



October 26, 2018

**Real Estate Assets Department
1200 Third Avenue Ste. 1700
San Diego, CA 92101**

Re: Lease Applications for:

1. Percentage Lease (as amended, the "Lease"), dated May 15, 2000, by and between City of San Diego (the "City" or "you") and LHO Mission Bay Hotel, L.P. DBA San Diego Paradise Point Resort ("Tenant"), with respect to the property and improvements located at 1404 Vacation Road, San Diego, CA (the "Premises"), operated as Paradise Point, San Diego's Island Resort
2. Percentage Lease and License Agreement (the "Lease"), dated July 27, 2018, by and between The City of San Diego (the "City" or "you") and LHO Mission Bay Rosie Hotel, L.P. ("Tenant"), with respect to the property and improvements located at 1775 East Mission Bay Drive, San Diego, CA (the "Premises"), operated as the Hilton San Diego Resort & Spa

As explained in our letters to the City dated October 10, 2018, the above named Tenants are owned and controlled indirectly by LaSalle Hotel Properties ("LaSalle"). On September 6, 2018, Pebblebrook Hotel Trust ("Pebblebrook") and LaSalle entered into a merger agreement (the "Merger Agreement") pursuant to which Pebblebrook will acquire 100% of LaSalle's outstanding common shares (the "Merger"). Upon completion of the Merger, LaSalle will no longer exist, but its wholly-owned subsidiary, LaSalle Hotel Operating Partnership, L.P. ("LaSalle OP"), will survive as a subsidiary of Pebblebrook, and all of the direct and indirect subsidiary companies of LaSalle OP, including the Tenants, will survive and be maintained by Pebblebrook. The shareholders of LaSalle and Pebblebrook are expected to vote on the Merger on or about November 27, 2018 and the transaction is expected to close on November 30, 2018.

Following the Merger, the Tenants will remain the lessees under the Leases, and the Leases and the Premises will remain unaffected. For your information and to provide you with more context about Pebblebrook, as a result of the Merger, Pebblebrook will become one of the largest owners of independent/lifestyle hotels in the United States and the third-largest lodging REIT by enterprise value estimated at approximately \$7.5 billion.

As requested, we have completed the Lessee Questionnaires. Enclosed please find:

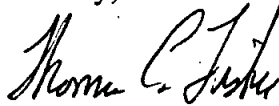
1. Copy of October 10, 2018 Letters
2. Lessee Questionnaires
3. Financials – Income Statement and Balance Sheet
4. LP and LLC Agreements
5. Check for \$2,000 for processing fee for the City's review

October 26, 2018

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Please feel free to contact me with any questions. We appreciate your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas C. Fisher". The signature is fluid and cursive, with the first name "Thomas" and last name "Fisher" clearly distinguishable.

Thomas C. Fisher
Executive Vice President and Chief Investment Officer
Pebblebrook Hotel Trust
tfisher@pebblebrookhotels.com
240-507-1340

CC: Vladimir Balotsky, Supervising Property Agent, by E-Mail



October 10, 2018

City Manager
Attention: Real Estate Assets Director
City Administration Building
202 "C" Street, M.S. 9B
San Diego, CA 92101-4155

Re: Percentage Lease (as amended, the "Lease"), dated May 15, 2000, by and between City of San Diego (the "City" or "you") and LHO Mission Bay Hotel, L.P. DBA San Diego Paradise Point Resort ("Tenant"), with respect to the property and improvements located at 1404 Vacation Road, San Diego, CA (the "Premises"), operated as Paradise Point, San Diego's Island Resort

City Manager:

Tenant is owned and controlled indirectly by LaSalle Hotel Properties ("LaSalle"). On September 6, 2018, Pebblebrook Hotel Trust ("Pebblebrook") and LaSalle entered into a merger agreement (the "Merger Agreement") pursuant to which Pebblebrook will acquire 100% of LaSalle's outstanding common shares (the "Merger"). Upon completion of the Merger, LaSalle will no longer exist, but its wholly-owned subsidiary, LaSalle Hotel Operating Partnership, L.P. ("LaSalle OP"), will survive as a subsidiary of Pebblebrook, and all of the direct and indirect subsidiary companies of LaSalle OP, including Tenant, will survive and be maintained by Pebblebrook. The shareholders of LaSalle and Pebblebrook are expected to vote on the Merger on or about November 27, 2018 and the transaction is expected to close on November 30, 2018.

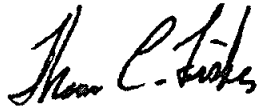
Following the Merger, Tenant will remain the lessee under the Lease, and the Lease and the Premises will remain unaffected. LaSalle is a publicly traded real estate investment trust, and therefore the transfer of LaSalle's publicly traded stock is not an assignment pursuant to Section 4.2 of the Lease and Section 4 of Addendum 1 thereto. However, due to the anticipated timing of the shareholder vote and closing of the Merger, we wanted to provide you with advance notice of the above-described transaction.

For your information and to provide you with more context about Pebblebrook, as a result of the Merger, Pebblebrook will become one of the largest owners of independent/lifestyle hotels in the United States and the third-largest lodging REIT by enterprise value estimated at approximately \$7.5 billion. For your convenience, Pebblebrook's address and contact information is: Pebblebrook Hotel Trust, 7315 Wisconsin Avenue, Suite 1100 West, Bethesda, MD 20814, Attn: Thomas C. Fisher, Executive Vice President and Chief Investment Officer, telephone: 240-507-1340, E-Mail: tfisher@pebblebrookhotels.com.

Feel free to contact me with any questions. We appreciate your time and consideration.

October 10, 2018
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas C. Fisher". The signature is written in a cursive, flowing style.

Thomas C. Fisher
Executive Vice President and Chief Investment Officer
Pebblebrook Hotel Trust

CITY OF SAN DIEGO

LESSEE'S AND SUBLESSEE'S QUESTIONNAIRE FOR ALL LEASES, ASSIGNMENTS AND SUBLEASES OF MORE THAN FIVE YEARS

Before the City of San Diego will process requests to (Sub)Lease, all information requested in this Questionnaire must be completed by the proposed (Sub)Lessee. Even though a proposed Sublessee may complete the Questionnaire, the Questionnaire must be delivered or mailed to the City with a cover letter signed by the City Lessee or proposed Lessee. **THE CITY WILL NOT ACCEPT THE QUESTIONNAIRE, DOCUMENTS, OR OTHER INFORMATION DIRECTLY FROM A SUBLESSEE.**

All information furnished in this Questionnaire must be complete and accurate. Omissions, inaccuracies, or misstatements may cause the rejection and/or subsequent revocation of the City's Lease, consent to Sublease, or consent to Assignment of (Sub)Lease.

In submitting this Questionnaire, the proposed (Sub)Lessee completing the Questionnaire authorizes the City to make any inquiry or investigation it believes necessary to substantiate or supplement the information furnished in the Questionnaire, and authorizes others to release such information to the City.

Exact name of existing Lessee (always complete):

LHO Mission Bay Hotel, L.P.

Exact name of proposed Lessee (complete only if applicable):

LHO Mission Bay Hotel, L.P.

Exact name of existing Sublessee (complete only if applicable):

Exact name of proposed Sublessee (complete only if applicable):

Date this Questionnaire completed: October 26, 2018.

The information furnished in and with this Questionnaire is true, complete, and correct to the best of my knowledge.

Signature: _____

Title: _____

[Handwritten Signature]
Authorized Signatory

Thank you for taking the time to complete the Questionnaire. Lessees may contact Real Estate if they have any questions. Please return the completed Questionnaire, with any additional information or documents to:

REAL ESTATE ASSETS DEPARTMENT
1200 THIRD AVENUE STE. 1700
SAN DIEGO, CA 92101
TEL.: (619) 236-6020 FAX: (619) 236-6706

This Questionnaire contains 15 pages.

PROPOSED (SUB)LESSEE

1. Name of proposed (Sub)Lessee exactly as it will appear on the actual tenancy document:

LHO Mission Bay Hotel, L.P.

