet and parking services, gift shop revenue, golf and tennis revenues, marina, boat and boat slip rental revenues, and other similar revenues, together with any sales tax or other taxes thereon.

1.39 "OUTSIDE CLOSING DATE" means Friday, June 5, 1998. In the event the Closing does not occur for any reason prior to the Outside Closing Date, then either party may terminate this Agreement upon written notice to the other, and this Agreement shall thereupon terminate and be of no further force or effect, and the parties shall have no further liability or obligation thereunder, except for those provisions which survive the termination of this Agreement; provided, however, that in the event the Closing does not occur prior to the Outside Closing Date due to a breach of this Agreement by Seller, then Seller shall not be entitled to terminate this Agreement pursuant to this SECTION 1.39. In the event of a termination of this Agreement by either party pursuant to this Section, the other party shall provide written acknowledgment of such termination in form and substance reasonably satisfactory to the party terminating the Agreement. In the event the Seller terminates this Agreement pursuant to this SECTION, and such termination is not due to a breach of this Agreement by Buyer, then the Deposit shall be returned to Buyer within two (2) business days after the date of such termination.

1.40 "PERMITTED EXCEPTIONS" means collectively (a) matters of title respecting the Real Property approved or deemed approved by Buyer in accordance with this Agreement; and (b) matters affecting the condition of title to the Real Property created by or with the written consent of Buyer.

1.41 "PERSONAL PROPERTY" means all personal property of Seller located on or in or used in connection with the Real Property (other than (i) the Excluded Personal Property and (ii) the Liquor Licenses and the Liquor Inventory, which shall be transferred pursuant to the Liquor Escrow Agreement).

1.42 "PRO FORMA TITLE POLICY" means the pro forma owner's policy of title insurance issued by the Title Company attached to this Agreement as EXHIBIT "N".

1.43 "PROPERTY" means the Real Property, the Personal Property, the Service Contracts, the Leases, and the Intangible Property and the Liquor Inventory and the Liquor Licenses (which shall be transferred in accordance with the terms and conditions of the Liquor Escrow Agreement).

1.44 "PURCHASE PRICE" means the sum of Seventy-Three Million Dollars (\$73,000,000).

1.45 "REAL PROPERTY" means the Land, all rights, privileges and easements appurtenant to the Land, and all improvements and fixtures situated on the Land.

1.46 "RECORDS AND PLANS" means (a) all books and records maintained by Seller in connection with the operation of the Property, (b) "as-built" plans and specifications respecting the Real Property, and (c) all structural reviews, architectural drawings, and engineering, soil, seismic, geologic and architectural reports, studies and certificates and other documents pertaining to the Real Property which are within the possession of, under the control of, or reasonably available to, Seller.

1.47 "RENOVATION WORK means the renovation of the Hotel guest rooms as contemplated by the Ground Lease and the Electrical Work.

1.48 "RESERVATION AGREEMENTS AND DEPOSITS" means all guest, banquet room and meeting room and restaurant reservation agreements executed by Seller and all deposits made thereunder for periods after the Closing.

1.49 "ROOM REVENUES" means all revenues from the rental of guest rooms of the Real Property (but excluding any items included in the definition of Other Revenues), together with any sales or other taxes thereon collected by Seller.

1.50 "SELLER INDEMNITEES" has the meaning ascribed to it in Section 12 of this Agreement.

1.51 "SELLER'S PAYABLES" means the accounts payable with respect to which Seller agrees to be fully responsible for the payment after the Closing Date.

1.52 "SERVICE CONTRACTS" means the maintenance contracts, warranties, guarantees, management contracts and bonds, and any other similar obligations, commitments or arrangements, together with all supplements, amendments and modifications thereto, relating to the construction, development, marketing, operation, maintenance or enjoyment of the Property, which are set forth on EXHIBIT "O" attached to this Agreement.

1.53 "SHORELINE RESTORATION WORK" means the improvements specified by the "Shoreline Restoration and Stabilization Plan" as described in Sections 6.5 and 10.7 of the Ground Lease.

1.54 "SURVEY" means an ALTA "as built" survey of the Real Property prepared by Southland Surveying of San Diego.

1.55 "TITLE COMPANY" means Chicago Title Insurance Company.

1.56 "TITLE POLICY" means the standard form of owner's title policy issued by the Title Company (together with such re-insurance carriers as Buyer may require) for property located in the State of California to be issued for the benefit of Buyer, which Title Policy shall be (a) without charges in excess of regular premiums, (b) in the same form as the Pro Forma Title Policy, and (c) shall show only those matters as set forth on the Pro Forma Title Policy and the Permitted Exceptions (defined below).

1.57 "TRANSFER DOCUMENTS" means the Assignment of Ground Lease, the Bill of Sale, the Assignment of Leases, the Assignment of Capital Leases, the Assignment of Service Contracts, the Assignment of Intangible Property and the Liquor Escrow Agreement.

1.58 "TRANSFER TIME" means 12:01 a.m. on the Closing Date in the Pacific time zone.

1.59 "TRANSFEROR'S CERTIFICATE" means the certificate, to be duly executed and delivered by Seller in accordance with SECTION 3.1 of this Agreement, certifying that Seller is not a "foreign person" in accordance with the provisions of Section 1445 of the Code and any similar provisions of applicable state law. The Transferor's Certificate shall be in the form of, and upon the terms contained in, EXHIBIT "P".

1.60 "TRAY LEDGER" means any accounts receivable of registered guests who have not checked out and who are occupying rooms at the Real Property as of the Transfer Time.

1.61 "WARRANTIES" means all third party warranties and guarantees relating to the Property.

1.62 "WARN Act" means (a) the Worker Adjustment Retraining Notification Act, 29 U.S.C. 2102, et seq. and/or (b) any other similar state or local statute or ordinance.

2. PURCHASE PRICE. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, the Property in accordance with the terms, and subject to the conditions, of this Agreement. The Purchase Price for the Property will be paid as follows:

2.1 Deposit. Buyer shall deliver the Deposit in accordance with SECTION 1.16. Escrow Holder shall invest the Deposit in an interest bearing account with a responsible institutional lender approved by Buyer and Seller, and the interest will become part of the Deposit. Buyer's tax identification number is \_\_\_\_\_ and Seller's tax identification number is 33-0338932. Buyer's failure to deliver the Deposit in accordance with SECTION 1.16 shall, at Seller's election, render this Agreement void.

2.2 BALANCE OF PURCHASE PRICE. On or before the Closing Date, Buyer shall deposit, in cash or by wire transfer (a) into the Escrow the Purchase Price less the Deposit and less the purchase price for the Liquor Inventory and the Liquor Licenses as established pursuant to SECTION 2.3 below, as adjusted for prorations and adjustments in accordance with SECTION 9 and Buyer's share of Escrow closing costs in accordance with SECTION 10, and (b) into the escrow established under the Liquor Escrow Agreement, the portion of the Purchase Price allocable to the Liquor Licenses and the Liquor Inventory as provided in SECTION 2.3 below, as adjusted for prorations and adjustments in accordance with the terms and conditions of the Liquor Escrow Agreement.

3. ESCROW; CLOSING.

3.1 OPENING OF ESCROW. As soon as reasonably practicable following the mutual execution and delivery of this Agreement, the parties shall open the Escrow with Escrow Holder in order to consummate the purchase and sale in accordance with the terms and provisions of this Agreement by depositing a fully executed counterpart of this Agreement with Escrow Holder. This Agreement shall constitute joint escrow instructions to Escrow Holder; provided, however, that the parties shall execute such additional instructions as may be reasonably requested by Escrow Holder not inconsistent with the provisions of this Agreement. The Closing will take place on the Closing Date at the offices of the Escrow Holder.

3.2 BY SELLER. At the Closing, Seller shall deliver or cause to be delivered to Escrow Holder the following items, duly executed and, where appropriate, acknowledged by Seller.

3.2.1 The Assignment of Ground Lease.

3.2.2 The Bill of Sale.

3.2.3 The Assignment of Capital Leases.

3.2.4 The Assignment of Intangible Property.

3.2.5 The Assignment of Leases.

3.2.6 The Assignment of Service Contracts.

3.2.7 The Transferor's Certificate.

3.2.8 The Seller's Closing Certificate.

3.2.9 The Liquor Lease Agreement, if applicable.

3.2.10 Such resolutions, authorizations, certificates of good standing and/or other corporate and partnership documents relating to Seller as are reasonably required by Buyer in connection with the transactions contemplated under this Agreement.

3.3 BY BUYER. At the Closing, Buyer will deliver or cause to be delivered to Escrow Holder the following items, duly executed and, where appropriate, acknowledged by Buyer:

3.3.1 The net balance of the Purchase Price, to be paid in accordance with SECTIONS 2.2 of this Agreement, after deducting the Deposit and after taking into account the adjustments and cost allocations in accordance with SECTIONS 9 and 10.

3.3.2 The Assignment of Capital Leases.

3.3.3 The Assignment of Intangible Property.

3.3.4 The Assignment of Leases.

3.3.5 The Assignment of Service Contracts.

3.3.6 The Buyer's Closing Certificate.

3.3.7 The "As Is" certificate described in SECTION 4.6 below.

3.3.8 The Liquor Lease Agreement, if applicable.

3.3.9 Such corporate resolutions, certificates of good standing and/or other corporate and partnership documents relating to Buyer as are reasonably required by Seller in connection with the transactions contemplated under this Agreement.

3.4 BY BUYER AND SELLER. Buyer and Seller will each deposit into the Escrow such other documents and instruments consistent with this Agreement as are reasonably required to effectuate the transactions contemplated under this Agreement.

3.5 CLOSE OF ESCROW. When (a) each party has deposited in Escrow all of the funds and documents required to be deposited in Escrow by it pursuant to this SECTION 3 or any other provision of this Agreement, and (b) each of the parties has approved or waived each of the conditions in its favor set forth in SECTION 7 of this Agreement, and (c) Escrow Holder is otherwise in a position to close Escrow, Escrow Holder shall close Escrow by:

3.5.1 RECORDATION. Recording in the Official Records of the County of San Diego State of California the Assignment of Ground Lease, the Ground Lessor Estoppel and any other documents deposited in Escrow which are in recordable form;

3.5.2 FUNDS. Delivering to Seller the Purchase Price, as adjusted for Seller's share of prorations and Closing costs;

3.5.3 DOCUMENTS TO SELLER. Delivering to Seller the documents described in Section 3.3 above and any other documents (or copies thereof) delivered into Escrow by Buyer; and

3.5.4 DOCUMENTS TO BUYER. Delivering to Buyer the documents described in Section 3.2 above and any other documents (or copies thereof) delivered into Escrow by Seller.

3.6 DELIVERIES OUTSIDE OF ESCROW. On the Closing, Seller shall deliver to Buyer the following:

3.6.1 Revised and updated schedules and exhibits as required pursuant to SECTION 7.1.4 below, prepared as of the Closing Date; and

3.6.2 Possession of the Property, subject to the rights of parties claiming under the Leases and the provisions of the Ground Lease.

#### 4. REPRESENTATIONS AND WARRANTIES.

4.1 SELLER'S REPRESENTATIONS AND WARRANTIES. Seller makes the following representations and warranties to Buyer all of which are true as of the date of this Agreement and will be true and correct in all material respects as of the Closing.

4.1.1 ORGANIZATION. Seller is duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to do business in the State of California. The execution and delivery of this Agreement and the other documents contemplated in this Agreement by Seller, and the performance by Seller of the obligations under this Agreement and the other documents contemplated in this Agreement (i) are within the power of Seller; (ii) have been duly authorized by all requisite partnership action and (iii) will not violate any provision of law, any order of any court or agency of government, the charter documents of Seller or any indenture, agreement or any other instrument to which Seller is a party. This Agreement and each of the other documents described in this Agreement when executed and delivered to Buyer, will constitute legal, valid and binding obligations enforceable against Seller in accordance with the terms of such documents.

4.1.2 PERSONAL PROPERTY OWNER. Seller is the sole owner of all personal property situated on the Real Property (other than the Excluded Personal Property, the personal property subject to the Capital Leases, and the personal property owned by Hotel guests and tenants under the Leases) free of any adverse claim of any kind whatsoever.

4.1.3 NO PRIOR TRANSFERS - PROPERTY. Seller has not transferred, by sale, assignment or otherwise, to any person, partnership, corporation or other entity, all or any portion of any right, title or interest which it may have in and to the Property other than (a) encumbrances which are to be removed at the Closing and (b) the Permitted Exceptions.

#### 4.1.4 AGREEMENTS.

4.1.4.1 Except as set forth on SCHEDULE 4.1.4.1, to Seller's knowledge, there are no contracts for deed, land contracts or any oral or written agreements or other executory agreements whatsoever for the assignment or transfer of any portion(s) of the Property in effect or in existence with respect to the Property, except those set forth on the Pro Forma Title Policy.

4.1.4.2 Except as set forth on SCHEDULE 4.1.4.2, to Seller's knowledge, the Leases are in full force and effect. To Seller's knowledge, there are no defaults, or events which with the passage of time or notice or both, could constitute a default by Seller or by the tenant under any of the Leases.

4.1.4.3 Except as set forth on SCHEDULE 4.1.4.3, Seller has received no written notice from the City that Seller is in default under the Ground Lease, and, to the best of Seller's knowledge, there is no default or event which with the passage of time or notice or both, could constitute a default by the City or Seller under the Ground Lease.

4.1.4.4 Except as set forth on SCHEDULE 4.1.4.4, there are no management, service, maintenance, advance booking, employment or brokerage agreements, with respect to the Real Property which Seller has entered into which would be binding on Buyer following the Closing, except for the Employment Contracts, the Leases, the Service Contracts which Buyer will assume pursuant to SECTION 5.2.6 below, and the Reservation Agreements and Deposits.

4.1.5 NO LITIGATION. Except as set forth on SCHEDULE 4.1.5,, (a) to Seller's knowledge, there is no actual suit, action or legal, administrative, arbitration or other proceeding or governmental investigation involving or affecting the Property, (b) Seller has not been served with written notice of any such proceeding, and (c) to Seller's knowledge, there are no judgments, decrees, or orders affecting the Property.

4.1.6 NOTICE OF VIOLATIONS. Except as set forth on SCHEDULE 4.1.6, Seller has not received any written notice of any outstanding violations, past or present, of any Governmental Regulations.

4.1.7 COMPLIANCE WITH AGREEMENTS. To Seller's knowledge, the execution and delivery of, and performance under, this Agreement has not and will not constitute a breach or default under any other agreement, law or court order under which Seller is a party or may be bound.

4.1.8 FINANCIAL POSITION. To Seller's knowledge, the financial statements and all financial data delivered to Buyer by Seller are true, correct and complete in all material respects as of the date thereof. To Seller's knowledge, no material adverse change has occurred in such financial position subsequent to the date such statements are delivered to Buyer.

4.1.9 INSOLVENCY. There are no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings pending or, to Seller's knowledge, threatened against Seller, nor are any such proceedings contemplated by Seller.

4.1.10 EELGRASS MITIGATION PLAN. Seller has undertaken the implementation of the Eelgrass Mitigation Plan by completing the planting of the eelgrass and instituting the requisite monitoring program. To the best of Seller's knowledge, Seller is in compliance with the terms of the Eelgrass Plan. All work necessary to comply with the Eelgrass Plan as of the Closing shall be fully paid for as of the Closing, or Buyer shall receive a credit at Closing for such unpaid amount.

4.1.11 SHORELINE RESTORATION WORK. To the best of Seller's knowledge, Seller has paid for its share of the Shoreline Restoration Work in accordance with the terms of the Ground Lease. In the event that, pursuant to the terms of the GROUND Lease, Seller is required to pay additional monies for such work, Seller shall pay for the same.

4.1.12 MARINA PERMITS. To the best of Seller's knowledge, the Army Corps Permit is in full force and effect and Seller has satisfied all conditions to the issuance of the Coastal Development Permit other than Special Condition No. 4 set forth therein.

4.2 SELLER'S KNOWLEDGE. The phrase "to Seller's knowledge," as used in this Agreement, refers to the actual current knowledge of Ned S. Holmes and Thomas C. Vincent, without duty of inquiry or investigation.

4.3 SELLER'S CLOSING CERTIFICATE. In the event that Seller's Closing Certificate expressly states that any representation and warranty made by Seller in SECTION 4.1 is not true and correct as of the date of Closing, then such shall not be a default by Seller under this Agreement; provided, however that such shall be treated as a failure of a condition in favor of Buyer, and Buyer shall have, as Buyer's sole and exclusive remedy, the right to terminate this Agreement upon written notice to Seller if such condition is of such a nature that in Buyer's reasonable judgment such failure of a condition would materially and adversely affect the acquisition, financing or use of the Property for Buyer's intended purpose.

Upon such termination, Seller shall immediately return, or cause the Title Company to return, to Buyer any and all documents and funds theretofore deposited or paid by Buyer. Alternatively, notwithstanding such failure of condition, Buyer may elect to waive one or more of the specific representations and warranties which are set forth in Seller's Closing Certificate as not being true and correct as of the Closing, and proceed with the purchase of the Property without reduction in the Purchase Price.

4.4 BUYER'S REPRESENTATIONS AND WARRANTIES. Buyer makes the following representations and warranties to Seller upon which warranties and representations Seller has relied and will continue to rely, all of which are true as of the date of this Agreement and will be true and correct as of the Closing:

4.4.1 ORGANIZATION. Buyer is duly organized, validly existing and in good standing under the laws of the State of California. The execution and delivery of this Agreement and the other documents contemplated in this Agreement by Buyer, and the performance by Buyer of the obligations under this Agreement and the other documents contemplated in this Agreement (i) are within the power of Buyer; (ii) have been duly authorized by all requisite action on the part of Buyer and all of its constituent corporate partners; and (iii) will not violate any provision of law, any order of any court or agency of government, the charter documents of Buyer or its general partners, or any indenture, agreement or any other instrument to which Buyer is a party. This Agreement and each of the other documents described in this Agreement when executed and delivered to Buyer, will constitute legal, valid and binding obligations enforceable against Buyer in accordance with the terms of such documents.

4.4.2 INSOLVENCY. There are no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings pending or threatened against Buyer, nor are any such proceedings contemplated by Buyer.

4.5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The representations and warranties contained in this SECTION 4 shall survive the Closing for a period of twelve (12) months.

4.6 AS IS. BUYER ACKNOWLEDGES AND AGREES THAT (A) BUYER IS EXPERIENCED IN THE ACQUISITION, DEVELOPMENT, OWNERSHIP AND OPERATION OF PROPERTIES SIMILAR TO THE PROPERTY AND BUYER WAS GIVEN THE OPPORTUNITY TO

PERFORM, AND BUYER HAS PERFORMED AND COMPLETED, ALL INSPECTIONS AND INVESTIGATIONS CONCERNING THE PROPERTY TO ITS SATISFACTION AND IS QUALIFIED TO MAKE SUCH INSPECTIONS AND INVESTIGATIONS. BUYER ACKNOWLEDGES THAT IT IS FULLY RELYING ON BUYER'S (OR BUYER'S REPRESENTATIVES') INSPECTIONS OF THE PROPERTY AND NOT UPON ANY STATEMENTS (ORAL OR WRITTEN) WHICH MAY HAVE BEEN

MADE OR MAY BE MADE (OR PURPORTEDLY MADE) BY SELLER OR ANY OF ITS REPRESENTATIVES, INCLUDING, WITHOUT LIMITATION, ANY STATEMENTS OR INFORMATION CONTAINED IN THAT CERTAIN INFORMATION BOOK PREPARED BY HOTEL PARTNERS INCORPORATED RELATING TO THE PROPERTY. BUYER ACKNOWLEDGES THAT BUYER HAS (OR BUYER'S REPRESENTATIVES HAVE), OR PRIOR TO THE CLOSING DATE WILL HAVE, THOROUGHLY INSPECTED AND EXAMINED THE PROPERTY TO THE EXTENT DEEMED NECESSARY BY BUYER IN ORDER TO ENABLE BUYER TO EVALUATE THE CONDITION OF THE PROPERTY AND ALL OTHER ASPECTS OF THE PROPERTY (INCLUDING, BUT NOT LIMITED TO, THE ENVIRONMENTAL CONDITION OF THE PROPERTY), AND BUYER ACKNOWLEDGES THAT BUYER IS RELYING SOLELY UPON ITS OWN (OR ITS REPRESENTATIVES') INSPECTION, EXAMINATION AND EVALUATION OF THE PROPERTY. AS A MATERIAL PART OF THE CONSIDERATION OF THIS CONTRACT AND THE PURCHASE, BUYER HEREBY AGREES TO ACCEPT THE PROPERTY ON THE CLOSING DATE IN ITS "AS-IS, WHERE IS" CONDITION, WITH ALL FAULTS, AND WITHOUT REPRESENTATIONS AND WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, EXCEPT ONLY THE TITLE WARRANTIES EXPRESSLY SET FORTH IN THE DEED DATED ON THE CLOSING DATE. WITHOUT IN ANY WAY LIMITING THE GENERALITY OF THE FOREGOING, IN CONNECTION WITH THE SALE OF THE PROPERTY TO BUYER, THE SALE OF THE PROPERTY IS WITHOUT ANY WARRANTY, AND SELLER AND SELLER'S OFFICERS, AGENTS, DIRECTORS, EMPLOYEES, ATTORNEYS, CONTRACTORS AND AFFILIATES (COLLECTIVELY, "SELLER'S RELATED PARTIES") HAVE MADE NO, AND EXPRESSLY AND SPECIFICALLY DISCLAIM, AND BUYER ACCEPTS THAT SELLER AND SELLER'S RELATED PARTIES HAVE DISCLAIMED, ANY AND ALL REPRESENTATIONS, GUARANTIES OR WARRANTIES, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW OR RELATING TO THE PROPERTY, INCLUDING WITHOUT LIMITATION, OF OR RELATING TO: (I) THE OWNERSHIP, USE, INCOME POTENTIAL, EXPENSES, OPERATION, CHARACTERISTICS OR CONDITION OF THE PROPERTY OR ANY PORTION THEREOF, INCLUDING WITHOUT LIMITATION, WARRANTIES OF SUITABILITY, HABITABILITY, MERCHANTABILITY, DESIGN OR FITNESS FOR ANY SPECIFIC PURPOSE OR A PARTICULAR PURPOSE, OR GOOD AND WORKMANLIKE CONSTRUCTION; (II) THE NATURE, MANNER, OR CONDITION OF THE PROPERTY, ON THE SURFACE OR SUBSURFACE THEREOF, WHETHER OR NOT OBVIOUS, VISIBLE OR APPARENT; (III) THE ENVIRONMENTAL CONDITION OF THE PROPERTY AND THE PRESENCE OR ABSENCE OF OR CONTAMINATION BY HAZARDOUS MATERIALS, OR THE COMPLIANCE OF THE PROPERTY WITH ALL REGULATIONS OR LAWS PERTAINING TO HEALTH OR THE ENVIRONMENT, INCLUDING, BUT NOT LIMITED TO, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT, THE RESOURCE CONSERVATION AND RECOVERY ACT, AND ALL SIMILAR LOCAL AND STATE LAWS, EACH AS MAY BE AMENDED FROM TIME TO TIME, AND INCLUDING ANY AND ALL REGULATIONS, RULES OR POLICIES PROMULGATED THEREUNDER ("ENVIRONMENTAL LAWS"); AND (IV) THE SOIL CONDITIONS, DRAINAGE, FLOODING CHARACTERISTICS UTILITIES OR OTHER CONDITIONS EXISTING IN, ON OR UNDER THE PROPERTY. BUYER HEREBY EXPRESSLY ASSUMES ALL RISKS, LIABILITIES, CLAIMS, DAMAGES AND COSTS, INCLUDING ANY LIABILITY WITH RESPECT TO ENVIRONMENTAL LAWS (AND AGREES THAT SELLER SHALL NOT BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, CONSEQUENTIAL OR OTHER DAMAGES) RESULTING OR ARISING FROM OR RELATED TO THE PROPERTY OR THE ACQUISITION, DEVELOPMENT, OWNERSHIP, USE, CONDITION, LOCATION, MAINTENANCE, REPAIR OR OPERATION THEREOF. IN CONSUMMATING THE PURCHASE OF THE PROPERTY, BUYER IS NOT RELYING ON ANY REPRESENTATIONS OR STATEMENTS (ORAL OR WRITTEN) WHICH MAY HAVE BEEN MADE OR MAY BE MADE BY SELLER OR SELLER'S RELATED PARTIES, AND IS RELYING SOLELY UPON BUYER'S OR ITS REPRESENTATIVES' OWN PHYSICAL INSPECTION OF THE PROPERTY. BUYER ACKNOWLEDGES THAT ANY CONDITION OF THE PROPERTY WHICH BUYER DISCOVERS OR DESIRES TO CORRECT OR IMPROVE PRIOR TO OR AFTER THE CLOSING DATE SHALL BE AT BUYER'S SOLE EXPENSE. BUYER EXPRESSLY WAIVES (TO THE EXTENT ALLOWED BY APPLICABLE LAW) ANY CLAIMS UNDER FEDERAL, STATE OR OTHER LAW (INCLUDING, BUT NOT LIMITED TO COMMON LAW, WHETHER SOUNDING IN CONTRACT OR TORT, AND ANY AND ALL ENVIRONMENTAL LAWS) THAT BUYER MIGHT OTHERWISE HAVE AGAINST SELLER RELATING TO THE ACQUISITION, DEVELOPMENT, USE, CHARACTERISTICS OR CONDITION OF THE PROPERTY. THE PROVISIONS OF THIS PARAGRAPH SHALL SURVIVE THE CLOSING AND AT CLOSING BUYER SHALL DELIVER TO SELLER A CERTIFICATE ("AS IS CERTIFICATE") CONFIRMING THE PROVISIONS HEREOF.

4.7 GENERAL RELEASE. Except as otherwise expressly provided in SECTIONS 4.1, 12.1 and 13, Buyer waives its right to recover from Seller

and its affiliates, partners, shareholders, officers, directors, employees, agents, representatives and attorneys (collectively, "Released Parties") any and all damages, losses, liabilities, costs or expenses whatsoever (including attorneys' fees, court costs and litigation expenses) and claims therefor, whether direct or indirect, known or unknown, foreseen or unforeseen, which may arise on account of or in any way growing out of or connected with the physical or environmental condition of the Property (including the improvements thereon) or any law or regulation relating to Hazardous Materials

BUYER EXPRESSLY WAIVES THE BENEFITS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR."

5. COVENANTS OF SELLER AND BUYER

5.1 SELLER'S COVENANTS. From the date of this Agreement through and including the Closing Date, Seller covenants and agrees that:

5.1.1 FURTHER LIENS AND ENCUMBRANCES. Seller will not voluntarily subject the Property to any additional liens, encumbrances, covenants, conditions, easements, rights of way or similar matters after the date of this Agreement that will not be released at Closing. Seller will not hereafter materially change any of the terms, covenants or conditions of any of such existing documents, or enter into any new material agreements affecting the Property that cannot be terminated at Closing without cost or penalty without the prior written consent of Buyer, which consent shall not be unreasonably withheld.

5.1.2 LEASES; OTHER CONTRACTS. Seller will not hereafter materially amend any of the Leases, the Service Contracts or existing contracts or enter into new leases or contracts affecting the Property except (a) in the ordinary course of business, (b) in connection with the Marina Construction or the Renovation Work pursuant to the Ground Lease, or (c) with the prior written consent of Buyer. Without the prior written consent of Buyer, Seller shall not terminate any of the Leases or existing material contracts relating to the Property.

5.1.2.1 CONTRACTS RELATING TO MARINA CONSTRUCTION AND RENOVATION WORK. Notwithstanding the provisions of SECTION 5.1.2 to the contrary, Seller shall not enter into any material agreements in connection with the Marina Construction or the Renovation Work without Buyer's prior written approval, which approval shall not be unreasonably withheld. Buyer shall grant or deny its written approval within three (3) days after Seller's written request therefor (which request shall be accompanied by either a copy of the proposed agreement (if available) or a description of the material terms thereof). Buyer's failure to respond to Seller in writing within such three (3) day period shall be conclusively deemed to be Buyer's approval of such request. For purposes of this SECTION 5.1.2.1, a "material" agreement shall be any agreement which involves the expenditure of more than \$25,000 pursuant to the terms thereof. Notwithstanding the provisions of this SECTION 5.1.2.1, Buyer's consent shall not be required for those material agreements which are necessitated due to an emergency condition at the Property. In the event that an agreement to which Buyer's approval is required pursuant to the provisions of this Section is necessary in order for Seller to avoid being in default under the Ground Lease, and Seller informs Buyer of such fact concurrently with Seller's request for Buyer's approval of the same, then, if Buyer disapproves such agreement, Seller shall have the right to terminate this Agreement upon written notice to Buyer, in which event this Agreement shall terminate, the Deposit shall be refunded to Buyer, and all

rights and obligations of the parties existing hereunder shall terminate and be of no further force or effect, except any rights and obligations which survive the termination of this Agreement. Subject to Seller's obligation to comply with Governmental Regulations and the Ground Lease, Seller covenants and agrees that it shall take no action which would result in the revocation or termination of the Marina Permits.

5.1.3 PROPERTY MANAGEMENT AND OPERATION. Subject to Seller's right to remove the Excluded Property at Closing pursuant to SECTION 5.2.2, Seller shall maintain the operation of the Property in a manner and maintain inventory levels consistent with its historical practice. Seller shall promptly notify Buyer in writing of any casualty or condemnation of which Seller receives notice following the date of this Agreement.

5.1.4 PREPAYMENTS. Seller shall not accept (a) any prepaid rents, security deposits or other deposits under any of the Leases, or (b) any deposits made with respect to reservations for guest rooms, meeting rooms, restaurants and banquet facilities for dates after the Closing Date, unless the same shall be credited to Buyer on the Closing Date.

5.1.5 COOPERATION WITH REPRESENTATIVES. Subject to the provisions of SECTION 8, Seller shall cooperate with Buyer and its accountants, counsel and/or other representatives in providing information and materials pertaining to the operation and marketing of the Property, including access to the Property; provided, however, that Seller shall not be obligated to provide any information or materials which is subject to the attorney-client privilege or which is proprietary in nature. From and after the execution and delivery of this Agreement, and subject to Section 8, Seller shall allow a representative or representatives of Buyer access to the Property at reasonable times and upon the notice provided for in SECTION 8.1.2, for the purpose of (a) monitoring the operation of the Property and (b) performing such investigations and analyses of the Property as Buyer may reasonably require.

5.1.6 LIQUOR LICENSES AND LIQUOR INVENTORY. At Closing, and subject to approval by Department of Alcoholic Beverage Control, Seller shall cause the holder of the Liquor Licenses to transfer the Liquor Licenses and the Liquor Inventory to Buyer (or Buyer's designee) in accordance with the terms and conditions of the Liquor Escrow Agreement. Seller shall, at no cost or expense to Seller (except as provided in the Liquor Escrow Agreement), cooperate with Buyer or Buyer's designee (and shall cause the holder of the Liquor Licenses to cooperate with Buyer or Buyer's designee) in effectuating a transfer of the Liquor Licenses.

If Buyer, after diligently pursuing the same, does not obtain the Liquor Licenses by the Closing Date, Buyer shall, and Seller shall cause the holder of the Liquor Licenses to cooperate in good faith to enter into a short-term lease agreement (the "Liquor Lease Agreement") pursuant to which such holder will continue to operate the liquor facilities at the Hotel until a temporary liquor license is issued to Buyer. Such agreement shall be upon terms and conditions mutually satisfactory to Buyer and Seller and such holder.

5.1.7 ACCRUED VACATION, SICK LEAVE, ETC. At Closing, Seller will (a) pay all accrued sick leave, vacation pay and pension or retirement benefits as required under applicable law and any Employment Contract including any collective bargaining agreement, and (b) fulfill any and all bargaining obligations of Seller with any labor organizations.

5.1.8 SELLER'S PAYABLES. Seller shall pay, in the ordinary course of business, Seller's Payables.

5.1.9 OBTAINING GROUND LESSOR ESTOPPEL. Seller shall use its reasonable efforts (at no cost or expense to Seller) to obtain the

Ground Lessor Estoppel.

5.1.10 ELECTRICAL WORK. Buyer acknowledges that Seller is currently undertaking certain electrical distribution work (the "Electrical Work"). To the extent that such Electrical Work is not completed by Closing, the Buyer shall receive a credit at Closing representing the cost of the uncompleted Electrical Work (the "Electrical Work Credit"), which credit shall be in full satisfaction of Seller's obligations to Buyer regarding the Electrical Work. It is agreed that the current estimate of the amount needed to complete the Electrical Work as of the date hereof is \$ 108,000.

5.1.11 FINANCIAL AUDIT. For a period of sixty (60) days after closing, upon Buyer's request, Seller shall, at no cost or expense to Seller, make available to Buyer all financial information for the Hotel for the three most recent fiscal years for the purpose of an audit to be performed by KPMG Peat Marwick LLP ("KPMG") in accordance with Rule 3.05 of Regulation S-X of the Securities and Exchange Commission Rules and Regulations. Such financial information will be made available to Buyer and KPMG at reasonable times and in a location mutually agreeable to Buyer and Seller and will include, but not be limited to, the following information pertaining to the Hotel: general ledgers, city ledgers, guest ledgers, financial statements and management letters, policies and procedures manuals, room contracts, labor contracts, loan agreements, compensation agreements and any other agreements, invoices for all expenditures made, sales and marketing plans, fixed assets registers, budgets and variance explanations, personnel files, payroll registers, bank statements, bank account reconciliations, check registers (including the period following the most recent fiscal year) and descriptions of benefit plans, related party transactions, insurance coverage, litigation, vacation accruals and taxes paid. In addition, in conjunction with such audit, Seller will provide to KPMG a letter substantially in the form of EXHIBIT "Q" attached hereto.

5.2 BUYER'S COVENANTS. From the date of this Agreement through and including the Closing Date (and, to the extent such covenants cannot reasonably be performed prior to the Closing, after the Closing Date), Buyer covenants and agrees that :

5.2.1 LIQUOR LICENSE. Buyer shall diligently pursue the issuance at Closing of a temporary liquor license for the Hotel.

5.2.2 REMOVAL OF PROPERTY. Prior to Closing, Seller shall have the right to remove from the Property (including, without limitation, the gift shop) the Excluded Personal Property. As soon as practicable after Closing (but in no event later than thirty (30) days) Seller shall cover or remove all signs, labels and personal property that contain the name "Princess" or any derivative thereof, and/or the Princess mark, and Buyer shall cooperate with Seller (including, without limitation, by providing Seller with reasonable access to the Property) in doing the same. The provisions of this SECTION 5.2.2 shall survive the Closing.

5.2.3 INTENTIONALLY OMITTED

5.2.4 MARINA CONSTRUCTION, RENOVATION AND ELECTRICAL WORK. At Closing, Buyer shall assume all obligations of Seller relating to the Marina Construction, the Renovation Work and the Electrical Work, including, without limitation, any construction, architects and/or consulting contracts entered into by Seller relating thereto and all permit fees and license obligations relating thereto.