No change to Lessee. Parent company of Lessee (LaSalle Hotel Properties) is merging with Pebblebrook Hotel Trust

2. Mailing Address of proposed (Sub)Lessee for purposes of notice or other communication relating to the proposed tenancy:

LHO Mission Bay Hotel, L.P.

c/o Pebblebrook Hotel Trust

7315 Wisconsin Avenue, Suite 1100 West, Bethesda, MD 20814

Telephone No.: 240-507-1300

Fax. No.: 240-396-5626

E-mail Address: tfisher@pebblebrookhotels.com

3. Billing Address (*only if different from Mailing Address*):

Telephone No.: _____

Fax. No.: _____

4. Proposed (Sub)Lessee intends to operate as a:

Sole Proprietorship (☐); Partnership (☒); Corporation (☐);

Limited Liability Company (☐); Other _____

Explain if necessary:

No change to Lessee. Parent company of Lessee (LaSalle Hotel Properties) is merging with Pebblebrook Hotel Trust

5. Effective date of assignment (complete only if applicable): estimated 11/30/18

PARTNERSHIP STATEMENT LHO Mission Bay Hotel, L.P.

If proposed (Sub)Lessee is a partnership, please answer the following:

1. Date of Organization: 5/18/1998

2. General Partnership ()
 Limited Partnership (☒)
 Other () Explain _____

3. Statement of Partnership recorded: Yes () No ()

Date	Book	Page	County

4. Has the partnership conducted business in San Diego County?
 Yes (☒) No () If so, when? Continuous since 5/18/1998
 If so, where? as Tenant of this Lease and owner of the San Diego Paradise Point Resort

5. Name, address, and partnership share of each general and limited partner. If a general partner is another partnership, a corporation, or a limited liability company (LLC), please complete separate pages 3; or 4 and 5; or 6, as appropriate for such entity (type proposed [Sub]Lessee name [from page 2] on the top of each page for identification purposes). If a limited partner holding a 10% or greater interest is another partnership, a corporation, or an LLC, pages 3; or 4 and 5; or 6 must also be completed for such entity (type proposed [Sub]Lessee name [from page 2] on the top of each page).

General/Limited	Name	Address	Share %
General	LHO San Diego Financing LLC	7550 Wisconsin Avenue, 10th Floor, Bethesda, MD 20814	95.1%
Limited	LaSalle Hotel Operating Partnership, LP	7550 Wisconsin Avenue, 10th Floor, Bethesda, MD 20814	4.9%

6. Attach a complete copy of the Partnership Agreement. If a Partnership Agreement has been previously submitted, a new Partnership Agreement need be submitted

only if the Partnership Agreement on file with the City is no longer current.

CORPORATION STATEMENT

If proposed (Sub)Lessee is a corporation, please answer the following:

1. Type of corporation: C () Subchapter S ()
2. When incorporated? _____
3. Where incorporated? _____
4. Is the corporation authorized to do business in California? Yes () No ()
If so, as of what date? _____
5. The corporation is held:
a. Publicly () Privately ()
b. If publicly held, how and where is the stock traded?

- | | | | |
|-------------------------------------|-------------------|---------------|--------------------|
| 6. Please list the following: | <u>Authorized</u> | <u>Issued</u> | <u>Outstanding</u> |
| a. Number of voting shares: | _____ | _____ | _____ |
| b. Number of nonvoting shares: | _____ | _____ | _____ |
| c. Number of shareholders: | | | _____ |
| d. Value per share of Common Stock: | | Par | \$ _____ |
| | | Book | \$ _____ |
| | | Market | \$ _____ |

7. Please furnish the name, title, address, and the number of voting and nonvoting shares of stock owned by each officer and, in addition, the same information for each stockholder owning more than 10% of any class of stock.

Name: _____

Title: _____

Address: _____

No. of Shares: _____

Name:	_____
Title:	_____
Address:	_____

No. of Shares:	_____
Name:	_____
Title:	_____
Address:	_____

No. of Shares:	_____
Name:	_____
Title:	_____
Address:	_____

No. of Shares:	_____
Name:	_____
Title:	_____
Address:	_____

No. of Shares:	_____

(Additional page(s) may be added if needed to complete list of stockholders [type proposed (Sub)Lessee name (from page 2) on the top of each page].)

Any partnership, corporation, or LLC owning more than a 10% ownership interest must also complete separate pages 3; or 4 and 5; or 6, as appropriate for each entity (type proposed (Sub)Lessee name [from page 2] on the top of each page for identification purposes). Also, furnish the financial data for such partnership, corporation, or LLC, as required on page 7. If there is an ownership chain of additional partnerships, corporations, or LLCs, the above requirements extend to each such entity having either: (1) a 10% or greater direct, indirect, beneficial ownership, or membership interest in the proposed (Sub)Lessee; or (2) effective control of the proposed (Sub)Lessee, regardless of the percentage of ownership or membership interest.

LIMITED LIABILITY COMPANY STATEMENT

LHO San Diego Financing LLC

If the proposed (Sub)Lessee is an LLC, please answer the following:

1. Date of Organization: 11/25/2003
2. Where Organized: Delaware
3. Is the Company authorized to do business in California?
 - a. Yes () No (☒)
 - b. If so, as of what date? _____
4. Has the Company conducted business in San Diego County?
 - a. Yes () No (☒)
 - b. If so, when? _____
 - c. If so, where? _____
5. Please furnish the name, address, and membership share held by each manager and officer, and each member owning more than a 10% membership interest. If a member is a partnership, corporation, or another LLC, please complete separate pages 3; or 4 and 5; or 6, as appropriate for such entity (type proposed [Sub]Lessee name [from page 2] on the top of each page).

Manager/Officer / Member	Name	Address	Share %
Member	LHO San Diego Financing LLC	7550 Wisconsin Ave, 10th Floor, Bethesda, MD 201814	95.1%

6. Attach a complete copy of the Operating Agreement. If an Operating Agreement has been previously submitted, a new Operating Agreement need be submitted only if the Operating Agreement on file with the City is no longer current.

FINANCIAL AND OTHER BACKGROUND INFORMATION

FINANCIAL STATEMENT

(Sub)Lessee, general partners of (Sub)Lessee, owner-corporations of (Sub)Lessee, members of (Sub)Lessee owning more than a 10% membership interest, and any person or business entity guaranteeing the performance of (Sub)Lessee must attach a complete report, prepared in accordance with good accounting practice, reflecting current financial condition. The report **must** include a balance sheet and annual income statement. The person or entity covered by the report must be prepared to substantiate all information provided.

OTHER INFORMATION

Each (Sub)Lessee, each general partner of (Sub)Lessee, each owner-corporation of (Sub)Lessee, each member of (Sub)Lessee owning more than a 10% membership interest, any person or business entity guaranteeing the performance of (Sub)Lessee, any person or entity owning more than a 10% interest of (Sub)Lessee, and any guarantor of (Sub)Lessee must answer the following questions:

1. **Surety Information** - Has a surety or bonding company ever been required to perform on the default of any of the individuals or entities?
 - a. Yes () No (✓)
 - b. If yes, please attach a statement naming the surety or bonding company, date, amount of bond, and the circumstances surrounding said default and performance.
2. **Bankruptcy Information** - Have any of the individuals or entities ever been adjudicated bankrupt or are any presently a debtor in a pending bankruptcy action?
 - a. Yes () No (✓)
 - b. If yes, please give dates, court jurisdiction, and amount of liabilities and assets.
3. **Pending Litigation** - Are any of the individuals or entities presently a party to ANY pending litigation?
 - a. Yes (✓) No ()
 - b. If yes, please provide detailed information for each action.
See attached summary
4. **Claims, Liens, or Judgments** - Are any of the individuals or entities now subject to any outstanding claims, liens, or judgments?
 - a. Yes (✓) No ()
 - b. If yes, please provide detailed information for each claim, lien, or judgment.