5.2.5 ACCESS TO BOOKS AND RECORDS. From and after the Closing, Buyer shall allow Seller reasonable access upon three (3) days prior written notice to the books and records relating to Seller's

operation of the Hotel in order to allow Seller to prepare its final sales, occupancy and employee withholding tax returns. In addition to the foregoing, for a period of ninety (90) days after the Closing, Buyer shall allow Seller's designated representative(s) to occupy without charge a secure room or office at the Hotel (which room or office will contain a desk or table and telephone) for the purpose of winding up the affairs of Seller relating to Seller's operation of the Hotel.

5.2.6 ASSUMPTION OF SERVICE CONTRACTS. Within five (5) days after the date of this Agreement, Buyer shall notify Seller in writing of which Service Contracts, if any, it intends to assume at Closing. Buyer's failure to so notify Seller shall be conclusively deemed to be Buyer's election to assume all Service Contracts. Notwithstanding the foregoing, Buyer shall assume all Service Contracts which (a) cannot be terminated upon thirty days' or less notice or (b) cannot be terminated without penalty. Seller shall cause all Service Contracts which Buyer has elected not to assume in accordance with this Section (other than those Service Contracts described in the immediately preceding sentence) to be terminated as of the Closing; provided, however, that in the event such Service Contracts cannot be terminated at Closing, then the amounts due thereunder shall be prorated as of the Closing.

6. TITLE TO REAL PROPERTY. At Closing, title to the Real Property will be conveyed to Buyer by Seller by the Assignment of Ground Lease, subject only to the matters contained in the Pro Forma Title Policy and the Permitted Exceptions.

7. CONDITIONS PRECEDENT/CONCURRENT TO CLOSING; CLOSING DATE.

7.1 BUYER'S CONDITIONS. Buyer shall not be required to close the transaction provided for under this Agreement, unless and until Buyer deems that each and every one of the following conditions has been fulfilled:

7.1.1 REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER. Seller shall have duly and timely performed each and every covenant to be performed by Seller under this Agreement prior to the Closing Date and the representations and warranties set forth in this Agreement shall be true and correct as of the Closing in all material respects.

7.1.2 SELLER'S DELIVERIES. Seller shall have duly and timely delivered to Buyer all of the items described in SECTION 3.2 of this Agreement.

7.1.3 TITLE INSURANCE. The Title Company will have issued or have unconditionally and irrevocably committed to issue the Title Policy to Buyer, subject only to the Permitted Exceptions.

7.1.4 EXHIBITS AND SCHEDULES. On the Closing Date, Seller shall have updated each of the Exhibits and Schedules attached hereto, so that, the same are true and accurate as of the Closing Date, and there shall have been no material adverse change in the information contained in the Schedules delivered at Closing from those attached to this Agreement which have not been approved (such approval not to be unreasonably withheld) or deemed approved by Buyer.

7.1.5 APPROVAL OF CITY; GROUND LESSOR ESTOPPEL. The City shall have (a) approved in writing the assignment of the Ground Lease to Buyer, (b) executed and delivered to the Escrow Holder the Assignment of Ground Lease and (c) executed and delivered to the Escrow Holder the Ground Lessor Estoppel.

7.1.6 MANAGEMENT, LICENSE AND RESERVATION

AGREEMENTS. Seller shall have terminated (a) any and all management agreements affecting the Property in effect prior to the Closing, (b) that certain Agreement dated January 29, 1988 between Princess Cruises Resorts and Hotels, Inc. ("Princess") and Parkway Investments/California, Inc., and (c) that certain Memorandum Agreement dated January 29, 1988 between Princess and San Diego Princess Management Corporation.

7.2 SELLER'S CONDITIONS. Seller shall not be required to close the transaction provided for under this Agreement, unless and until Seller deems that each and every one of the following conditions has been fulfilled:

7.2.1 REPRESENTATIONS, WARRANTIES AND COVENANTS OF BUYER. Buyer shall have duly and timely performed each and every covenant to be performed by Buyer under this Agreement prior to the Closing Date and the representations and warranties set forth in this Agreement shall be true and correct as of the Closing in all respects.

7.2.2 APPROVAL OF CITY. The City shall have approved in writing the assignment of the Ground Lease to Buyer and the release of Seller from all further obligations and liabilities with respect thereto, and shall have executed and delivered to the Escrow Holder the Assignment of Ground Lease.

7.2.3 BUYER'S DELIVERIES. Buyer shall have duly and timely delivered to Seller all of the items described in SECTION 3.3 of this Agreement.

8. INTENTIONALLY OMITTED

9. PRORATIONS AND ADJUSTMENTS. The following prorations and adjustments shall be made as of the Transfer Time:

9.1 INVENTORY. Buyer is acquiring all of the inventory as of the Transfer Time, and there shall be no adjustment or proration therefor.

9.2 ROOM REVENUES; OTHER REVENUES. Buyer shall be entitled to all Other Revenues from and after the Transfer Time, and Seller shall pay to Buyer on the Closing Date an amount equal to the sum of the following items: (i) one-half (1/2) of the Room Revenues for the night immediately preceding the Closing Date, (ii) the value of any complimentary rooms (based upon the "rack" rate for each room), and any complimentary food or beverages (based upon the advertised rate for each food and beverage) provided by Seller to officers, directors or shareholder of the partners of Seller for periods after the Transfer Time, (iii) all prepaid deposits under the Reservation Agreements and Deposits made to Seller for dates after the Transfer Time, (iv) the value of any gift certificates for which Seller has been paid in cash and which have not been redeemed as of the Closing, and (v) any other amounts received by Seller for the provision of rooms, goods, facilities or services after the Transfer Time.

9.3 UTILITIES. Prior to the Closing Date, Seller shall notify all utility companies servicing the Property of the anticipated change in ownership of the Property and request that all billings after the Transfer Time be made to Buyer at the Hotel address. Utility meters will be read, to the extent that the utility company will do so, during the daylight hours on the Closing Date, with charges to that time paid by Seller and charges thereafter paid by Buyer. Charges for utilities which are unmetered, or charges for the meters which have not been read on the Closing Date, will be prorated between Buyer and Seller as of the Transfer Time based upon utility billings for the prior month with an adjustment between the parties being made after Closing, and payment for such shall be made within seven (7) days from the date of any request for the same. All

utility deposits made by Seller shall be assigned to Buyer, and Seller shall receive a credit at Closing for such amounts.

9.4 LEASES. Buyer shall have the right to collect any delinquent rentals payable by tenants under the Leases. Delinquent rentals shall be applied first to current rents due, and Buyer shall pay to Seller any remaining amounts as and when received. Seller shall pay to Buyer on the Closing Date the amount of any prepaid rents made to Seller with respect to periods after the Closing Date, security deposits or other deposits under any of the Leases.

9.5 GROUND LEASE RENTAL PAYMENTS. Rent and all other payments due under the Ground Lease shall, to the extent possible, be prorated as of the Closing Date. Seller shall receive a credit at Closing equal to the amount of the security deposit, if any, paid by Seller under the Ground Lease.

9.6 CAPITAL LEASES. Amounts due under all Capital Leases shall be prorated as of the Closing Date.

9.7 RESERVATIONS. Buyer will honor, for its account, all Reservation Agreements and Deposits for dates after the Closing Date that are (a) made by Seller in accordance with the provisions of this Agreement or (b) approved by Buyer. Buyer authorizes Seller to continue to accept reservations for guest rooms, meeting rooms, restaurant and banquet facilities for periods after the Closing Date provided the terms and conditions of which are at current fair market value and are in the ordinary course of Seller's business, and Buyer agrees to honor all such reservations in accordance with their terms. Buyer further acknowledges that it is Seller's practice to offer guest rooms at the Property to employees of Seller at reduced room rates, and, provided the same are booked in a manner that is consistent with Seller's practice, Buyer agrees to honor all room reservations and rates which are booked and used by such employees prior to May 31, 1998.

9.8 ACCOUNTS PAYABLE AND EXPENSES. All accounts payable and expenses related to operations of the Property which have accrued before the Transfer Time shall be paid by Seller. All accounts payable and expenses arising after the Transfer Time or which are incurred by or at the direction of Buyer outside of this Agreement shall be paid by Buyer. In addition, Seller shall be responsible for paying the Seller's Payables.

9.9 TAXES. Seller shall pay general real estate and ad valorem personal property taxes and assessments for all periods prior to the Transfer Time and all special taxes or assessments becoming a lien against the Property and relating to the period prior to the Transfer Time, and any such taxes for the period in which the Closing Dates falls shall be prorated as of the Closing Date.

9.10 SERVICE CONTRACTS. All amounts due under Service Contract which are not terminated as of the Closing shall be prorated as of the Closing Date.

9.11 PRELIMINARY STATEMENT OF PRORATIONS AND ADJUSTMENTS. Seller and Buyer shall cooperate with each other in examining the books and records of the Hotel as necessary to make the adjustments and prorations required under this SECTION 9, or under any other provision of this Agreement. Based upon such examination, Buyer and Seller will jointly prepare, no later than two (2) business days prior to the Closing, a preliminary closing statement (the "Preliminary Statement"). The Preliminary Statement shall contain the parties' best estimate of the amounts of the items to be prorated and adjusted pursuant to this Agreement, the allocation thereof between the parties and the basis for such allocation. The amounts set forth on the Preliminary Statement shall

be adjusted as of the Transfer Time.

9.12 FINAL ADJUSTMENTS. If any supplemental billing is issued or new information learned with respect to any of the foregoing prorations or credits, the same shall be adjusted and prorated between Seller and Buyer as soon as reasonably possible after the Closing. In any event, to the fullest extent possible Seller and Buyer shall jointly prepare a final schedule of adjustments (the "Final Statement") within sixty (60) days after Closing and either party owing the other a sum of money shall pay such sum within ten (10) days after such Final Statement is prepared. Notwithstanding the foregoing, any real property, personal property or other taxes assessed against any portion of the Property shall be subject to a final adjustment between the parties on or before one hundred and eighty (180) days after the Closing, and either party owing the other a sum of money shall pay such sum within ten (10) days after such final adjustment. If any dispute arises between Buyer and Seller in connection with such Final Statement or final adjustment for taxes, the parties shall diligently and in good faith attempt to resolve any such dispute. If such dispute is not resolved within forty-five (45) days after the date such dispute arose, then the parties shall submit such dispute to an independent accountant reasonably acceptable to the parties, and the determination of

such independent accountant shall be conclusive. The fees and expenses of such independent accountant shall be paid equally by Buyer and Seller. The provisions of this SECTION 9.11 shall survive the Closing.

9.13 METHOD OF PRORATION. All prorations will be made as of the Closing Date based on a 365-day year.

9.14 ACCRUED VACATION AND SICK PAY. Seller shall pay any accrued vacation and sick pay owing to employees of the Hotel as of the Closing Date.

9.15 ACCOUNTS RECEIVABLE. Buyer shall not acquire the Accounts Receivable from Seller, and there shall be no adjustments or prorations therefor; provided, however, that Buyer shall use reasonable efforts (excluding litigation) to collect on behalf of Seller all Accounts Receivable outstanding as of the Closing, and shall remit all amounts collected therefor to Seller upon Buyer's receipt of same. Sellers shall have the right, upon reasonable advance notice, to examine Buyer's books and records after the Closing to verify the status if the collection of such accounts. The provisions of this SECTION 9.12 shall survive the Closing.

10. COSTS AND EXPENSES. The closing costs shall be allocated as follows:

10.1 SELLER. Seller shall pay all premiums for the standard coverage (e.g. CLTA Coverage) of the Title Policy (not to exceed \$0.43 per thousand dollars of insurance), Seller's share of prorations, all state and county transfer taxes, all general excise and occupancy taxes, any other tax or assessment imposed as a result of the transactions contemplated under this Agreement (other than sales taxes on the transfer of the Personal Property, which shall be the responsibility of Buyer), and any document recording charges and notary fees, including, without limitation, any recording fees and notary charges with respect to the Assignment of Ground Lease.

10.2 BUYER. Buyer shall pay all premiums for the Title Policy except for the CLTA portion of the Title Policy, the cost of the Survey, and Buyer's share of prorations as provided in this Agreement. In addition, Buyer shall pay, at Closing, all sales taxes due as a result of the transfer of the Personal Property to Buyer. Further, Buyer shall pay to Seller (i.e. Seller shall receive a credit at Closing) in an amount

equal to \$16,500, which amount represents the cost of an appraisal of the Property performed by Lipman, Stevens, Marshall & Thene Incorporated in connection with the City's approval of the Ground Lessor Estoppel.

10.3 LIQUOR LICENSE. Buyer shall pay all costs associated with the transfer of the Liquor Licenses to Buyer, including, without limitation, any escrow fees and charges

10.4 ASSIGNMENT FEE. Seller shall pay the Assignment Fee.

10.5 OTHER CLOSING COSTS. Except as provided in SECTIONS 8.1.2, 12, 14 AND 16.20, Buyer and Seller will each pay their own legal and professional fees and fees of other consultants incurred by Buyer and Seller, respectively. All other closing costs and expenses will be allocated between Buyer and Seller in accordance with the customary practice in the county in which the Property is located.

## 11. CLOSING AND POSSESSION.

11.1 DELIVERY OF POSSESSION. Simultaneously with the delivery of the fully executed Transfer Documents, Seller shall deliver possession and enjoyment of the Property to Buyer and Buyer shall thereupon have the immediate right to possess, develop, use, sell, encumber and/or transfer the Property, or any part thereof for its own account to the total exclusion of Seller, and subject to the provisions of the Ground Lease, the Leases and the Permitted Exceptions.

## 12. GENERAL INDEMNIFICATION.

12.1 BY SELLER. Subject to SECTION 4.6 and the procedures set forth in SECTION 12.1.1 below, Seller will defend, indemnify and hold the Buyer and each of its respective officers, directors, agents, shareholders, representatives, employees, attorneys, affiliates, beneficiaries, subsidiaries, successors and assigns (collectively, the "Buyer Indemnitees") harmless from and against any and all claims, demands, liabilities, liens, costs, expenses, penalties, damages and losses (including, but not limited to, reasonable attorneys' fees and costs) which accrue in or relate to the period prior to the Closing Date and which (a) are based in tort, or (b) relate to the employment of a Hotel employee, or (c) relate to the obligations of Seller as tenant under the Ground Lease.

### 12.1.1 GENERAL PROVISIONS RELATING TO SELLER'S INDEMNITY.

The following provisions shall be applicable to the indemnification obligations of Seller set forth in SECTION 12.1.

12.1.1.1 NOTICE OF CLAIMS. Buyer shall deliver notice (the "Indemnification Notice") to Seller of the assertion of any claim, or the commencement of any suit, action or proceeding by any party for which indemnification is sought hereunder as soon as reasonably possible after Buyer receives notice thereof, but in no event later than ten (10) days in the event Buyer is served with notice of any suit, action or proceeding, and in no event later than thirty (30) days for all other matters. In the Indemnification Notice, Buyer shall (a) specify with reasonable particularity the basis for seeking indemnity and (b) provide Seller with such information with respect to the claim, suit, action or proceeding as may be known to Buyer at the time (and shall continue to provide Seller with any additional information as and when the same becomes known to Buyer). Buyer's failure to timely deliver the Indemnification Notice (and to provide such additional information as provided herein) pursuant to this Section shall relieve Seller of its indemnification obligation with respect to such claims, suit, action or proceeding.

12.1.1.2 ASSUMPTION OF DEFENSE. Seller shall

have the right, in its sole and absolute discretion, to elect, upon written given to Buyer within fifteen (15) days after Seller's receipt of the Indemnification Notice, to investigate and/or defend such claim, suit, action or proceeding with counsel selected by Seller; provided that Seller shall thereafter consult with Buyer upon Buyer's reasonable request for such consultation from time to time with respect to such claim, suit, action or proceeding. If Seller assumes the defense, Buyer shall have the right (but not the duty) to participate in the defense thereof and to employ (at Buyer's sole cost and expense) counsel separate from the counsel employed by Seller, but Seller shall nonetheless have control over the defense. If Seller elects not to undertake the investigation and/or defense of such claim, suit, action or proceeding, Buyer shall defend such claim, suit, action or proceeding with counsel selected by Buyer and reasonably approved by Seller. Buyer shall thereafter consult with Seller and keep Seller informed with respect to such claim, suit, action or proceeding. If Seller elects to cause Buyer to assume the defense, the Seller shall have the right (but not the duty) to participate in the defense thereof and to employ (at Seller's sole cost and expense) counsel separate from the counsel employed by Buyer. Whether or not Seller elects to defend any such claim, suit, action or proceeding, Buyer and Seller shall cooperate in the defense thereof.

12.1.1.3 BUYER'S ACTIONS. Subject to Seller's right to control the investigation and defense of any claim, suit, action or proceeding pursuant to SECTION 12.1.1.2, Buyer shall take all commercially reasonable actions necessary or advisable to mitigate the amount of damages suffered by Buyer or any third party claiming against Buyer in connection with such claim, suit, action or proceeding. Any failure by Buyer to take such action, or any action which Buyer undertakes pursuant to this Section but which Buyer performs in a negligent manner, shall relieve Seller of its indemnification obligation with respect to such claims, suit, action or proceeding.

12.1.1.4 SETTLEMENT OR COMPROMISE. Seller may settle or compromise any claim, suit, action or proceeding without the approval of Buyer, provided that the settlement or compromise includes a release of Buyer from the claims asserted, and if Buyer fails to cooperate in the consummation of such settlement or compromise, Seller shall be relieved of its indemnification obligation with respect to the claims, suit, action or proceeding proposed to be so settled or compromised. If Buyer settles or compromises any claim, suit, action or proceeding for which indemnification has been sought without the prior approval of Seller, which approval may be granted or withheld in Seller's sole and absolute discretion, then unless Seller has elected to provide the defense and has failed to do so, Seller shall be relieved of its indemnification obligations with respect to such claim, suit, action or proceeding.

12.2 BY BUYER. Buyer will defend, indemnify and hold Seller and its officers, directors, agents, shareholders, representatives, employees, attorneys, affiliates, beneficiaries, subsidiaries, successors and assigns (collectively, the "Seller Indemnitees") harmless from and against any and all claims, demands, liabilities, liens, costs, expenses, penalties, damages and losses (including, but not limited to, attorneys' fees and costs) of every kind and nature incurred or accrued from and after the Closing Date with respect to the Property, whether arising from acts or omissions of Buyer, its agents or employees or otherwise;

The indemnifications contained in this Section 12 shall survive the Closing for a period of twelve (12) months.

### 13. REMEDIES:

13.1 BUYER'S REMEDIES GENERALLY. IN THE EVENT THAT SELLER SHALL FAIL TO CONSUMMATE THIS AGREEMENT FOR ANY REASON OTHER THAN BUYER'S

DEFAULT OR A TERMINATION OF THIS AGREEMENT BY BUYER OR SELLER PURSUANT TO A RIGHT TO DO SO UNDER THE PROVISIONS HEREOF, BUYER SHALL HAVE THE FOLLOWING REMEDIES, WHICH SHALL BE BUYER'S SOLE AND EXCLUSIVE REMEDIES BASED UPON A DEFAULT BY SELLER. SUCH REMEDIES SHALL NOT BE CUMULATIVE, MEANING BUYER MAY EXERCISE ONE (1) BUT NOT BOTH OF SUCH REMEDIES. BUYER SHALL DELIVER TO SELLER AND ESCROW HOLDER NOTICE OF ITS ELECTION OF REMEDIES WITHIN FIVE (5) BUSINESS DAYS AFTER BUYER HAS NOTICE OF SELLER'S DEFAULT. THE SOLE REMEDIES AVAILABLE TO BUYER ARE AS FOLLOWS:

13.1.1 BUYER MAY TERMINATE THIS AGREEMENT, IN WHICH CASE SELLER SHALL IMMEDIATELY RETURN THE DEPOSIT, TOGETHER WITH ANY INTEREST EARNED THEREON, TO BUYER, UPON EXECUTION OF CANCELLATION INSTRUCTIONS BY BUYER, AND SELLER SHALL PAY ANY ESCROW CANCELLATION CHARGES OR

13.1.2 BUYER MAY BRING AN ACTION FOR SPECIFIC PERFORMANCE AGAINST SELLER TO COMPEL THE DELIVERY OF THE TRANSFER DOCUMENTS TO BUYER (IN WHICH CASE BUYER SHALL BE DEEMED TO HAVE ACCEPTED THE TRANSFER SUBJECT TO ALL MATTERS OF RECORD AFFECTING THE LAND), BUT ONLY UNDER THE FOLLOWING CONDITIONS AND CIRCUMSTANCES:

13.1.2.1 BUYER SHALL HAVE FULLY PERFORMED ALL OBLIGATIONS OF BUYER UNDER THIS AGREEMENT, EXCEPT THAT WITH RESPECT TO DEPOSITING THE BALANCE OF THE PURCHASE PRICE, BUYER SHALL HAVE EVIDENCED TO SELLER'S REASONABLE SATISFACTION THAT BUYER IS READY, WILLING AND ABLE TO TIMELY DEPOSIT SAID FUNDS IN ESCROW AT THE TIME REQUIRED BY THIS AGREEMENT.

13.1.2.2 THE ACTION SHALL BE COMMENCED, AND SERVICE OF PROCESS UPON SELLER MADE, NOT LATER THAN THIRTY (30) DAYS AFTER BUYER HAS NOTICE OF SELLER'S DEFAULT; AND

13.1.2.3 ALL OF THE ISSUES IN SUCH ACTION, WHETHER OF FACT OR LAW, SHALL BE HEARD BY A REFERENCE PROCEEDING PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE, SECTION 638, ET. SEQ. WITHIN TEN (10) DAYS FOLLOWING THE COMMENCEMENT OF ANY SUCH ACTION, THE PARTIES SHALL MAKE APPLICATION TO THE COURT IN WHICH THE ACTION IS PENDING FOR THE APPOINTMENT OF A RETIRED SUPERIOR COURT JUDGE OR COURT OF APPEAL JUSTICE FROM THE THEN CURRENT LIST OF RETIRED JUDGES AVAILABLE TO SERVE AS REFEREES IN THE COUNTY IN WHICH SUCH ACTION IS COMMENCED TO SERVE AS THE REFEREE. THE REFEREE CHOSEN SHALL BE DEEMED QUALIFIED ONLY IF HE IS WILLING TO AGREE TO HEAR THE SUBJECT ACTION WITHIN TWENTY (20) DAYS FOLLOWING THE DATE OF APPLICATION TO THE COURT, TO HEAR THE SUBJECT ACTION ON CONSECUTIVE DAYS AND TO RENDER A DECISION WITHIN A FURTHER FIFTEEN (15) DAY PERIOD. THE PARTIES SHALL ADVANCE, IN EQUAL SHARES, THE FEES AND EXPENSES OF THE REFEREE SELECTED PURSUANT TO TIES PROVISION, BUT THE LOSING PARTY IN ANY SUCH ACTION SHALL REIMBURSE THE PREVAILING PARTY FOR ANY AND ALL FEES AND EXPENSES PREVIOUSLY ADVANCED BY SUCH PREVAILING PARTY FOR THE REFEREE.

ALTERNATIVELY, BUYER MAY ELECT TO WAIVE SUCH BREACH, IN WHICH EVENT THE PARTIES SHALL PROCEED TO CLOSING AS PROVIDED IN THIS AGREEMENT, WITHOUT ANY ADJUSTMENT IN THE PURCHASE PRICE FOR SUCH BREACH.

13.2 BUYER'S REMEDIES FOR BREACH OF REPRESENTATIONS AND WARRANTIES. Notwithstanding anything contained in SECTION 13.1 to the contrary, if Buyer discovers after the Closing that one or more of the representations and warranties of Seller contained in this Agreement was not true and correct in all material respects as of the Closing, and such inaccuracy was not known to or reasonably discoverable by Buyer prior to Closing, Buyer may bring an action against Seller for damages proximately caused by such inaccuracy; provided, however, that such action shall be initiated, if at all, within one (1) year after the Closing Date. Notwithstanding anything contained in this SECTION 13.2 to the contrary, in no event shall Seller's liability under this Section exceed Three Million Five Hundred Thousand Dollars (\$3,500,000).

13.3 SELLER'S REMEDIES. IF BUYER SHOULD FAIL TO CONSUMMATE THIS AGREEMENT AS A RESULT OF BUYER'S DEFAULT UNDER THE TERMS OF THIS AGREEMENT, THEN SELLER, AS ITS SOLE AND EXCLUSIVE REMEDY, MAY TERMINATE THIS AGREEMENT BY NOTIFYING BUYER THEREOF AND RECEIVE OR RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES. THE PARTIES AGREE THAT SELLER WILL SUFFER DAMAGES IN THE EVENT OF BUYER'S DEFAULT ON ITS OBLIGATIONS. ALTHOUGH THE AMOUNT OF SUCH DAMAGES IS DIFFICULT OR IMPOSSIBLE TO DETERMINE, THE PARTIES AGREE THAT THE AMOUNT OF THE DEPOSIT IS A REASONABLE ESTIMATE OF SELLER'S LOSS IN THE EVENT OF BUYER'S DEFAULT. THUS, SELLER SHALL ACCEPT AND RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES BUT NOT AS A PENALTY. SUCH LIQUIDATED DAMAGES SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY.

SELLER AND BUYER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THE FOREGOING PROVISION AND BY THEIR SIGNATURES IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS.

"BUYER"

"SELLER"

LHO MISSION BAY HOTEL, L.P., a California limited partnership

VVH RESORTS, LTD., a Delaware limited partnership

By: LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership  
Its: General Partner

By: SAN DIEGO PRINCESS MANAGEMENT OPERATION  
Its: Sole General Partner

By: LASALLE HOTEL PROPERTIES, a Maryland trust  
Its: General Partner

By: /s/ Ned S. Holmes  
Name: Ned S. Holmes  
Its: President

By: /s/ Michael Barnello  
Name: Michael Barnello  
Its: Chief Operating Officer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

14. HOTEL EMPLOYEES: On or before the Closing Date, Seller shall terminate the services of the Hotel employees. Buyer shall rehire a sufficient number of such employees upon such terms and conditions (including, without limitation, pension benefits and COBRA plans) in order that the actions of the parties pursuant to this Agreement will not trigger the application of the WARN Act. Buyer further agrees that it shall not terminate any such employees without cause for at least ninety (90) days following the Closing. Buyer shall indemnify, defend and hold Seller and the Seller Indemnitees harmless from and against any and all liability incurred by Seller under the WARN Act. as a consequence of Buyer's breach of its obligations under this Section 14. The provisions of this SECTION 14 shall survive the closing.

15. NOTICE. All notices, requests, demands or documents which are required or permitted to be given or served hereunder shall be in writing and (a) delivered personally, (b) delivered by a national overnight courier (e.g., FedEx), or (c) transmitted by facsimile, addressed as follows:

To Seller at:

Parkway Investment  
55 Waugh Drive, Suite 1111  
Houston, Texas 77007  
Attn: John C. Kinsella, Esq.

Facsimile: (713) 864-8887

with a copy to:

Jeffer, Mangels, Butler & Marmaro LLP  
2121 Avenue of the Stars, 10th Floor  
Los Angeles, California 90067  
Attn: James R. Butler, Jr.  
Facsimile: (310) 203-0567

with a copy to:

Hotel Partners, Inc.  
1401 Dove Street, Suite 350  
Newport Beach, California 92660  
Attn: Mr. Russell D. Urban  
Facsimile: (714) 553-0606  
To Buyer at:

LHO MISSION BAY HOTEL, L.P.  
c/o LaSalle Hotel Operating Partnership, L.P.  
LaSalle Partners Limited  
220 East 42nd Street  
New York, New York 10017  
Attn: Mr. Michael Barnello  
Facsimile: (212) 687-8170

with a copy to:

Brown & Wood LLP  
One World Trade Center  
New York, New York 10048-0557  
Attn: Hedwig O'Hara, Esq.  
Facsimile: (212) 839-5599

Notice shall be deemed to have been delivered only upon actual delivery to the intended addressee in the case of either personal, courier, or facsimile delivery. The addresses for purposes of this paragraph may be changed by giving written notice of such change in the manner provided herein for giving notices. Unless and until such written notice is delivered, the latest information stated by written notice, or provided herein if no written notice of change has been delivered, shall be deemed to continue in effect for all purposes hereunder.

16. MISCELLANEOUS:

16.1 SURVIVAL. The recitals set forth at the beginning of this Agreement are deemed incorporated herein, and the parties to this Agreement warrant and represent that they do not omit to state any material fact necessary to make the statements or Exhibits, as the case may be, materially misleading. The representations, warranties, covenants, acknowledgments, agreements and indemnities contained in this Agreement and the Exhibits, or in any of the documents or agreements executed and/or delivered and/or exchanged pursuant to the terms of this Agreement, shall survive the Closing Date for the periods provided in this Agreement (or, if no period is provided, indefinitely) and shall not be deemed to have merged or terminated upon the Closing Date.

16.2 PARTIES IN INTEREST. As and when used herein, the terms, "Seller" and, subject to SECTION 16.14 below, "Buyer", mean and include, and this Agreement their respective successor and assigns and shall be binding upon and inure to the benefit of, the above-named Seller and Buyer

and their respective successors and permitted assigns.

16.3 SECTION HEADINGS. The headings of sections are inserted only for convenience and shall in no way define, describe or limit the scope or intent of any provision of this Agreement.

16.4 NO ORAL MODIFICATIONS. This Agreement may not be amended or modified except in writing executed by all parties hereto.

16.5 FULL INTEGRATION. Buyer and Seller each acknowledge that, other than that certain letter understanding dated as of May 15, 1998 between Buyer and Seller, there are no other agreements or representations, either oral or written, express or implied, that are not embodied in this Agreement, and this Agreement, the Exhibits attached to this Agreement, and the Transfer Documents, represent a complete integration of all the prior and contemporaneous agreements and understandings and documents.

16.6 BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, and no other party shall be a beneficiary hereunder.

16.7 BUYER'S ADVICE OF COUNSEL. Buyer acknowledges that (a) Seller has not made any representation as to the Federal or State tax implications relating to the transactions contemplated herein, (b) Buyer has thoroughly read and reviewed the terms and provisions of this Agreement and the Exhibits attached hereto and is familiar with the terms of this Agreement, (c) the terms and provisions contained in this Agreement are clearly understood by Buyer and have been fully and unconditionally consented to by it, (d) Buyer has had full benefit and advice of counsel of its own selection, in regard to understanding the terms, meaning and effect of this Agreement, (e) the execution of this Agreement and of the Transfer Documents is done freely, voluntarily, with full knowledge, and without duress, (f) in executing this Agreement, Buyer is relying on no other representations, either written or oral, express or implied, made to it by any other party to this Agreement, and the consideration received by it under this Agreement has been actual and adequate.

16.8 ATTORNEYS' FEES. If an action is commenced by a party hereto resulting from a dispute with respect to the transactions contemplated herein, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the other party in such action. As used herein, the term "attorneys' fees" means attorneys' fees whether or not litigation ensues and if litigation ensues whether incurred at trial, on appeal, on discretionary review or otherwise.

16.9 GOVERNING LAW. This Agreement will be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California with venue in the city and County of San Diego, California. Each of the parties hereto acknowledge and agree that the laws of the State of California and the selection of venue in the city and County of San Diego were freely chosen by Buyer and Seller.

16.10 CONFIDENTIALITY. Unless otherwise agreed to in writing by Seller and Buyer:

16.10.1 Each party will use reasonable efforts to keep confidential the specific economic terms of this Agreement.

16.10.2 Prior to the Closing, and except as required by applicable securities laws, Buyer will not: disclose to any person other than persons who agree to be bound by this confidentiality covenant, and are acting as its advisors, lenders or proposed assignees, any information concerning financial data pertaining to the Hotel which may be delivered by Seller or its agents to Buyer, including but not limited to,

the Hotel's average daily rate, average occupancy rate, management and all fees and expenses, provided this restriction shall not apply after the Closing Date and does not apply to information which is or becomes generally available to the public other than as a result of a disclosure by the Buyer (or persons to whom it makes disclosure of such information), or becomes available to the Buyer on a nonconfidential basis from a source other than the Seller, and the source is not under an obligation of confidentiality with respect to that information.

16.10.3 Neither Buyer nor Seller shall issue any public announcement or press release without first giving the other party a reasonable opportunity to comment on the timing and terms of the announcement or release.

16.11 SEVERABILITY. The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the enforceability of any other provision of this Agreement, all of which shall remain in full force and effect.

16.12 TIME OF THE ESSENCE. Time is of the essence of this Agreement and of the obligations required hereunder.

16.13 NON-WAIVER. No delay or failure by any party to exercise any right hereunder, and no partial or single exercise of any such right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

16.14 ASSIGNMENT. Buyer may not assign this Agreement without the prior written consent of Seller, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Buyer shall have the one-time right to assign this Agreement to an entity which controls, or is controlled by, or under common control with, Buyer provided that (a) such assignment shall occur concurrently with the Closing, (b) such assignee assumes each and all of the obligations of Buyer under this Agreement, and (c) such assignee will have, at the time of Closing a net worth of at least \$10,000,000. Provided that the conditions of clauses (a) through (b) above are satisfied, any assignment pursuant to this SECTION 16.14 shall relieve Buyer of its obligations under this Agreement as of the date of such Assignment. The provisions of this Section shall survive the Closing.

16.15 FACSIMILE. The parties hereto and their respective successors and assigns are hereby authorized to rely upon the signatures of each person and entity on this Agreement which are delivered by facsimile as constituting a duly authorized, irrevocable, actual, current delivery of this Agreement with original ink signatures of each person and entity.

16.16 FURTHER ASSURANCES. Buyer and Seller agree to execute all documents and instruments reasonably required in order to consummate the purchase and sale contemplated in this Agreement.

16.17 COUNTERPARTS. This Agreement may be executed in any number of counterparts and each such counterpart shall be deemed to be an original, but all of which, when taken together, shall constitute one Agreement.

16.18 1031 EXCHANGE. Buyer hereby agrees that, if requested by Seller, and provided that Seller delivers written notice to Buyer at least five (5) days prior to the Closing Date of its intention to participate in a tax deferred exchange of the Property (the "1031 Exchange"), Buyer shall cooperate with Seller in effectuating the 1031 Exchange; provided, however, that notwithstanding such an assignment, Seller's liability to Buyer for a breach of any of Seller's representations, warranties and covenants, and Seller's indemnity obligations to Buyer Indemnities shall remain unmodified and in full force

and effect as if Seller had not assigned its interest to a third party accommodator.