See attached summary

LaSalle Hotel Properties Inc.
Loss Runs 9-1-2018



Pol Yr	Contract Number	LOB	Claim Number	Claimant Name	Claim Status	Claim Category	Date of Loss	Date Reported to Carrier	Date Closed	Location	Location Description	Cause	Accident Description
2017	TB263151000001	GL	P 50544076301	GUMROYAN, ARSEN	O	FAST TRACK	8/28/2018	8/29/2018		1320	PARADISE POINT SAN DIEGO CA	IK1	CLAIMANT'S LAPTOP, BOOTS, BLUEPRINTS, AND OTHER ITEMS WERE STOLEN FROM ROOM.
2017	TB263151000001	GL	P 50543800901	AMIDON, CHRISTINA	O	NON-PRODUCTS- BODILY INJURY	7/23/2018	8/2/2018		1320	PARADISE POINT SAN DIEGO CA	18	CLAIMANT ALLEGES WAS ENTERING MAIN POOL AREA WITH CHILD IN ARMS AND SLIPPED ON ONE OF STEPS IN WATER CAUSING HER TO TWIST KNEE
2017	TB263151000001	GL	P 50543570901	POGOSYAN, KARPIS	O	NON-PRODUCTS- BODILY INJURY	7/7/2018	7/11/2018		1320	PARADISE POINT SAN DIEGO CA	IK1	CLT WAS GETTING INTO THE SHOWER AND THE SHOWER DOOR SHATTERED CAUSING CUTS TO LEFT UPPER LOWER LEGS AND KNEE SHOULDER ARM AND HAND
2017	TB263151000001	GL	P 50542265501	YACOBI, EVA	O	NON-PRODUCTS- BODILY INJURY	2/10/2018	2/13/2018		1320	PARADISE POINT SAN DIEGO CA	982	CLMNT WALKING DOWN THE HALL, TURNED CORNER AND SLIPPED AND FELL.
2016	TB263151000001	GL	P 94932316701	RARICK, MARIE	O	NON-PRODUCTS- BODILY INJURY	7/14/2017	12/20/2017		1320	PARADISE POINT SAN DIEGO CA	980	CLMNT ALLEGES SLIP AND FALL IN AN AREA OF A RECENT FOOD SPILL WHICH HAD NOT YET BEEN TOTALLY CLEANED.
2016	TB263151000001	GL	P 94931448901	MEYN, BARBARA	O	COMPLEX	6/4/2017	6/7/2017		1320	PARADISE POINT SAN DIEGO CA	49	CLAIMANT TRIPPED AND FELL OVER A CURB.
2016	TB263151000001	GL	P 00107676602	SAPIR, SUZAN	O	COMPLEX	9/23/2016	10/11/2017	1/25/2018	1320	PARADISE POINT SAN DIEGO CA	IK4	LOR- CLMTS ALLEGES INJURIES DUE TO INSD NEGLIGENCE DURING STAY AT HOTEL
2016	TB263151000001	GL	P 00107676601	SAPIR, ERIC	O	COMPLEX	9/23/2016	10/11/2017	1/25/2018	1320	PARADISE POINT SAN DIEGO CA	IK4	LOR- CLMTS ALLEGES INJURIES DUE TO INSD NEGLIGENCE DURING STAY AT HOTEL

REFERENCES FOR PROPOSED (SUB)LESSEE

Please list four persons or firms with whom you have conducted business transactions during the past three years. Two of the references must have knowledge of your debt payment history, with at least one being a financial institution. Two of the references must have knowledge of your business experience.

REFERENCE NO. 1

Name: Philip Bearden

Firm: Bank of America

Title: Managing Director

Address: 214 North Tryon Street, Floor 15, Charlotte, NC 28255

Telephone: 980-386-5096

Nature and magnitude of purchase, sale, loan, business, association, etc.:

Currently have \$225M exposure to Pebblebrook across our
senior unsecured revolver and multiple term loans.

REFERENCE NO. 2

Name: Lori Jensen

Firm: US Bank

Title: Senior Vice President

Address: 1100 Abernathy Rd, Suite 1250, Atlanta, GA 30328

Telephone: 770-512-3118

Nature and magnitude of purchase, sale, loan, business, association, etc.:

Currently have \$165M exposure to Pebblebrook across our senior
unsecured revolver, multiple term loans and our lessee line of credit.

REFERENCE NO. 3

Name: Tom Luersen

Firm: Two Roads Hospitality

Title: Chief Operating Officer

Address: 10333 E. Dry Creek Road, Suite 450, Englewood, CO 80112

Telephone: 303.268.4629

Nature and magnitude of purchase, sale, loan, business, association, etc.:

Two Roads Hospitality manages six hotels on behalf of LaSalle,
including Paradise Point Resort & Spa and L'Auberge Del Mar

REFERENCE NO. 4

Name: Chris Gautier

Firm: Noble House Hotels & Resorts

Title: Chief Operating Officer

Address: 600 6th Street South, Kirkland, WA 98033

Telephone: 425.636.5675

Nature and magnitude of purchase, sale, loan, business, association, etc.:

Noble House Hotels & Resorts manages the
Hilton San Diego Resort & Spa on behalf of LaSalle

CITY OF SAN DIEGO PERSONAL DESCRIPTION AND RELEASE

PLEASE NOTE: All partners, both general and limited; all stockholders owning more than 10% of any class of stock of corporations; all members of a limited liability company; and sole proprietors requesting to (sub)lease, must each complete this page before the tenancy request can be processed. (You may reproduce and use copies of this page, if necessary.)

The following personal information is required to initiate a credit investigation. The business and personal reputation of principals, partners, and members will be considered in qualifying Lessees or in consenting to Sublessees.

First, Middle, & Last Name	<u>Raymond Daniel Martz</u>
Date of Birth	<u>10/12/1970</u>
Place of Birth	<u>Miami, FL</u>
Social Security Number	<u>204-68-0437</u>
Driver's License Number/State	<u>2687266 / DC</u>
Home Address	<u>3916 Garrison St, NW</u> <u>Washington DC, 20016</u>
Previous Address	<u>5015 38th Street NW</u> <u>Washington DC, 20016</u>
Home Telephone No.	<u>202-400-0003</u>
Employer	<u>Pebblebrook Hotel Trust</u>
Occupation	<u>Executive Vice President and Chief Financial Officer</u>
Business Address	<u>7315 Wisconsin Ave, Suite 1100W, Bethesda, MD</u>
Business Telephone No.	<u>240-507-1330</u>
Business Fax No.	<u>240-396-5626</u>

The City is hereby authorized to request a credit report and other information covering my financial and business history.

Date 10/26/18 Signed 

Print or type exact name of proposed (Sub)Lessee from page 2 of Questionnaire:

LHO Mission Bay Hotel, L.P.

CITY OF SAN DIEGO PERSONAL DESCRIPTION AND RELEASE

PLEASE NOTE: All partners, both general and limited; all stockholders owning more than 10% of any class of stock of corporations; all members of a limited liability company; and sole proprietors requesting to (sub)lease, must each complete this page before the tenancy request can be processed. (You may reproduce and use copies of this page, if necessary.)

The following personal information is required to initiate a credit investigation. The business and personal reputation of principals, partners, and members will be considered in qualifying Lessees or in consenting to Sublessees.

First, Middle, & Last Name	<u>Thomas Charles Fisher</u>
Date of Birth	<u>3/30/1971</u>
Place of Birth	<u>Ithaca, NY</u>
Social Security Number	<u>105-48-1479</u>
Driver's License Number/State	<u>F-260-792-115-262 / MD</u>
Home Address	<u>11305 South Glen Road</u> <u>Potomac, MD 20854</u>
Previous Address	<u>3719 Bradley Lane</u> <u>Chevy Chase, MD 20815</u>
Home Telephone No.	<u>847-814-2599</u>
Employer	<u>Pebblebrook Hotel Trust</u>
Occupation	<u>Executive Vice President and Chief Investment Officer</u>
Business Address	<u>7315 Wisconsin Ave, Suite 1100W, Bethesda, MD</u>
Business Telephone No.	<u>240-507-1344</u>
Business Fax No.	<u>240-396-5626</u>

The City is hereby authorized to request a credit report and other information covering my financial and business history.

Date 10/26/18 Signed Thomas C. Fisher

Print or type exact name of proposed (Sub)Lessee from page 2 of Questionnaire:

LHO Mission Bay Hotel, L.P.

METHOD OF OPERATION

Please describe your proposed business operation on the property to be (Sub)Leased.
Discuss any optional services and uses which you propose to provide.

No change to existing operations.

**PROPOSED METHOD OF FINANCING
DEVELOPMENT OR LEASEHOLD PURCHASE**

Describe the method of financing for the Leasehold purchase or any new or additional development on tidelands in excess of \$100,000. Include a schedule of approximate dates when construction of each significant improvement is expected to be commenced and completed.

The Leasehold purchase is part of the overall merger of Lessee's parent company (LaSalle Hotel Properties) with Pebblebrook Hotel Trust. No individual debt will be placed on the property as part of the merger. Financing for the merger is done at the corporate level.