16.19 ESCROW HOLDER. In performing its duties hereunder, Escrow Holder shall not incur any liability to anyone for any damages, losses or expenses, except for its negligence or intentional misconduct, and it shall accordingly not incur any such liability with respect (a) to any action taken or omitted in good faith upon advice of its counsel or (b) to any action taken or omitted in reliance upon any instrument, including any written notice or instruction provided for in this Agreement, not only as to its due execution and the validity and effectiveness of its provision, but also as to the truth and accuracy of any information contained therein, that Escrow Holder shall in good faith believe to be genuine, to have been signed or presented by a proper person,, and to conform to the provisions of this Agreement. Seller and Buyer hereby agree to indemnify and hold harmless Escrow Holder against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation and legal fees and disbursements, that may be imposed upon Escrow Holder or incurred by Escrow Holder in connection with its acceptance or performance of its duties hereunder, including any litigation arising out of this Agreement or involving the subject matter hereof, unless resulting from Escrow Holder's negligence or intentional misconduct.

If any dispute shall arise between Seller and Buyer sufficient in the discretion of Escrow Holder to justify its doing so, upon five (5) days prior written notice to Buyer and Seller, Escrow Holder shall be entitled

to tender into the registry or custody of the clerk of any state court of general jurisdiction located in the county in which the Land is located or the clerk for the United States District Court, having jurisdiction over the county in which the Land is located, any or all money, property or documents in its hands relating to this Agreement, together with such pleadings as it shall deem appropriate, and thereupon be discharged from all further duties and liabilities under this Agreement. Seller and Buyer shall bear all costs and expenses of any such legal proceedings equally.

16.20 BROKERS. Other than Hotel Partners Incorporated (for whose commission Seller agrees to be responsible pursuant to the terms and conditions of the Exclusive Sales Listing Agreement dated May 22, 1997 between Seller and Hotel Partners Incorporated), Buyer and Seller each represents and warrants to the other that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, and Buyer and Seller shall indemnify, defend, protect and hold the other harmless from and against any claims, losses, liabilities, demands, costs, expenses or causes of action by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Seller or Buyer, respectively, with regard to this transaction. The provisions of this Section shall survive the Closing or termination of this Agreement.

Buyer and Seller have executed this Agreement as of the date written above.

"BUYER"

"SELLER"

LHO MISSION BAY HOTEL, L.P., a  
California limited partnership

VVH RESORTS, LTD., a Delaware  
limited partnership

By: LASALLE HOTEL OPERATING  
PARTNERSHIP, L.P., a Delaware

By: SAN DIEGO PRINCESS  
MANAGEMENT CORPORATION



Exhibit "E"	Assignment of Service Contracts
Exhibit "F"	Bill of Sale
Exhibit "G"	Capital Leases
Exhibit "H"	Employment Contracts
Exhibit "I"	Excluded Personal Property
Exhibit "J"	Ground Lessor Estoppel
Exhibit "K"	Land
Exhibit "L"	Leases
Exhibit "M"	Liquor Escrow Agreement
Exhibit "N"	Pro Forma Title Policy
Exhibit "O"	Service Contracts
Exhibit "P"	Transferor's Certificate
Exhibit "Q"	Audit Representation Letter

#### LIST OF SCHEDULES

Schedule 4.1.4.1	Contracts for the Transfer of the Property
Schedule 4.1.4.2	Defaults Under Leases
Schedule 4.1.4.3	Agreement Binding on Buyer After Closing
Schedule 4.1.4.4	Defaults Under the Ground Lease
Schedule 4.1.5,	Litigation
Schedule 4.1.6	Notice of Violations

Name of Subscriber: Westgroup San Diego Associates, Ltd.

Number of Shares Purchased 112,458

LASALLE HOTEL PROPERTIES

(a Maryland Real Estate Investment Trust)

SUBSCRIPTION AGREEMENT

LaSalle Hotel Properties  
220 East 42nd Street  
New York, New York 10017

1. SUBSCRIPTION AND ACCEPTANCE.

1.1. SUBSCRIPTION. Subject to the terms and conditions hereof, and in reliance upon the representations and warranties of the respective parties contained herein, the undersigned irrevocably subscribes for and agrees to purchase Common Shares of Beneficial Interest (the "Shares") of LaSalle Hotel Properties, a real estate investment trust formed under the laws of the State of Maryland (the "Trust"), and to make payment therefor as provided herein. The Trust has been organized pursuant to an Agreement of Trust and will be continued pursuant to Articles of Amendment and Restatement of Declaration of Trust dated as of April 27, 1998, as supplemented and amended from time to time (the "Declaration of Trust"). An amount of Shares with an aggregate value of Two Million Dollars (\$2,000,000) which value per Share shall be determined based upon a purchase price equal to the average of the daily closing prices of the Shares on the New York Stock Exchange, as reported in the New York Stock Exchange composite tape, for the twenty (20) trading days immediately preceding the day which is five (5) business days prior to the Closing Date (hereinafter defined). Unless the context otherwise requires, capitalized terms used herein without definition have the meanings set forth in the Declaration of Trust and the Prospectus.

1.2. PURCHASE. The undersigned subscriber (a "Subscriber") hereby agrees to make payment for its Shares on the Closing Date.

2. CLOSING AND CONDITIONS TO CLOSING.

2.1. CLOSING. The closing of the sale of the Shares (the "Closing") shall take place at such time and place as are determined by the Trust and as shall be notified to the undersigned subscriber (the "Closing Date").

2.2. CONDITIONS TO CLOSING. The obligation of the undersigned subscriber at Closing is subject to the condition (or waiver by the undersigned subscriber), prior to or at the Closing Date that the representations and warranties of the Trust contained in this Agreement shall be true and correct in all material respects when made and on such Closing Date.

2.3. CONDITIONS TO OBLIGATIONS OF THE TRUST. The obligations of the Trust to issue and sell to the undersigned subscriber the Shares to be purchased by it on the Closing Date shall be subject to the fulfillment (or waiver by the Trust), prior to or on the Closing Date, of the following conditions:

(a) SUBSCRIPTION AGREEMENT. This Agreement shall each have been duly authorized, executed and delivered by the undersigned subscriber or on its behalf.

(b) REPRESENTATIONS AND WARRANTIES. The representations and warranties made by the undersigned subscriber in this Agreement and otherwise made in writing in connection with this Agreement shall be true and correct in all material respects when made and on such Closing Date.

(c) PERFORMANCE. The undersigned subscriber shall have duly performed and complied in all material respects with all agreements and conditions contained in this Agreement required to be performed or complied with by the undersigned subscriber prior to such Closing Date.

(d) SUBSCRIPTION PRICE. The undersigned subscriber shall have made payment on the Closing Date as provided in Section 1.2 of the appropriate amount for the number of Shares set forth on the signature page hereof.

(e) NONFULFILLMENT OF CONDITIONS. Without limitation of the authority of the Trust pursuant to Section 1.3 hereof, if on such Closing Date any of the conditions to the obligations of the Trust specified in this Section 2.3 shall not have been fulfilled with respect to the undersigned subscriber, the Trust may, at their election, be relieved of all further obligations to the undersigned subscriber under this Agreement and this Agreement shall be null and void as to the Trust.

### 3. REPRESENTATIONS, WARRANTIES AND AGREEMENTS.

3.1. REPRESENTATIONS AND WARRANTIES OF THE TRUST. The Trust represents and warrants as follows:

(a) ORGANIZATION AND STANDING. The Trust is a real estate investment trust duly organized and validly existing under the laws of the State of Maryland and has all requisite power and authority to carry on its business as now conducted and as proposed to be conducted as described in the Declaration of Trust and the Prospectus.

(b) AUTHORIZATION OF AGREEMENT, ETC. The acceptance of this Agreement by the Trust with respect to the undersigned subscriber as evidenced by its signature on the last page of this Agreement, will have been duly authorized by all necessary action on behalf of the Trust, and this Agreement, by virtue of such acceptance, will be a legal, valid and binding agreement of the Trust, enforceable against the Trust in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws related to or affecting the enforcement of creditors' rights generally or by equitable principles.

(c) OFFER OF SHARES. Neither the Trust nor anyone acting on their behalf has taken or will take any action that would subject the issuance and sale of the Shares to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act").

3.2. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE SUBSCRIBER. The undersigned subscriber hereby represents and warrants to the Trust and

each other subscriber who acquires any of the Shares as follows, and the undersigned subscriber acknowledges that it has full knowledge that the Trust and each of such other subscribers intends to rely on such representations, warranties and agreements:

(a) AUTHORIZATION OF PURCHASE, ETC. The undersigned has the full power and authority to execute and deliver this Agreement and to subscribe for and purchase the Shares. The purchase of such Shares and the execution and delivery of this Agreement, as evidenced by the signature of its duly authorized representative on the next to last page of this Agreement, respectively, have been authorized by all necessary corporate or other action on behalf of the undersigned subscriber, and each of this Agreement, upon execution and delivery by the undersigned subscriber, or on its behalf, will be its legal, valid and binding obligation, enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws related to or affecting the enforcement of creditors' rights generally or by equitable principles.

(b) COMPLIANCE WITH LAWS AND OTHER INSTRUMENTS. The undersigned subscriber's execution and delivery of this Agreement (i) will not conflict with or result in any violation of, or default under, any provision of any agreement or other instrument to which the undersigned subscriber is a party or by which it or any of its properties are bound, which violation or default would have a material adverse effect upon such subscriber's performance under this Agreement, and (ii) is not prohibited by any statute, regulation, case law, judicial, executive or administrative, order or decree, or policy statement or governmental license or permit or other communication or any interpretation thereof by any governmental or regulatory authority or court of competent jurisdiction, applicable to the undersigned subscriber.

(c) PROSPECTUS. The undersigned subscriber acknowledges receipt of the Prospectus of the Trust dated April 23, 1998 (the "Prospectus").

(d) SUITABILITY OF INVESTMENT. The undersigned subscriber has read carefully and understands the Prospectus and such other information it has requested from the Trust and has consulted its own attorney, accountant or investment adviser to the extent necessary or in its opinion, desirable, with respect to the investment contemplated hereby and its suitability. Any specific acknowledgment set forth below with respect to any statement contained in the Prospectus shall not be deemed to limit the generality of this representation and warranty.

(e) RISKS OF INVESTMENT. The undersigned subscriber understands the risks inherent in an investment of this nature and has the financial ability to bear the economic risk of its investment in the Shares (including possible loss), and has adequate means for providing for its current needs from assets other than those invested in the Shares. The undersigned subscriber understands that its Shares are non-transferable and that redemption of Shares may be subject to certain limitations. The undersigned subscriber has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Shares and has obtained, in its judgment, sufficient information from the Trust to evaluate the merits and risks of an investment in the Shares.

(f) PURCHASE FOR INVESTMENT. The undersigned subscriber understands that the Shares may not be sold, transferred or assigned and that any attempt to do so will not be recognized for any purpose other than as a pledge of such Shares to LaSalle Hotel Operating Partnership, L.P. The undersigned further understands and acknowledges that the Shares have not been registered under the Securities Act and, therefore, cannot be

resold unless they are subsequently registered under the Securities Act or unless an exemption from such registration is available; that it is purchasing the Shares for investment for its own account and not with any present view toward resale or other distribution thereof; that it will not resell or otherwise dispose of all or any part of the Shares it purchases, except as permitted by law and any regulations under the Securities Act; that the Trust does not have any intention of registering the Shares under the Securities Act.

(h) TAX CONSEQUENCES. The undersigned subscriber accepts responsibility for consulting with its own tax adviser regarding federal, state, and local tax consequences particular to it prior to making an investment in Shares.

4. LIMITED REGISTRATION RIGHTS

A. PIGGYBACK REGISTRATION RIGHTS. If at any time while any Shares are outstanding, the Trust (without any obligation to do so) proposes to file a registration statement under the Securities Act on Form S-3 for the offer and sale of Shares by shareholders other than the Trust (a "Piggyback Registration Statement"), the Trust shall give prompt written notice of such proposed filing to the Subscribers. The notice referred to in the preceding sentence shall offer Subscribers the opportunity to register such amount of Shares as each Subscriber may request (a "Piggyback Registration"). The sale of such Shares shall be subject to such reasonable limitations and "blackout periods" as the Trust shall impose.

5. MISCELLANEOUS.

5.1. AMENDMENTS AND WAIVERS. This Agreement may be amended and the observance of any provision hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Trust.

5.2. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS. All representations, warranties and agreements contained herein, or made in writing by or on behalf of the undersigned subscriber or by or on behalf of the Trust in connection with the transactions contemplated by this Agreement, shall survive the execution and delivery of this Agreement, any investigation at any time made by or on behalf of the Trust, or the undersigned subscriber, the issue and sale of Shares and the withdrawal of the undersigned as a beneficial owner of the Shares.

5.3. NOTICES. All notices, requests, demands and other communications (together a "notice") hereunder shall be in writing and shall be deemed to have been duly given to any party when delivered to the same by hand or by sending the same by prepaid first class mail or by telegram, cable, telex or telecopier, (a) if to the undersigned subscriber, at or to the address set forth opposite its signature, or to such other address as it shall have furnished to the Trust in writing, and (b) if to the Trust, at the following address:

LaSalle Hotel Properties  
220 East 42nd Street  
New York, New York 10017  
Attn: Jon E. Bortz, President  
Telecopier: (212) 687-8170

or to such other address as the Trust shall have furnished to the undersigned subscriber in writing. Any notice delivered by hand shall be deemed to have been given on receipt, any notice sent by mail shall be deemed to have been given five calendar days after dispatch and any notice sent by telegram, cable, telex or telecopier shall be deemed to have been

given on the date sent.

5.4. EXPENSES. Each party hereto will pay its own expenses relating to this Agreement and the purchase of the Shares of the Trust hereunder.

5.5. DESCRIPTIVE HEADINGS. The descriptive headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision of this Agreement.

5.6. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties with respect to the subject matter of this Agreement, and there are no representations, covenants or other agreements except as stated or referred to herein.

5.7. COUNTERPARTS. This Agreement may be executed in one or more counterparts, all of which shall constitute one and the same instrument.

5.8. GENERAL. This Agreement (i) shall be binding upon the undersigned subscriber and its legal representatives, successors and assigns, (ii) shall be governed, construed and enforced in accordance with the internal laws of the State of Maryland, (iii) shall survive the admission of the undersigned subscriber as beneficial owner of the Shares, and (iv) shall, if the undersigned consists of more than one person, be the joint and several obligation of all such persons.

IN WITNESS WHEREOF, the undersigned subscriber has executed this Agreement on this 28th day of May 1998.

112,458  
-----  
Number of Shares

WestGroup San Diego Associates, Ltd.  
-----  
Print or Type Name of Subscriber

-----  
Taxpayer Identification Number

25 Central Way, Suite 400  
-----  
Street Address of Principal  
Executive Office

Kirkland, WA 98053  
-----  
City State

Mailing Address (if different):  
-----

-----  
Street Address

-----  
City State

By: /s/ PATRICK R. COLEE  
Signature of Authorized Person  
signing on behalf of Subscriber

Patrick R. Colee

-----  
Name and Position of Authorized  
Person Signing on behalf of  
Subscriber

Accepted June 1, 1998  
at New York, New York:

LASALLE HOTEL PROPERTIES

By: /s/ Michael D. Barnello  
Title: Chief Operating Officer

LHO MISSION BAY HOTEL, L.P.  
AGREEMENT OF LIMITED PARTNERSHIP

This Agreement of Limited Partnership is entered into as of the 1st day of June, 1998, by and between LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, as the General Partner (the "General Partner"), and WESTGROUP SAN DIEGO ASSOCIATES, LTD, a California limited partnership, as the Limited Partner (the "Limited Partner"); (the General Partner and Limited Partner are sometimes herein collectively referred to as the "Partners").

WHEREAS, the Limited Partner has agreed to provide its expertise and advice with respect to the San Diego Paradise Point Resort (f/k/a the San Diego Princess Resort) in San Diego, California (the "Hotel"), including, without limitation, with respect to strategic planning, renovation and repositioning of the Hotel; and

WHEREAS, in consideration thereof, the Partners desire to form a limited partnership pursuant to the terms hereof for the purpose of owning the Hotel;

NOW, THEREFORE, the Partners hereby agree as follows:

ARTICLE I

FORMATION OF LIMITED PARTNERSHIP

SECTION 1.1 FORMATION OF PARTNERSHIP AND BUSINESS PURPOSES. The General Partner and the Limited Partner hereby form the Partnership pursuant to the California Revised Uniform Limited Partnership Act for the sole purpose of owning and operating the Hotel, and to do all things incident thereto.

SECTION 1.2 NAME AND LOCATION. The name of the Partnership is LHO MISSION BAY HOTEL, L.P. The registered office for service of process in the State of California and the principal office of the Partnership shall be at the Hotel. The Partnership may also maintain an office at such other places as the General Partner may determine.

SECTION 1.3 AGENT FOR SERVICE OF PROCESS. Process may be served upon the General Partner at the Partnership's principal office.

SECTION 1.4 TERM OF THE PARTNERSHIP. The Partnership shall continue in existence until December 31, 2096, unless sooner terminated as hereinafter set forth in Article IX.

SECTION 1.5 NAME AND ADDRESS OF PARTNER; PERCENTAGE INTERESTS. The names and addresses of the Partners and their respective Percentage Interests are specified in Exhibit A, attached hereto.

ARTICLE II  
DEFINITIONS

As used herein, the following definitions have the meanings ascribed:

SECTION 2.1 "AFFILIATE". "Affiliate" of a Partner shall mean (i) any corporation, partnership, trust or other entity controlling, controlled by or under common control with a Partner; and (ii) any officer, director, trustee or holder of 10% or more of the outstanding voting securities of a Partner or of any corporation, partnership, trust or other entity controlling, controlled by or under common control with a Partner.

SECTION 2.2 "BANKRUPTCY OR INSOLVENCY". "Bankruptcy or Insolvency" shall be deemed to have occurred with respect to any Partner if such Partner shall file in any court pursuant to any statute of the United States or of any state a petition in bankruptcy or insolvency, or shall file for reorganization or for the appointment of a receiver or a trustee of all or a material portion of such Partner's property, or if any such Partner shall make an assignment for the benefit of creditors, admit in writing its inability to pay its debts as they fall due or seek, consent to or acquiesce in the appointment of a trustee, receiver or liquidator of any material portion of its property. If there shall be filed against any Partner in any court pursuant to any statute of the United States or of any state, a petition in bankruptcy or insolvency, or for reorganization, or for the appointment of a receiver or trustee of all or a substantial portion of such Partner's property, and within sixty days after the commencement of any such proceeding, such petition shall not have been dismissed, then such Partner against whom such petition has been filed shall be bankrupt or insolvent for purposes of this Agreement. In addition, if the whole or any portion of the interest of any Partner in the Partnership is subject to levy or attachment, and such levy or attachment is not released or discharged within sixty days, such Partner shall be deemed bankrupt or insolvent for purposes of this Agreement.

SECTION 2.3 "CAPITAL ACCOUNT". "Capital Account" shall mean the account maintained for each Partner in accordance with tax accounting principles, which account (i) is increased by the amount of cash and the fair market value of property contributed to the Partnership as shown on the books of the Partnership upon such contribution (net of liabilities assumed by the Partnership and liabilities to which such contributed property is subject) by such Partner and such Partner's share of Partnership Profits (including income exempt from tax), and (ii) is decreased by the amount of cash and the fair market value of property distributed to such Partner as shown on the books of the Partnership (net of liabilities assumed by such Partner and liabilities to which such distributed property is subject) and such Partner's share of Partnership Losses.

SECTION 2.4 "CAPITAL CONTRIBUTIONS". "Capital Contributions" shall mean in the case of each Partner, any cash contributed to the capital of the Partnership by such Partner, including any Initial Capital Contributions and any Additional Contributions.

SECTION 2.5 "CAPITAL CONTRIBUTION ACCOUNT". "Capital Contribution Account" shall mean each Partner's total Capital Contributions, as adjusted by Section 3.2.

SECTION 2.6 "DISSOLUTION OR TERMINATION". "Dissolution or Termination" shall be deemed to have occurred (i) in the case of a corporate Partner upon the earlier of the adoption of a plan of liquidation by such Partner or the effective date of dissolution in accordance with applicable statutory law and (ii) in the case of a partnership Partner, upon the date of dissolution or termination of such partnership in accordance with the provisions of the governing partnership agreement or applicable statutory law.

SECTION 2.7 "INTEREST". "Interest" shall mean the entire ownership

interest of a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in this Agreement, together with the obligations of such Partner to comply with all terms and provisions of this Agreement.

SECTION 2.8 "NET CASH FLOW". "Net Cash Flow" shall mean, with respect to any fiscal period, all cash revenue and funds received by the Partnership from operations or rent loss insurance (excluding funds received as capital contributions and funds received from the sale or refinancing of the Hotel) in such period, less the sum of the following (to the extent not made from funds received as capital contributions): (i) all interest and principal amortization paid to lenders in such period, (ii) all cash expenditures (including capital expenditures) made by or on behalf of the Partnership in such period, and (iii) cash reserves deemed appropriate by the General Partner.

SECTION 2.9 "NET OPERATING INCOME". "Net Operating Income" shall mean the Rent (as defined in the lease agreement between the Partnership and the Limited Partner for the Hotel) less all expenses for which the Partnership is responsible pursuant to the terms of such lease agreement which are directly attributable to the operation, repair and/or maintenance of the Hotel, including, without limitation, real estate taxes, ground lease payments, insurance premiums, capital leases and capital repairs.

SECTION 2.10 "NET SALE AND REFINANCING PROCEEDS". "Net Sale and Refinancing Proceeds" shall mean all cash proceeds received by the Partnership from the sale or refinancing of the Hotel and all insurance and condemnation proceeds (excluding rent loss insurance), less the sum of the following: (i) the principal amount of any loans repaid in connection with such sale or refinancing, (ii) all costs incurred in the sale or refinancing of the Hotel, including the transfer fee payable to the City of San Diego, financing fees, mortgage taxes, transfer taxes, title insurance premiums, attorneys' fees and other costs typically paid by borrowers or sellers of similar properties in the San Diego metropolitan region, (iii) any fee paid to terminate any lease of the Hotel, (iv) a market brokerage fee for the sale of the Hotel, regardless of whether a fee is actually paid, and (v) cash reserves deemed appropriate by the General Partner.

SECTION 2.11 "PARTNERSHIP". "Partnership" means the limited partnership formed hereunder pursuant to the Revised Uniform Limited Partnership Act of the State of California.

SECTION 2.12 "PARTNERSHIP PROPERTY". "Partnership Property" shall mean all the property, real and personal, at any time owned by the Partnership.

SECTION 2.13 "PERCENTAGE INTERESTS". "Percentage Interests" shall mean the interest of a Partner as set forth in Exhibit A, as such percentage interest may be adjusted pursuant to Section 3.2 below.

SECTION 2.14 "PROFITS" OR "LOSSES". "Profits" or "Losses" shall mean the profits or losses of the Partnership for Federal income tax purposes including, without limitation, each item of Partnership income, gain, loss or deduction.

### ARTICLE III CAPITAL

SECTION 3.1 CONTRIBUTIONS OF GENERAL PARTNER AND LIMITED PARTNER. The General Partner and Limited Partner have contributed to the capital of the Partnership the amounts set forth in Exhibit A (the "Initial Capital Contributions").

SECTION 3.2 ADDITIONAL CAPITAL CONTRIBUTIONS. No Partner shall be obligated to make any additional capital contribution ("Additional Capital Contributions") to the Partnership. If a Partner (the "Non Contributing Partner") fails to make the full amount of its pro rata share of any Additional Capital Contributions, however, the Partners (each, a "Contributing Partner") who have made all of their prorata share of any Additional Capital Contributions in connection with the outstanding call may, but shall not be required to:

(i) make all or part of the Additional Capital Contribution (for its own Capital Account and Capital Contribution Account) which the Non-Contributing Partner has elected not to make and cause the Capital Account and Capital Contribution Account of the Non-Contributing Partner to be reduced (in addition to the adjustments that shall automatically occur by virtue of such Contributions) by twenty-five percent (25%) of the Additional Capital Contributions funded by such Contributing Partner on behalf of such Non-Contributing Partner. The corresponding Capital Account and Capital Contribution Account of each Contributing Partner shall be increased (in addition to the adjustments that shall automatically occur by virtue of such Contributions) in the amount that the corresponding Capital Account and Capital Contribution Account of the Non-Contributing Partner is so reduced or a prorata share of such amount if there is more than one Contributing Partner. There shall be corresponding adjustments in the Percentage Contribution Accounts;

or

(ii) make a loan to the Non-Contributing Partner (the proceeds of which shall be paid to the Partnership as a contribution by the Non-Contributing Partner) for all or part of the amount of the Additional Capital Contribution the Non-Contributing Partner elected not to make and have such loan secured by the security interest in the Non-Contributing Partner's Partnership interest granted pursuant to this Agreement (or pro-rata portion thereof in the event there is more than one Contributing Partner). The Partnership, in such circumstances, shall use the first distributions otherwise payable or distributable to such Non-Contributing Partner hereunder to repay any such borrowings. Such loan shall be non-recourse and shall have an interest rate equal to two percent (2%) over the corporate base rate of Citibank, N.A. in effect from time to time.

To the extent more than one Partner wishes either to contribute or to loan funds in the amount not contributed by a Non-Contributing Partner in accordance with this Section, each Partner may lend or contribute funds pro rata in proportion to its Percentage Interest; provided however, no such Partner will be permitted to contribute capital or make a loan pursuant to this Section hereof unless it has already contributed the full amount of its Additional Capital Contribution called for at such time. In the event the Partners are unwilling to contribute or lend funds to the Partnership in the total amount not so contributed by the Non-Contributing Partner, the General Partner may obtain capital contributions from non-partners (in which case such persons shall become limited partners in the Partnership) or obtain loans from non-partners, in either case on the same basis as the Partners may make contributions or loans as provided above.

#### ARTICLE IV DISTRIBUTIONS

SECTION 4.1 DISTRIBUTIONS OF NET CASH FLOW. The Net Cash Flow of the Partnership for each calendar year shall be distributed at such times and in such amounts as determined by the General Partner in its sole discretion

in the following order and priority:

(a) First, to the General Partner until the General Partner has received a cumulative return equal to fifteen percent (15%) per annum on the total capital contributions which have been made by the General Partner and which would have been made by the General Partner to the Partnership assuming the Partnership had no debt; and

(b) Second, 95.1% to the General Partner and 4.9% to the Limited Partner.

SECTION 4.2 DISTRIBUTIONS OF NET SALE AND REFINANCING PROCEEDS. Any Net Sale and Refinancing Proceeds of the Partnership shall be distributed at such times and in such amounts as determined by the General Partner in its sole discretion in the following order and priority:

(a) First, to the Limited Partner until the Limited Partner has received a return of its Initial Capital Contribution;

(b) Second, to the General Partner until the General Partner has received a fifteen percent (15%) internal rate of return on the total capital contributions which have been made by the General Partner and which would have been made by the General Partner to the Partnership assuming the Partnership had no debt; and

(c) Third, eighty-five percent (85%) to the General Partner and fifteen percent (15%) to the Limited Partner.

ARTICLE V  
ALLOCATION OF PROFITS OR LOSSES AND CREDITS

SECTION 5.1 PROFITS OR LOSSES OR CREDITS FROM OPERATIONS. The Profits and Losses and tax credits of the Partnership shall be allocated to the Partners in the same proportion as Net Cash Flow and Net Sale and Refinancing Proceeds are distributed for the year in question; provided that if there are no distributions of Net Cash Flow or Net Sale and Refinancing Proceeds, all Profits and Losses and tax credits shall be allocated solely to the General Partner. All Profits or Losses and tax credits from the Partnership for a fiscal year allocable with respect to any Interests which may have been assigned during such fiscal year shall be allocated between the assignor and assignee based upon the number of days in the year that each was recognized (pursuant to Section 8.2) as the owner of the Interest, without regard to results of the operations of the Partnership during such fiscal year and without regard to whether cash distributions were made to the assignor or assignee.

ARTICLE VI  
CONDUCT OF OPERATIONS

SECTION 6.1 MANAGEMENT. The General Partner shall have full and exclusive management and control of the business of the Partnership. The General Partner shall devote such time to the business of the Partnership as it deems necessary. In addition to other rights and powers, the General Partner is expressly authorized to (a) employ, engage or contract with entities, including its Affiliates, in the operation and management of the Partnership; (b) borrow money for Partnership purposes; (c) purchase, sell, pledge, hypothecate and mortgage Partnership property; (d) cause the Partnership to take any actions which the General Partner deems appropriate as the owner of the Hotel; and (e) make calls to the Partners for Additional Capital Contributions.

SECTION 6.2 ACCOUNTING AND TAX MATTERS. The General Partner shall keep proper and usual books and records pertaining to the Partnership's business in accordance with generally accepted accounting principles. The books and records and all files of the Partnership shall be kept at its principal office. The General Partner shall prepare and furnish to the Limited Partner promptly after the close of each fiscal year an unaudited statement, certified by the General Partner, showing the operations of the Partnership for such fiscal year, including a balance sheet and statement of income or loss and changes in financial position for such fiscal year, the balance of the Limited Partner's capital account, the unpaid balance due under all obligations of the Partnership and all other information reasonably requested by any partner. The Limited Partner, and the authorized agents thereof, shall have the right at all reasonable times to audit, examine and make copies or extracts from the Partnership books of account. Federal, state and local income tax returns of the Partnership shall be prepared and timely filed by the General Partner. Copies of the tax returns shall be furnished to the Limited Partner prior to filing thereof. The General Partner is hereby designated the tax matters partner of the Partnership.

SECTION 6.3 OTHER PERMISSIBLE ACTIVITIES. Neither the General Partner nor the Limited Partner are prevented hereby from engaging in other activities for profit whether similar to the purpose of the Partnership or otherwise and whether or not competitive with the business of the Partnership.

ARTICLE VII  
RIGHTS AND OBLIGATIONS OF THE LIMITED PARTNER

SECTION 7.1 LIMITED LIABILITY. The Limited Partner shall not be personally liable for any of the debts of the Partnership or any of the losses thereof beyond the amount contributed or contracted to be contributed by the Limited Partner to the capital of the Partnership.

SECTION 7.2 MANAGEMENT RESPONSIBILITY. The Limited Partner, as such, shall not take part in the management of the business or transact any business for the Partnership, nor shall the Limited Partner have the right to approve or disapprove any actions taken by the Partnership.

SECTION 7.3 NO AUTHORITY TO ACT. The Limited Partner shall not have the power to act on behalf of or bind the Partnership.

SECTION 7.4 SINGLE-PURPOSE ENTITY. The Limited Partner shall at all times remain a single-purpose entity whose sole asset shall be its interest in the Partnership. In no event shall the Limited Partner incur any liabilities or debts without the prior written consent of the General Partner.

SECTION 7.5 AMENDMENTS TO PARTNERSHIP AGREEMENT. Amendments to the Partnership Agreement, including the admission of new partners to the Partnership, shall be approved solely by the General Partner, provided that no amendment which materially adversely affects the Limited Partner shall be adopted without the written approval of the Limited Partner.

ARTICLE VIII  
TRANSFERABILITY OF PARTNERS' INTERESTS

SECTION 8.1 TRANSFERABILITY OF GENERAL PARTNER'S INTEREST. The General Partner may sell, transfer, assign, pledge or otherwise alienate its Interest in the Partnership without the prior written consent of the Limited Partner.

SECTION 8.2 TRANSFERABILITY OF LIMITED PARTNER'S INTEREST. The Limited Partner may not sell, transfer, assign, pledge or otherwise alienate the whole or any portion of its Interest in the Partnership without the prior written consent of the General Partner; provided, however, the General Partner shall not unreasonably withhold its consent to any assignment or transfer of the Limited Partner's interest in the Partnership to an Affiliate of the Limited Partner. No transferee of all or any part of the Limited Partner's interest in the Partnership shall become a substituted Limited Partner unless the transferee consents in writing, in a form prepared by or reasonably satisfactory to the General Partner, to be bound by the terms and conditions of this Agreement in the place and stead of the transferor Limited Partner.

SECTION 8.3 OPTIONS TO PURCHASE AND SELL THE LIMITED PARTNERSHIP INTEREST. At any time during the sixth (6th) year following the acquisition of the Hotel by the Partnership, the Limited Partner can elect to put its Interest in the Partnership to the General Partner provided the Limited Partner gives the General Partner notice of such election (the "Put Notice") at least thirty (30) days prior to the date on which it has elected to put its interest. The price at which the Limited Partner puts its Interest in the Partnership to the General Partner (the "Put Price") will equal the amount the Limited Partner would have received if the Hotel was sold and the proceeds distributed in accordance with the terms of this Agreement, including Sections 2.9 and 4.2, calculated as if there was no debt on the Project; and the Put Price shall be paid on the date the Limited Partner puts its Interest to the General Partner. For purposes of this Section, the Hotel shall be deemed to have been sold for a price equal to ten (10) times the Net Operating Income from the Hotel for the twelve (12) months immediately preceding the put. The Net Operating Income shall be determined after adjustment for any operating and fixed costs for the Hotel and after deduction of four percent (4%) of revenue for addition to the FF&E reserve, whether or not any money is actually deposited into the FF&E reserve; and the sales price shall be determined after deduction for costs typically incurred in the sale of similar properties as set forth in Section 2.9 above. In determining the Put Price, however, no credit shall be given for any reserves being held by the Partnership, including any capital expenditure reserves.

The General Partner shall have the right to acquire the Interest of the Limited Partner in the Partnership either (a) within sixty (60) days after the lease for the Hotel being entered into concurrently herewith between the Partnership and the Limited Partner's Affiliate is terminated, or (b) at any time during the period from six and one-half (6-1/2) years following the purchase of the Hotel by the Partnership until the end of the tenth (10th) year following the purchase of the Hotel by the Partnership if the Limited Partner does not exercise the foregoing right to put its Interest to the General Partner by the end of the sixth (6th) year set forth above; provided, however, the General Partner shall give the Limited Partner notice of such election (the "Call Notice") at least thirty (30) days prior to the date on which it has elected to purchase such Interest. The price for the purchase of the Limited Partner's Interest (the "Call Price") shall be calculated using the same formula for calculating the Put Price and shall be paid on the date the General Partner acquires the Limited Partner's Interest.

The Put Price or the Call Price, as the case may be, shall, at the General Partner's election, be made either in cash or in limited partnership units in the General Partner ("OP Units"). If the General Partner elects to make the payment in OP Units, the Limited Partner shall receive the number of OP Units, rounded to the nearest whole, equal to the Put Price or the Call Price, as the case may be, divided by the average closing price for shares in LaSalle Hotel Properties on the New York Stock Exchange on the first fifteen trading days of the thirty (30) day period immediately preceding the payment. The Limited Partner shall have the right

to convert the OP Units into shares of LaSalle Hotel Properties (the "LHO Shares") on the terms set forth in the General Partner's Partnership Agreement. The Limited Partner shall also have the right to have the LHO Shares registered on the terms set forth in the Registration Rights Agreement attached hereto Exhibit A. Notwithstanding the foregoing, the General Partner shall be required to pay the Put Price or the Call Price in cash, and not in OP Units, if, at the time the Put Notice or Call Notice is given, either (a) LHO Shares are not trading on the New York Stock Exchange, (b) there are any restrictions (other than general securities laws restrictions) on the trading of LHO Shares or (c) any bankruptcy, insolvency or similar action has been filed by or against LaSalle Hotel Properties and, in the case of any such action filed against LaSalle Hotel Properties, such action is not dismissed within sixty (60) days of the filing thereof.