ESTIMATE OF GROSS RECEIPTS

If this Questionnaire is being completed by a prospective Lessee, please show the best estimate of the average annual gross sales for each significant use or service, and for each significant optional use or service which the Lessee and its Sublessees (if any) plan to conduct on or from the property. (If the Questionnaire is being completed by a Sublessee, only the estimate of the Sublessee's gross sales is required.) This data will be used by the City to analyze the proposed Lease or Sublease Consent application. The time periods shown should not be assumed to necessarily represent the term of a (Sub)Lease that may be granted or consented to by the City.

Average annual gross sales for each proposed significant use during each of the first five operating years:

Year of Operatio n	Uses (Identify Each Use)				
	Room Rental	Food & Beverage	Spa	Gift Shop	Parking
1	\$ 27,438,072	\$ 24,207,648	\$ 1,402,846	\$ 1,590,859	\$ 1,509,369
2	27,712,453	24,449,724	1,416,874	1,606,768	1,524,463
3	27,989,577	24,694,222	1,431,043	1,622,835	1,539,707
4	28,269,473	24,941,164	1,445,354	1,639,064	1,555,104
5	28,552,168	25,190,576	1,459,807	1,655,454	1,570,655

EXPERIENCE STATEMENT

Please describe in detail the duration and extent of your business experience, with special emphasis upon experience with the type of business which you propose to conduct on City property. Also state in detail the pertinent experience of the persons who will be directly involved in development and management of the business.

Pebblebrook currently owns 28 hotels and LaSalle owns 41 hotels. As a result of the Merger, Pebblebrook will become one of the largest owners of independent/lifestyle hotels in the United States and the third-largest lodging REIT by enterprise value estimated at approximately \$7.5 billion.

Following the Merger, Lessee will remain the lessee under the Lease, and the Lease and the Premises will remain unaffected. There will be no change to the type of business conducted on the City property. The officers of LHO Mission Bay Hotel L.P. will be Raymond D. Martz and Thomas C. Fisher. Their experience is outlined below.

Mr. Martz serves as Pebblebrook's Executive Vice President, Chief Financial Officer, Treasurer and Secretary. Prior to joining the Pebblebrook, Mr. Martz held the position of Chief Financial Officer for Phillips Edison & Company, one of the largest private owners of community shopping centers in the U.S., from August 2007 until November 2009. Prior to joining Phillips Edison, Mr. Martz was Chief Financial Officer, Secretary and Treasurer of Eagle Hospitality Properties Trust, Inc., a NYSE-listed hotel REIT, from 2005 to 2007. Prior to that, Mr. Martz was employed by LaSalle Hotel Properties in a variety of finance functions from 1997 to 2005. From 1995 to 1997 Mr. Martz was an associate with Tishman Hotel Corporation and from 1994 to 1995, he served in several hotel operations roles at Orient Hotel Group. Mr. Martz is a member of NAREIT and is a member of the Financial Management Committee of the American Hotel and Lodging Association. Mr. Martz received his B.S. from the School of Hotel Administration at Cornell University and an M.B.A. from Columbia University.

Mr. Fisher serves as Pebblebrook's Executive Vice President and Chief Investment Officer. Prior to joining Pebblebrook, Mr. Fisher served as Managing Director – Americas for Jones Lang LaSalle Hotels, one of the world's leading hotel investment services firms. Mr. Fisher was with Jones Lang LaSalle Hotels from 1996 to 2009. Prior to that, Mr. Fisher was an Associate with The Harlan Company from 1994 to early 1996, an investment banking boutique in New York City and prior to that, Mr. Fisher was a Real Estate Analyst in the corporate office of the Prudential Realty Group. Mr. Fisher received his B.S. with Distinction from the School of Hotel Administration at Cornell University.

**TERMS AND CONDITIONS OF PURCHASE, SALE,
OR TRANSFER OF (SUB)LEASEHOLD INTEREST**

(NOTE: Complete this page only if the transaction involves a Lease transfer, or the transfer of a Sublease having a remaining term of more than five years.)

Please summarize the terms and conditions of the purchase, sale, or transfer of (Sub)Leasehold interest(s) which requires City consent, as specified in the Assignment-Sublease provisions of the City Lease. Please attach copies of the applicable sales agreement(s), escrow instructions, assignment agreement(s), or other documents in conjunction with the sale, purchase, or transfer of the (Sub)Leasehold interest(s).

Lessee is owned and controlled indirectly by LaSalle Hotel Properties ("LaSalle"). On September 6, 2018, Pebblebrook Hotel Trust ("Pebblebrook") and LaSalle entered into a merger agreement (the "Merger Agreement") pursuant to which Pebblebrook will acquire 100% of LaSalle's outstanding common shares (the "Merger"). Upon completion of the Merger, LaSalle will no longer exist, but its wholly-owned subsidiary, LaSalle Hotel Operating Partnership, L.P. ("LaSalle OP"), will survive as a subsidiary of Pebblebrook, and all of the direct and indirect subsidiary companies of LaSalle OP, including Lessee, will survive and be maintained by Pebblebrook. The shareholders of LaSalle and Pebblebrook are expected to vote on the Merger on or about November 27, 2018 and the transaction is expected to close on November 30, 2018.

Following the Merger, Lessee will remain the lessee under the Lease, and the Lease and the Premises will remain unaffected. LaSalle is a publicly traded real estate investment trust, and therefore the transfer of LaSalle's publicly traded stock is not an assignment pursuant to Section 4.2 of the Lease and Section 4 of Addendum 1 thereto. However, due to the anticipated timing of the shareholder vote and closing of the Merger, we wanted to provide you with advance notice of the above-described transaction.

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 Scope:

20120 - LHO Mission Bay Hotel, LP

LaSalle Hotel Properties
Balance Sheet
 2017-12-31

		Beginning Balance 2017-01-01	YTD Activity 2017	Ending Balance 2017-12-31
Assets				
Land Improvements	19020	154,680	0	154,680
A/D Land Improvements	19025	(122,068)	(9,270)	(131,337)
Building	19030	93,061,400	0	93,061,400
A/D-Building	19035	(55,269,632)	(3,080,787)	(58,350,419)
Building Improvements	19040	19,774,650	4,933,874	24,708,525
A/D- Building Improvements	19045	(6,900,768)	(1,488,671)	(8,389,439)
Hotel Furn. Fixtures & Equip	19070	36,324,234	6,230,382	42,554,616
A/D-Hotel Furn. Fixtur & Equip	19075	(31,288,795)	(2,263,758)	(33,552,553)
Hotel Computer Equip and Soft	19080	2,981,444	99,198	3,080,642
A/D Htl Computr Equip and Soft	19085	(2,344,306)	(358,752)	(2,703,057)
Investment in Hotel Properties		56,370,841	4,062,216	60,433,057
Construction in Progress	19500	2,635,415	5,415,268	8,050,683
Property Under Development		2,635,415	5,415,268	8,050,683
Investment in Affiliated Lesse		0	0	0
Investment in Joint Venture		0	0	0
Note Receivable		0	0	0
Cash and Cash Equivalent		0	0	0
Restricted Cash		0	0	0
Base Rent Rec LHL	12000	2,950,950	50,550	3,001,500
Participating Rent Rec LHL	12010	1,046,663	(89,677)	956,986
Rent Rec Affiliated Lessee		3,997,613	(39,127)	3,958,486
Rent Receivable		0	0	0
Note Payables Affiliates	25000	(58,598,972)	0	(58,598,972)
Note Receivable Affiliated Les		(58,598,972)	0	(58,598,972)
Hotel Receivable Net of AFDA		0	0	0
Deferred Financing Cost, Net		0	0	0
Deferred Tax Asset		0	0	0
Prepaid Property Insurance	16000	53,225	(338)	52,887
Prepaid Real Estate Taxes	16020	(0)	0	(0)
Ppd Personal Property Taxes	16030	(0)	(0)	(0)
Prepaid Expenses - Other	16080	0	0	0
Capex Receivable (LHL)	16280	(27,880)	27,880	0
Other Current Assets	16400	3,294,183	(3,294,183)	0
Deferred Lease Fees	16600	40,270	0	40,270
A/A Deferred Lease Fees	16605	(816)	(94)	(911)
Prepaid Expenses&Other Asset		3,358,982	(3,266,735)	92,246
Intercompany Recvbls/(Paybls)	17500	96,028,635	(1,677,461)	94,351,174
Inter Company Assets		96,028,635	(1,677,461)	94,351,174
Total Assets		103,792,514	4,494,161	108,286,675
Liabilities				
Borrowing Under Cr Facilities		0	0	0
Term Loan		0	0	0
Bonds Payable		0	0	0
Mortgage Loans		0	0	0
Mortgage Loan Premium		0	0	0
Accrued Real Estate Taxes	22010	0	0	0
Accrd Personal Property Taxes	22020	(0)	0	(0)
Accrued Ground Rent Payable	22030	(187,280)	(11,940)	(199,220)
Accrued Tax Fees	22060	(8,128)	(244)	(8,372)
Capital Lease Liability	24040	(39,776)	39,776	0
Accounts Payable & Accrued Exp		(235,184)	27,592	(207,592)
Advance Deposits		0	0	0
Accrued Interest		0	0	0
Distributions Payable		0	0	0
Total Liabilities		(235,184)	27,592	(207,592)