#### ARTICLE IX DISSOLUTION AND LIQUIDATION

SECTION 9.1 DISSOLUTION. The Partnership shall be dissolved upon the occurrence of any of the following events:

- (a) The expiration of the term of the Partnership;
- (b) The withdrawal, Bankruptcy or Insolvency, or Dissolution or Termination, of the General Partner, if no substituted General Partner is elected by the Limited Partner; or
- (c) The sale of the Hotel by the Partnership.

SECTION 9.2 WINDING UP AND LIQUIDATION OF THE PARTNERSHIP. Upon the dissolution of the Partnership, the General Partner, or if it is not available, a liquidator selected by the Limited Partner, shall proceed to wind up the Partnership business. The General Partner or such liquidator, as the case may be, shall apply the Partnership assets, after payment of Partnership debts and liabilities, and the creation of such reserves as the liquidator deems appropriate, to the Partners in accordance with Article IV.

#### ARTICLE X MISCELLANEOUS PROVISIONS

SECTION 10.1 NOTICES. Any notices or communications hereunder shall be sent by mail to the Partners at their addresses set forth in Exhibit A, as amended from time to time. Notices shall be considered given, and any applicable time shall run, from the date such notice is mailed.

SECTION 10.2 APPLICABLE LAW. Notwithstanding the place where this Agreement may be executed by any party, all the terms and provisions of this Agreement and the validity hereof shall be interpreted under the laws of the State of California.

SECTION 10.3 COUNTERPARTS. This Agreement may be executed in any number of counterparts with the same effect as if all the Partners had signed the same document. All counterparts shall be construed together and shall constitute one instrument.

SECTION 10.4 EFFECT OF AGREEMENT. This Agreement shall be binding upon and inure to the benefit of each of the parties, their heirs, devisees, personal representatives, successors and assigns.

IN WITNESS WHEREOF, this Agreement is executed and sworn to by the parties whose signatures appear below.

GENERAL PARTNER:

LASALLE HOTEL OPERATING  
PARTNERSHIP, L.P., a Delaware  
limited partnership

By: LaSalle Hotel Properties, its  
general partner

By /s/ Michael D. Barnello  
Its Chief Operating Officer

LIMITED PARTNER:

WESTGROUP SAN DIEGO ASSOCIATES,  
LTD., a California limited  
partnership

By: Westgroup Partners, Inc., its  
general partner

By /s/ PHILIP BROWN  
Its Vice President

EXHIBIT A

-----

Name and Address -----	Capital Contribution -----	Percentage Interest -----
General Partner:		
LASALLE HOTEL OPERATING PARTNERSHIP, L.P. 200 East Randolph Drive Chicago, Illinois 60601	\$73,000,000	95.1%
Limited Partner:		
WESTGROUP SAN DIEGO ASSOCIATES, LTD. 600 Stewart Street Suite 300 Seattle, Washington 98101	\$10,000	4.9%

LEASE AGREEMENT

DATED AS OF JUNE 1, 1998

BY AND BETWEEN

LHO MISSION BAY HOTEL, L.P.  
AS LANDLORD,

AND

WESTGROUP SAN DIEGO ASSOCIATES, LTD.  
AS TENANT

LEASE AGREEMENT

THIS LEASE AGREEMENT is entered into as of this 1st day of June by and between LHO MISSION BAY HOTEL, L.P., a California limited partnership as landlord ("Landlord"), and WESTGROUP SAN DIEGO ASSOCIATES, LTD. as tenant ("Tenant").

W I T N E S S E T H :  
-----

WHEREAS, Landlord owns leasehold title to the Leased Property (this and other capitalized terms used and not otherwise defined herein having the meanings ascribed to such terms in Article 1); and

WHEREAS, Landlord wishes to lease the Leased Property to Tenant and Tenant wishes to lease the Leased Property from Landlord, all subject to and upon the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

ARTICLE 1  
-----

DEFINITIONS  
-----

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (i) the terms defined in this Article shall have the meanings assigned to them in this Article and include the plural as well as the singular, (ii) all accounting terms not otherwise defined herein shall have the meanings assigned to them in accordance with GAAP and the Uniform System of Accounts, (iii) all references in this Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Agreement, (iv) all cites to specific laws, rules, statutes, regulations, ordinances or codes shall be cites to the applicable laws, rules, statutes, regulations, ordinances or codes of the United States of America, and (v) the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to

any particular Article, Section or other subdivision.

1.1 "AAA" shall have the meaning given such term in Section 23.1.

1.2 "Accounting Period" shall mean each calendar month.

1.3 "Additional Charges" shall have the meaning given such term in Section 3.1.3.

1.4 "Advisors" shall mean LaSalle Hotel Advisors.

1.5 "Affiliate" shall mean, with respect to any Person, (a) in the case of any such Person which is a partnership, any partner in such partnership, (b) in the case of any such Person which is a limited liability company, any member of such company, (c) any other Person or company which is a Parent, a Subsidiary, or a Subsidiary of a Parent with respect to such Person or company or to one or more of the Persons referred to in the preceding clauses (a) and (b), (d) any other Person who is an officer, director, trustee or employee of, or partner in, such Person or any Person referred to in the preceding clauses (a), (b) and (c), and (e) any other Person who is a member of the Immediate Family of such Person or of any Person referred to in the preceding clauses (a) through (d).

1.6 "Agreement" shall mean this Lease Agreement, including all exhibits hereto, as it and they may be amended from time to time as herein provided.

1.7 "Annual Budget" shall have the meaning given such term in Section 17.3.

1.8 "Annual Food and Beverage Sales Break Points" shall have the meaning given such term in Section 3.1.4.

1.9 Intentionally Omitted.

1.10 "Annual Other Income Break Point" shall have the meaning given such term in Section 3.1.4.

1.11 Intentionally Omitted.

1.12 "Annual Retail and Marina Sales Break Points" shall have the meaning given such term in Section 3.1.4.

1.13 "Annual Room Revenues Break Points" and "Annual Telephone Revenues Break Points" shall have the meanings given such terms in Section 3.1.4.

1.14 "Applicable Laws" shall mean all applicable laws, statutes, regulations, rules, ordinances, codes, licenses, international treaties, permits and orders, from time to time in existence, of all courts of competent jurisdiction and Government Agencies, and all applicable judicial and administrative and regulatory decrees, judgments and orders, including common law rulings and determinations, relating to injury to, or the protection of, real or personal property or human health (except those requirements which, by definition, are solely the responsibility of employers) or the Environment, including, without limitation, all valid and lawful requirements of courts and other Government Agencies pertaining to reporting, licensing, permitting, investigation, remediation and removal of underground improvements (including, without limitation, treatment or storage tanks, or water, gas or oil wells), or emissions, discharges, releases or threatened releases of Hazardous Substances, chemical substances, pesticides, petroleum or petroleum products, pollutants, contaminants or hazardous or toxic substances, materials or waste whether solid, liquid or gaseous in nature, into the Environment, or relating to

the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances, underground improvements (including, without limitation, treatment or storage tanks, or water, gas or oil wells), or pollutants, contaminants or hazardous or toxic substances, material or wastes, whether solid, liquid or gaseous in nature.

1.15 "Approved Financial Institution" shall mean (a) any United States of America commercial bank which is FDIC insured and has a consolidated net worth, as of any pertinent date under the terms of this Agreement, of not less than \$250,000,000 (as adjusted by CPI) and is otherwise reasonably satisfactory to Landlord or (b) any other substantial United States of America financial institution that is satisfactory to Landlord in its sole and absolute discretion.

1.16 "Award" shall mean all compensation, sums or other value awarded, paid or received by virtue of a total or partial Condemnation of the Leased Property (after deduction of all reasonable legal fees and other reasonable costs and expenses, including, without limitation, expert witness fees, incurred by Landlord, in connection with obtaining any such award).

1.17 "Beverage Sales" shall mean Gross Revenues from (a) the sale of wine, beer, liquor or other alcoholic beverages, whether sold in a bar or lounge, delivered to or available in a guest room, sold at meetings or banquets or at any other location at the Hotel and (b) non-alcoholic beverages sold in a bar or lounge. Such revenue shall include sales by Tenant and its permitted subtenants, licensees and concessionaires if such permitted subtenant, licensees or concessionaires are Affiliates of Tenant.

Such revenue shall be determined in a manner consistent with GAAP and the Uniform System of Accounts and shall include (a) the fair market value of goods or services which have been provided in exchange for beverages under bartering or trade arrangements, (b) the fair market value of beverages provided under frequent traveler programs, gift certificate programs or any other similar programs, and (c) the fair market value of any other allowances deducted from beverage revenues (items (a)-(c) being allocated to the respective revenues categories in accordance with the Uniform System of Accounts). Such revenue shall not include: (a) any gratuity or service charge added to a customer's bill or statement in lieu of gratuity which is paid directly to an employee; or (b) sales taxes or taxes of any other kind imposed on the sale of alcoholic or other beverages; or (c) the value of any beverages provided to employees of Landlord, Tenant, any franchisor under the Franchise Agreement or any guest on a complimentary basis. All credits, rebates, refunds and credit card chargebacks relating to Beverage Sales shall be deducted from Beverage Sales.

1.18 "Business Day" shall mean any day other than Saturday, Sunday, or any other day on which banking institutions in the State of New York, the State of Delaware, the State of Illinois, or the State are authorized by law or executive order to close.

1.19 "Capital Budget" shall have the meaning given such term in Section 17.3.

1.20 "Capital Expenditure" shall mean any expenditure treated as capital in nature in accordance with GAAP.

1.21 "Capital Repair" shall mean any renovation, replacement, repair or improvement to the Leased Property (or portion thereof) the cost of which constitutes a Capital Expenditure and any renovation, replacement, repair or improvement set forth and approved in the Capital Budget.

1.22 "Cash" shall mean cash or other immediately available funds.

1.23 "Cash Equivalents" shall mean (a) any debt instrument with a term of up to twelve (12) months that is issued by or backed by the full faith and credit of the United States of America, (b) any certificate of deposit with a term of up to twelve (12) months that is issued by an issuer that, on the date of issuance and on each date of any renewal or reissuance thereof, is an Approved Financial Institution, and which instrument and any applicable assignment thereof is in form and substance reasonably satisfactory to the Landlord and (c) any irrevocable, "clean" letter of credit issued by an issuer that, on the date of issuance and on each date of any renewal or reissuance thereof, is an Approved Financial Institution, and which instrument is in form and substance reasonably satisfactory to the Landlord.

1.24 "Change of Control" shall mean the sale, conveyance, assignment, encumbering, pledging, hypothecation, granting a security interest in, granting of options with respect to, or other disposition of (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration) of any class of partnership interests, stock or other equity interests in a Person (other than among existing holders of interests in such Person on the Commencement Date and/or family members of such holders and/or trusts for the benefit of any of the foregoing) that, upon a transfer of any portion thereof, will create in the transferee thereof, directly or indirectly, a majority of any class of partnership interest, stock or other equity interests of such Person.

1.25 "Change in Operations" shall have the meaning given such term in Section 21.12.

1.26 "Claim" shall have the meaning given such term in Section 8.1.

1.27 "Code" shall mean the Internal Revenue Code of 1986 and, to the extent applicable, the Treasury Regulations promulgated thereunder, each as from time to time amended.

1.28 "Commencement Date" shall mean the date of this Agreement.

1.29 "Competitive Set" shall mean a determination made by Landlord and Tenant annually, at the time of preparation and approval of the Annual Budget, of an appropriate reference group of hotels which are considered competitive with the Leased Property and which Tenant and Landlord shall agree shall constitute the Competitive Set for such Fiscal Year. If Landlord or Tenant fail to agree upon the Competitive Set, the matter shall be referred to arbitration as provided for in Article 23.

1.30 "Condemnation" shall mean (a) the exercise with respect to the Leased Property, whether by legal proceedings or otherwise, by a Condemnor of any power of condemnation, (b) a voluntary sale or transfer of the Leased Property by Landlord to a Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending, or (c) a taking or voluntary conveyance of all or part of the Leased Property, or any interest therein, or right accruing thereto or use thereof, as the result or in settlement of any Condemnation or other eminent domain proceeding affecting the Leased Property, whether or not the same shall have actually been commenced.

1.31 "Condemnor" shall mean any public or quasipublic authority, or private corporation or individual, having the power of Condemnation.

1.32 Intentionally Omitted.

1.33 Intentionally Omitted.

1.34 Intentionally Omitted.

1.35 "CPI" shall mean the "Consumer Price Index" published by the Bureau of Labor Statistics of the United States of America Department of Labor, U.S. City Average, All Items for Urban Wage Earners and Clerical Workers (1982-1984=100).

1.36 "Current Market Value" shall mean, as of any pertinent date:  
(a) as to Cash and Cash Equivalents, the face amount thereof;  
(b) as to co-investments in hotels by Tenant and Landlord, the value of such co-investment, based on the value placed on the corresponding investment by Landlord or the REIT in the most recent version of its own financial statements; and  
(c) as to Marketable Securities, the closing price of such securities, as reported in The Wall Street Journal for the trade date next preceding such pertinent date.

1.37 "Date of Taking" shall mean the date the Condemnor has the right to possession of the Leased Property, or any portion thereof, in connection with a Condemnation.

1.38 "Default" shall mean any event or condition which with the giving of notice and/or lapse of time may ripen into an Event of Default.

1.39 "Distribution" shall mean (a) any declaration or payment of any dividend (except dividends payable in common stock of Tenant) on or in respect of any shares of any class of capital stock of Tenant, (b) any purchase, redemption, retirement or other acquisition of any shares of any class of capital stock of a corporation, (c) any other distribution on or in respect of any shares of any class of capital stock of a corporation, or (d) any return of capital to shareholders.

1.40 "Dollars" or "\$" shall mean lawful money of the United States of America which shall be legal tender for the payment of public and private debts in the United States of America.

1.41 "Emergency Repairs" shall have the meaning given such term in Section 5.1.2(b).

1.42 "Encumbrance" shall have the meaning given such term in Section 20.1.

1.43 "Entity" shall mean any corporation, general or limited partnership, limited liability company or partnership, stock company or association, joint venture, association, company, trust, bank, trust company, land trust, business trust, cooperative, any government or agency or political subdivision thereof or any other entity.

1.44 "Environment" shall mean soil, surface waters, ground waters, land, stream, sediments, surface or subsurface strata and ambient air.

1.45 "Environmental Obligation" shall have the meaning given such term in Section 4.3.1.

1.46 "Environmental Notice" shall have the meaning given such term in Section 4.3.1.

1.47 "Event of Default" shall have the meaning given such term in Section 12.1.

1.48 "Expiration Date" shall mean the date set forth on Exhibit A attached hereto.

1.49 "FF&E" shall mean all furniture, furnishings and equipment (except equipment and fixtures attached to and forming a part of the Leased Improvements) required for the operation of the Leased Improvements as a hotel, including, without limitation, (a) office furnishings and equipment, (b) specialized hotel equipment necessary for the operation of any portion of the Leased Improvements as a hotel, including equipment for kitchens, laundries, dry cleaning facilities, bars, restaurants, public rooms, commercial and parking spaces, and recreational facilities, (c) all other furnishings and equipment as necessary or desirable in the operation of the Leased Property in accordance with the terms and conditions set forth in this Agreement, and (d) all replacements, substitutions and additions of and to all of the foregoing.

1.50 "Fair Market Value" shall mean, as to a specific valuable asset, the purchase price which a seller would be able to obtain for such asset in an arms-length transaction with a buyer which is not an Affiliate of the seller, and taking into consideration all factors which might reasonably affect the sales price of the asset in question, including, without limitation, if and as appropriate, the existence of a control block or minority interest, the anticipated impact on current market prices of immediate sale, the lack of a market for such asset, and the impact on present value of factors such as length of time before any such sales may become possible and the cost and complexity of any such sales.

1.51 "Financial Officer's Certificate" shall mean, as to any Person, a certificate of the chief financial officer or chief accounting officer (or such officer's authorized designee) of such Person, duly authorized, accompanying the financial statements required to be delivered by such Person pursuant to Section 17.2, in which such officer shall certify on behalf of such Person (a) that such statements have been properly prepared in accordance with GAAP and the Uniform System of Accounts and are true, correct and complete in all material respects and fairly present the financial condition of such Person at and as of the dates thereof and the results of its and their operations for the periods covered thereby, and (b) certify that such officer has reviewed this Agreement and has no knowledge of any Default or Event of Default hereunder.

1.52 "Financials" shall mean, for any Fiscal Year or other accounting period of Tenant, statements of operations, partners' capital and cash flow (or, in the case of a corporation, statements of operations, retained earnings and cash flow) for such period and for the period from the beginning of the respective Fiscal Year to the end of such period and the related balance sheet as of the end of such period, together with the notes to any such yearly statement, all in such detail as may be required by the SEC with respect to filings made by the REIT or Landlord or as may be reasonably required by Landlord, and setting forth in comparative form the corresponding figures for the corresponding period in the preceding Fiscal Year, and prepared in accordance with GAAP and the Uniform System of Accounts and audited annually (and quarterly if required by the SEC or if reasonably required by Landlord) by a nationally recognized firm of independent certified public accountants proposed by Tenant and approved by Landlord, which approval shall not be unreasonably withheld or delayed. Financials shall be prepared on the basis of a December 31 fiscal year of Tenant.

1.53 "Fiscal Quarter" shall mean each fiscal quarter of the Fiscal Year.

1.54 "Fiscal Year" shall mean each calendar year.

1.55 "Fixed Term" shall have the meaning given such term in Section

2.3.

1.56 "Fixtures" shall have the meaning given such term in Section 2.1(d).

1.57 "Food Sales" shall mean (a) Gross Revenues from the sale of food and non-alcoholic beverages that are prepared at the Hotel and sold or delivered on or off the Hotel by Tenant whether for cash or for credit, including in respect of guest rooms, banquet rooms, meeting rooms and other similar rooms, and (b) Gross Revenues from the rental of banquet, meeting and other similar rooms. Such revenue shall include sales by Tenant and its permitted subtenants, licensees and concessionaires, but as to subleases, licenses or similar arrangements for food and non-alcoholic beverage sales which were entered into by Landlord or any prior owner of the Leased Property with parties who are not Affiliates of Tenant and which are existing as of the date of this Agreement, such revenue shall only include rents received under such existing subleases, licenses or similar arrangements. Such revenue shall be determined in a manner consistent with GAAP and the Uniform System of Accounts and shall include (a) the fair market value of goods or services which have been provided in exchange for food under bartering or trade arrangements, (b) the fair market value of food provided under frequent traveler programs, gift certificate programs or any other similar programs and (c) the fair market value of any other allowances deducted from food revenues (items (a)-(c) being allocated to the respective revenues categories in accordance with the Uniform System of Accounts). Such revenue shall not include: (a) vending machine sales; (b) any gratuities or service charges added to a customer's bill or statement in lieu of gratuity which is paid directly to an employee; (c) non-alcoholic beverages sold from a bar or lounge; or (d) sales taxes or taxes of any other kind imposed on the sale of food or non-alcoholic beverages; or (e) the value of food or non-alcoholic beverages provided to employees of Landlord, Tenant, the franchisor under the Franchise Agreement or any other guests on a complimentary basis. All credits, rebates, refunds and credit card chargebacks relating to Food Sales shall be deducted from Food Sales.

1.58 "Force Majeure Event" shall mean an interruption of the operation of the Hotel resulting from, or caused by, general strikes, wars (declared or undeclared), natural disasters such as fires, storms, floods or earthquakes, or other material extraordinary economic events not reasonably foreseeable by the parties hereto, and which such interruption causes a delay in the performance of any material obligation hereunder.

1.59 "Franchise Agreement" shall mean any franchise agreement or license agreement with a franchisor under which the Hotel is operated.

1.60 "GAAP" shall mean generally accepted accounting principles of the United States of America, consistently applied.

1.61 Intentionally Omitted.

1.62 "Government Agencies" shall mean any court, agency, authority, board (including, without limitation, environmental protection, planning and zoning), bureau, commission, department, office or instrumentality of any nature whatsoever of any governmental or quasigovernmental unit of the country in which the Leased Property is located or the State or any county or any political subdivision of any of the foregoing, whether now or hereafter in existence, having jurisdiction over Tenant or the Leased Property or any portion thereof or the Hotel operated thereon.

1.63 "Gross Operating Expenses" shall mean all salaries and employee expense and payroll taxes (including salaries, wages, bonuses and other compensation of all employees of the Hotel, and benefits including

life, medical and disability insurance and retirement benefits), operational supplies, utilities, insurance to be provided by Tenant under the terms of this Lease, governmental fees and assessments, food, beverages, laundry service expense, the costs of Inventory, license fees, advertising, marketing, reservation systems and any and all other operating expenses as are reasonably necessary for the proper and efficient operation of the Hotel incurred by Tenant in accordance with the provisions hereof (excluding, however, (i) federal, state and municipal excise, sales and use taxes collected directly from patrons and guests or as a part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes paid over to federal, state or municipal governments, (ii) the cost of insurance to be provided by Landlord under Article 9, (iii) expenditures by Landlord, and (iv) payments on any Hotel Mortgage or other mortgage or security instrument on the Hotel); all determined in accordance with GAAP. No part of Tenant's central office overhead or general or administrative expenses (as opposed to that of the Hotel) shall be deemed to be a part of Gross Operating Expenses, as herein provided.

1.64 "Gross Revenues" shall mean all revenues, receipts, and income of any kind derived directly or indirectly by Tenant from or in connection with the Hotel (including rentals or other payments from their tenants, lessees, licensees or concessionaires but not including their gross receipts) whether on a cash basis or credit, paid or collected, determined in accordance with GAAP and the Uniform System of Accounts, excluding, however: (a) funds furnished by Landlord, (b) federal, state and municipal excise, sales, and use taxes collected directly from patrons and guests or as a part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes and paid over to federal, state or municipal governments, (c) gratuities, (d) proceeds of insurance and Awards, (e) proceeds from sales of furnishings, fixtures and equipment which are permitted pursuant to the terms of this Agreement, (f) all loan proceeds from financing or refinancings of the Hotel or interests therein or components thereof, (g) interest earned on funds deposited into the Reserve Fund and (h) judgments and awards, except any portion thereof arising from normal business operations of the Hotel.

1.65 "Ground Lease" shall mean that certain City of San Diego Percentage Lease, dated December 30, 1994, between the City of San Diego, California, and VVH Resorts, LTD., as amended or assigned.

1.66 "Ground Lease Payments" shall mean any and all fees, costs and expenses, including without limitation, ground rent payable under the Ground Lease.

1.67 "Hazardous Substances" shall mean any substance: (a) the presence of which requires or may hereafter require notification, investigation or remediation under any federal, state or local statute, regulation, rule, ordinance, order, action or policy; or (b) which is or becomes defined as a "hazardous waste", "hazardous material" or "hazardous substance" or "pollutant" or "contaminant" under any present or future federal, state or local statute, regulation, rule, ordinance or international treaty or amendment thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. et seq.) and the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et seq.); or (c) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the country in which the Leased Property is located, any state of the country in which the Leased Property is located, or any political subdivision thereof; or (d) the presence of which on the Leased Property causes or materially threatens to cause an unlawful nuisance upon the Leased Property

or to adjacent properties or poses or materially threatens to pose a hazard to the Leased Property or to the health or safety of persons on or about the Leased Property; or (e) without limitation, which contains gasoline, diesel fuel or other petroleum hydrocarbons or volatile organic compounds; or (f) without limitation, which contains polychlorinated biphenyls (PCBs) or asbestos or urea formaldehyde foam insulation; or (g) without limitation, which contains or emits radioactive particles, waves or material; or (h) without limitation, constitutes materials which are now or may hereafter be subject to regulation pursuant to the Material Waste Tracking Act of 1988, or any Applicable Laws promulgated by any Government Agencies.

1.68 "Hotel" shall mean the hotel being operated on the Leased Property.

1.69 "Hotel Mortgage" shall mean any Encumbrance placed upon the Leased Property in accordance with Article 20.

1.70 "Hotel Mortgagee" shall mean the holder of any Hotel Mortgage.

1.71 "Hotel Standard" shall mean both the operational standards (for example, staffing, amenities offered to guests, advertising, etc.) and the physical standards (for example, the quality, condition and utility of the Fixtures and Leased Personal Property, etc.) such that the Hotel and all of its facilities and activities are operated in the same manner as is customary and usual in the operating of a first class hotel, and, in any event, such that will provided such facilities and services at the Hotel as are normally provided by operators of hotels of comparable class and standing consistent with the Hotel's facilities.

1.72 "Immediate Family" shall mean, with respect to any individual, such individual's spouse, parents, brothers, sisters, children (natural or adopted), stepchildren, grandchildren, grandparents, parentsinlaw, brothersinlaw, sistersinlaw, nephews and nieces.

1.73 "Impositions" shall mean collectively, all taxes (including, without limitation, all taxes imposed under the laws of the State, as such laws may be amended from time to time, and all ad valorem, sales and use, value added, single business, gross receipts, transaction privilege, rent or similar taxes as the same relate to or are imposed upon Landlord, Tenant or the business conducted upon the Leased Property), sewer or other rents and charges, excises, tax levies, fees (including, without limitation, license, permit, inspection, authorization and similar fees), and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property or the business conducted thereon by Tenant (including all interest and penalties thereon due to any failure in payment by Tenant), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Landlord's interest in the Leased Property, (b) the Leased Property or any

part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on, or in connection with the Leased Property or the leasing or use of the Leased Property or any part thereof by Tenant; provided, however, that nothing contained herein shall be construed to require Tenant to pay (i) any real estate taxes with respect to the Leased Property, (ii) any Ground Lease Payments, (iii) any tax based on income imposed on Landlord, (iv) any revenue tax of Landlord, (v) any transfer fee or other tax imposed with respect to the sale, exchange or other disposition by Landlord of the Leased Property or the proceeds thereof (other than in connection with the sale, exchange or other disposition to, or in connection with a transaction involving, Tenant), (vi) any single business, gross receipts tax (other than a tax on any rent received by

Landlord from Tenant unless such gross receipts tax on such rent is in lieu of any other tax, assessment, levy or charge otherwise excluded from this definition of Impositions), transaction privilege, rent or similar taxes as the same relate to or are imposed upon Landlord, except to the extent that any tax, assessment, tax levy or charge which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (iii) or (iv) preceding is levied, assessed or imposed expressly in lieu thereof, (vii) any interest or penalties imposed on Landlord as a result of the failure of Landlord to file any return or report timely and in the form prescribed by law or to pay any tax or imposition, except to the extent such failure is a result of a breach by Tenant of its obligations pursuant to Section 3.1.3, (viii) any Impositions that are enacted or adopted by their express terms as a substitute for any tax that would not have been payable by Tenant pursuant to the terms of this Agreement or (ix) any Impositions imposed as a result of a breach of covenant or representation by Landlord in any agreement governing Landlord's conduct or operation or as a result of the gross negligence or willful misconduct of Landlord.

1.74 "Incidental Documents" shall mean all of the documents or agreements entered into in connection with this Agreement.

1.75 "Indebtedness" shall mean all obligations, contingent or otherwise, which in accordance with GAAP should be reflected on the obligor's balance sheet as liabilities.

1.76 "Initial Reserve Fund Payment" shall mean the sum set forth on Exhibit A attached hereto.

1.77 "Insurance Requirements" shall mean all terms of any insurance policy required by this Agreement, any Hotel Mortgage, or under any Ground Lease and all requirements of the issuer of any such policy and all orders, rules and regulations and any other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) binding upon Landlord, Tenant or the Leased Property.

1.78 "Insured Casualty" shall have the meaning given such term in Section 10.2.1.

1.79 "Interest Rate" shall mean on any date, a per annum rate of interest equal to the lesser of (a) the rate of interest announced by Citibank, N.A. from time to time in New York City as its "prime" or "base" rate, as such "prime" or "base" rate may change from time to time plus three percent (3%) per annum and (b) the maximum rate then permitted under applicable law.

1.80 "Inventory" shall mean all food, beverages and other consumable items used in the operation of a hotel, such as fuel, soap, cleaning materials, matches, stationery, brochures, folios and all other similar items, together with unused reserve stock (as opposed to in-use operating supplies) of linens, towels, paper goods, china, glassware, silverware and miscellaneous guest supplies including but not limited to the items set forth in Exhibit C attached hereto, together with all substitutions and replacements thereof.

1.81 "Key Employee" shall have the meaning given such term in Section 22.17.

1.82 "Land" shall have the meaning given such term in Section 2.1(a).

1.83 "Landlord" shall have the meaning given such term in the preambles to this Agreement.

1.84 "Landlord Liens" shall mean liens on or against the Leased Property or any payment of Rent (a) which result from any act of, or any claim against, Landlord or any owner of a direct or indirect interest in the Leased Property, or which result from any violation by Landlord of any terms of this Agreement, or (b) which result from liens in favor of any taxing authority by reason of any tax owed by Landlord or any fee owner of a direct or indirect interest in the Leased Property; provided, however, that "Landlord Lien" shall not include any lien resulting from any tax for which Tenant is obligated to pay or indemnify Landlord against until such time as Tenant shall have already paid to or on behalf of Landlord the tax or the required indemnity with respect to the same.

1.85 "Lease Year" shall mean any Fiscal Year or portion hereof, commencing with the 1998 Fiscal Year, during the Term.

1.86 "Leased Improvements" shall have the meaning given such term in Section 2.1(b).

1.87 "Leased Intangible Property" shall mean all hotel licensing agreements and other service contracts, equipment leases, booking agreements and other arrangements or agreements affecting the ownership, repair, maintenance, management, leasing or operation of the Leased Property to which Landlord is a party; all books, records and files relating to the leasing, maintenance, management or operation of the Leased Property belonging to Landlord; all transferable or assignable permits, certificates of occupancy, operating permits, sign permits, development rights and approvals, certificates, licenses, warranties and guarantees, rights to deposits, trade names, service marks, telephone exchange numbers identified with the Leased Property, and all other transferable intangible property, miscellaneous rights, benefits and privileges of any kind or character belonging to Landlord with respect to the Leased Property.

1.88 "Leased Personal Property" shall have the meaning given such term in Section 2.1(e).

1.89 "Leased Property" shall have the meaning given such term in Section 2.1.

1.90 "Legal Requirements" shall mean all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting the Leased Property or the maintenance, construction, alteration or operation thereof, whether now or hereafter enacted or in existence, including, without limitation, (a) all permits, licenses, authorizations, certificates and regulations necessary to operate the Leased Property for its Permitted Use, and (b) all covenants, agreements, restrictions and encumbrances contained in any instruments at any time in force affecting the Leased Property, including those which may (i) require material repairs, modifications or alterations in or to the Leased Property or (ii) in any way materially and adversely affect the use and enjoyment thereof, but excluding any requirements arising as a result of Landlord's or Landlord's Affiliates', as applicable, status as a real estate investment trust.

1.91 "Licenses" shall have the meaning given such term in Section 22.15.

1.92 "Lien" shall mean any mortgage, security interest, pledge, collateral assignment, or other encumbrance, lien or charge of any kind, or any transfer of property or assets for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors.

1.93 "Management Agreement" shall mean the Management Agreement between Tenant and the Manager with respect to the Leased Premises, together with all amendments, modifications and supplements thereto.

1.94 "Manager" shall have the meaning set forth on Exhibit A.

1.95 "Material Franchise Change" shall mean that the franchisor under the Franchise Agreement, if any, or the name of the franchisor, is purchased, rebranded, repositioned, terminated, or otherwise subjected to a change in ownership or control.

1.96 "Measurement Date" shall have the meaning given such term in Section 3.1.4.

1.97 "Minimum Inventory" shall have the meaning given such term in Section 5.6.

1.98 "Minimum Operating Standards" shall mean the standards of operation of the Hotel by which Tenant shall operate the Hotel in conformance with a commercially practicable manner as a first class hotel and in such a fashion that Landlord's valuable interest in the Hotel shall not decrease through such operations and such that the Hotel shall at no time be operated pursuant to a lower standard (i.e., quality and reputation) than exists at the Commencement Date.

1.99 "Minimum Rent" shall mean, with respect to each Accounting Period, the sum set forth on Exhibit A attached hereto as increased (but in no event decreased) by CPI pursuant to Section 3.1.4; provided, however, that Minimum Rent shall be adjusted if, as a result of a partial Condemnation or a casualty which, in each instance and in the reasonable judgment of Landlord, after consultation with Tenant, makes it impossible to restore a portion of the Leased Improvements, by a fraction (i) the numerator of which is the number of rooms which cannot be restored, and (ii) the denominator of which is the total number of hotel rooms located in the Hotel prior to such casualty or partial Condemnation.

1.100 "Minimum Working Capital" shall mean the sum set forth on Exhibit D attached hereto.

1.101 "Notice" shall mean a notice given in accordance with Section 22.10.

1.102 "Officer's Certificate" shall mean a certificate signed by an officer of the certifying Entity duly authorized by the board of directors of the certifying Entity.

1.103 "Operating Budget" shall have the meaning given such term in Section 17.3.

1.104 "OP Units" shall mean limited partnership interests in Landlord.

1.105 "Other Income" shall mean all revenue, receipts and income, including, but not limited to, interest income of any kind derived directly or indirectly from or in connection with the Hotel and included in Gross Revenues other than Room Revenues, Food Sales, Beverage Sales, Telephone Revenues, and Retail and Marina Sales.

1.106 "Overdue Rate" shall mean, on any date, a per annum rate of interest equal to the lesser of the Interest Rate plus three percent (3%) per annum and the maximum rate then permitted under applicable law.

1.107 "Parent" shall mean, with respect to Tenant, any Person which

owns directly, or indirectly through one or more Subsidiaries or Affiliates, five percent (5%) or more of the voting or beneficial interest in, or otherwise has the right or power (whether by contract, through ownership of securities or otherwise) to control, Tenant.

1.108 Intentionally Omitted.

1.109 "Participating Leases" shall mean any and all other leases executed at any time prior to or during the Term between Tenant, or Affiliates of Tenant, and Landlord with regard to the operation and/or management of hotel properties owned by Landlord.

1.110 "Permitted Encumbrances" shall mean all rights, restrictions, and easements of record set forth on the applicable owner's or leasehold title insurance policy issued to Landlord on the date hereof, plus any other such encumbrances as may have been consented to in writing by Landlord from time to time.

1.111 "Permitted Liens" shall mean any Liens granted in accordance with Section 21.8(a).

1.112 "Permitted Transfer" shall have the meaning given such term in Section 22.22.

1.113 "Permitted Use" shall mean any use of the Leased Property permitted pursuant to Section 4.1.1.

1.114 "Prohibited Casualty" shall have the meaning given such term in Section 10.2.1.

1.115 "Person" shall mean any individual or Entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so admits.

1.116 "Personal Property Limitation" shall have the meaning given such term in Section 19.1.

1.117 "Prohibited Taking" shall have the meaning given such term in Section 11.1.

1.118 "Purchase" shall have the meaning given such term in Section 22.22.

1.119 "Purchase Notice" shall have the meaning given such term in Section 22.22.

1.120 "Records" shall have the meaning given such term in Section 7.2.

1.121 "REIT" shall mean LaSalle Hotel Properties.

1.122 "REIT Shares" shall mean shares of common stock issued by the REIT.

1.123 "Rent" shall mean, collectively, the Minimum Rent, Participating Rent and Additional Charges.

1.124 "Replacement Cost" shall have the meaning given such term in Section 9.2.

1.125 "Required Minimum Net Worth" shall have the meaning given such term in Section 21.15.

1.126 "Required Purchase" shall have the meaning given such term is Section 22.22.

1.127 "Reserve Fund" shall have the meaning set forth in Section 6.3.

1.128 "Retail and Marina Sales" shall mean the Gross Revenues derived from the operation of any retail space or any marina within the Leased Property, including, but not limited to sales, leases or any other type of income participation. Such revenue shall be determined in a manner consistent with GAAP and the Uniform System of Accounts and shall include (a) the fair market value of goods or services which have been provided in exchange for goods under bartering or trade arrangements, (b) the fair market value of goods which has been provided under frequent traveler programs, gift certificate programs or any other similar programs and (c) the fair market value of any other allowances deducted from retail revenues (items (a)-(c) being allocated to the respective revenues categories in accordance with the Uniform System of Accounts). Retail and Marina Sales shall not include: (a) all sales taxes, and (b) the value of goods or services provided to employees of Landlord, Tenant, the franchisor under the Franchise Agreement or any other guests on a complimentary basis.

1.129 "Revenue Computation" shall have the meaning given such term in Exhibit A.

1.130 "Rent Performance Shortfall" shall have the meaning given such term in Section 21.11.

1.131 "Room Revenues" shall mean Gross Revenues determined in a manner consistent with GAAP and the Uniform System of Accounts, from the rental of guest rooms whether to individuals, groups or transients, at the Hotel, including, but not limited to (a) the fair market value of goods or services which have been provided in exchange for rooms under bartering or trade arrangements, (b) the fair market value of rooms provided under frequent traveler programs, gift certificate programs or any other similar programs, (c) the fair market value of any other allowances or commissions deducted from room rates, including, but not limited to, discounts and travel agent commissions (items (a)-(c) being allocated to the respective revenues categories in accordance with the Uniform System of Accounts), and (d) other Gross Revenues received from cancellation of room reservations, retained deposits, and other income derived from reservation changes. Room Revenues shall not include: (a) all sales taxes or any other taxes imposed on the rental of such guest rooms, and (b) any fees collected for amenities including, but not limited to, telephone, laundry, movies or concessions and (c) the value of rooms provided to employees of Landlord, Tenant, the franchisor under the Franchise Agreement or guests on a complimentary basis ("Complimentary Rooms"); provided, however, to the extent the Complimentary Rooms exceed two (2%) percent of the aggregate room rentals for a Fiscal Year, the fair market value of such excess shall not be excluded from Room Revenues, and such amounts shall be added to Gross Revenues for the last Fiscal Quarter of the preceding Fiscal Year. All credits, rebates, refunds and credit card chargebacks, except to the extent that such Room Revenues were originally collected prior to the Commencement Date, shall be deducted from Room Revenues.

1.132 "SEC" shall mean the United States of America Securities and Exchange Commission or any successor agency.

1.133 "Sale Notice" shall have the meaning given such term in Section 22.22.

1.134 "Security Deposit" shall have the meaning given such term in Section 15.1.

1.135 "Solvent" shall mean, as to any Person, that (a) the sum of the assets of such Person, at a fair valuation, exceeds its liabilities, including contingent liabilities, (b) such Person has sufficient capital with which to conduct its business as presently conducted and as proposed to be conducted and (c) such Person has not incurred debts, and does not intend to incur debts, beyond its ability to pay such debts as they mature.

For purposes of this definition, "debt" means any liability on a claim, and "claim" means (a) a right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, or (b) a right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. With respect to any such contingent liabilities, such liabilities shall be computed in accordance with GAAP and the Uniform System of Accounts at the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can reasonably be expected to become an actual or matured liability.

1.136 "State" shall mean the state or district in which the Leased Property is located.

1.137 "Subordinated Creditor" shall mean any creditor of Tenant which is a party to a Subordination Agreement in favor of Landlord.

1.138 "Subordination Agreement" shall mean any agreement executed by a Subordinated Creditor pursuant to which the payment and performance of Tenant's obligations to such Subordinated Creditor are subordinated to the payment and performance of Tenant's obligations to Landlord under this Agreement.

1.139 "Subsidiary" shall mean, with respect to any Person, any Entity (a) in which such Person owns directly, or indirectly through one or more Subsidiaries, fiftyone percent (51%) or more of the voting or beneficial interest or (b) which such Person otherwise has the right or power to control (whether by contract, through ownership of securities or otherwise).

1.140 "Successor Landlord" shall have the meaning given such term in Section 20.2.

1.141 "Superior Landlord" shall have the meaning given such term in Section 20.2.

1.142 "Superior Lease" shall have the meaning given such term in Section 20.2.

1.143 "Superior Mortgage" shall have the meaning given such term in Section 20.2.

1.144 "Superior Mortgagee" shall have the meaning given such term in Section 20.2.

1.145 "Tax Law Change" shall mean a change in the Code (including, without limitation, a change in the Treasury regulations promulgated thereunder) or in the judicial or administrative interpretations of the Code, which in the opinion of Landlord's counsel will permit Landlord or an Affiliate thereof to operate the Hotel as a hotel without adversely affecting the REIT's qualification for taxation as a real estate investment trust under the applicable provisions of the Code.

1.146 "Telephone Revenues" shall mean all revenues, receipts and income of any kind derived from the use of telephone facilities by guests of the hotel, including, without limitation, revenues from local and long distance calls, service charges and commissions received from pay stations.

1.147 "Tenant" shall have the meaning given such term in the preambles to this Agreement.

1.148 "Tenant's Assets" shall mean, when calculating Tenant's "net worth" hereunder, the following items owned by Tenant free and clear of all liens, encumbrances, security interests and restrictions, except any security interest granted to Landlord pursuant to the terms of this Agreement, (a) working capital available for the day to day operations of the Hotel; (b) investment grade marketable securities; (c) REIT Shares; (d) OP Units; and (e) coinvestments made by the Tenant with the Landlord in other hotel projects.

1.149 "Tenant's Personal Property" shall mean (a) all consumables located at the Hotel and (b) all personal property of Tenant, if any, owned by Tenant and located at the Leased Property or used in Tenant's business at the Leased Property and all modifications, replacements, alterations and additions to such personal property acquired at the expense of Tenant, other than any items included within the definition of Fixtures or Leased Personal Property.

1.150 "Term" shall mean the Fixed Term.

1.151 "Third Party" shall have the meaning given such term in Section 1.155.

1.152 "Third Party Notice" shall have the meaning given such term in Section 22.22.

1.153 "Transferor" shall have the meaning given such term in Section 22.22.

1.154 "Uniform System of Accounts" shall mean A Uniform System of Accounts for Hotels, Ninth Revised Edition, 1996, as published by the Hotel Association of New York City, as same may be revised, amended or supplemented.

1.155 "Unsuitable for Its Permitted Use" shall mean a state or condition of the Hotel such that (a) following any damage or destruction involving the Hotel, the Hotel cannot be operated in the good faith judgment of Tenant or the Manager on a commercially practicable basis for its Permitted Use and it cannot reasonably be expected to be restored to substantially the same condition as existed immediately before such damage or destruction, and as otherwise required by Section 10.2.4, within six (6) months following such damage or destruction or such shorter period of time as to which business interruption insurance is available to cover Rent and other costs related to the Leased Property following such damage or destruction, or (b) as the result of a partial taking by Condemnation, the Hotel cannot be operated, in the good faith judgment of Tenant or the Manager on a commercially practicable basis for its Permitted Use.

1.156 "Work" shall have the meaning given such term in Section 10.2.2.

## ARTICLE 2

-----

### LEASED PROPERTY AND TERM

-----

2.1 LEASED PROPERTY. Upon and subject to the terms and conditions hereinafter set forth, Landlord leases to Tenant and Tenant leases from Landlord all of Landlord's right, title and interest to use all of the

following (collectively, the "Leased Property"):

(a) those certain tracts, pieces and parcels of land, as more particularly described in Exhibit E, attached hereto and made a part hereof (the "Land");

(b) all buildings, structures and other improvements of every kind including, but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (onsite and offsite), parking garages, parking areas and roadways appurtenant to such buildings and structures presently situated upon the Land (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements;

(d) all equipment, machinery, fixtures, and other items of property, now or hereafter permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, aircooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, all of which, to the maximum extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, but specifically excluding all items included within the category of Tenant's Personal Property (collectively, the "Fixtures");

(e) all machinery, equipment, furniture, furnishings, moveable walls or partitions, trade fixtures or other personal property of any kind or description used or useful in Tenant's business on or in the Leased Improvements, and located on or in the Leased Improvements, (including, but not limited to, computers, beds, bureaus, chiffonniers, chests, chairs, desks, lamps, mirrors, bookcases, tables, rugs, bedspreads, shower curtains, linens, towels, facecloths, bathmats, napkins, tablecloths, chinaware, glassware, flatware, uniforms, carpeting, drapes, draperies, curtains, shades, venetian blinds, screens, paintings, hangings, pictures, divans, couches, luggage carts, luggage racks, stools, sofas, pillows, blankets, foodcarts, cookware, dry cleaning facilities, dining room wagons, keys or other entry systems, bars, bar fixtures, liquor and other drink dispensers, icemakers, radios, television sets, video machines, intercom and paging equipment, electric and electronic equipment, dictating equipment, private telephone systems, communication equipment, medical equipment, umbrellas and other shade equipment, barbecues, potted plants, plants, laundry machines, tools, machinery, switchboards, vacuum cleaning systems, floor brackets, electrical signs, bulbs, bells, cabinets, lockers, shelving, spotlighting equipment, dishwashers, garbage disposals, washers and dryers, boats, motor scooters, bicycles, vehicles, exercise machines, sporting goods and other recreational equipment, other customary hotel equipment and other tangible property of every kind and nature whatsoever) and all modifications, replacements, alterations and additions to such personal property, except items, if any, included within the category of Fixtures together with any interests Landlord may have in leases with respect to all of the foregoing (collectively, the "Leased Personal Property");

(f) all of the Leased Intangible Property; and

(g) any and all leases of space (including any security deposits held by Tenant or the Manager pursuant thereto) in the Leased Improvements to tenants thereof.

2.1 CONDITION OF LEASED PROPERTY. Tenant acknowledges receipt and delivery of possession of the Leased Property and Tenant accepts the Leased Property in its "as is" condition, subject to the rights of parties in possession, the existing state of title, including all covenants, conditions, restrictions, reservations, mineral leases, concessions, easements and other matters of record or that are visible or apparent on the Leased Property, all applicable Legal Requirements, the lien of any financing instruments, mortgages and deeds of trust existing prior to the Commencement Date or permitted by the terms of this Agreement, and such other matters which would be disclosed by an inspection of the Leased Property and the record title thereto or by an accurate survey thereof. TENANT REPRESENTS THAT IT HAS INSPECTED THE LEASED PROPERTY AND ALL OF THE FOREGOING AND HAS FOUND THE CONDITION THEREOF SATISFACTORY AND IS NOT RELYING ON ANY REPRESENTATION OR WARRANTY OF LANDLORD OR LANDLORD'S AGENTS OR EMPLOYEES WITH RESPECT THERETO AND TENANT WAIVES ANY CLAIM OR ACTION AGAINST LANDLORD IN RESPECT OF THE CONDITION OF THE LEASED PROPERTY. LANDLORD MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY TENANT.

2.2 FIXED TERM. The term of this Agreement (the "Fixed Term") shall commence on the Commencement Date and shall expire on the Expiration Date.

ARTICLE 3

-----

RENT

----

3.1 Rent. Tenant shall pay, in Dollars without offset, abatement, demand or deduction (unless otherwise expressly provided in this Agreement), Minimum Rent and Participating Rent to Landlord and Additional Charges to the party to whom such Additional Charges are payable, during the Term. All payments to Landlord shall be made by wire transfer of immediately available federal funds or by other means acceptable to Landlord in its sole discretion. Rent for any partial Accounting Period shall be prorated on a per diem basis. Minimum Rent and Participating Rent shall be adjusted (by amendment to this Agreement) as a result of (i) the expansion of the number of rooms operated at the Hotel, (ii) the increase in area of any meeting rooms or similar facilities located at the Hotel, (iii) a material increase in the facilities or services available at the Hotel, (iv) a significant renovation of the Hotel, (v) a Material Franchise Change, (vi) a significant repositioning of the Hotel, (vii) a material contraction in the number of rooms or services available at the Hotel as a result of construction or development at the Hotel, or (viii) a material negative impact on operation at the Hotel as a result of development at the Hotel. The parties agree to undertake good faith negotiations to agree upon the adjustment of Minimum Rent and Participating Rent provided for in this Section 3.1. If, within three (3) months of commencing good faith negotiations for the determination of any applicable adjustment to Minimum Rent and Participating Rent pursuant to the terms of this Section 3.1, the parties fail to agree upon such adjustment, then either party may, upon thirty (30) days notice to the other party, terminate this Agreement; provided, however, if Landlord initiates the request for an adjustment of Minimum Rent and Participating Rent pursuant to this Section 3.1, and this Agreement is terminated by either party pursuant to this Section 3.1, Tenant shall be entitled to the Termination Fee as calculated pursuant to

Section 22.20; provided, further, however, if Tenant initiates the request for an adjustment of Minimum Rent and Participating Rent pursuant to this Section 3.1, and this Agreement is terminated by either party pursuant to this Section 3.1, Tenant shall not be entitled to any Termination Fee which may otherwise be payable pursuant to Section 22.20.

3.1.1 Minimum Rent. For each Accounting Period or portion thereof, Tenant shall pay Minimum Rent in arrears prior to 11:00 a.m. New York time on the first Business Day of the next Accounting Period.

3.1.2 Participating Rent.

(a) Amount. For each Fiscal Quarter or portion thereof, Tenant shall pay in arrears prior to 11:00 a.m. New York time on or before the twentieth (20th) day of each Fiscal Quarter additional rent ("Participating Rent") with respect to such prior Fiscal Quarter or portion thereof, pursuant to this Agreement, in an amount, not less than zero, as set forth on Exhibit A. In calculating Participating Rent, Gross Revenues attributable to hotel packages or certificates including, but not limited to, frequent traveler programs, gift certificate programs, all inclusive packages or certificates, or other similar programs or packages, shall be allocated to the respective revenues categories in accordance with the Uniform System of Accounts.

The obligation to pay Participating Rent shall survive the expiration or earlier termination of the Term, and a final reconciliation, taking into account, among other relevant adjustments, any adjustments which are accrued after such expiration or termination date but which related to Participating Rent accrued prior to such termination date, shall be made not later than sixty (60) days after such expiration or termination date.

(b) Officers Certificate. An Officer's Certificate, in form and substance reasonably acceptable to Landlord, setting forth the calculation of Participating Rent due and payable for the applicable Fiscal Quarter shall be delivered to Landlord with each payment of Participating Rent.

(c) Reconciliation of Participating Rent. On or before March 2 of each year, commencing March 2, 1999, Tenant shall deliver to Landlord an Officer's Certificate, in form and substance reasonably acceptable to Landlord, setting forth the Gross Revenues for the Leased Property for such preceding Lease Year, together with an audit of Tenant's revenues for the preceding Lease Year, conducted by a nationally recognized firm of independent certified public accountants proposed by Tenant and approved by Landlord, which approval shall not be unreasonably withheld or delayed. If the annual Participating Rent for such preceding Lease Year as shown in the Officer's Certificate exceeds the amount previously paid with respect thereto by Tenant, Tenant shall pay such excess to Landlord at such time as the Officer's Certificate is delivered, together with interest at the Interest Rate, which interest shall accrue from the date that such payment was due until the date that such certificate is required to be delivered and, thereafter, such interest shall accrue at the Overdue Rate, until the amount of such difference shall be paid or otherwise discharged. If the annual Participating Rent for such preceding Lease Year as shown in the Officer's Certificate is less than the amount previously paid with respect thereto by Tenant, provided that no Event of Default shall have occurred and be continuing, Landlord shall grant Tenant a credit against Participating Rent next coming due in the amount of such difference. If such credit cannot be made because the Term has expired prior to application in full thereof, provided no Event of Default has occurred and is continuing, Landlord shall pay, within fifteen (15) Business Days of the date of determination that such credit is due to Tenant, the unapplied

balance of such credit to Tenant.

(d) Confirmation of Participating Rent. Tenant shall utilize, or cause to be utilized, an accounting system for the Leased Property in accordance with its usual and customary practices and in accordance with GAAP and the Uniform System of Accounts, which will accurately record all Gross Revenues and revenue categories specified in Exhibit A and Tenant shall retain, for at least seven (7) years after the expiration of each Lease Year, or such longer period as may be required by Applicable Laws, reasonably adequate records conforming to such accounting system showing all Gross Revenues for such Lease Year. Landlord, at its own expense except as provided hereinbelow, shall have the right, exercisable by Notice to Tenant within seven (7) years after receipt of the applicable Officer's Certificate, by its accountants or representatives to audit the information set forth in the Officer's Certificate referred to in subparagraph (c) above and, in connection with such audits, to examine Tenant's and the Manager's books and records with respect thereto (including supporting data and sales and excise tax returns). If any such audit discloses a deficiency in the payment of Participating Rent, Tenant shall forthwith pay to Landlord the amount of the deficiency, together with interest at the Interest Rate, from the date such payment should have been made to the date of payment thereof. If Landlord did not receive at least ninety-five percent (95%) of the Participating Rent payable with respect to such Lease Year, Tenant shall pay the reasonable cost of such audit and examination. If any such audit discloses that Tenant paid more Participating Rent for any Lease Year than was due hereunder, provided no Event of Default has occurred and is continuing, Landlord shall grant Tenant a credit as provided in subparagraph (c) above. Any proprietary information obtained by Landlord with respect to Tenant or the Manager pursuant to the provisions of this Agreement shall be treated as confidential, except that such information may be

used, subject to appropriate confidentiality safeguards, in any litigation between the parties and except further that Landlord may disclose such information to its prospective lenders, provided that Landlord shall direct and obtain the agreement of such lenders to maintain such information as confidential. The obligations of Tenant and Landlord contained in this Section 3.1.2 shall survive the expiration or earlier termination of this Agreement.

3.1.3 Additional Charges. In addition to the Minimum Rent and Participating Rent payable hereunder, Tenant shall pay to the appropriate parties and discharge as and when due and payable the following (collectively, "Additional Charges"):

(a) Impositions. Subject to Article 8 relating to permitted contests, Tenant shall pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost (other than any opportunity cost as a result of a failure to take advantage of any discount for early payment) may be added for nonpayment, such payments to be made directly to the taxing authorities where feasible, and shall promptly, upon request, furnish to Landlord copies of official receipts or other reasonably satisfactory proof evidencing such payments. If any such Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term as the same become due and before any fine, penalty, premium, further interest or cost may be added thereto. Landlord, at its expense, shall, to the extent required or permitted by Applicable Law, prepare and file all tax returns and pay all taxes due in respect of real estate taxes on the Leased Property, and all taxes due in respect of Landlord's income, gross receipts, sales and use, single business, transaction privilege, rent, ad valorem, franchise taxes

and taxes on its capital stock, and Tenant, at its expense, shall, to the extent required or permitted by Applicable Laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by Government Agencies. Provided no Event of Default shall have occurred and be continuing, if any refund shall be due from any taxing authority in respect of any Imposition paid by Tenant, the same shall be paid over to or retained by Tenant. Landlord and Tenant shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event Government Agencies classify any property covered by this Agreement as personal property, Tenant shall file all personal property tax returns in such jurisdictions where it may legally so file. Each party shall, to the extent it possesses the same, provide the other, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Landlord is legally required to file personal property tax returns for property covered by this Agreement, Landlord shall provide Tenant with copies of assessment notices in sufficient time for Tenant to file a protest. All Impositions assessed against such personal property shall be (irrespective of whether Landlord or Tenant shall file the relevant return) paid by Tenant not later than the last date on which the same may be made without interest or penalty. Landlord shall give prompt Notice to Tenant of all Impositions payable by Tenant hereunder of which Landlord at any time has knowledge; provided, however, that Landlord's failure to give any such notice shall in no way diminish Tenant's obligation hereunder to pay such Impositions (except that Landlord shall be responsible for any interest or penalties incurred as a result of Landlord's failure promptly to forward the same).

(b) Utility Charges. Tenant shall pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in connection with the Leased Property.

(c) Insurance Premiums. Tenant shall pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Article 9.

(d) Other Charges. Tenant shall pay or cause to be paid all other amounts, liabilities and obligations and all amounts payable under or with respect to the Management Agreement and all agreements to indemnify Landlord under Sections 4.3.2 and 9.7.

(e) Gross Operating Expenses. Tenant shall pay or cause to be paid all Gross Operating Expenses in connection with the Leased Property.

If Tenant shall fail to pay any of the amounts payable under paragraphs (a) through (e), above, Landlord may, upon ten (10) days written notice to Tenant, pay such charges, together with interest and penalties due with respect thereto, and Tenant shall reimburse Landlord therefor together with interest at the Interest Rate, upon demand, as Additional Charges.

3.1.4 CPI Adjustments. For each Lease Year during the Term, beginning with the Lease Year commencing in January 2004, the Minimum Rent then in effect, the Annual Room Revenues First Break Point, the Annual Room Revenues Second Break Point (each as defined in Exhibit A and together, the "Annual Room Revenues Break Points"), the Annual Food and Beverage Sales First Break Point, the Annual Food and Beverage Sales Second Break Point (each as defined in Exhibit A and together, the "Annual Food and Beverage Sales Break Points"), the Annual Telephone Revenues First Break Point, the Annual Telephone Revenues Second Break Point (each as defined in Exhibit A and together, the "Annual Telephone Revenues Break Points"), the Annual Retail and Marina Sales First Break Point, the Annual Retail and Marina

Sales Second Break Point (each as defined in Exhibit A and together, the "Annual Retail and Marina Sales Break Points"), the Annual Other Income First Break Point, the Annual Other Income Second Break Point (each as defined in Exhibit A and together, the "Annual Other Income Break Points"), then included in the Revenues Computation shall be increased as follows:

(a) For the Lease Year commencing January 1, 2004, and for each Lease Year thereafter during the Term, the CPI in effect for the month of December immediately preceding the new Lease Year (the "Measurement Date") shall be divided by the CPI in effect for the month of December in the prior Fiscal Year;

(b) The new Minimum Rent for the Lease Year commencing January 1, 2004 and for each Lease Year thereafter shall be the product of the Minimum Rent in effect in the most recently ended Lease Year and the quotient obtained under subparagraph (a) above;

(c) The new Annual Room Revenues Break Points in the Revenues Computation for the Lease Year commencing January 1, 2004 and for each Lease Year thereafter shall be the product of the Annual Room Revenues Break Points in effect in the most recently ended Lease Year and the quotient obtained in subparagraph (a) above;

(d) The new Annual Food and Beverage Sales Break Points in the Revenues Computation for the Lease Year commencing January 1, 2004 and for each Lease Year thereafter shall be the product of the Annual Food and Beverage Sales Break Points in effect in the most recently ended Lease Year and the quotient obtained in subparagraph (a) above;

(e) The new Annual Telephone Revenues Break Points in the Revenues Computation for the Lease Year commencing January 1, 2004 shall be the product of the Annual Telephone Revenues Break Points in effect for the most recently ended Lease Year and the quotient obtained in subparagraph (a) above;

(f) The new Annual Retail and Marina Sales Break Points in the Revenues Computation for the Lease Year commencing January 1, 2004 and for each Lease Year thereafter shall be the product of the Annual Retail and Marina Sales Break Points in effect in the most recently ended Lease Year and the quotient obtained in subparagraph (a) above;

(g) Intentionally Omitted.

(h) The new Annual Other Income Break Points in the Revenues Computation for the Lease Year commencing January 1, 2004 and for each Lease Year thereafter shall be the product of the Annual Other Income Break Points in effect in the most recently ended Lease Year and the quotient obtained in subparagraph (a) above.

Adjustments calculated as set forth above in the Minimum Rent, the Annual Room Revenues Break Points, the Annual Food and Beverage Sales Break Points, the Annual Telephone Revenues Break Points, the Annual Retail and Marina Sales Break Points, and the Annual Other Income Break Points, shall be effective on the first day of each Lease Year to which such adjusted amounts apply. If Rent is paid prior to the determination of the amount of any adjustment to Minimum Rent, the Annual Room Revenues Break Points, the Annual Food and Beverage Sales Break Points, the Annual Telephone Revenues Break Points, the Annual Retail and Marina Sales Break Points, or the Annual Other Income Break Points applicable for such period, whether because of a delay in the publication of the CPI for the Measurement Date or because of any other reason, payment adjustments for any shortfall in or overpayment of Rent paid shall be made with the first Minimum Rent and Participating Rent payments due after the amount of the adjustments are

determined. If (1) a significant change is made in the number or nature (or both) of items used in determining the CPI, or (2) the CPI shall be discontinued for any reason, the Bureau of Labor Statistics shall be requested to furnish a new index comparable to the CPI, together with information which will make possible a conversion to the new index in computing the adjusted Minimum Rent, the Annual Room Revenues Break Points, the Annual Food and Beverage Sales Break Points, the Annual Telephone Revenues Break Points, the Annual Retail and Marina Sales Break Points, and the Annual Other Income Break Points hereunder. If for any reason the Bureau of Labor Statistics does not furnish such an index and such information, the parties will instead mutually select, accept and use such other index or comparable statistics on the cost of living in various cities that is computed and published by an agency of the United States of America or a responsible financial periodical of recognized authority. In no event shall the Minimum Rent, the Annual Room Revenues Break Points, the Annual Food and Beverage Sales Break Points, the Annual Telephone Revenues Break Points, the Annual Retail and Marina Sales Break Points, or the Annual Other Income Break Points be reduced as a result of any changes in the CPI or changes to the calculation of CPI.

3.2 Late Payment of Rent, Etc. If any installment of Minimum Rent, Participating Rent or Additional Charges (but only as to those Additional Charges which are payable directly to Landlord) shall not be paid within ten (10) days after its due date, Tenant shall pay Landlord, on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate on the amount of such installment, from the due date of such installment to the date of payment thereof. To the extent that Tenant pays any Additional Charges directly to Landlord or any Hotel Mortgagee pursuant to any requirement of this Agreement, Tenant shall be relieved of its obligation to pay such Additional Charges to the Entity to which they would otherwise be due.

In the event of any failure by Tenant to pay any Additional Charges when due, except as expressly provided in Section 3.1.3(a), Tenant shall promptly pay and discharge, as Additional Charges, every fine, penalty, interest and cost which may be added for nonpayment or late payment of such items. Landlord shall have all legal, equitable and contractual rights, powers and remedies provided either in this Agreement or by statute or otherwise in the case of nonpayment of the Additional Charges as in the case of nonpayment of the Minimum Rent and Participating Rent.

3.3 Net Lease. The Rent shall be absolutely net to Landlord so that this Agreement shall yield to Landlord the full amount of the installments or amounts of the Rent throughout the Term, subject to any other provisions of this Agreement which expressly provide otherwise, including those provisions for adjustment or abatement of such Rent.

3.3.1 No Termination, Abatement, Etc. Except as otherwise specifically provided in this Agreement, each of Landlord and Tenant, to the maximum extent permitted by law, shall remain bound by this Agreement in accordance with its terms and shall not take any action without the consent of the other to modify, surrender or terminate this Agreement. In addition, except as otherwise expressly provided in this Agreement, Tenant shall not seek, or be entitled to, any abatement, deduction, deferment or reduction of the Rent, or setoff against the Rent, nor shall the respective obligations of Landlord and Tenant be otherwise affected by reason of (a) any damage to or destruction of the Leased Property or any portion thereof from whatever cause or any Condemnation; (b) any claim which Tenant may have against Landlord by reason of any default (other than a monetary default) or breach of any warranty by Landlord under this Agreement or any other agreement between Landlord and Tenant, or to which Landlord and Tenant are parties; (c) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other

proceedings affecting Landlord or any assignee or transferee of Landlord; or (d) for any other cause whether similar or dissimilar to any of the foregoing (other than a monetary default by Landlord). Except as otherwise specifically provided in this Agreement, Tenant hereby waives all rights arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law, to (a) modify, surrender or terminate this Agreement or quit or surrender the Leased Property or any portion thereof or (b) entitle Tenant to any abatement, reduction, suspension or deferment of the Rent or other sums payable or other obligations to be performed by Tenant hereunder. The obligations of each party hereunder shall be separate and independent covenants and agreements, and the Rent and all other sums payable by Tenant hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Agreement. In any instance where, after the occurrence of an Event of Default, Landlord retains funds which, but for the occurrence of such Event of Default, would be payable to Tenant, Landlord shall refund such funds to Tenant to the extent the amount thereof exceeds the amount necessary to compensate Landlord for any cost, loss or damage incurred in connection with such Event of Default.

ARTICLE 4

-----

USE OF THE LEASED PROPERTY

-----

4.1 Permitted Use.

4.1.1 Permitted Use. Tenant shall, at all times during the term and at any other time that Tenant shall be in possession of the Leased Property, continuously use and operate, and cause the Manager to use and operate, the Leased Property as a commercial hotel which meets or exceeds the Hotel Standard and any uses incidental thereto. Subject to Section 16.3, Tenant shall not use (and shall cause the Manager not to use) the Leased Property or any portion thereof for any other use without the prior written consent of Landlord which may be withheld or granted in Landlord's sole and absolute discretion. No use shall be made or permitted to be made of the Leased Property and no acts shall be done thereon which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof (unless another adequate policy is available), nor shall Tenant sell or otherwise provide or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or by the standard form of fire insurance policies, or any other insurance policies required to be carried hereunder, or fire underwriters' regulations. Tenant shall, at its sole cost, comply (or cause the Manager to comply) with all Insurance Requirements for which Tenant is responsible pursuant to Article 9 hereof. Tenant shall not take or omit to take (and Tenant shall cause the Manager not to take or omit to take) any action, the taking or omission of which materially impairs the value or the usefulness of the Leased Property or any part thereof for its Permitted Use in accordance with the Franchise Agreement and the Hotel Standard.

4.1.2 Necessary Approvals. Tenant shall proceed with all due diligence and exercise best efforts to obtain and maintain, and shall cause the Manager to obtain and maintain, all approvals and Licenses necessary to use and operate, for its Permitted Use, the Leased Property and the Hotel located thereon under applicable law, and, if requested by Landlord, shall obtain, in Tenant's name, any liquor licenses required for the use and operation of the Hotel.

4.1.3 Lawful Use, Etc. Tenant shall not, and shall cause the Manager not to, use or suffer or permit the use of the Leased Property or

Tenant's Personal Property, if any, for any unlawful purpose. Tenant shall not, and shall cause the Manager not to, commit or suffer to be committed any waste on the Leased Property, or in the Hotel, nor shall Tenant cause or permit any unlawful nuisance thereon or therein. Tenant shall not, and shall cause the Manager not to, suffer nor permit the Leased Property, or any portion thereof, to be used in such a manner as (a) might reasonably impair Landlord's title thereto or to any portion thereof, or (b) may reasonably allow a claim or claims for adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

4.2 Compliance with Legal/Insurance Requirements, Etc. Subject to the provisions of Article 9, Tenant, at its sole expense, shall (or shall cause the Manager to) comply with Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair, alteration and restoration of the Leased Property and with the terms and conditions of any ground lease affecting the Leased Property, and procure, maintain and comply with all appropriate licenses, and other authorizations and agreements required for any use of the Leased Property and Tenant's Personal Property, if any, then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof.

#### 4.3 Environmental Matters .

4.3.1 Restriction on Use, Etc. During the Term and any other time that Tenant shall be in possession of the Leased Property, Tenant shall not (and shall cause the Manager not to) store, spill upon, dispose of or transfer to or from the Leased Property any Hazardous Substance, except in compliance with all Applicable Laws. During the Term and any other time that Tenant shall be in possession of the Leased Property, Tenant shall maintain (and shall cause the Manager to maintain) the Leased Property at all times free of any Hazardous Substance (except in compliance with all Applicable Laws). Tenant shall promptly: (a) upon receipt of notice or knowledge and shall cause the Manager upon receipt of notice or knowledge promptly to, notify Landlord in writing of any material change in the nature or extent of Hazardous Substances at the Leased Property, (b) transmit to Landlord a copy of any "Community Right to Know" report which is required to be filed by Tenant or the Manager with respect to the Leased Property pursuant to any Applicable Law, (c) transmit to Landlord copies of any citations, orders, notices or other governmental communications received by Tenant or the Manager or their respective agents or representatives with respect thereto (collectively, "Environmental Notice"), which Environmental Notice requires a written response or any action to be taken and/or if such Environmental Notice gives notice of and/or presents a material risk of any material violation of any Applicable Law and/or presents a material risk of any material cost, expense, loss or damage (an "Environmental Obligation"), (d) observe and comply (and cause the Manager to observe and comply) with all Applicable Laws relating to the use, maintenance and disposal of Hazardous Substances and all orders or directives from any official, court or agency of competent jurisdiction relating to the use or maintenance or requiring the removal, treatment, containment or other disposition thereof, and (e) pay or otherwise dispose of any fine, charge or Imposition related thereto, unless Tenant or the Manager shall contest the same in good faith and by appropriate proceedings and the right to use and the value of the Leased Property is not materially and adversely affected thereby. If, at any time prior to the termination of this Agreement, Hazardous Substances (other than those maintained in accordance with Applicable Laws) are discovered on the Leased Property, subject to Tenant's and the Manager's right to contest any Claim with respect to the same in accordance with Article 8, Tenant shall take (and shall cause the Manager to take) all actions and incur any and all expenses, as may be reasonably necessary and as may be required by any

Government Agency, (i) to clean up and remove from and about the Leased Property all Hazardous Substances thereon, (ii) to contain and prevent any further release or threat of release of Hazardous Substances on or about the Leased Property and (iii) to use good faith efforts to eliminate any further release or threat of release of Hazardous Substances on or about the Leased Property.