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20120 - LHO Mission Bay Hotel, LP

LaSalle Hotel Properties
 Balance Sheet
 2017-12-31

		Beginning Balance 2017-01-01	YTD Activity 2017	Ending Balance 2017-12-31
Total Minority Interest		0	0	0
Equity				
Retained Earnings	34030	(103,557,329)	0	(103,557,329)
Distributions in Excess of RE		(103,557,329)	0	(103,557,329)
Total Equity		(103,557,329)	0	(103,557,329)
Income Statement				
Affiliated Lease Revenue		0	(20,716,232)	(20,716,232)
Other Income		0	(3,913)	(3,913)
Depreciation Expenses		0	7,237,539	7,237,539
RE Tax, PP Tax and Insurance		0	1,616,053	1,616,053
Ground Rent		0	3,803,027	3,803,027
Corp General and Administrative		0	25,034	25,034
Interest Expenses		0	3,515,938	3,515,938
Other Expenses		0	0	0
Income Tax (Benefit) Expense		0	800	800
Current Year (Net Income)/Loss		0	(4,521,753)	(4,521,753)
Total Shareholders Equity		(103,557,329)	(4,521,753)	(108,079,082)
Total Liabilities and Shareholder's Equity		(103,792,514)	(4,494,161)	(108,286,675)

LHO Mission Bay Hotel, LP

LaSalle Hotel Operating Partnership, L.P.

LHP Income Statement

For the Year Ending 12/31/2017

Date & Time: 10/24/18 8:40 AM
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 Scope Name:

Dept Account	Beginning Balance Sep 2017	Quarter 4 Activity	Ending Balance Dec - 2017
Hotel			
Rooms	0	0	0
Food & Beverage	0	0	0
Other Operating Departments	0	0	0
Other Indirect	0	0	0
Total Hotel Operating Revenues	0	0	0

Revenue

Base Rent Revenue LHL	40000	(9,004,500)	(3,001,500)	(12,006,000)
Participating Rent Revenue LHL	40010	(7,753,246)	(956,986)	(8,710,232)
Affiliated Lease Revenue		(16,757,746)	(3,958,486)	(20,716,232)
Other Misc Revenue (Corp)	42050	(3,913)	0	(3,913)
Other Income		(3,913)	0	(3,913)
Total Corporate Revenue		(16,761,659)	(3,958,486)	(20,720,145)
Total Revenue		(16,761,659)	(3,958,486)	(20,720,145)

Hotel Expenses

Hotel				
Rooms	0	0	0	0
Food & Beverage	0	0	0	0
Other Operating Departments	0	0	0	0
Other Indirect	0	0	0	0
Total Departmental Expenses	0	0	0	0

Corporate Expenses

Expenses

Depreciation-Building	80000	2,310,590	770,197	3,080,787
Deprec-Building Improvements	80010	1,086,941	401,730	1,488,671
Deprec-Hotel Furn, Fixt, Equip	80020	1,615,643	684,323	2,299,966
Deprec Htl Cmptr Equip and Soft	80030	282,071	76,681	358,752
Deprec Land Improvements	80050	7,641	1,629	9,270
Amort-Deferred Lease Fees(OP)	80110	71	24	94
Depreciation Expenses		5,302,957	1,934,583	7,237,539
Real Estate Tax	50020	1,031,684	356,614	1,388,297
Personal Property Taxes	50021	1,118	21,570	22,688
Other Property Related Taxes	50022	3,196	1,065	4,261
Property Insurance	50023	151,612	49,195	200,806
RE Tax, PP Tax and Insurance		1,187,609	428,444	1,616,053
Ground Rent Expense	50030	3,030,789	772,238	3,803,027
Ground Rent		3,030,789	772,238	3,803,027
Fund Tax & Filing Fee	66050	107	0	107
Tax Fees-External	67010	6,279	2,208	8,487
RET/PPT Consulting	67030	11,318	1,232	12,550
Legal Fees	67500	3,890	0	3,890
Corp General and Administrative		21,594	3,440	25,034
Interest Exp-Capital Leases	70040	(0)	0	(0)
Int Expense-Interco Loan	70081	2,636,954	878,985	3,515,938
Interest Expenses		2,636,954	878,985	3,515,938
Other Expenses		0	0	0
State Income Tax	75010	800	0	800
Income Tax (Benefit) Expense		800	0	800
Total Corporate Expenses		12,180,702	4,017,690	16,198,392
Total Expenses		12,180,702	4,017,690	16,198,392

LHO Mission Bay Hotel, LP

LaSalle Hotel Operating Partnership, L.P.
LHP Income Statement
For the Year Ending 12/31/2017

Date & Time: 10/24/18 8:40 AM
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Dept Account	Beginning Balance Sep 2017	Quarter 4 Activity	Ending Balance Dec - 2017
(Income)/Loss before equity in earnings of unconsolidated entities, discontinued operations and extraordin	(4,580,957)	59,204	(4,521,753)
Equity in earning of unconsolidated entities:			
Total Equity Income of Joint Venture	0	0	0
(Income)/Loss before discontinued operations and extraordinary loss	(4,580,957)	59,204	(4,521,753)
Extraordinary Loss:	0	0	0
Discontinued Operations:			
(Gain)/Loss on Sale of hotel property	0	0	0
Net (Income)/Loss	(4,580,957)	59,204	(4,521,753)
Distribution to Preferred Shares 34010	0	0	0
Issuance Costs of Redeemed Preferred Share 34050	0	0	0
Net (Income) Available for Common Shareholders	(4,580,957)	59,204	(4,521,753)

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 Scope:

20120 - LHO Mission Bay Hotel, LP

LaSalle Hotel Properties

~~Balance Sheet~~

~~2018-06-30~~

		Beginning Balance 2018-01-01	YTD Activity 2018	Ending Balance 2018-06-30
Assets				
Land Improvements	19020	154,680	0	154,680
A/D Land Improvements	19025	(131,337)	(3,257)	(134,594)
Building	19030	93,061,400	0	93,061,400
A/D-Building	19035	(58,350,419)	(1,540,393)	(59,890,812)
Building Improvements	19040	24,708,525	5,303,308	30,011,833
A/D- Building Improvements	19045	(8,389,439)	(910,180)	(9,299,619)
Hotel Furn, Fixtures & Equip	19070	42,554,616	10,605,864	53,160,480
A/D-Hotel Furn, Fixtur & Equip	19075	(33,552,553)	(1,921,668)	(35,474,222)
Hotel Computer Equip and Soft	19080	3,080,642	332,220	3,412,862
A/D Htl Computr Equip and Soft	19085	(2,703,057)	(149,405)	(2,852,462)
Investment in Hotel Properties		60,433,057	11,716,488	72,149,545
Construction in Progress	19500	8,050,683	(7,602,474)	448,209
Property Under Development		8,050,683	(7,602,474)	448,209
Investment in Affiliated Lessee		0	0	0
Investment in Joint Venture		0	0	0
Note Receivable		0	0	0
Cash and Cash Equivalent		0	0	0
Restricted Cash		0	0	0
Base Rent Rec LHL	12000	3,001,500	63,792	3,065,292
Participating Rent Rec LHL	12010	956,986	1,444,423	2,401,409
Rent Rec Affiliated Lessee		3,958,486	1,508,215	5,466,701
Rent Receivable		0	0	0
Note Payables Affiliates	25000	(58,598,972)	0	(58,598,972)
Note Receivable Affiliated Les		(58,598,972)	0	(58,598,972)
Hotel Receivable Net of AFDA		0	0	0
Deferred Financing Cost, Net		0	0	0
Deferred Tax Asset		0	0	0
Prepaid Property Insurance	16000	52,887	127,133	180,020
Prepaid Real Estate Taxes	16020	(0)	0	0
Ppd Personal Property Taxes	16030	(0)	0	(0)
Prepaid Expenses - Other	16080	0	2,132	2,132
Deferred Lease Fees	16600	40,270	(36,300)	3,970
A/A Deferred Lease Fees	16605	(911)	(47)	(958)
Prepaid Expenses&Other Asset		92,246	92,918	185,164
Intercompany Recvbls/(Paybls)	17500	94,351,174	(4,289,081)	90,062,094
Inter Company Assets		94,351,174	(4,289,081)	90,062,094
Total Assets		108,286,675	1,426,067	109,712,741
Liabilities				
Borrowing Under Cr Facilities		0	0	0
Term Loan		0	0	0
Bonds Payable		0	0	0
Mortgage Loans		0	0	0
Mortgage Loan Premium		0	0	0
Accrued Real Estate Taxes	22010	0	(0)	0
Accrd Personal Property Taxes	22020	(0)	0	0
Accrued Ground Rent Payable	22030	(199,220)	(185,181)	(384,401)
Accrued Tax Fees	22060	(8,372)	3,010	(5,362)
Accounts Payable & Accrued Exp		(207,592)	(182,171)	(389,763)
Advance Deposits		0	0	0
Accrued Interest		0	0	0
Distributions Payable		0	0	0
Total Liabilities		(207,592)	(182,171)	(389,763)

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20120 - LHO Mission Bay Hotel, LP

LaSalle Hotel Properties
 Balance Sheet
 2018-06-30

		Beginning Balance 2018-01-01	YTD Activity 2018	Ending Balance 2018-06-30
Total Minority Interest		0	0	0
Equity				
	Retained Earnings	34030	(108,079,082)	0
				(108,079,082)
	Distributions in Excess of RE		(108,079,082)	0
				(108,079,082)
	Total Equity		(108,079,082)	0
				(108,079,082)
Income Statement				
	Affiliated Lease Revenue	0	(10,148,329)	(10,148,329)
	Other Income	0	(56,250)	(56,250)
	Depreciation Expenses	0	4,524,951	4,524,951
	RE Tax, PP Tax and Insurance	0	812,757	812,757
	Ground Rent	0	1,822,589	1,822,589
	Corp General and Administrative	0	41,617	41,617
	Interest Expenses	0	1,757,969	1,757,969
	Income Tax (Benefit) Expense	0	800	800
	Current Year (Net Income)/Loss	0	(1,243,896)	(1,243,896)
Total Shareholders Equity		(108,079,082)	(1,243,896)	(109,322,978)
Total Liabilities and Shareholder's Equity		(108,286,675)	(1,426,067)	(109,712,741)

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Scope Name:

LaSalle Hotel Operating Partnership, L.P.

~~LHP Income Statement~~~~For the Quarter Ending 06/30/2018~~

LHO Mission Bay Hotel, LP

	Beginning Balance Mar/2018	Quarter 2 Activity Jun/2018	Ending Balance Jun/2018
Hotel			
Rooms	0	0	0
Food & Beverage	0	0	0
Other Operating Departments	0	0	0
Other indirect	0	0	0
Total Hotel Operating Revenues	0	0	0

Revenue				
Base Rent Revenue LHL	40000	(3,065,292)	(3,065,292)	(6,130,584)
Participating Rent Revenue LHL	40010	(1,616,336)	(2,401,409)	(4,017,745)
Affiliated Lease Revenue		(4,681,628)	(5,466,701)	(10,148,329)
Gain from Insurance Proceeds	42055	(56,250)	0	(56,250)
Other Income		(56,250)	0	(56,250)
Total Corporate Revenue		(4,737,878)	(5,466,701)	(10,204,579)

Total Revenue	(4,737,878)	(5,466,701)	(10,204,579)
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Hotel Expenses

Hotel			
Rooms	0	0	0
Food & Beverage	0	0	0
Other Operating Departments	0	0	0
Other indirect	0	0	0
Total Departmental Expenses	0	0	0

		Beginning Balance Mar/2018	Quarter 2 Activity Jun/2018	Ending Balance Jun/2018
Dept	Account			
Corporate Expenses				
Expenses				
Depreciation-Building	80000	770,197	770,197	1,540,393
Deprec-Building Improvements	80010	430,295	479,885	910,180
Deprec-Hotel Furn, Fixt, Equip	80020	825,570	1,096,098	1,921,668
Deprec Htl Cmptr Equip and Soft	80030	69,986	79,419	149,405
Deprec Land Improvements	80050	1,629	1,629	3,257
Amort-Deferred Lease Fees(OP)	80110	24	24	47
Depreciation Expenses		2,097,699	2,427,252	4,524,951
Real Estate Tax	50020	321,639	349,287	670,926
Personal Property Taxes	50021	18,914	18,914	37,827
Other Property Related Taxes	50022	1,066	1,066	2,132
Property Insurance	50023	45,067	56,805	101,872
RE Tax, PP Tax and Insurance		386,685	426,072	812,757
Ground Rent Expense	50030	826,476	996,113	1,822,589
Ground Rent		826,476	996,113	1,822,589
Fund Tax & Filing Fee	66050	92	0	92
Other Professional Fees	67020	36,300	0	36,300
Legal Fees	67500	5,225	0	5,225
Corp General and Administrative		41,617	0	41,617
Int Expense-Interco Loan	70081	878,985	878,985	1,757,969
Interest Expenses		878,985	878,985	1,757,969
State Income Tax	75010	800	0	800
Income Tax (Benefit) Expense		800	0	800
Total Corporate Expenses		4,232,263	4,728,421	8,960,684
Total Expenses		4,232,263	4,728,421	8,960,684
(Income)/Loss before equity in earnings of unconsolidated entities, discontinued operations and extraordin				
		(505,615)	(738,280)	(1,243,896)
Equity in earning of unconsolidated entities:				
Total Equity Income of Joint Venture		0	0	0
(Income)/Loss before discontinued operations and extraordinary loss				
		(505,615)	(738,280)	(1,243,896)
Extraordinary Loss:		0	0	0
Discontinued Operations:				
(Gain)/Loss on Sale of hotel property		0	0	0
Net (Income)/Loss		(505,615)	(738,280)	(1,243,896)
Distribution to Preferred Shares	34010	0	0	0
Issuance Costs of Redeemed Preferred Share	34050	0	0	0
Net (Income) Available for Common Shareholders		(505,615)	(738,280)	(1,243,896)

LEO MISSION BAY HOTEL, L.P.

AGREEMENT OF LIMITED PARTNERSHIP

This Agreement of Limited Partnership is entered into as of the 1st day of May, 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 LEO 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.

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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

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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

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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.

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("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

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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

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- (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

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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

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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,

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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.

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**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.

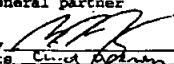
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GENERAL PARTNER:

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

By: LaSalle Hotel Properties, its
general partner

By: 
Its Chief Operating Officer

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LIMITED PARTNER:

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

By: Westgroup Partners, Inc., its
general partner

By: [Signature]
Its Vice Pres. [Name]

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EXHIBIT A

<u>Name and Address</u>	<u>Capital Contribution</u>	<u>Percentage Interest</u>
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%

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FIRST AMENDMENT TO AGREEMENT OF LIMITED PARTNERSHIP

THIS FIRST AMENDMENT is entered into as of the 1st day of June, 2004, by and among LASALLE SAN DIEGO FINANCING, L.L.C., a Delaware limited partnership (the "General Partner"), WESTGROUP SAN DIEGO ASSOCIATES, LTD., a California limited partnership (the "Withdrawing Partner"), and LASALLE HOTEL OPERATING PARTNERSHIP, L.P., a Delaware limited partnership (the "New Partner").