4.3.2 Indemnification of Landlord. Tenant shall protect, indemnify and hold harmless Landlord, the REIT, Advisors, and each Hotel Mortgagee, their trustees, officers, agents, employees and beneficiaries, and any of their respective successors or assigns with respect to this Agreement (collectively, the "Indemnitees" and, individually, an "Indemnitee") for, from and against any and all debts, liens, claims, causes of action, administrative orders or notices, costs, fines, penalties or expenses (including, without limitation, reasonable attorney's fees and expenses) imposed upon, incurred by or asserted against any Indemnitee resulting from, either directly or indirectly, the presence during the Term (or any other time Tenant shall be in possession of the Leased Property) in, upon or under the soil or ground water of the Leased Property or any properties surrounding the Leased Property of any Hazardous Substances in violation of any Applicable Law or otherwise except to the extent the same arise (i) from the gross negligence or willful misconduct of Landlord or any other Indemnitee or (ii) the existence thereof on the Leased Property prior to the Commencement Date. Tenant's duty herein includes, but is not limited to, costs associated with personal injury or property damage claims as a result of the presence prior to the expiration or sooner termination of the Term and the surrender of the Leased Property to Landlord in accordance with the terms of this Agreement of Hazardous Substances in, upon or under the soil or ground water of the Leased Property in violation

of any Applicable Law. Upon Notice from Landlord and any other of the Indemnitees, Tenant shall undertake the defense (with counsel reasonably acceptable to Landlord), at Tenant's sole cost and expense, of any indemnification duties set forth herein. Tenant shall, upon demand, pay to Landlord, as an Additional Charge, any cost, expense, loss or damage (including, without limitation, reasonable attorneys' fees) incurred by Landlord and arising from a failure of Tenant strictly to observe and perform the requirements of this Section 4.3, which amounts shall bear interest from the date ten (10) days after written demand therefor is given to Tenant until paid by Tenant to Landlord at the Overdue Rate.

4.3 Survival. The provisions of this Section 4.3 shall survive the expiration or sooner termination of this Agreement.

ARTICLE 5

-----

MAINTENANCE AND REPAIRS

-----

5.1 Maintenance and Repair.

5.1.1 Tenant's Obligations. Tenant shall, at its sole cost and expense, or shall cause the Manager to, keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto (and Tenant's Personal Property, if any) in good order and repair, subject to ordinary wear and tear (whether or not the need for such repairs occurs as a result of Tenant's or the Manager's use, any prior use, the elements or the age of the Leased Property or Tenant's Personal Property, if any, or any portion

thereof), and shall promptly make (or cause the Manager to make) all necessary and appropriate repairs and replacements thereto of every kind and nature, whether interior or exterior, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term (concealed or otherwise); provided, however, Tenant shall not be obligated to make Capital Expenditures with respect to the Leased Property. All repairs shall be made in a good, workmanlike manner, consistent with the Manager's and industry standards for like hotels in like locales, in accordance with all Applicable Laws relating to any such work. Tenant shall not take or omit to take (and shall cause the Manager not to take or omit to take) any action, the taking or omission of which would materially and adversely impair the value or the usefulness of the Leased Property or any part thereof for its Permitted Use in accordance with the Franchise Agreement, the Hotel Standard, and the Ground Lease. Tenant's obligations under this Section 5.1.1 shall be limited in the event of any casualty or Condemnation as set forth in Sections 10.2 and 11.2 and Tenant's obligations with respect to Hazardous Substances are as set forth in Section 4.3.

#### 5.1.2 Landlord's Obligations.

(a) Except as otherwise expressly provided in Sections 5.1.2(b) and 10.2.1, or as otherwise required under the Ground Lease, Landlord shall not, under any circumstances, be required to build or rebuild any improvement on the Leased Property, or to make any repairs (except for structural repairs), replacements, alterations, restorations or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto, or to maintain the Leased Property in any way. Tenant hereby waives, to the maximum extent permitted by law, the right to make repairs at the expense of Landlord pursuant to any law in effect on the date hereof or hereafter enacted. Landlord shall have the right to give, record and post, as appropriate, notices of nonresponsibility under any mechanic's lien laws now or hereafter existing.

(b) If Tenant is required to make any expenditure in connection with any Capital Repair which is required as a result of a fire, any other casualty or any other events, circumstances or conditions which threaten the safety or physical well-being of the Hotel's guests or employees or which involve the risk of material property damage or material loss to the Hotel or which are required to prevent a material and detrimental economic loss to the Hotel (collectively, "Emergency Repairs") and the amount of such expenditures exceeds the amount on deposit in the Reserve Fund, Tenant may, at its election, give Landlord Notice thereof, which Notice shall set forth, in reasonable detail, the nature of the required Emergency Repair, the estimated cost thereof and such

other information with respect thereto as Landlord may reasonably require. Provided that no Event of Default shall have occurred and be continuing and Tenant shall otherwise comply with the applicable provisions of Article 6, Landlord shall, within five (5) Business Days after such Notice, subject to and in accordance with the applicable provisions of Article 6, disburse or, if costs for Emergency Repairs have already been incurred by Tenant, reimburse any funds necessary to complete Emergency Repairs which are in excess of the amount on deposit in the Reserve Fund to Tenant (or, if Tenant shall so elect, directly to the Manager or any other Person performing the required work).

5.1.3 Nonresponsibility of Landlord, Etc. All materialmen, contractors, artisans, mechanics and laborers and other persons contracting with Tenant with respect to the Leased Property, or any part thereof, are hereby charged with notice that liens on the Leased Property or on Landlord's interest therein are expressly prohibited and that they must

look solely to Tenant to secure payment for any work done or material furnished by Tenant, the Manager or for any other purpose during the term of this Agreement. Nothing contained in this Agreement shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer or materialmen for the performance of any labor or the furnishing of any materials for any alteration, addition, improvement or repair to the Leased Property or any part thereof or as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any lien against the Leased Property or any part thereof nor to subject Landlord's estate in the Leased Property or any part thereof to liability under any mechanic's lien law in any way, it being expressly understood that Landlord's estate shall not be subject to any such liability.

5.2 Tenant's Personal Property. Tenant shall provide and maintain throughout the Term all such Tenant's Personal Property as shall be necessary in order to operate in compliance with applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Permitted Use and all of such Personal Property shall, upon the expiration or earlier termination of this Agreement, become the property of Landlord. If, from and after the Commencement Date, Tenant acquires an interest in any item of tangible personal property on, or in connection with, the Leased Property which belongs to any Person other than Tenant, Tenant shall require the agreements, permitting such use to provide that Landlord or its designee may assume Tenant's rights and obligations under such agreement upon the termination of this Agreement and the assumption of management or operation of the Hotel by Landlord or its designee. Upon termination of the Term, Tenant shall deliver all of Tenant's Personal Property free of all liens and/or encumbrances to Landlord.

5.3 Surrender. Upon the expiration or sooner termination of this Agreement, Tenant shall vacate, surrender, and deliver to Landlord the following: (i) the Leased Property, (ii) the Tenant's Personal Property, (iii) the Leased Personal Property, (iv) the Minimum Inventory, and (v) the Minimum Working Capital. Items (i) through (iv) shall be delivered in substantially the same condition as such items were in on the Commencement Date, subject to ordinary wear and tear and except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Agreement (and casualty and Condemnation, in the event that this Agreement is terminated following a casualty or total Condemnation in accordance with Article 10 or Article 11). In addition, upon the expiration or earlier termination of this Agreement, Tenant shall, at Landlord's sole cost and expense, use its good faith efforts to transfer to and cooperate with Landlord or Landlord's nominee in connection with the processing of all applications for licenses, operating permits and other governmental authorizations and all contracts, including contracts with governmental or quasigovernmental Entities which may be necessary for the use and operation of the Hotel as then operated. After the Expiration Date

or the earlier termination of this Agreement, Landlord agrees to honor all reservations and bookings made by Tenant in accordance with the Hotel Standard and reasonable commercial practice.

5.4 Management Agreement. Landlord shall have the right to approve the initial Manager and the form of the Management Agreement, in its sole and absolute discretion. Tenant shall, at its sole cost and expense, perform all of the obligations of "Owner" under the Management Agreement. Tenant or Manager shall be the employer with respect to any and all employees located at the Leased Property. Tenant shall, at all times, direct the Manager to perform all of the Manager's obligations under the Management Agreement. Tenant shall not amend or modify the Management

Agreement without Landlord's prior written consent, which consent shall not unreasonably be withheld, delayed or conditioned. Tenant shall not take any action, grant any consent, or, except as provided in the Management Agreement, permit any action under the Management Agreement without the prior written consent of Landlord, which consent will not be unreasonably withheld. Except as provided in the Management Agreement, Tenant shall not, without the Landlord's written approval, which approval may be withheld or granted in Landlord's sole and absolute discretion, agree to: (i) any change in the Manager; (ii) any change in the Management Agreement; (iii) terminate the Management Agreement; or (iv) permit the Manager to assign the Management Agreement. If Landlord shall perform any obligations of "Owner" under the Management Agreement (which Landlord may do subject to Section 12.5), the cost of such performance shall be payable, upon demand, by Tenant to Landlord with interest accruing from the date which is ten (10) days after the demand date at the Overdue Rate and Landlord shall have the same rights and remedies for failure to pay such costs on demand as for Tenant's failure to pay Minimum Rent.

5.5 Management Fees. Each Management Agreement shall provide that all management fees payable thereunder shall (i) not exceed two (2%) percent of Gross Revenues and (ii) shall be subordinate to Tenant's obligation to pay Rent hereunder.

5.6 Minimum Inventory. On the Commencement Date Landlord shall deliver the Inventory currently maintained at the Hotel to Tenant as replace and/or supplemented, the "Minimum Inventory") and thereafter during the Term, Tenant shall, at its sole cost and expense, furnish and maintain at the Leased Property all Inventory necessary or desirable for the operation of the Leased Property in accordance with the provisions of this Agreement, the Franchise Agreement, the Hotel Standard and reasonable commercial practice. On the Commencement Date and at the commencement of each calendar year, Tenant shall submit to Landlord a detailed list of all Inventory. Tenant, at its sole cost and expense, shall repair, maintain and replace the Inventory so that the greater of (x) the Minimum Inventory, or (y) the remaining Inventory, is delivered to Landlord on the date of expiration or the earlier termination of this Agreement.

ARTICLE 6

-----

IMPROVEMENTS, ETC.

-----

6.1 Improvements to the Leased Property. Tenant shall not make, construct or install (and shall cause the Manager not to construct or install) any Capital Repairs without, in each instance, obtaining Landlord's prior written consent, which consent shall not be unreasonably withheld, delayed or conditioned provided that (a) construction or installation of the same would not adversely affect or violate any Legal Requirement, Insurance Requirement, the Franchise Agreement, or the Ground Lease applicable to the Leased Property; (b) such Capital Repairs will not affect the structural integrity of the Leased Improvements or adversely affect any of the mechanical or electrical systems of the Leased Improvements; (c) such Capital Repairs are to be completed prior to the expiration of the Term in a good and workmanlike manner; (d) such Capital Repairs do not reduce the value of the Leased Improvements; (e) no Event of Default has occurred and is existing; and (f) Landlord shall have received an Officer's Certificate certifying as to the satisfaction of the conditions set out in clauses (a) through (g) above; provided, however, that no such consent shall be required in the event an Emergency Repair is required. Prior to commencing construction of any Capital Repair, Tenant shall submit, or shall cause the Manager to submit, to Landlord, in writing, a proposal setting forth, in reasonable detail, any such proposed

improvement (including a detailed cost analysis of such proposed improvements) and shall provide to Landlord such plans and specifications, and such permits, licenses, contracts and such other information concerning the same as Landlord may reasonably request. Landlord shall have thirty (30) days to review all materials submitted to Landlord in connection with any such proposal including, without limitation, necessary bids for such Capital Repairs. Landlord shall have the right to approve any contracts with Tenant's Parents or Affiliates in its sole and absolute discretion. Without limiting the generality of the foregoing, such proposal shall indicate (a) the approximate projected cost of constructing such proposed improvement and the use or uses to which it will be put and (b) the financial feasibility of such proposed improvement (including, without limitation, the projected return of such proposed improvements and the schedule for development of such proposed improvements). No Capital Repair shall be made which would tie in or connect any Leased Improvement with any other improvements on property adjacent to the Leased Property (and not part of the Land) including, without limitation, tie-ins of buildings or other structures or utilities without Landlord's prior written consent, which consent may be withheld or granted in Landlord's sole and absolute discretion. Tenant shall not finance, and shall cause the Manager not to finance, the cost of any construction of such improvement by the granting of a lien on or security interest in the Leased Property or such improvement, or Tenant's interest therein, without the prior written consent of Landlord, which consent may be withheld by Landlord in Landlord's sole and absolute discretion. Any such improvements shall, upon the expiration or sooner termination of this Agreement, remain or pass to and become the property of Landlord, free and clear of all encumbrances other than Permitted Encumbrances.

6.2 Salvage. Any sums received from the sale of any and all materials or property, real or personal (collectively "Salvage"), shall be deposited into the Reserve Fund.

6.3 Reserve Fund. Landlord shall establish and maintain a reserve account (the "Reserve Fund"). Landlord shall credit an amount equal to the Initial Reserve Fund Payment to the Reserve Fund on the Commencement Date. The Initial Reserve Fund Payment shall be equal to (x) the remaining balance in any FF&E reserve fund existing at the Commencement Date plus (y) any sums held by a prior Hotel Mortgagee for any Capital Repairs at the Leased Property, as such amount is set forth on Exhibit A. Thereafter, Landlord, after receipt of the Rent from Tenant, shall credit to the Reserve Fund an amount equal to four (4%) percent (the "Reserve Payment") of Gross Revenues for each Accounting Period. Interest, if any, payable on account of the Reserve Fund, plus the amount of any Salvage, shall be credited against the Reserve Payment due for the next succeeding Accounting Period. Not more than two times per Accounting Period, upon the written request by Tenant to Landlord stating the specific use to be made and subject to the reasonable approval thereof by Landlord, such funds shall be made available by Landlord for Capital Expenditures set forth in the Annual Budget, Emergency Repairs, to fund the replacement or refurbishment of FF&E, and to fund any deductible amounts under insurance policies providing all-risk property insurance up to the maximum permitted deductible amounts set forth in Section 9.4; provided, however, that Tenant shall not use any sums in the Reserve Fund to purchase property (other than "real property" within the meaning of Treasury Regulations Section 1.856-3(d)) to the extent that doing so would cause the Landlord to recognize income other than "rents from real property" as defined in Section 856(d) of the Code. Tenant shall, upon the request of Landlord, promptly deliver to Landlord plans and specifications and such other materials and information as Landlord may reasonably request regarding any proposed Capital Expenditures or Capital Repairs. Tenant's obligations shall be cumulative, but not compounded, and any amounts that have accrued hereunder shall be payable in future periods for such uses and in accordance with the procedure set forth

herein. All Capital Repairs shall be located on the Land and shall be owned by Landlord subject to the provisions of this Agreement. Tenant may not make any Capital Repair which will increase the gross square footage of the Leased Improvements without the prior written consent of Landlord, which consent may be withheld or granted in Landlord's sole and absolute discretion. The implementation of all Capital Repairs shall be subject to the approval of Landlord and Tenant. Such approval shall extend both to the plans and specifications (including matters of design and decor) and to the contracting and purchasing of all labor, services and materials. In the event that Landlord and Tenant are unable to agree on any aspect of the implementation of Capital Repairs to be made pursuant to the Annual Budget, such matter shall be referred to arbitration as provided in Article 23. Upon the Expiration Date or earlier termination of this Agreement, any funds remaining in the Reserve shall remain the property of Landlord.

## ARTICLE 7

-----

### LIENS

-----

7.1 Liens. Subject to Article 8, Tenant shall not, directly or indirectly, create or allow to remain and shall promptly discharge, at its expense, any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or Tenant's leasehold interest therein or any attachment, levy, claim or encumbrance in respect of the Rent, other than (a) Permitted Encumbrances, (b) restrictions, liens and other encumbrances which are consented to in writing by Landlord, (c) liens for those taxes of Landlord which Tenant is not required to pay hereunder, (d) subleases permitted by Article 16, (e) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (i) the same are not yet due and payable, or (ii) are being contested in accordance with Article 8, (f) liens of mechanics, laborers, materialmen, suppliers or vendors incurred in the ordinary course of business that are not yet due and payable or are for sums that are being contested in accordance with Article 8, and (g) Landlord Liens.

7.2 Landlord's Lien. In addition to any statutory landlord's lien and in order to secure payment of the Rent and all other sums payable hereunder by Tenant, and to secure payment of any loss, cost or damage which Landlord may suffer by reason of Tenant's breach of this Agreement, Tenant hereby grants unto Landlord a security interest in and an express contractual lien upon Tenant's Personal Property, and all ledger sheets, files, records, documents and instruments (including, without limitation, computer programs, tapes and related electronic data processing) relating to the operation of the Leased Property (the "Records") and all proceeds therefrom, subject to any Permitted Encumbrances; and such Tenant's Personal Property shall not be removed from the Leased Property at any time when a Default or an Event of Default has occurred and is continuing. Upon Landlord's request, Tenant shall execute and deliver to Landlord financing statements in form sufficient to perfect the security interest of Landlord in Tenant's Personal Property and the proceeds thereof in accordance with the provisions of the applicable laws. Tenant hereby grants Landlord an irrevocable limited power of attorney, coupled with an interest, to execute all such financing statements in Tenant's name, place and stead. The security interest herein granted is in addition to any statutory lien for the Rent.

## ARTICLE 8

-----

PERMITTED CONTESTS

-----

8.1 Permitted Contests. Subject to and in accordance with the requirements of any Hotel Mortgage, Tenant shall have the right to contest the amount or validity of any Imposition, Legal Requirement, Insurance Requirement, Environmental Obligation, lien, attachment, levy, encumbrance, charge or claim (collectively, "Claims") as to the Leased Property, by appropriate legal proceedings, conducted in good faith and with due diligence, provided that (a) the foregoing shall in no way be construed as relieving, modifying or extending Tenant's obligation to pay any Claims as finally determined, (b) such contest shall not cause Landlord or Tenant to be in default under any mortgage, deed of trust, or Ground Lease, encumbering the Leased Property or any interest therein or result in or reasonably be expected to result in a lien attaching to the Leased Property, (c) no part of the Leased Property nor any Rent therefrom shall be in any immediate danger of sale, forfeiture, attachment or loss, and (d) Tenant shall indemnify and hold harmless Landlord from and against any cost, claim, damage, penalty or reasonable expense, including, without limitation, reasonable attorneys' fees, incurred by Landlord in connection therewith) or as a result thereof. Landlord agrees to join in any such proceedings if required legally to prosecute such contest, provided that Landlord shall not thereby be subjected to any liability therefor (including, without limitation, for the payment of any costs or expenses in connection therewith) unless Tenant agrees by agreement in form and substance reasonably satisfactory to Landlord, to assume and indemnify Landlord with respect to the same. Tenant shall be entitled to any refund of any Claims and such charges and penalties or interest thereon which have been paid by Tenant or paid by Landlord to the extent that Landlord has been fully reimbursed by Tenant. If Tenant shall fail (x) to pay or cause to be paid any Claims when finally determined, (y) to provide reasonable security therefor, or (z) to prosecute or cause to be prosecuted any such contest diligently and in good faith, Landlord may, upon reasonable notice to Tenant (which notice may be oral), pay such charges, together with interest and penalties due with respect thereto, and Tenant shall reimburse Landlord therefor, upon demand, as Additional Charges.

ARTICLE 9

-----

INSURANCE AND INDEMNIFICATION

-----

9.1 General Insurance Requirements. (i) Landlord, or Tenant, with Landlord's prior written consent, shall, at Tenant's sole cost and expense, at all times during the Term keep the Leased Property and all property located therein or thereon, insured against the risks and in the amounts as follows and shall maintain the following insurance:

(a) Commercial general liability insurance, including bodily injury and property damage (on an occurrence basis and on a 1993 ISO CGL form or on a form otherwise maintained by similarly situated tenants, including, without limitation, broad form contractual liability, liquor liability exposure, independent contractor's hazard and completed operations coverage) in an amount not less than Fifty Million Dollars (\$50,000,000.00) per occurrence which limit can be obtained through a combination of primary and umbrella coverage;

(b) Such additional insurance as may be reasonably required, from time to time, by Landlord, any Hotel Mortgagee, or under the Ground Lease, and which is customarily carried by comparable lodging properties in the area; (c) Innkeeper's legal liability insurance covering property of guests while on the Leased Property for which Landlord is legally

responsible with a limit of not less than \$1,000 in any one occurrence or \$25,000 annual aggregate; and (d) Safe deposit box legal liability insurance covering property of guests while in a safe deposit box on the Leased Property for which Landlord is legally responsible with a limit of not less than \$25,000 in any one occurrence.

(ii) Landlord shall, at Landlord's sole cost and expense, at all times during the Term keep the Leased Property and all property located therein or thereon, insured against the risks and in the amounts as follows and shall maintain the following insurance:

(a) "Allrisk" property insurance, including insurance against loss or damage by fire, vandalism and malicious mischief, explosion of steamboilers, earthquake and hurricane damage, pressure vessels or other similar apparatus, now or hereafter installed in the Hotel located at the Leased Property, with equivalent coverage as that provided by the usual extended coverage endorsements, in an amount equal to one hundred (100%) percent of the then full Replacement Cost thereof;

(b) Business interruption and blanket earnings plus extra expense under a rental value insurance policy or endorsement covering risk of loss by reason of any hazard covered under the insurance required under this Section 9.1 in such amounts as may be customary for comparable properties in the area and in an amount sufficient to prevent Landlord or Tenant from becoming a coinsurer but in any event for not less than twelve (12) months of Gross Revenues; and

(c) Flood (if the Leased Property is located in a federally designated flood zone) and such other hazards and in such amounts as may be customary for comparable properties in the area.

(iii) Tenant shall, at Tenant's sole cost and expense, at all times during the Term keep (a) comprehensive form vehicle liability insurance for owned, non-owned, and hired vehicles, in the amount of \$10,000,000.00, and (b) worker's compensation insurance or other similar insurance which may be required by Government Agencies or Legal Requirements.

9.2 Replacement Cost. "Replacement Cost" as used herein, shall mean the actual replacement cost of the property requiring replacement from time to time, including an increased cost of construction endorsement, less exclusions provided in the standard form of fire insurance policy.

9.3 Waiver of Subrogation. Landlord and Tenant agree that (insofar as and to the extent that such agreement may be effective without invalidating or making it impossible to secure insurance coverage from responsible insurance companies doing business in the State) with respect to any property loss which is covered by insurance then being carried by Landlord or Tenant, respectively, the party carrying such insurance and suffering said loss releases the other of and from any and all claims with respect to such loss; and they further agree that their respective insurance companies shall have no right of subrogation against the other on account thereof, even though extra premium may result therefrom. In the event that any extra premium is payable by Tenant as a result of this provision, Landlord shall not be liable for reimbursement to Tenant for such extra premium.

9.4 Form Satisfactory, Etc. All insurance policies and endorsements required pursuant to this Article 9 shall be fully paid for, nonassessable and, except for umbrella and flood coverage, be issued by insurance carriers authorized to do business in the State, having a rating of no less than A:XI in Best's latest rating guide and otherwise satisfactory under any Hotel Mortgage, or Ground Lease. No policy

described in Sections 9.1(i)(a), (ii)(a)-(c) and (iii) shall include a deductible in excess of One Thousand Dollars (\$1,000) (provided, however, that insurance for earthquake and hurricane damage may include such reasonable deductibles as are consistent with normal industry practice and which are otherwise acceptable to Landlord) and, with the exception of the insurance described in Section 9.1(i)(b), shall name Landlord and any Hotel Mortgagee as additional insureds, as their interests may appear. All loss adjustments shall be payable as provided in Article 10. Tenant shall cause all insurance premiums to be paid and shall deliver policies or certificates thereof to Landlord prior to their effective date (and, with respect to any renewal policy, prior to the expiration of the existing policy). All such policies shall provide Landlord (and any Hotel Mortgagee if required by the same) thirty (30) days prior written notice of any material change or cancellation of such policy. In the event Tenant shall fail to effect such insurance as herein required, to pay the premiums therefor or to deliver such policies or certificates to Landlord or any Hotel Mortgagee at the times required, Landlord shall have the right, but not the obligation, subject to the provisions of Section 12.5, to acquire such insurance and pay the premiums therefor, which amounts shall be payable to Landlord, upon demand, as Additional Charges, together with interest accrued thereon at the Overdue Rate from the date such payment is made until (but excluding) the date repaid.

9.5 Blanket Policy. Notwithstanding anything to the contrary contained in this Article 9, Landlord's, or Tenant's, obligation to maintain the insurance herein required may be brought within the coverage of a so called blanket policy or policies of insurance carried and maintained by Landlord, Tenant or the Manager, as applicable, provided that (a) the coverage thereby afforded will not be reduced or diminished from that which would exist under a separate policy meeting all other requirements of this Agreement, and (b) the requirements of this Article 9 are otherwise satisfied.

9.6 No Separate Insurance. Tenant shall not take out separate insurance, concurrent in form or contributing in the event of loss with that required by this Article 9, or increase the amount of any existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of such insurance, including Landlord and all Hotel Mortgagees, are included therein as additional insureds and the loss

is payable under such insurance in the same manner as losses are payable under this Agreement. In the event Tenant shall take out any such separate insurance or increase any of the amounts of the then existing insurance, Tenant shall give Landlord prompt Notice thereof.

9.7 Indemnification of Landlord. Notwithstanding the existence of any insurance provided for herein and without regard to the policy limits of any such insurance, Tenant, or Tenant's Parent or Affiliate pursuant to the Guaranty, shall protect, indemnify and hold harmless Landlord, the REIT and Advisors, for, from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and reasonable expenses (including, without limitation, reasonable attorneys' fees), to the maximum extent permitted by law, imposed upon or incurred by or asserted against Landlord, the REIT or Advisors, by reason of: (a) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Leased Property or adjoining sidewalks or rights of way; (b) any past, present or future use, misuse, nonuse, condition, management, maintenance or repair by Tenant or anyone claiming under Tenant of the Leased Property or Tenant's Personal Property or any litigation, proceeding or claim by governmental entities or other third parties to which Landlord, the REIT or Advisors, is made a party or participant relating to the Leased Property, or Tenant's Personal Property or such use, misuse, nonuse, condition, management, maintenance, or repair

thereof including failure to perform obligations (other than Condemnation proceedings) to which Landlord, the REIT or Advisors, is made a party; (c) any Impositions that are the obligations of Tenant to pay pursuant to the applicable provisions of this Agreement; (d) the imposition of any "dram act" or similar law relating to liability resulting from the service of wine, beer, liquor or other alcoholic beverages; and (e) any failure on the part of Tenant or anyone claiming under Tenant to perform or comply with any of the terms of this Agreement or the Participating Leases unless any such liability, obligation, claim, damage, penalty, cause of action, cost or reasonable attorneys' fees were incurred as a result of Landlord's, the REIT's or Advisors', gross negligence or willful misconduct. Tenant, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Landlord, the REIT or Advisors, with counsel reasonably acceptable to Landlord, the REIT or Advisors, or may compromise or otherwise dispose of the same, with Landlord's, the REIT's or Advisors', prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned). The obligations of Tenant under this Section 9.7 are in addition to the obligations set forth in Section 4.3 and shall survive the termination of this Agreement.

9.8 Increase in Limits. If Landlord at any time reasonably deems the limits of the personal injury or property damage under the commercial public liability insurance then carried by Tenant to be insufficient, Landlord and Tenant shall endeavor in good faith to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Section 9.8. If the parties fail to agree on such limits, the matter shall be referred to arbitration as provided for in Article 23.

ARTICLE 10

-----

CASUALTY

-----

10.1 Insurance Proceeds. Except as provided in the last clause of this sentence, all proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article 9 shall be paid directly to Landlord. If Tenant is required to reconstruct or repair the Leased Property as provided herein, such proceeds as are made available by any Hotel Mortgagee shall be paid out by Landlord from time to time for the costs of reconstruction or repair of the Leased Property necessitated by such damage or destruction, subject to and in accordance with the provisions of Section 10.2.2. In the event that the provisions of Section 10.2.1 are applicable, the insurance proceeds shall be retained by the party entitled thereto pursuant to Section 10.2.1. All salvage resulting from any risk covered by insurance shall belong to Landlord, provided any rights to the same have been waived by the insurer.

10.2 Damage or Destruction.

10.2.1 Damage or Destruction of Leased Property. In the event (a) the Leased Property is damaged by fire, explosion or other casualty insured under the fire and extended coverage insurance policy required hereunder (an "Insured Casualty") to the extent of twenty-five percent (25%) or more of the insurable value thereof immediately preceding the casualty, (b) the Leased Property is damaged by a casualty or occurrence other than an Insured Casualty, (c) such damage occurs at anytime within the last six (6) months of the Term, (d) the Leased Property or any portion thereof is damaged by fire, explosion or other casualty and the Leased Property cannot be repaired, rebuilt or restored to the same condition under the terms of the Franchise Agreement, under any Legal Requirements or other governmental

order or under any other agreement to which the Leased Property is subject or (e) a casualty occurs to a portion of the Hotel which renders the Hotel Unsuited for Its Permitted Use (a "Prohibited Casualty"), then in such event Landlord may terminate this Agreement by giving Tenant written notice of termination within thirty (30) days after the happening of the event causing the damage. In the event the damage is not extensive enough to give rise to Landlord's option to terminate this Agreement, a Prohibited Casualty has not occurred, or Landlord does not elect to terminate this Agreement, Landlord, at Landlord's sole cost and expense shall promptly repair and replace the Leased Property to the condition existing immediately preceding such fire, explosion or other casualty. During any period of reconstruction or repair of the Leased Property, (i) Landlord shall make any business interruption insurance proceeds available to Tenant to pay necessary operating expenses and Rent with respect to the Leased Property, (ii) Tenant shall operate its business in the Leased Property to the extent practicable, and (iii) Minimum Rent payable under this Agreement by Tenant shall be abated during the period of such repair and restoration to the extent the Leased Property is not tenantable.

10.2.2 Disbursement of Proceeds. In the event Tenant undertakes to restore the Leased Property after an Insured Casualty or, if this Agreement has not been terminated, a Prohibited Casualty, Tenant shall (or shall cause the Manager to) commence promptly and continue diligently to perform the repair and restoration of the Leased Property (hereinafter called the "Work"), so as to restore the Leased Property in compliance with all Legal Requirements and so that the Leased Property shall be, to the extent practicable, substantially equivalent in value and general utility to its general utility and value immediately prior to such damage or destruction. Subject to the terms hereof, Landlord shall advance the insurance proceeds to Tenant regularly during the repair and restoration period so as to permit payment for the cost of any such restoration and repair. Any such advances shall be made not more than monthly within ten (10) Business Days

after Tenant submits to Landlord a written requisition and substantiation therefor containing such information and in such form as may be reasonably required by Landlord. Landlord may, at its option, condition advancement of said insurance proceeds and other amounts on (a) the absence of any Event of Default, (b) its approval of plans and specifications of an architect satisfactory to Landlord (which approval shall not be unreasonably withheld or delayed), (c) general contractors' estimates, (d) architect's certificates, (e) unconditional lien waivers of general contractors, if available, (f) evidence of approval by all governmental authorities and other regulatory bodies whose approval is required and (g) such other certificates as Landlord may, from time to time, reasonably require. Landlord's obligation to disburse insurance proceeds under this Article 10 shall be subject to the release of such proceeds by any Hotel Mortgagee to Landlord. Notwithstanding anything contained in this Agreement, in the event that any Hotel Mortgagee does not release insurance proceeds to Landlord, unless Landlord determines, in its sole and absolute discretion, to make monies in the amount of such proceeds available to Tenant for repair or restoration of the Leased Property, Tenant shall have no obligation to repair or restore the Leased Property. If a Hotel Mortgagee or Landlord releases only a portion of insurance proceeds to Tenant and Landlord does not, in its sole and absolute discretion, make any shortfall in the amount of insurance proceeds released by a Hotel Mortgagee available to Tenant for repair or restoration of the Leased Property, Tenant shall only be obligated to repair and restore the Leased Property to the extent of moneys released by Hotel Mortgagee or Landlord, plus any sums made available by Landlord for repairs and restoration.

10.3. Damage Near End of Term. Notwithstanding any provisions of Section 10.1 or 10.2 to the contrary, if damage to or destruction of the Leased Property occurs during the last twelve (12) months of the Term and if such damage or destruction cannot reasonably be expected to be fully

repaired and restored prior to the date that is six (6) months prior to the end of the Term, the provisions of Section 10.2.1 shall apply as if the Leased Property had been totally or partially destroyed and the Hotel rendered Unsuuitable for its Permitted Use.

10.4 Tenant's Property. All insurance proceeds payable by reason of any loss of or damage to any of Tenant's Personal Property shall be paid to Tenant and, to the extent necessary to repair or replace Tenant's Personal Property in accordance with Section 10.5, Tenant shall hold such proceeds to pay the cost of repairing or replacing damaged Tenant's Personal Property.

10.5 Restoration of Tenant's Property. If Tenant is required to restore the Leased Property as hereinabove provided, Tenant shall either (a) restore all alterations and improvements made by Tenant and Tenant's Personal Property, if any, or (b) replace such alterations and improvements and Tenant's Personal Property, if any, with improvements or items of the same or better quality and utility to the operation of the Leased Property.

10.6 Waiver. Tenant hereby waives any statutory rights of termination which may arise by reason of any damage or destruction of the Leased Property.

10.7 Casualty -- Conflicting Terms. Notwithstanding any provision of this Article 10 to the contrary, if any Hotel Mortgage or Ground Lease contains provisions which apply in the event of a casualty and which are in conflict with the terms of this Article 10, then such Hotel Mortgage or Ground Lease shall control to the extent of such conflict.

ARTICLE 11

-----

CONDEMNATION

-----

11.1 Total Condemnation, Etc. In the event (a) the whole of the Leased Property shall be taken or condemned for a public or quasi-public use or purpose by a Condemnor or sold by Landlord in lieu thereof, (b) such a portion of the Leased Property shall be taken, condemned or sold in lieu thereof so that the balance cannot be used for the same purpose and with substantially the same utility to Tenant as immediately prior to such taking, or (c) the Leased Property or any portion thereof shall be taken or condemned for a public or quasi-public use or purpose by a Condemnor or sold by Landlord in lieu thereof and Landlord is unable to repair, rebuild or restore the same under the terms of any agreement to which it is a party, under the Franchise Agreement or under any Legal Requirements or other governmental order to which Landlord or the Leased Property is subject (a "Prohibited Taking"), this Agreement shall terminate upon delivery of possession to the Condemnor or its assignee, and any Award shall be paid to and be the sole property of Landlord whether the Award shall be made as compensation for diminution of the value of the leasehold estate or the fee of the Land or otherwise, and Tenant hereby assigns to Landlord all of Tenant's right, title and interest in and to any and all of the Award. Tenant shall have no claim against Landlord by reason of such taking or termination and shall not have any claim or right to any portion of the Award to be paid to Landlord. Tenant shall continue to pay Rent and other charges hereunder until the Agreement is terminated.