WITNESSETH:

WHEREAS, the General Partner and the Withdrawing Partner are the partners in LHO Mission Bay Hotel, L.P., California limited partnership (the "Partnership"), pursuant to an Agreement of Limited Partnership, dated as of June 1, 1998 (the "Agreement"), between the General Partner and Withdrawing Partner; and

WHEREAS, the Withdrawing Partner has assigned its entire interest in the Partnership to the New Partner, and the parties desire to amend the Agreement to provide for the withdrawal of the Withdrawing Partner from the Partnership and the admission of the New Partner to the Partnership.

NOW THEREFORE, in consideration of the mutual promises and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Effective as of the date hereof, the Withdrawing Partner withdraws from the Partnership, and the New Partner is admitted to the Partnership.
2. Effective as of the date hereof, all references in the Agreement to the Withdrawing Partner shall be deemed to refer to the New Partner; and, effective, as of the date, hereof, the New Partner shall be deemed to be the owner of the entire right, title and interest of the Withdrawing Partner in the Partnership.
3. Except as modified herein, the Agreement shall remain unmodified and in full force and effect.
4. This First Amendment may be signed in counterparts and by facsimile signatures, each of which shall be deemed original and all of which shall be deemed one and the same instrument.

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IN WITNESS WHEREOF, the parties have signed this First Amendment as of the day and year first above written.

LASALLE SAN DIEGO FINANCING, L.L.C, a
Delaware limited liability company

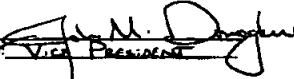
By: LaSalle Hotel Operating Partnership, L.P., its
sole member

By: LaSalle Hotel Properties, its general partner

By: 
Title: Anthony J. Sposito

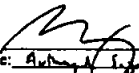
WESTGROUP SAN DIEGO ASSOCIATES, LTD.,
a California limited partnership

By: Westgroup Partners, Inc., its general partner

By: 
Title: Vice President

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

By: LaSalle Hotel Properties, its general partner

By: 
Title: Anthony J. Sposito

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**LIMITED LIABILITY COMPANY AGREEMENT
OF
LHO SAN DIEGO FINANCING, L.L.C.**

This Limited Liability Company Agreement (together with the schedules attached hereto, this "**Agreement**") of LHO SAN DIEGO FINANCING, L.L.C. (the "**Company**"), is entered into by LASALLE HOTEL OPERATING PARTNERSHIP, L.P. as the sole equity member (the "**Member**"), and Richard Klumpp ("**Springing Member 1**") and Thomas M. Strauss ("**Springing Member 2**"), as the Springing Members (as defined on Schedule A hereto). Capitalized terms used and not otherwise defined herein have the meanings set forth on Schedule A hereto.

WHEREAS, on or about November 26, 2003, the Company was formed as a limited liability company pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del. C. § 18-101 et seq.), as amended from time to time (the "**Act**");

NOW, THEREFORE, Member and Springing Member 1 and Springing Member 2 agree as follows:

Section 1. **Name.**

The name of the limited liability company formed hereby is LHO SAN DIEGO FINANCING, L.L.C.

Section 2. **Principal Business Office.**

The principal business office of the Company shall be located at 4800 Montgomery Lane, Suite M25, Bethesda, Maryland 20814 or such other location as may hereafter be determined by the Member.

Section 3. **Registered Office.**

The address of the registered office of the Company in the State of Delaware is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801-1102.

Section 4. **Registered Agent.**

The name and address of the registered agent of the Company for service of process on the Company in the State of Delaware are The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801-1102.

Section 5. Members.

(a) The mailing address of the Member is set forth on Schedule B attached hereto. The Member was admitted to the Company as a member of the Company upon its execution of a counterpart signature page to this Agreement.

(b) Subject to Section 9(c), the Member may act by written consent.

(c) Upon the occurrence of any event that causes the Member to cease to be a member of the Company (other than (i) upon an assignment by the Member of all of its limited liability company interest in the Company and the admission of the transferee pursuant to Sections 21 and 23, or (ii) the resignation of the Member and the admission of an additional member of the Company pursuant to Sections 22 and 23) (a "Member Cessation Event"), Springing Member shall, without any action of any Person and simultaneously with the Member Cessation Event, automatically be admitted to the Company as a Special Member and shall continue the Company without dissolution. If, however, at the time of a Member Cessation Event, Springing Member 1 has died or is otherwise no longer able to step into the role of Special Member, then in such event, Springing Member 2 shall, concurrently with the Member Cessation Event, and without any action of any Person and simultaneously with the Member Cessation Event, automatically be admitted to the Company as Special Member and shall continue the Company without dissolution. It is the intent of these provisions that the Company never have more than one Special Member at any particular point in time. No Special Member may resign from the Company or transfer its rights as Special Member unless a successor Special Member has been admitted to the Company as Special Member by executing a counterpart to this Agreement. The Special Member shall automatically cease to be a member of the Company upon the admission to the Company of a substitute Member. The Special Member shall be a member of the Company that has no interest in the profits, losses and capital of the Company and has no right to receive any distributions of Company assets. Pursuant to Section 18-301 of the Act, a Special Member shall not be required to make any capital contributions to the Company and shall not receive a limited liability company interest in the Company. A Special Member, in its capacity as Special Member, may not bind the Company. Except as required by any mandatory provision of the Act, a Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, the Company, including, without limitation, the merger, consolidation or conversion of the Company. In order to implement the admission to the Company of the Special Member, each of Springing Member 1 and Springing Member 2 shall execute a counterpart to this Agreement. Prior to its admission to the Company as Special Member, each person acting as a Springing Member 1 or Springing Member 2 shall not be a member of the Company.

(d) The Company shall at all times have a Springing Member 1 and a Springing Member 2. No resignation or removal of a Springing Member, and no appointment of a successor Springing Member, shall be effective unless and until such successor shall have executed a counterpart to this Agreement and accepted its appointment as Independent Manager pursuant to Section 10. In the event of a vacancy in the position of Springing Member 1 or Springing Member 2, the Member shall, as soon as practicable, appoint a successor Springing Member to fill such vacancy. By signing this Agreement, a Springing Member agrees that,

should such Springing Member become a Special Member, such Springing Member will be subject to and bound by the provisions of this Agreement applicable to a Special Member.

Section 6. Certificates.

Hans S. Weger is hereby designated as an "authorized person" within the meaning of the Act, and has executed, delivered and filed the Certificate of Formation of the Company with the Secretary of State of the State of Delaware. Upon the filing of the Certificate of Formation with the Secretary of State of the State of Delaware, his powers as an "authorized person" ceased, and the Member thereupon became the designated "authorized person" and shall continue as the designated "authorized person" within the meaning of the Act. The Member shall execute, deliver and file any other certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in the State of California and in any other jurisdiction in which the Company may wish to conduct business.

The existence of the Company as a separate legal entity shall continue until cancellation of the Certificate of Formation as provided in the Act.

Section 7. Purposes.

(a) Notwithstanding anything to the contrary in this Agreement or the Certificate of Formation, for so long as any Obligation remains outstanding, the purpose to be conducted or promoted by the Company is to engage in the following activities:

- (i) to act as the sole general partner of LHO Mission Bay Hotel, L.P., a California limited partnership (the "**Property Owner**"), which will acquire, own, hold, lease, operate, manage, maintain, develop and improve, the real property described in the Loan Documents (the "**Property**"); and
- (ii) to engage in any lawful act or activity and to exercise any powers permitted to limited liability companies organized under the laws of the State of Delaware that are related or incidental to and necessary, convenient or advisable for the accomplishment of the above-mentioned purposes

(b) The Company, and the Member on behalf of the Company, may enter into and perform the Basic Documents and all documents, agreements, certificates, or financing statements contemplated thereby or related thereto without any further act, vote or approval of any Member or other Person notwithstanding any other provision of this Agreement, the Act or applicable law, rule or regulation. The foregoing authorization shall not be deemed a restriction on the powers of the Member to enter into other agreements on behalf of the Company.

Section 8. Powers.

Subject to Section 9(c), the Member, on behalf of the Company, (i) shall have and exercise all powers necessary, convenient or incidental to accomplish its purposes as set forth in

Section 7 and (ii) shall have and exercise all of the powers and rights conferred upon limited liability companies formed pursuant to the Act.

Section 9. Management.

(a) Management. Subject to Section 9(c), the business and affairs of the Company shall be managed by or under the direction of the Member.

(b) Powers. Subject to Section 9(c), the Member shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise. Subject to Section 7 and each limitation set forth elsewhere herein or in the Loan Documents, the Member or any Person appointed by the Member has the authority to bind the Company.