11.2 Partial Taking. In the event (a) only a part of the Leased Property is taken or condemned but the Leased Property or the part remaining can still be used for the same purpose and with substantially the same utility to Tenant as immediately prior to such taking, or (b) a Prohibited Taking has not occurred, this Agreement shall not terminate and

Landlord, at Landlord's sole cost and expense, shall repair and restore the remaining Leased Improvements provided the cost and expense of such repair and restoration does not exceed the amount of the Award. If the cost of such repair and restoration exceeds the amount of the Award, Landlord may terminate this Agreement by giving written notice of termination to Tenant within thirty (30) days of the delivery of possession to the Condemnor. If Landlord is obligated to repair and restore the remaining Leased Improvements as herein provided, there shall be no abatement or reduction in any Rent or other charges payable by Tenant under this Agreement because of such taking or condemnation; provided, however, Minimum Rent shall be abated (i) during the period of such restoration, to the extent the Leased Property is not tenantable by Tenant, or (ii) following the completion of the restoration, to the extent the Leased Improvements are not tenantable.

11.3 Tenant's Award. Tenant shall have no right to claim and recover from the Condemnor or from Landlord such compensation as may otherwise be separately awarded to Tenant for any damage to Tenant's business by reason of such condemnation and for any cost or loss incurred by Tenant in removing or relocating Tenant's merchandise, fixtures and furnishings.

11.4 Condemnation -- Conflicting Terms. Notwithstanding any provision of this Article 11 to the contrary, if any Hotel Mortgage or Ground Lease contains provisions which apply in the event of a condemnation and which are in conflict with the Terms of this Article 11, then such Hotel Mortgage or Ground Lease shall control to the extent of such conflict.

## ARTICLE 12

-----

### DEFAULTS AND REMEDIES

-----

12.1 Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default" hereunder:

(a) should Tenant fail to make any payment of the Rent or any other sum when due and such failure shall continue for a period of ten (10) days; or (b) should Tenant or the Manager fail to reimburse Landlord for the costs of insurance maintained under Article 9, or should Tenant or the Manager fail to maintain any insurance coverages required under Article 9, and such failure shall continue for ten (10) days after Notice thereof (except that no Notice shall be required if any such insurance coverages shall have lapsed); or

(c) should Tenant default in the due observance or performance of any of the terms, covenants or agreements contained herein to be performed or observed by it (other than as specified in clauses (a) and (b) above and (d) through (s) below) such default shall continue for a period of thirty (30) days after Notice thereof from Landlord to Tenant; provided, however, that if such default is susceptible of cure but such cure cannot be accomplished with due diligence within such period of time and if, in addition, Tenant commences to cure or cause to be cured such default within fifteen (15) days after Notice thereof from Landlord and thereafter prosecutes the curing of such default with all due diligence, such period of time shall be extended to such period of time as may be reasonably and commercially necessary to cure such default with all due diligence; or

(d) Intentionally Omitted.

(e) should an event of default occur and be continuing beyond the expiration of any applicable cure period under any of the Incidental

Documents; or

(f) should there occur a final unappealable determination by a Government Agency of the revocation or limitation of any material license, permit, certification or approval required for the lawful operation of the Hotel in accordance with its Permitted Use or the loss or material limitation of any material license, permit, certification or approval under any other circumstances under which Tenant or the Manager is required to cease its operation of the Hotel in accordance with its Permitted Use at the time of such loss or limitation if such revocation or limitation was a result of any act or failure to act by Manager or Tenant; or

(g) should Tenant or Manager generally not be paying its debts as they become due or should Tenant make a general assignment for the benefit of creditors; or

(h) should Tenant or Manager 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 Tenant or Manager, a custodian, receiver, trustee or other similar officer with respect to Tenant or Manager 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 Tenant or Manager, or if any petition for any such relief shall be filed against Tenant or Manager and such petition shall not be dismissed within one hundred twenty (120) days; or

(i) should Tenant or Manager cause or institute any proceeding for its dissolution or termination; or

(j) should Tenant or Manager be, or cause Landlord to be, in default under the Hotel Mortgage, the Ground Lease, or any mortgage or deed of trust or other similar security document which is secured by Tenant's leasehold interest hereunder or should the mortgagee or beneficiary, as applicable, under any such mortgage or deed of trust or other similar security document accelerate the indebtedness secured thereby or commence a foreclosure action in connection with said mortgage; or

(k) should the estate or interest of Tenant in the Leased Property or any part thereof be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of (i) one hundred twenty (120) days after commencement thereof, unless the amount in dispute is less than \$50,000.00, in which case Tenant shall give notice to Landlord of the dispute but Tenant may defend in any suitable way, and (ii) thirty (30) days after receipt by Tenant of Notice thereof from Landlord (unless Tenant shall be contesting such lien or attachment in good faith in accordance with Article 8); or

(l) should any default by Tenant as "Owner" under the Management Agreement occur and be continuing beyond the expiration of any applicable cure period under the Management Agreement; or

(m) should a Change of Control of Tenant or Manager occur other than as provided in Sections 22.22 or 5.4, respectively; or

(n) should Tenant or Manager be, or cause Landlord to be, in default

beyond applicable grace periods, if any, under any Franchise Agreement relating to the Leased Property including any Termination of the Franchise Agreement without Landlord's prior written consent; or

(o) should Tenant or Manager voluntarily cease operations of the Leased Property for more than three (3) days other than by reason of casualty, Condemnation or Force Majeure; or

(p) should the estate or interest of Tenant in this Agreement voluntarily or involuntarily, be transferred, assigned, conveyed, levied upon or attached; or

(q) should Tenant fail to observe or perform any other term of any Participating Leases and the continuation of such failure for a period of thirty (30) days after receipt by Tenant of notice from the Landlord thereof, unless Tenant is diligently proceeding to cure, in which case the cure period will be extended to one hundred eighty (180) days; provided, however, if such failure cannot be cured within the one hundred eighty (180) day period and the Tenant continues to act, with diligence, to correct such failure within said one hundred eighty (180) days, then Tenant will be afforded up to an additional ninety (90) days to cure such failure; or

(r) should an Event of Default occur under a Participating Lease; or

(s) should Tenant or Manager be, or cause Landlord to be, in default beyond applicable grace periods, if any, under any ground lease affecting the Leased Property; or

(t) Intentionally Omitted.

(u) Should Tenant fail to comply with the Minimum Operating Standards for a period of thirty (30) days; or

(v) Should Tenant or Manager no longer be majority owned or controlled by Noble House Hotel & Resorts; or

(w) Should there be a Change in Operation without Landlord's prior written consent; or

(x) Should Tenant incur any Indebtedness except as expressly provided in Section 21.4; then, and in any such event, Landlord, in addition to all other remedies available to it, may terminate this Agreement by giving Notice thereof to Tenant and upon the expiration of the time, if any, fixed in such Notice, this Agreement shall terminate and all rights of Tenant under this Agreement shall cease. Landlord shall have and may exercise all rights and remedies available at law and in equity to Landlord as a result of Tenant's breach of this Agreement.

12.2. Remedies. None of (a) the termination of this Agreement pursuant to Section 12.1, (b) the repossession of the Leased Property or any portion thereof, (c) the failure of Landlord to relet the Leased Property or any portion thereof, nor (d) the re-letting of all or any portion of the Leased Property, shall relieve Tenant of its liability and obligations hereunder, all of which shall survive any such termination, repossession or reletting. In the event of any such termination, Tenant shall forthwith pay to Landlord all Rent due and payable with respect to the Leased Property through and including the date of such termination. Thereafter, Tenant, until the end of what would have been the Term of this Agreement in the absence of such termination, and whether or not the Leased Property or any portion thereof shall have been relet, shall be liable to Landlord for, and shall pay to Landlord, as current damages, the Rent and other charges which would be payable hereunder for the remainder of the

Term had such termination not occurred, less the net proceeds, if any, of any reletting of the Leased Property, after deducting all reasonable expenses in connection with such re-letting, including, without limitation, all repossession costs, brokerage commissions, legal expenses, attorneys' fees, advertising, expenses of employees, alteration costs and expenses of preparation for such re-letting. Tenant shall pay such current damages to Landlord monthly on the days on which the Minimum Rent would have been payable hereunder if this Agreement had not been so terminated. At any time after such termination, as liquidated final damages beyond the date of such termination, at Landlord's election, Tenant shall pay to Landlord an amount equal to the present value (discounted at the Interest Rate) of the excess, if any, of the Rent and other charges which would be payable hereunder from the date of such termination (assuming that, for the purposes of this Section 12.2, annual payments by Tenant on account of Additional Charges and Participating Rent would be the same as payments required for the immediately preceding twelve (12) calendar months, or if

less than twelve (12) calendar months have expired since the Commencement Date, the payments required for such lesser period adjusted to an annual amount) for what would be the then unexpired term of this Agreement if the same remained in effect, over the fair market rental for the same period, less any current damages already paid by Tenant. Nothing contained in this Agreement shall, however, limit or prejudice the right of Landlord to prove and obtain in proceedings for bankruptcy or insolvency an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater than, equal to, or less than the amount of the loss or damages referred to above. In case of any Event of Default, reentry, expiration and dispossession by summary proceedings or otherwise, Landlord may (a) re-let the Leased Property or any part or parts thereof, either in the name of Landlord or otherwise, for a term or terms which may at Landlord's option, be equal to, less than or exceed the period which would otherwise have constituted the balance of the Term and may grant concessions or free rent to the extent that Landlord considers advisable and necessary to re-let the same, and (b) may make such reasonable alterations, repairs and decorations in the Leased Property or any portion thereof as Landlord in its sole and absolute discretion, considers advisable and necessary for the purpose of re-letting the Leased Property; and the making of such alterations, repairs and decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Landlord shall in no event be liable in any way whatsoever for any failure to re-let all or any portion of the Leased Property, or, in the event that the Leased Property is re-let, for failure to collect the rent under such re-letting. To the maximum extent permitted by law, Tenant hereby expressly waives any and all rights of redemption granted under any present or future laws in the event of Tenant being evicted or dispossessed, or in the event of Landlord obtaining possession of the Leased Property, by reason of the occurrence and continuation of an Event of Default hereunder. Additionally, upon the occurrence of an Event of Default, Landlord may, in addition to any other remedies provided herein or available at law or in equity, enter upon the Leased Property or any portion thereof and take possession of any and all of Tenant's Personal Property, if any, and the Records, without liability for trespass or conversion (Tenant hereby waiving any right to notice or hearing prior to such taking of possession by Landlord) and sell the same at public or private sale, after giving Tenant reasonable Notice of the time and place of any public or private sale, at which sale Landlord or its assigns may purchase all or any portion of Tenant's Personal Property, if any, unless otherwise prohibited by law. Unless otherwise provided by law and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable Notice shall be met if such Notice is given at least ten (10) days before the date of sale. The proceeds from any such disposition, less all expenses incurred in connection with the taking of possession, holding and selling of such property (including, without

limitation, reasonable attorneys' fees) shall be applied as a credit against the indebtedness which is secured by the security interest granted in Section 7.2. Any surplus shall be paid to Tenant or as otherwise required by law and Tenant shall pay any deficiency to Landlord, as Additional Charges, upon demand.

12.3 Tenant's Waiver. IF THIS AGREEMENT IS TERMINATED PURSUANT TO SECTION 12.1 OR 12.2, TENANT WAIVES, TO THE EXTENT PERMITTED BY LAW, ANY RIGHT TO A TRIAL BY JURY IN THE EVENT OF SUMMARY PROCEEDINGS TO ENFORCE THE REMEDIES SET FORTH IN THIS ARTICLE 12, AND THE BENEFIT OF ANY LAWS NOW OR HEREAFTER IN FORCE EXEMPTING PROPERTY FROM LIABILITY FOR RENT OR FOR DEBT.

12.4 Application of Funds. Any payments received by Landlord under any of the provisions of this Agreement during the existence or continuance of any Event of Default (and any payment made to Landlord rather than Tenant due to the existence of any Event of Default) shall be applied to Tenant's current and past due obligations under this Agreement in such order as Landlord may determine or as may be prescribed by the laws of the State.

12.5 Landlord's Right to Cure Tenant's Default. If an Event of Default shall have occurred and be continuing, Landlord, after Notice to Tenant (which Notice shall not be required if Landlord shall reasonably determine immediate action is necessary to protect person or property), without waiving or releasing any obligation of Tenant and without waiving or releasing any Event of Default, may (but shall not be obligated to), at any time thereafter, make such payment or perform such act for the account and at the expense of Tenant, and may, to the maximum extent permitted by law, enter upon the Leased Property or any portion thereof for such purpose and take all such action thereon as, in Landlord's sole and absolute discretion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Tenant. All reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Landlord in connection therewith, together with interest thereon (to the extent permitted by law) at the Overdue Rate from the date such sums are paid by Landlord until repaid, shall be paid by Tenant to Landlord, on demand.

ARTICLE 13

-----

HOLDING OVER

-----

13.1 Holding Over. Any holding over by Tenant after the expiration or sooner termination of this Agreement shall be treated as a daily tenancy at sufferance at a rate equal to one and one-half (1.5) times the Rent and other charges herein provided (prorated on a daily basis). Tenant shall also pay to Landlord all damages (direct or indirect) sustained by reason of any such holding over. Otherwise, such holding over shall be on the terms and conditions set forth in this Agreement, to the extent applicable.

Nothing contained herein shall constitute the consent, express or implied, of Landlord to the holding over of Tenant after the expiration or earlier termination of this Agreement.

ARTICLE 14

-----

LIMITATION ON LIABILITY

-----

14.1 Limitation of Liability. Notwithstanding any provision of this Agreement to the contrary, there shall be absolutely no personal liability on the part of Landlord or the REIT or their Affiliates, shareholders, directors, trustees, partners, advisors, agents, employees, or their respective successors or assigns or any mortgagee in possession, with respect to any of the terms, covenants, or conditions of this Agreement with respect to any act, omission or negligence of Landlord. Tenant shall look solely to Landlord's estate and property in the Leased Property and the proceeds thereof for the satisfaction of Tenant's remedies whether for the collection of any judgment or other judicial process requiring the payment of money by Landlord in the event of any default by Landlord hereunder or otherwise, and no other property or assets of Landlord shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Agreement, the relationship of Landlord and Tenant or Tenant's use or occupancy of the Leased Property.

ARTICLE 14

-----

SECURITY

-----

15.1 Security Deposit.

(a) To secure the debt, liability and obligations of Tenant to Landlord under this Agreement and the Participating Leases and any amendments, modifications, extensions, renewals or replacements of this Agreement and the Participating Leases (all of which liabilities and obligations of Tenant being herein collectively referred to as the "Security Obligations"), Tenant shall deposit with Landlord, and shall pledge, hypothecate, assign, transfer and grant to Landlord a continuing lien and perfected security interest in and to, those items in the amounts and as further described on Exhibit F attached hereto and hereby made a part hereof, and all renewals, extensions and substitutions thereof, together with all rights in connection with the foregoing, including, but not limited to, all distributions, including cash, and other property, real or personal, tangible or intangible, and all proceeds distributed on account of the foregoing, and substitutions for and proceeds or products of any of the foregoing (collectively, the "Security Deposit").

(b) Tenant agrees that Landlord may at any time, after the occurrence of an Event of Default and without notice and demand to Tenant, (i) notify the obligor on or issuer of any Security Deposit to make payment to Landlord of any amounts due or distributed thereon, (ii) in Tenant's name or Landlord's name enforce collection of any Security Deposit by suit or otherwise, or surrender, release or exchange all or any part of it, or compromise, extend or renew for any period any obligation evidenced by the Security Deposit, (iii) receive all proceeds of the Security Deposit, and (iv) hold any increase or profits received from the Security Deposit as additional security for the Security Obligations, except that any money received from the Security Deposit shall, at Landlord's option, be applied in reduction of the Security Obligations, in such order of application as Landlord may determine; provided, however, nothing contained herein shall preclude Landlord from exercising all rights and remedies available at law and in equity to Landlord as a result of Tenant's breach of this

Agreement. Notwithstanding anything in this Section 15.1(b), if an Event of Default results from a Rent Performance Shortfall, and Tenant has failed to cure same, if permitted pursuant to the terms of this Agreement, Landlord's sole recourse against the Security Deposit shall be limited to the amounts necessary to compensate Landlord for (x) the amount necessary during such Fiscal Year to ensure that Landlord receives the same amount of Participating Rent as Landlord would have received had there not been a Rent Performance Shortfall and (y) any costs incurred by Landlord in exercising its rights thereunder; provided, however, no such action by Landlord shall be deemed a cure, or waiver, of any Event of Default under this Agreement.

15.2 Representations, Warranties and Covenants. Tenant represents and warrants to and covenants and agrees with Landlord that: (a) Tenant will duly endorse each and every instrument constituting the Security Deposit by signing on said instrument or by signing a separate document of assignment or transfer, if required by Landlord; (b) Tenant shall not sell or transfer or contract to sell or transfer the Security Deposit or any portion thereof; (c) Tenant shall pay, when due, all taxes and other governmental charges levied or assessed upon or against any Security Deposit; (d) at any time, upon request by Landlord, Tenant shall deliver to Landlord all notices, financial statements, reports or other communications received by Tenant as an owner or holder of the Security Deposit; (e) Tenant shall upon receipt deliver to Landlord in pledge as Security Deposit

all proceeds distributed on account of the Security Deposit such as cash flow and sale proceeds; (f) Tenant is the owner of the Security Deposit free and clear of all liens, encumbrances, security interests and restrictions, except for any security interests granted to Landlord pursuant to the terms of this Agreement; and (g) the pledge of the Security Deposit herein by Tenant has been duly authorized by all requisite actions of Tenant and is not in breach of any agreement of Tenant. Tenant hereby agrees to execute any and all instruments required by Landlord to establish, maintain and continue Landlord's perfected security interest in the Security Deposit.

15.3 Possession and Maintenance of Security Deposit. The Security Deposit shall be at all times in the possession of Landlord. Landlord shall take all necessary action as it deems appropriate to preserve, protect, replenish and maintain the Security Deposit and the rights represented and evidenced by the Security Deposit, and the costs and expenses thereof shall be paid by Tenant; provided, however, Landlord shall not have any liability for any loss to the Security Deposit not attributable to Landlord's gross negligence, or intentional misconduct, and no such loss shall relieve Tenant of its obligations under this Agreement.

ARTICLE 16

-----

SUBLETTING AND ASSIGNMENT

-----

16.1 Subletting and Assignment. Tenant shall not, without Landlord's prior written consent (which consent may be given or withheld in Landlord's sole and absolute discretion), assign, mortgage, pledge, hypothecate, encumber or otherwise transfer this Agreement or sublease (which term shall be deemed to include the granting of concessions, licenses and the like), all or any part of the Leased Property or suffer or permit this Agreement or the leasehold estate created hereby or any other

rights arising under this Agreement to be assigned, transferred, mortgaged, pledged, hypothecated or encumbered, in whole or in part, whether voluntarily, involuntarily or by operation of law, or permit the use or operation of the Leased Property by any Person other than Tenant and the Manager, on behalf of Tenant pursuant to the express terms of the Management Agreement, or the Leased Property to be offered or advertised for assignment or subletting. For purposes of this Section 16.1, an assignment of this Agreement shall be deemed to include any transaction pursuant to which Tenant is merged or consolidated with another Person or pursuant to which all or substantially all of Tenant's assets are transferred to any other Entity, as if such Change in Control or transaction were an assignment of this Agreement. No subletting or assignment shall in any way impair the continuing primary liability of Tenant hereunder (unless Landlord and Tenant expressly otherwise agree that Tenant shall be released from all obligations hereunder), and no consent to any subletting or assignment in a particular instance shall be deemed to be a waiver of the prohibition set forth in this Section 16.1. No assignment, subletting or occupancy shall affect any Permitted Use. Any subletting, assignment or other transfer of Tenant's interest under this Agreement in contravention of this Section 16.1 shall be voidable at Landlord's option.

16.2 Required Sublease Provisions. Any sublease of all or any portion of the Leased Property entered into on or after the date hereof shall be consistent with any applicable terms and conditions of the Management Agreement and shall provide: (a) that it is subject and subordinate to this Agreement and to the matters to which this Agreement is or shall be subject or subordinate; (b) that in the event of termination of this Agreement or reentry or dispossession of Tenant by Landlord under this Agreement, Landlord may, at its option, terminate such sublease or take over all of the right, title and interest of Tenant, as sublessor under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease, except that neither Landlord nor any Hotel Mortgagee, as holder of a mortgage or as Landlord under this Agreement, if such mortgagee succeeds to that position, shall (i) be liable for any act or omission of Tenant under such sublease, (ii) be subject to any credit, counterclaim, offset or defense which theretofore accrued to such subtenant against Tenant, (iii) be bound by any previous modification of such sublease not consented to in writing by Landlord or by any previous prepayment of more than one (1) month's Rent, (iv) be bound by any covenant of Tenant to undertake or complete any construction of the Leased Property or any portion thereof, (v) be required to account for any security deposit of the subtenant other than any security deposit actually delivered to Landlord by Tenant, (vi) be bound by any obligation to make any payment to such subtenant or grant any credits, except for services, repairs, maintenance and restoration provided for under the sublease that are performed after the date of such attornment, (vii) be responsible for any monies owing by Tenant to the credit of such subtenant, or (viii) be required to remove any Person occupying any portion of the Leased Property; and (c) in the event that such subtenant receives a

written Notice from Landlord or any Hotel Mortgagee stating that an Event of Default has occurred and is continuing, such subtenant shall thereafter be obligated to pay all rentals accruing under such sublease directly to the party giving such Notice or as such party may direct for so long as such Event of Default remains uncured. All rentals received from such subtenant by Landlord or the Hotel Mortgagee, as the case may be, shall be credited against the amounts owing by Tenant under this Agreement and such sublease shall provide that the subtenant thereunder shall, at the request of Landlord, execute a suitable instrument in confirmation of such agreement to attorn. An original counterpart of each such sublease and assignment and assumption, duly executed by Tenant and such subtenant or assignee, as the case may be, in form and substance reasonably satisfactory to Landlord, shall be delivered promptly to Landlord and (a) in the case of an assignment, the assignee shall assume in writing and agree to keep and

perform all of the terms of this Agreement on the part of Tenant to be kept and performed and shall be, and become, jointly and severally liable with Tenant for the performance thereof and (b) in case of either an assignment or subletting, Tenant shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Tenant hereunder. The provisions of this Section 16.2 shall not be deemed a waiver of the provisions set forth in Section 16.1.

16.3 Sublease Limitation. For so long as the REIT shall seek to qualify as a real estate investment trust, anything contained in this Agreement to the contrary notwithstanding, Tenant shall not sublet the leased Property on any basis such that the rental to be paid by any sublessee thereunder would be based, in whole or in part, on either (a) the net income or profits derived by the business activities of such sublessee, or (b) any other formula such that any portion of such sublease rental, if it were paid as rent directly to the REIT, would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto nor shall Tenant sublease the Leased Property to, or enter into any similar arrangement with, any Person in which the REIT owns, directly or indirectly, a 10% or more interest, within the meaning of Section 856(d) of the Code or any similar or successor provisions thereto.

ARTICLE 17

-----

ESTOPPEL CERTIFICATES AND FINANCIAL STATEMENTS

-----

17.1 Estoppel Certificates. At any time and from time to time, but in no event more than four (4) times per Fiscal Year, upon not less than ten (10) Business Days prior Notice by either party, the party receiving such Notice shall furnish to the other an Officer's Certificate certifying that this Agreement is unmodified and in full force and effect (or that this Agreement is in full force and effect as modified and setting forth the modifications), the date to which the Rent has been paid, that no Default or an Event of Default has occurred and is continuing or, if a Default or an Event of Default shall exist, specifying in reasonable detail the nature thereof, and the steps being taken to remedy the same, and such additional information as the requesting party may reasonably request. Any such certificate furnished pursuant to this Section 17.1 may be relied upon by the requesting party, its lenders and any prospective purchaser or mortgagee of the Leased Property or the leasehold estate created hereby.

17.2 Financial Statements. Tenant shall keep true records and books of account of Tenant in which full, true and correct entries will be made of dealings and transactions in relation to the business and affairs of Tenant in accordance with GAAP, where applicable. All records and books of account of Tenant shall be maintained by Tenant for a period of not less than seven (7) years after the termination of the Term. Tenant shall apply accounting principles in the preparation of the financial statements of Tenant which, in the judgment of and the opinion of its independent public accountants, are in accordance with GAAP and the Uniform System of Accounts, where applicable, except for changes approved by such independent public accountants. Tenant shall provide to Landlord either in a footnote to the financial statements delivered under this Section 17.2 which relate to the period in which such change occurs, or in separate schedules to such financial statements, information sufficient to show the effect of any such changes on such financial statements. Tenant shall furnish the following statements to Landlord:

(a) within twenty (20) days after each of the first three quarters of any Fiscal Year, the most recent Financials, accompanied by a Financial Officer's Certificate;

(b) within seventy-five (75) days after the end of each Fiscal Year, the most recent Financials for such year, certified by an independent certified public accountant reasonably satisfactory to Landlord and accompanied by a Financial Officer's Certificate;

(c) within twenty (20) days after the end of each Accounting Period, an unaudited operating statement prepared for the Leased Property, including occupancy percentages and average rate, accompanied by a Financial Officer's Certificate and an Officer's Certificate prepared by the Manager containing an explanation of the performance of the Leased Property and containing (i) a schedule of profit and loss for such Accounting Period, (ii) a Schedule of the Capital Expenditures for the year to date together with a restatement of the Capital Expenditures for the remainder of the Fiscal Year, (iii) a reforecast of the Budget for the remainder of the Fiscal Year, including cash flow, and (iv) a balance sheet, comparison of operations, variance report and anything else reasonably requested by Landlord;

(d) promptly after the sending or filing thereof, copies of all reports which Tenant or Manager sends to its security holders generally, and copies of all periodic reports which Tenant or Manager files with the SEC or any stock exchange on which its shares are listed or traded;

(e) promptly after the delivery thereof to Tenant, a copy of any management letter or written report prepared by the certified public accountants with respect to the financial condition, operations, business or prospects of Tenant;

(f) at any time and from time to time upon not less than twenty (20) days Notice from Landlord, any Financials or any other financial reporting information required to be filed by Landlord with any securities and exchange commission, the SEC or any successor agency, or any other governmental authority, or required pursuant to any order issued by any court, Government Agency or arbitrator in any litigation to which Landlord is a party, for purposes of compliance therewith; and

(g) promptly, upon Notice from Landlord, such other information concerning the business, financial condition and affairs of Tenant as

Landlord reasonably may request from time to time. Landlord may at any time, and from time to time, provide any Hotel Mortgagee with copies of any of the foregoing statements. In addition, Landlord shall have the right, from time to time at Landlord's sole cost and expense, upon reasonable Notice, during Tenant's customary business hours, to cause Tenant's books and records with respect to the Leased Property to be audited by auditors selected by Landlord at the place where such books and records are customarily kept.

17.3 Annual Budget. Not later than forty-five (45) days prior to the commencement of each Lease Year, Tenant shall prepare and submit to Landlord an operating budget (the "Operating Budget") and a capital budget (the "Capital Budget") prepared in accordance with the requirements of this Section 17.3. The Operating Budget and the Capital Budget (together, the "Annual Budget") shall be prepared in accordance with GAAP and the Uniform System of Accounts, to the extent applicable, and show by month and quarter and for the year as a whole in the degree of detail specified by the Uniform System of Accounts for monthly statements, and in accordance with the detail level of monthly financial statements, the following:

(a) Tenant's reasonable estimate of Gross Revenues (including room rates and Room Revenues, Food Sales, Telephone Revenues, Beverage Sales, Retail and Marina Sales Other Income or Additional Charges) for the forthcoming Lease Year itemized on schedules on a monthly and quarterly basis as approved by Landlord and Tenant, together with the assumptions, in narrative form, forming the basis of such schedules;

(b) A cash flow projection, by calendar month, quarter and year;

(c) A marketing plan including a narrative description of the program for advertising and marketing the Hotel for the forthcoming Lease Year containing a detailed budget itemization of the proposed advertising expenditure by category and the assumptions in narrative form, forming the basis of such budget itemization;

(d) Tenant's reasonable estimate for each month of the Lease Year of Participating Rent including Room Revenues, Food Sales, Beverage Sales, Retail and Marina Sales and Other Income;

(e) A schedule of all Capital Expenditures and Capital Repairs planned for the forthcoming Lease Year;

(f) An operating budget including line item detail of all revenues and expenses for the forthcoming Lease Year;

(g) A five (5) year plan of operations and anticipated Capital Expenditures and Capital Repairs and an accounting of the Reserve Fund Account and balances for such periods;

(h) A detailed staffing plan for the hotel operations, including any anticipated changes in employee numbers or Key Employees, including a complete explanation of the reasons therefor;

(i) Sensitivity analysis for 5%, 10% and 20% increases and decreases in Gross Revenues from budgeted amount;

(j) A schedule of all preventative maintenance to be performed during the forthcoming Lease Year;

(k) Tenant's proposal for the Competitive Set; and

(l) Any other schedules reasonably requested by Landlord.

Landlord shall have thirty (30) days after the date on which it receives the Annual Budget to review, approve, disapprove or change the entries and information appearing in the Annual Budget including all of the schedules included therewith. If the parties are not able to reach agreement on the Annual Budget for any Lease Year during Landlord's thirty (30) day review period, the parties shall attempt in good faith during the subsequent thirty (30) day period to resolve any disputes, which attempt shall include, if requested by either party, at least one (1) meeting of executive-level officers of Landlord and Tenant. In the event the parties are still not able to reach agreement on the Annual Budget for any particular Lease Year after complying with the foregoing requirements of this Section 17.3, the parties shall adopt such portions of the Operating Budget and the Capital Budget as they may have agreed upon, and any matters not agreed upon shall be referred to arbitration as provided for in Article 23. Pending the results of such arbitration or the earlier agreement of the parties, (i) if the Operating Budget has not been agreed upon, for the first ninety (90) days of the new Lease Year the Leased Property will be operated in a manner reflecting the prior Lease Year's actual revenues, and thereafter the Leased Property will be operated for the full Lease Year

(including the first ninety (90) days thereof) in a manner consistent with the Gross Revenues actual results in the prior Lease Year and increased by five (5%) percent, in each case without adjustment pursuant to Section 3.1.4 until a new Operating Budget is adopted, and (ii) if the Capital Budget has not been agreed upon, no Capital Expenditures shall be made unless the same are set forth in a previously approved Capital Budget or are specifically required by Landlord or are otherwise required to comply with Legal Requirements or to make emergency repairs.

17.4 General Operations. Tenant shall furnish to Landlord:

(a) Within thirty (30) days after receipt or modification thereof, copies of all licenses authorizing Tenant and/or the Manager to operate the Hotel for its Permitted Use; and

(b) Promptly after receipt or sending thereof, copies of all material notices given or received by Tenant under the Management Agreement.

ARTICLE 18

-----

LANDLORD'S RIGHT TO INSPECT

-----

18.1 Right to Inspect. Tenant shall permit, and shall cause the Manager to permit, Landlord and its authorized representatives to inspect the Leased Property during usual business hours upon reasonable notice and to make such repairs as Landlord is permitted to make pursuant to the terms of this Agreement, provided that any inspection or repair by Landlord or its representatives will not unreasonably interfere with Tenant's use and operation of the Leased Property and further provided that in the event of an emergency, as determined by Landlord in its reasonable discretion, prior Notice shall not be necessary. Landlord shall not communicate directly with any employees of Tenant or Manager, other than to Tenant's or Manager's designated representative, without the consent of Tenant (which consent shall not be unreasonably withheld, delayed or conditioned).

ARTICLE 19

-----

LIMITATIONS

-----

19.1 Personal Property Limitation. Anything contained in this Agreement to the contrary notwithstanding, (i) the average of the adjusted tax basis, for U.S. federal income tax purposes, of the items of Landlord's personal property that are leased to the Tenant under this Agreement at the beginning and at the end of any Lease Year shall not exceed 15% of the average of the aggregate adjusted tax bases of the Leased Property at the beginning and at the end of such Lease Year, and (ii) the value of the items of Landlord's personal property that are leased to the Tenant under this Agreement shall not at any time exceed 10% of the value of the Leased Property (together, the "Personal Property Limitation"). Landlord and Tenant shall at all times cooperate in good faith and use their best efforts to permit Landlord to comply with the Personal Property Limitation, which compliance may include, by way of example only and not by way of limitation or obligation, the purchase by Tenant at fair market value of personal property in excess of the Personal Property Limitation. All such

compliance shall be effected in a manner which has no material net economic detriment to Tenant and will not jeopardize the REIT's status as a real estate investment trust under the applicable provisions of the Code. This Section 19.1 is intended to ensure that all of the Rent qualifies as "rents from real property," within the meaning of Section 856(d) of the Code, and as rents described in Section 512(b)(3)(A) of the Code, or any similar or successor provisions thereto, and shall be interpreted in a manner consistent with such intent.

19.2 Tenant Ownership Limitation. Anything contained in this Agreement to the contrary notwithstanding, Landlord shall not take, or permit an Affiliate of Landlord to take, any action that would cause the REIT to own, directly or indirectly, a 10% or more interest in the Tenant, or in the assets or net profits of Tenant, within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. Anything contained in this Agreement to the contrary notwithstanding, Tenant shall not take, or permit an Affiliate of Tenant to take, any action that would cause the REIT to own directly or indirectly, a 10% or more interest in the Tenant, or in the assets or net profits of Tenant, within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto.

19.3 Director, Officer and Employee Limitation. Anything contained in this Agreement to the contrary notwithstanding, Landlord and Tenant shall cooperate to ensure that (a) no directors, trustees, officers or employees of Landlord, the REIT or any Affiliate of the REIT shall be directors, officers or employees of, or own any ownership interest in, Tenant or any Affiliate thereof (or any Person who furnishes or renders services to the Tenant or manages or operates the Leased Property), and (b) no directors, trustees, officers or employees of Tenant or any Affiliate thereof (or of any Person who furnishes or renders services to the Tenant or manages or operates the Leased Property) shall be directors, officers or employees of Landlord, the REIT or any Affiliate of the REIT.

ARTICLE 20

-----

HOTEL MORTGAGES

-----

20.1 Landlord May Grant Liens. Without the consent of Tenant, Landlord may, subject to the terms and conditions set forth in this Section 20.1, from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrance or title retention agreement ("Encumbrance") upon the Leased Property, or any portion thereof or interest therein, whether to secure any borrowing or other means of financing or refinancing.

Any such Encumbrance (other than a Hotel Mortgage, in which event the provisions of Section 20.2 shall govern) shall be, and shall provide that it is, subject and subordinate to the rights of Tenant under this Agreement. Additionally, Tenant shall cooperate in all reasonable respects, and as generally described in Section 22.15, with any transfer of the Leased Property to a Hotel Mortgagee that succeeds to the interest of Landlord in the Leased Property (including, without limitation, in connection with the transfer of any franchise, license, lease, permit, contract, agreement, or similar item to such Hotel Mortgagee or such Hotel Mortgagee's designee necessary or appropriate to operate the Leased Property). Landlord and Tenant shall cooperate in (a) including in this Agreement by suitable amendment from time to time any provision which may be reasonably requested by any proposed lender, or may otherwise be reasonably necessary, to implement the provisions of this Section 20.1 and (b) entering into any further agreement with or at the request of any Hotel Mortgagee which may be reasonably requested or required by such Hotel Mortgagee in furtherance or confirmation of the provisions of this Section

20.1; provided, however, that any such amendment or agreement shall not in any way affect the Term nor affect adversely in any material respect any rights of Landlord or Tenant under this Agreement.

20.2 Subordination of Lease. Subject to Section 20.1 and this Section 20.2, any and all rights of Tenant hereunder, are and shall be subject and subordinate to any ground or master lease, and all renewals, extensions, modifications and replacements thereof, and to all mortgages and deeds of trust, which may now or hereafter affect the Leased Property or any improvements thereon and/or any of such leases, whether or not such mortgages or deeds of trust shall also cover other lands and/or buildings and/or leases, to each and every advance made or hereafter to be made under such mortgages and deeds of trust, and to all renewals, modifications, replacements and extensions of such leases and such mortgages and deeds of trust and all consolidations of such mortgages and deeds of trust. This Section 20.2 shall be self operative and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall promptly execute, acknowledge and deliver any instrument that Landlord, the lessor under any such lease or the holder of any such mortgage or the trustee or beneficiary of any deed of trust or any of their respective successors in interest may reasonably request to evidence such subordination. Any lease to which this Agreement is, at the time referred to, subject and subordinate is herein called "Superior Lease" and the lessor of a Superior Lease or its successor in interest at the time referred to, is herein called "Superior Landlord" and any mortgage or deed of trust to which this Agreement is, at the time referred to, subject and subordinate, is herein called "Superior Mortgage" and the holder, trustee or beneficiary of a Superior Mortgage is herein called "Superior Mortgagee". Tenant shall have no obligations under any Superior Lease or Superior Mortgage other than those expressly set forth in this Section 20.2. If any Superior Landlord or Superior Mortgagee or the nominee or designee of any Superior Landlord or Superior Mortgagee shall succeed to the rights of Landlord under this Agreement (any such person, "Successor Landlord"), whether through possession or foreclosure action or delivery of a new lease or deed, or otherwise, such Successor Landlord shall have the option either to terminate this Agreement or to recognize Tenant's rights under this Agreement as herein provided and, in such latter event, Tenant shall attorn to and recognize the Successor Landlord as Tenant's landlord

under this Agreement and Tenant shall promptly execute and deliver any instrument that such Successor Landlord may reasonably request to evidence such attornment (provided that such instrument does not alter the terms of this Agreement), whereupon, this Agreement shall continue in full force and effect as a direct lease between the Successor Landlord and Tenant upon all of the terms, conditions and covenants as are set forth in this Agreement, except that the Successor Landlord (unless formerly the landlord under this Agreement or its nominee, designee or Affiliate) shall not be (a) liable in any way to Tenant for any act or omission, neglect or default on the part of any prior Landlord under this Agreement, (b) responsible for any monies owing by or on deposit with any prior Landlord to the credit of Tenant (except to the extent actually paid, credited or delivered to the Successor Landlord), (c) subject to any counterclaim or setoff which theretofore accrued to Tenant against any prior Landlord, (d) bound by any modification of this Agreement subsequent to such Superior Lease or Mortgage, or by any previous prepayment of Minimum Rent or Participating Rent for more than one (1) month in advance of the date due hereunder, which was not approved in writing by the Superior Landlord or the Superior Mortgagee thereto, (e) liable to Tenant beyond the Successor Landlord's interest in the Leased Property and the rents, income, receipts, revenues, issues and profits issuing from the Leased Property, (f) responsible for the performance of any work to be done by the Landlord under this Agreement to render the Leased Property ready for occupancy by Tenant or with respect to any insurance or Condemnation proceeds), or (g) required to remove any Person occupying the Leased Property or any part thereof, except if such Person

claims by, through or under the Successor Landlord. Tenant agrees at any time and from time to time to execute a suitable instrument in confirmation of Tenant's agreement to attorn, as aforesaid and, if Tenant has been requested to attorn, Landlord agrees to provide Tenant with an instrument of non-disturbance and attornment from each such Superior Mortgagee and Superior Landlord in form and substance reasonably satisfactory to Tenant.

20.3 Notice to Mortgagee and Ground Landlord. Subsequent to the receipt by Tenant of Notice from Landlord as to the identity of any Hotel Mortgagee or ground lessor under a lease with Landlord, as ground lessee, which includes the Leased Property as part of the demised premises and which complies with Sections 20.1 and 20.2 (which Notice shall be accompanied by a copy of the applicable mortgage or lease), no notice from Tenant to Landlord as to the Leased Property shall be effective unless and until a copy of the same is given to such Hotel Mortgagee or ground lessor at the address set forth in the above described Notice, and the curing of any of Landlord's defaults by such Hotel Mortgagee or ground lessor shall be treated as performance by Landlord.

#### ARTICLE 21

##### ----- ADDITIONAL COVENANTS OF TENANT -----

21.1 Prompt Payment of Indebtedness. Tenant shall (a) pay or cause to be paid when due all payments on Tenant's Indebtedness and shall not permit or suffer any such Indebtedness to become or remain in default beyond any applicable grace or cure period, (b) pay or cause to be paid when due all lawful claims for labor and rents, (c) pay or cause to be paid when due all trade payables and (d) pay or cause to be paid when due all other of Tenant's Indebtedness upon which it is or becomes obligated, except, in each case, other than that referred to in clause (a), to the extent payment is being contested in good faith by appropriate proceedings in accordance with Article 8 and if Tenant shall have set aside on its books adequate reserves with respect thereto in accordance with GAAP, if appropriate, or unless and until foreclosure, distraint sale or other similar proceedings shall have been commenced.

21.2 Intentionally Omitted.

21.3 Notice of Litigation, Etc. Tenant shall give prompt Notice to Landlord of any litigation or any administrative proceeding to which Tenant may hereafter become a party of which Tenant has notice or actual knowledge which involves a potential liability equal to or greater than Fifty Thousand Dollars (\$50,000.00) or which may otherwise result in any material adverse change in the business, operations, property, results of operation or financial condition of Tenant. Forthwith upon Tenant obtaining knowledge of any event or condition that would be required to be disclosed in a current report filed by Tenant on Form 8K or in Part II of a quarterly report on Form 10-Q if Tenant were required to file such reports under the Securities Exchange Act of 1934, as amended, Tenant shall furnish Notice thereof to Landlord specifying the nature and period of existence thereof and what action Tenant has taken or is taking or proposes to take with respect thereto.

21.4 Indebtedness of Tenant. Tenant shall not create, incur, assume or guarantee, or permit to exist, or become or remain liable directly or indirectly upon, any Indebtedness except the following:

- (a) Indebtedness of Tenant to Landlord;

(b) Indebtedness of Tenant for Impositions, to the extent that payment thereof shall not at the time be required to be made in accordance with the provisions of Article 8;

(c) Indebtedness of Tenant in respect of judgments or awards (i) which have been in force for less than the applicable appeal period and in respect of which execution thereof shall have been stayed pending such appeal or review, (ii) which are fully covered by insurance payable to Tenant (subject to any deductibles permitted hereunder);

(d) Trade payables incurred in the ordinary course of business.

21.5 Financial Condition of Tenant. Tenant shall at all times be Solvent.

21.6 Intentionally Omitted.

21.7 Prohibited Transactions. Tenant shall not permit to exist or enter into any agreement or arrangement whereby it engages in a transaction of any kind with any Affiliate of Tenant without the prior written consent of Landlord, which consent may be withheld or granted in Landlord's sole discretion.

21.8 Liens and Encumbrances. Except as permitted by Section 7.1, Tenant shall not create or incur or suffer to be created or incurred or to exist any Lien on this Agreement or any of Tenant's assets, properties, rights or income, or any of its interest therein, now or at any time hereafter owned, other than:

(a) Permitted Encumbrances; and

(b) As permitted pursuant to Section 21.4.

21.9 Merger, Sale of Assets, Etc. Tenant shall not (a) sell, lease (as lessor or sublessor), transfer or otherwise dispose of, or abandon, all or any material portion of its assets (including capital stock) or business to any Person, other than an Affiliate of Tenant which is 100% owned by Noble House Hotels & Resorts or the Parent thereof (a "Permitted Transferee"), (b) merge into or with or consolidate with any other Person except a Permitted Transferee, or (c) sell, lease (as lessor or sublessor), transfer or otherwise dispose of, or abandon, any personal property or fixtures or any real property; provided, however, that, notwithstanding the provisions of clause (c) Tenant may dispose of equipment or fixtures which have become inadequate, obsolete, wornout, unsuitable, undesirable or unnecessary, provided substitute equipment or fixtures having equal or greater value and utility (but not necessarily having the same function) have been provided.

21.10 Compliance with Franchise Agreement. If requested by Landlord, Tenant shall become the Franchisee under the Franchise Agreement.

To the extent any of the provisions of the Franchise Agreement impose a greater obligation on Landlord than the corresponding provisions of this Agreement, then Tenant shall be obligated to comply with, and to take all reasonable actions necessary to prevent breaches or defaults under, the provisions of the Franchise Agreement. It is the intent of the parties hereto that Tenant shall comply in every respect with the provisions of the Franchise Agreement so as to avoid any default thereunder during the term of this Agreement. Landlord shall not terminate or enter into any modification of the Franchise Agreement without in each instance first obtaining Tenant's written consent (which shall not be unreasonably withheld or delayed). Tenant shall not terminate the Franchise Agreement without Landlord's prior written consent which may be withheld or granted

in Landlord's sole discretion. Tenant agrees to cooperate fully with Landlord in the event Landlord deems it necessary, in its sole discretion, to obtain a franchise for the Leased Property.

21.11 Termination Upon Rent Performance Shortfall, Sale, Etc. (a) If, with respect to any Fiscal Year, Minimum Rent and Participating Rent payable under this Agreement is not equal to at least the Rent Thresholds set forth on Exhibit H (each, a "Rent Performance Shortfall"), such failure shall constitute a Rent Performance Shortfall under this Lease; provided, however, if a Force Majeure Event has occurred, then the time period for determining a Rent Performance Shortfall shall be extended for a period of time equal to the time period for which the Force Majeure Event was in effect. The existence of a Rent Performance Shortfall for any Fiscal Year shall constitute an Event of Default hereunder and shall be determined by Landlord on the basis of the Officer's Certificate delivered by Tenant to Landlord pursuant to the requirements of Section 3.1.2(c) and shall be subject to confirmation pursuant to Section 3.1.2(d). Notwithstanding anything to the contrary, however, Tenant shall have the right to cure a Rent Performance Shortfall with respect to any Fiscal Year during the Term hereof by paying to Landlord, at the time of the annual reconciliation of Participating Rent, pursuant to Section 3.1.2(c), the amount necessary during such Fiscal Year to ensure that Landlord receives the same amount of Participating Rent as Landlord would have received had there not been a Rent Performance

Shortfall; provided, however, Tenant's right to cure a Rent Performance Shortfall shall be limited to one (1) time during the Term. Landlord shall have no obligation to repay any amount advanced by Tenant to cure a Rent Performance Shortfall. Nothing contained in this Section 21.11 shall be construed to alter or affect Tenant's obligation to pay Rent as otherwise provided in this Agreement.

(b) Upon the occurrence of (i) a Rent Performance Shortfall (unless cured by Tenant within ten (10) days after Notice of termination as provided in this subsection and unless caused by casualty, Condemnation or any other cause beyond Tenant's control), (ii) the entering into by Landlord of a bona-fide contract to sell the Leased Property to a non-Affiliate (provided such sale actually occurs), (iii) a Tax Law Change resulting in Landlord's determination to terminate this Agreement, (iv) a Change of Control in Tenant (other than as provided in Section 22.22) or a Change of Control of the Manager without Landlord's consent (which consent will not be unreasonably withheld), or (v) a Material Franchise Change has occurred, Landlord shall have the right, at Landlord's option, to terminate this Agreement upon thirty (30) days' Notice to Tenant, in which event this Agreement and the Management Agreement shall terminate and Tenant shall immediately surrender the Leased Property to Landlord after the expiration of such 30 day period, and, if Tenant fails to so surrender, Landlord shall have the right, without notice, to enter upon and take possession of the Leased Property and to expel or remove Tenant and its effects without being liable for prosecution or any claim for damages therefor; and Tenant shall, and hereby agrees to, indemnify Landlord for the total of (x) in the event that Tenant does not promptly surrender the Leased Property, the reasonable costs of recovering the Leased Property and all other losses, liabilities and reasonable expenses incurred by Landlord in connection with Tenant's failure to surrender; (y) the unpaid Rent earned as of the date of termination, plus interest at the Overdue Rate accruing after the due date; and (z) all other sums of money then owing by Tenant to Landlord. Landlord's election to terminate this Agreement as a result of a Tax Law Change shall be deemed to be a determination to simultaneously terminate all Participating Leases and to enter into a Management Agreement with any of Tenant's Affiliates upon terms and conditions to be mutually agreed upon.

21.12 Change in Operations.

(a) The following events shall constitute changes in the operation of the Hotel ("Change in Operations") for the purposes of this Agreement: (i) a change in the franchisor, if any, or (ii) the conversion of a subtenant, licensee or concessionaire to an operating department of the Hotel or vice-versa without Landlord's consent, or (iii) Tenant's decision to delegate or eliminate the operation of any food or beverage operations at the Hotel, or (iv) the repositioning or expansion of the Hotel.

(b) If Tenant desires to implement a Change in Operations, Landlord may accept or reject such change in its sole and absolute discretion. If Landlord does not consent to the Change in Operations, Tenant shall not be entitled to implement the proposed Change in Operations and this Agreement shall remain in full force and effect.

(c) Notwithstanding anything to the contrary contained herein, no adjustment of Rent pursuant to a Change in Operations shall be implemented without the receipt by Landlord of an opinion from its tax counsel, satisfactory to Landlord in form and substance, that such adjustment will not adversely affect the REIT's ability to qualify as a real estate investment trust under the applicable provisions of the Code.

21.13 Use of the Leased Property. Tenant covenants and agrees that from and after the Commencement Date, and except for reasonable periods of time required for remodeling or restoration otherwise permitted hereunder, it shall continuously and without interruption use and occupy the entire Leased Property (and not less than one hundred (100%) percent of the Leased Property) solely for the purpose of the Permitted Use and for no other purpose. Tenant's business in and throughout the Leased Property shall continuously be conducted under the Tenant's, or Manager's, name, as the case may be.

21.14 Continuing Covenants. Tenant, acknowledging that the Leased Property has been developed and is being maintained as a hotel consistent with and in a manner such as to preserve the Landlord's property interest in the Leased Property, and as a further inducement to Landlord to enter into this Agreement, covenants and agrees with Landlord to:

- (a) not abandon the Leased Property;
- (b) maintain the Leased Property and the abutting grounds, sidewalks, roads, parking and landscaped areas in good repair, order and condition;
- (c) promptly make all necessary or desirable repairs, renewals, replacements and additions, to the Leased Property;
- (d) not commit or suffer waste with respect to the Leased Property;
- (e) operate the Leased Property in accordance with the Minimum Operating Standards so as not to diminish the value or integrity of the Leased Property or the value of this Agreement;
- (f) not make, suffer or permit any nuisance to exist on the Leased Property;
- (g) conduct its business in a manner consistent with the purpose and character of the Leased Property and in accordance with the standards for operating the type of business currently operated at the Leased Property in a sufficient manner, consistent with and to preserve the Landlord's property interest in the Leased Property;
- (h) keep the Land and Improvements clean and attractive in

appearance at all times and to keep any refuse in proper containers in the interior of the Leased Property out of sight until the same is removed;

(i) neither do nor suffer anything to be done or kept in or about the Leased Property which contravenes Landlord's insurance policies or increases the premiums therefor;

(j) adequately heat and cool the Leased Improvements;

(k) not enter into any collective bargaining or similar agreement without prior notification being given to Landlord;

(l) comply with the Franchise Agreement and not amend or otherwise modify any provision thereof without Landlord's prior written consent;

(m) not enter into a contract for goods or services (x) in an amount greater than twenty-five thousand dollars (\$25,000.00) or (y) for a period of more than one (1) year without Landlord's prior written consent, not to be unreasonably withheld; and

(n) not enter into a lease for any items used in the operation of the Leased Property (x) in an amount in excess of twenty-five thousand dollars (\$25,000.00) or (y) for a period in excess of one (1) year without Landlord's prior written consent, not to be unreasonably withheld.

21.15 Intentionally Omitted.

21.16 Other Activities. Tenant covenants, during the Term, that Tenant will not engage in any business unrelated to the operation and management of the Hotel or otherwise permitted under any Participating Leases.

21.17 Reservation System. Tenant shall not change, modify or terminate the system for making reservations utilized at the Hotel without the prior consent of Landlord which consent will not be unreasonably withheld.

## ARTICLE 22

### MISCELLANEOUS

22.1 Limitation on Payment of Rent. All agreements between Landlord and Tenant herein are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of Rent, or otherwise, shall the Rent or any other amounts payable to Landlord under this Agreement exceed the maximum permissible under applicable law, the benefit of which may be asserted by Tenant as a defense, and if, from any circumstance whatsoever, fulfillment of any provision of this Agreement, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, or if from any circumstances Landlord should ever receive as fulfillment of such provision such an excessive amount, then, ipso facto, the amount which would be excessive shall be applied to the reduction of the installment(s) of Minimum Rent next due and not to the payment of such excessive amount. This provision shall control every other provision of this Agreement and any other agreements between Landlord and Tenant.

22.2 No Waiver. No failure by Landlord or Tenant to insist upon the

strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. To the maximum extent permitted by law, no waiver of any breach shall affect or alter this Agreement, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

22.3 Remedies Cumulative. To the maximum extent permitted by law, each legal, equitable or contractual right, power and remedy of Landlord or Tenant, now or hereafter provided either in this Agreement or by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Landlord or Tenant (as applicable) of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Landlord of any or all of such other rights, powers and remedies.

22.4 Severability. Any clause, sentence, paragraph, section or provision of this Agreement held by a court of competent jurisdiction to be invalid, illegal or ineffective shall not impair, invalidate or nullify the remainder of this Agreement, but rather the effect thereof shall be confined to the clause, sentence, paragraph, section or provision so held to be invalid, illegal or ineffective, and this Agreement shall be construed as if such invalid, illegal or ineffective provisions had never been contained therein.

22.5 Acceptance of Surrender. No surrender to Landlord of this Agreement or of the Leased Property or any part thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Landlord and no act by Landlord or any representative or agent of Landlord, other than such a written acceptance by Landlord, shall constitute an acceptance of any such surrender.

22.6 No Merger of Title. It is expressly acknowledged and agreed that it is the intent of the parties that there shall be no merger of this Agreement or of the leasehold estate created hereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly this Agreement or the leasehold estate created hereby and the fee estate or ground landlord's interest in the Leased Property.

22.7 Conveyance by Landlord. If Landlord or any successor owner of all or any portion of the Leased Property shall convey all or any portion of the Leased Property in accordance with the terms hereof other than as security for a debt, and the grantee or transferee of such of the Leased Property shall expressly assume all obligations of Landlord hereunder arising or accruing from and after the date of such conveyance or transfer, Landlord or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of Landlord under this Agreement with respect to such of the Leased Property arising or accruing from and after the date of such conveyance or other transfer and all such future liabilities and obligations shall thereupon be binding upon the new owner.

22.8 Quiet Enjoyment. Provided that no Event of Default shall have occurred and be continuing, Tenant shall peaceably and quietly have, hold and enjoy the Leased Property for the Term, free of hindrance or molestation by Landlord or any Person claiming by, through or under Landlord, but subject to (a) any Encumbrance permitted under Article 20 or otherwise permitted to be created by Landlord hereunder, (b) all Permitted Encumbrances, (c) Liens as to obligations of Landlord that are either not yet due or which are being contested in good faith and by proper proceedings, provided the same do not materially interfere with Tenant's

ability to operate the Hotel and (d) Liens that have been consented to in writing by Tenant. Except as otherwise provided in this Agreement, no failure by Landlord to comply with the foregoing covenant shall give Tenant any right to cancel or terminate this Agreement or abate, reduce or make a deduction from or offset against the Rent or any other sum payable under this Agreement, or to fail to perform any other obligation of Tenant hereunder.

22.9 Memorandum of Lease. Neither Landlord nor Tenant shall record this Agreement. However, Landlord and Tenant shall promptly, upon the request of the other, enter into a short form memorandum of this Agreement, in form suitable for recording under the laws of the State in which reference to this Agreement shall be made. The parties shall share equally all costs and expenses of recording such memorandum.

22.10 Notices.

(a) Any and all notices, demands, consents, approvals, offers, elections and other communications required or permitted under this Agreement shall be given in writing and the same shall be delivered either in hand, by telecopier with written acknowledgment of receipt, or by mail or Federal Express or similar expedited commercial carrier, addressed to the recipient of the notice, postpaid and registered or certified with return receipt requested (if by mail), or with all freight charges prepaid (if by Federal Express or similar expedited carrier).

(b) All notices required or permitted to be sent hereunder shall be deemed to have been given for all purposes of this Agreement upon the date of acknowledged receipt, in the case of a notice by telecopier and, in all other cases, upon the date of receipt or refusal, except that whenever under this Agreement a notice is either received on a day which is not a Business Day or is required to be delivered on or before a specific day which is not a Business Day, the day of receipt or required delivery shall automatically be extended to the next Business Day.

(c) All such notices shall be addressed,  
if to Landlord to:

c/o LaSalle Hotel Advisors  
220 East 42nd Street  
New York, New York 10017  
Attention: Chief Operating Officer  
Telecopier: (212) 687-8170

with a copy to:

LaSalle Partners  
200 East Randolph Drive  
Chicago, Illinois 60601  
Attention: Chief Financial Officer

and with a copy to:

Brown & Wood LLP  
One World Trade Center  
New York, New York 10048  
Attn: Lee S. Saltzman, Esq.  
Telecopier No.: (212) 839-5599

if to Tenant to:

c/o Noble House Hotels  
& Resorts  
25 Central Way, Suite 400

Kirkland, Washington 98053  
Attention: Patrick Dyer, Esq.  
Telecopier No.: (206) 827-6707

(d) By notice given as herein provided, the parties hereto and their respective successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses effective upon receipt by the other parties of such notice and each shall have the right to specify as its address any other address.

22.11 Construction. Anything contained in this Agreement to the contrary notwithstanding, all claims against, and liabilities of, Tenant or Landlord arising prior to any date of termination or expiration of this Agreement with respect to the Leased Property shall survive such termination or expiration. In no event shall Landlord or Tenant be liable for any consequential damages suffered by the other as the result of a breach of this Agreement. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing signed by the party to be charged. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Each term or provision of this Agreement to be performed by Tenant shall be construed as an independent covenant and condition. Time is of the essence with respect to the exercise of any rights of Tenant and Landlord under this Agreement. Except as otherwise set forth in this Agreement, any obligations of Tenant (including without limitation, any monetary, repair and indemnification obligations) and Landlord shall survive the expiration or sooner termination of this Agreement.

22.12 Counterparts, Headings. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but which, when taken together, shall constitute but one instrument and shall become effective as of the date hereof when copies hereof, which, when taken together, bear the signatures of each of the parties hereto shall have been signed. Headings in this Agreement are for purposes of reference only and shall not limit or affect the meaning of the provisions hereof. 1.3 Applicable Law, Etc. This Agreement shall be interpreted, construed, applied and enforced in accordance with the laws of the State applicable to contracts between residents of the State which are to be performed entirely within the State, regardless of: (a) where this Agreement is executed or delivered; (b) where any payment or other performance required by this Agreement is made or required to be made; (c) where any breach of any provision of this Agreement occurs, or any cause of action otherwise accrues; (d) where any action or other proceeding is instituted or pending; (e) the nationality, citizenship, domicile, principal place of business, or jurisdiction of organization or domestication of any party; (f) whether the laws of the forum jurisdiction otherwise would apply the law of a jurisdiction other than the State; or (g) any combination of the foregoing.

22.14 Right to Make Agreement. Each party warrants, with respect to itself, that neither the execution of this Agreement, nor the consummation of any transaction contemplated hereby, shall violate any provision of any law, or any judgment, writ, injunction, order or decree of any court or governmental authority having jurisdiction over it; nor result in or constitute a breach or default under any indenture, contract, other commitment or restriction to which it is a party or by which it is bound; nor require any consent, vote or approval which has not been given or taken, or at the time of the transaction involved shall not have been given or taken. Each party covenants that it has and will continue to have throughout the term of this Agreement and any extensions thereof, the full right to enter into this Agreement and perform its obligations hereunder.

22.15 Transition Procedures. Upon the expiration or termination of

the Term of this Agreement, for whatever reason, Landlord and Tenant shall do the following (and the provisions of this Section 22.15 shall survive the expiration or termination of this Agreement until they have been fully performed) and, in general, shall cooperate in good faith to effect an orderly transition of the Hotel. Nothing contained herein shall limit Landlord's rights and remedies under this Agreement if such termination occurs as the result of an Event of Default.

(a) Transfer of Licenses. Upon the expiration or earlier termination of the Term, Tenant shall use its best efforts (i) to transfer to Landlord or Landlord's nominee all licenses, operating permits and other governmental authorizations and all contracts, including contracts with Government Agencies that may be necessary for the operation of the Hotel (collectively, "Licenses") or (ii) if such transfer is prohibited by law or Landlord otherwise elects, to cooperate with Landlord or Landlord's nominee in connection with the processing by Landlord or Landlord's nominee of any applications for the transfer of all Licenses; provided, in either case, that the costs and expenses of any such transfer or the processing of any such application shall be paid by Landlord or Landlord's nominee.

(b) Leases and Concessions. Tenant shall assign to Landlord or Landlord's nominee simultaneously with the termination of this Agreement, all leases and concession agreements in effect with respect to the Hotel then in Tenant's or Manager's name.

(c) Books and Records. To the extent that Landlord has not already made or received copies thereof, all books and records (including computer records) for the Hotel kept by Tenant pursuant to Section 17.2 shall be promptly made available to Landlord or Landlord's nominee for photocopying or other duplication.

(d) Receivables, Payables, and etc. Except with respect to Minimum Working Capital, or as otherwise provided herein, Tenant shall be entitled to retain all cash, bank accounts and house banks, and to collect all Gross Revenues and accounts receivable accrued through the termination date. Tenant shall be responsible for the payment of Rent, all Gross Operating Expenses of the Hotel and all other obligations of Tenant accrued under this Agreement as of the termination date, and Landlord shall be responsible for all operating expenses of the Hotel accruing after the termination date.

22.16 Complimentary Rooms. Tenant shall make available (to the extent that same have not otherwise been committed) "deluxe" or "superior" guest rooms and all related goods and services, including, without limitation, food and beverages, telephones and facsimile services on a no-cost complimentary basis to employees, advisors, consultants, trustees and members of the board of directors of the REIT or the Landlord who are visiting the Hotel in connection with the operations of the REIT or the Landlord or doing business in the State related to the REIT or the Landlord.

22.17 Approval of Key Employees. Tenant shall not appoint, nor may Tenant permit the Manager to appoint, any general manager, controller or director of sales and marketing (each, a "Key Employee") for the Hotel without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

22.18 Incorporation of Prior Agreements. This Agreement and the attached exhibits set forth all the agreements, terms, covenants and conditions between Landlord and Tenant concerning the Leased Property and there are no agreements, terms, covenants or conditions, oral or written, between them other than those herein contained. No amendment, change or addition to this Agreement shall be binding upon Landlord or Tenant unless it is in writing and signed by each party.

22.19 Attorney's Fees. If either Landlord or Tenant retains an attorney to enforce the terms of or determine rights under this Agreement, the prevailing party shall be entitled to recover reasonable costs, attorney's fees and expenses.

22.20 Early Termination. (a) Upon the sale of the Leased Property by Landlord to a third party who is not related to or affiliated with Landlord (except as to any loan arrangement between Landlord, as lender, and such third party, as borrower), Landlord may elect to terminate this Agreement provided that Tenant is afforded no less than Thirty (30) days advance written notice from Landlord of such termination.

(b) As compensation for the early termination of Tenant's leasehold estate under this Section 22.20, Landlord shall pay to Tenant the present value of a stream of monthly payments of Monthly Cash Flow for fifty (50%) percent of the number of complete months remaining in the unexpired Term as of the date of closing of the sale, discounted at a rate of ten (10%) percent per annum (the "Termination Fee" For the purposes of this Section, "Monthly Cash Flow" shall mean the average, for each of the twelve complete Accounting Periods preceding the date of termination of this Agreement, of the excess of the Gross Revenues over the sum of the Rent and Gross Operating Expenses (including any and all expenses and fees payable under the Management Agreement) attributable to such Accounting Periods.

22.21 Governing Law. Submission to Jurisdiction. This Agreement is or will be made and delivered in the State and shall be governed by and construed and interpreted in accordance with the laws of the United States of America and the State, without regard to principles of conflict of laws.

All judicial actions, suits or proceedings brought by or against Tenant with respect to its rights, obligations, liabilities or any other matter under or arising out of or in connection with this Agreement or any transaction contemplated hereby or for recognition or enforcement of any judgment rendered in any such proceedings shall be brought by Tenant, and may be brought by Landlord, in any state or federal court in the State. By execution and delivery of this Agreement, Tenant accepts, generally and unconditionally, the nonexclusive jurisdiction of the aforesaid courts and irrevocably agrees to be bound by any final judgment rendered thereby in connection with this Agreement or any transaction contemplated hereby from which no appeal has been taken or is available. Tenant hereby irrevocably waives any objections, including without limitation any objection to 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 in any such jurisdiction. Nothing herein shall affect the right of Landlord to bring any action, suit or proceeding against Tenant in the court of any jurisdiction. Tenant acknowledges that final judgment against it in any action suit or proceeding referred to in this Section shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment, a certified or exemplified copy of which shall be conclusive evidence of the same.

22.22 Change of Control of Tenant. If, during the Term, any Parent or Affiliate (each a "Transferor") of Tenant has elected to transfer its interest in Tenant, which, for the purposes of this Agreement shall only be permitted in conjunction with the sale of all, or substantially all, of Transferor's hotel management businesses (a "Permitted Transfer"), then such Permitted Transfer shall be made only upon the following terms and conditions:

(a) Transferor shall give written notice of the proposed Permitted Transfer to Landlord (the "Sale Notice");

(b) Landlord shall have thirty (30) days from the date of receipt of the Sale Notice to provide Transferor with written notice (the "Purchase Notice") of Landlord's intention to purchase, in Landlord's name or in the name of Landlord's designee, Transferor's interest in Tenant at the then Fair Market Value of such interest (the "Purchase");

(c) If Landlord elects to make the Purchase, then any parties holding remaining interests in Tenant (each a "Third Party") shall have the right, but not the obligation, to require Landlord to purchase (the "Required Purchase") such remaining interests in the Tenant at the then Fair Market Value of such interests by delivering to Landlord, no later than fifteen (15) days from Transferor's receipt of the Purchase Notice, written notice (the "Third Party Notice") of such Third Party's Required Purchase election;

(d) If any Third Party fails to exercise its Required Purchase election as provided in subparagraph (c) above, then such Third Party shall be deemed to have unconditionally consented to (i) the admission of Landlord as a [limited][general] partner in Tenant and (ii) the amendment of Tenant's partnership agreement to provide that said remaining Third Party shall not transfer its interests in Tenant except as provided for in this Section 22.22;

(e) The closing of the Purchase, and, if applicable, the Required Purchase, shall occur within sixty (60) days from the later to occur of (x) delivery of the Sale Notice or (y) delivery of the Third Party Notice;

(f) If the parties fail to agree on the Fair Market Value of the respective interests in Tenant, the matter shall be referred to arbitration as provided for in Article 23; provided, however, unless and until the Fair Market Value of the respective interests in Tenant have been fully determined, Landlord shall have no obligation to complete the Purchase or the Required Purchase.

22.23 Non-Competition. During the Term, Tenant, or Tenant's Parent or Affiliate shall not operate, manage, lease or own any interest, directly or indirectly, in (a) any hotel of similar size, market or lodging category as the Hotel, (b) any other type of business under the same or a similar name as the Hotel, within ten (10) miles of the Leased Property. Nothing contained herein shall prohibit Tenant from operating or participating in no more than two (2) hotel facilities within the restricted areas if such facilities (i) contain less than 75 guest units, (ii) are not of a similar quality and class as would indirectly or directly compete with the Hotel, (iii) are not in a similar market orientation with the Hotel, and (iv) have an average daily rate which is no less than \$100.00 in excess of the Hotel's average daily rate.

ARTICLE 23

-----

ARBITRATION

-----

23.1 Arbitration. In each case specified in this Agreement in which it shall become necessary to resort to arbitration, such arbitration shall be determined as provided in this Section 23.1. The party desiring such arbitration shall give Notice to that effect to the other party and an arbitrator shall be selected by mutual agreement of the parties, or if they cannot agree within thirty (30) days of such notice, by appointment made by the American Arbitration Association ("AAA") from among the members of its panels who are qualified and who have experience in resolving matters of a nature similar to the matter to be resolved by arbitration.

23.2 Intentionally Omitted.

23.3 Arbitration Procedures. In any arbitration commenced pursuant to Article 23, a single arbitrator shall be designated and shall resolve the dispute. The arbitrator's decision shall be binding on all parties and shall not be subject to further review or appeal except as otherwise allowed by applicable law. To the maximum extent practicable, the arbitrator and the parties, and the AAA, if applicable, shall take any action necessary to insure that the arbitration shall be concluded within ninety (90) days of the filing of such dispute. The fees and expenses of the arbitrator shall be shared equally by Landlord and Tenant. Unless otherwise agreed in writing by the parties or selected by the arbitrator or AAA, if applicable, arbitration proceedings hereunder shall be conducted in New York City. Notwithstanding formal rules of evidence, each party may submit such evidence as each party deems appropriate to support its position and the arbitrator shall have access to and the right to examine all books and records of Tenant and Landlord regarding the Hotel during the arbitration.

IN WITNESS WHEREOF, the parties have executed this Agreement as an instrument as of the date above first written.

LANDLORD:

LHO MISSION BAY HOTEL, L.P.

By: LASALLE HOTEL OPERATING  
PARTNERSHIP, L.P., its  
General Partner

By: LaSalle Hotel Properties, its  
General Partner

By: /s/ MICHAEL D. BARNELLO  
Name: Michael D. Barnello  
Title: Chief Operating  
Officer

TENANT

WESTGROUP SAN DIEGO ASSOCIATES,  
LTD.

By: /s/ PHILIP BROWN  
Name: Philip Brown  
Title: Vice President