(c) Limitations on the Company's Activities.

- (i) This Section 9(c) is being adopted in order to comply with certain provisions required in order to qualify the Company as a "special purpose" entity.
- (ii) Notwithstanding anything to the contrary in this Agreement or in the Certificate of Formation, neither the Member nor the Company shall, so long as any Obligation is outstanding, amend, alter, change or repeal any of Sections 1, 5(b), 5(c), 5(d), the second paragraph of 6, 7, 8, 9, 10, 16, 20(f), 21, 22, 23, 24, 25, 26, 27, 29, 30, 31 or 32 or Schedule A of this Agreement (to the extent that the terms defined in Schedule A are used in any of the foregoing sections) (the "Special Purpose Provisions"), without the written consent of the Lender. Subject to this Section 9(c), the Member reserves the right to amend, alter, change or repeal any provisions contained in this Agreement in accordance with Section 32. In the event of any conflict between any of the Special Purpose Provisions and any other provision of this Agreement or the Certificate of Formation, the Special Purpose Provisions shall control.
- (iii) Notwithstanding any other provisions of this Agreement or the Certificate of Formation and notwithstanding any provision of law that otherwise so empowers the Company, the Member or any other Person, neither the Member nor any other Person shall be authorized or empowered, nor shall they permit the Company to and the Company shall not, without the prior unanimous written consent of the Member and the Independent Managers, take any Material Action with respect to the Company or the Property Owner, provided, however, that the Member may not vote on, or authorize the taking of, any Material Action with respect to the Company or the Property Owner, unless there are at least two Independent Managers of the Company then serving in such capacity.
- (iv) The Member shall cause the Company to do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights

(charter and statutory) and franchises; provided, however, that the Company shall not be required to preserve any such right or franchise if: (1) the Member shall determine that the preservation thereof is no longer desirable for the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Company and (2) the Rating Agency Condition is satisfied. Notwithstanding anything to the contrary in this Agreement or the Certificate of Formation, for so long as any Obligation is outstanding, the Member also shall cause the Company to and the Company shall:

- (A) maintain its books, records and bank accounts separate from those of any other Person;
- (B) at all times hold itself out to the public and all other Persons as a legal entity separate from the Member and from any other Person;
- (C) have two Independent Managers separate from that of the Member and any other Person;
- (D) file its own tax returns separate from those of any other Person, except to the extent that the Company is treated as a "disregarded entity" for tax purposes and is not required to file tax returns under applicable law, and pay any taxes required to be paid under applicable law;
- (E) not commingle its assets with assets of any other Person;
- (F) conduct its business only in its own name and strictly comply with all organizational formalities to maintain its separate existence;
- (G) maintain separate financial statements, showing its assets and liabilities separate and apart from those of any other Person and not have its assets listed on any financial statement of any other Person; provided, however, that the Company's assets may be included in a consolidated financial statement of its Affiliate provided that (i) appropriate notation shall be made on such consolidated financial statements to indicate the separateness of the Company from such Affiliate and to indicate that the Company's assets and credit are not available to satisfy the debts and other obligations of such Affiliate or any other Person and (ii) such assets shall also be listed on the Company's own separate balance sheet;
- (H) pay its own liabilities and expenses only out of its own funds;
- (I) not enter into any transaction with an Affiliate of the Company except on commercially reasonable terms similar to those available to unaffiliated parties in an arm's-length transaction;

- (J) pay the salaries of its own employees, if any, only from its own funds;
- (K) not hold out its credit or assets as being available to satisfy the obligations of any other Person;
- (L) allocate fairly and reasonably any overhead expenses that are shared with an affiliate, including for shared office space and for services performed by an employee of an affiliate;
- (M) use separate stationery, invoices and checks bearing its own name;
- (N) not pledge its assets for the benefit of any other Person;
- (O) correct any known misunderstanding regarding its separate identity and not identify itself as a division of any other Person;
- (P) maintain adequate capital and a sufficient number of employees in light of its contemplated business purpose, transactions and liabilities;
- (Q) cause its Member to act pursuant to written consent and keep minutes of such actions and observe all other Delaware limited liability company formalities;
- (R) not acquire any obligation or securities of the Member or of any Affiliate of the Company; and
- (S) cause agents and other representatives of the Company to act at all times with respect to the Company consistently and in furtherance of the foregoing and in the best interests of the Company.

Failure of the Company, or the Member on behalf of the Company, to comply with any of the foregoing covenants or any other covenants contained in this Agreement shall not affect the status of the Company as a separate legal entity or the limited liability of the Member.

- (v) Notwithstanding anything to the contrary in this Agreement or the Certificate of Formation, for so long as any Obligation is outstanding, the Member shall not cause or permit the Company to and the Company shall not:
 - (A) except as it may be liable for the debts of the Property Owner in its capacity as General Partner therein, guarantee any obligation of any Person, including any Affiliate or become obligated for the debts of any other Person;

- (B) engage, directly or indirectly, in any business other than as required or permitted to be performed under Section 7, the Basic Documents or this Section 9(c);
- (C) incur, create or assume any indebtedness except (i) indebtedness incurred in the ordinary course of its business of being the general partner in the Property Owner, which indebtedness is not evidenced by a note, and (ii) as it may be liable for the debts of the Property Owner in its capacity as general partner therein;
- (D) make or permit to remain outstanding any loan or advance to, or own or acquire any stock or securities of, any Person, except that the Company may invest in those investments permitted under the Loan Documents;
- (E) to the fullest extent permitted by law, engage in any dissolution, liquidation, consolidation, merger, sale or other transfer of any of its assets outside the ordinary course of the Company's business other than such activities as are expressly permitted pursuant to any provision of the Loan Documents;
- (F) buy or hold evidence of indebtedness issued by any other Person (other than cash or investment-grade securities); or
- (G) form, acquire or hold any subsidiary (whether corporate, partnership, limited liability company or other) or own any equity interest in any other entity other than the Property Owner.

Section 10. Independent Manager.

As long as any Obligation is outstanding, the Member shall cause the Company at all times to have at least two Independent Managers who will be appointed by the Member. To the fullest extent permitted by law, including Section 18-1101(c) of the Act, the Independent Managers shall consider only the interests of the Company and its creditors in acting or otherwise voting on the matters referred to in Section 9(c)(iii). No resignation or removal of an Independent Manager, and no appointment of a successor Independent Manager, shall be effective until such successor (i) shall have accepted his or her appointment as an Independent Manager by a written instrument, which may be a counterpart signature page to the Management Agreement, and (ii) shall have executed a counterpart to this Agreement as required by Section 5(d)(ii). In the event of a vacancy in the position of Independent Manager, the Member shall, as soon as practicable, appoint a successor Independent Manager. All right, power and authority of the Independent Managers shall be limited to the extent necessary to exercise those rights and perform those duties specifically set forth in this Agreement. Except as provided in the second sentence of this Section 10, in exercising their rights and performing their duties under this Agreement, any Independent Manager shall have a fiduciary duty of loyalty and care similar to that of a director of a business corporation organized under the General Corporation Law of the

State of Delaware. No Independent Manager shall at any time serve as trustee in bankruptcy for any Affiliate of the Company.

Section 11. **Intentionally Omitted.**

Section 12. **Limited Liability.**

Except as otherwise expressly provided by the Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be the debts, obligations and liabilities solely of the Company, and neither the Member nor the Special Member shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or Special Member of the Company.

Section 13. **Capital Contributions.**

The Member has contributed to the Company property of an agreed value as listed on Schedule B attached hereto. In accordance with Section 5(c), the Special Members shall not be required to make any capital contributions to the Company.

Section 14. **Additional Contributions.**

The Member is not required to make any additional capital contribution to the Company. However, the Member may make additional capital contributions to the Company at any time upon the written consent of such Member. To the extent that the Member makes an additional capital contribution to the Company, the Member shall revise Schedule B of this Agreement. Except as provided in Section 27 hereof, the provisions of this Agreement, including this Section 14, are intended to benefit the Member and the Special Members and, to the fullest extent permitted by law, shall not be construed as conferring any benefit upon any creditor of the Company (and except as provided in Section 27, no such creditor of the Company shall be a third-party beneficiary of this Agreement) and the Member and the Special Members shall not have any duty or obligation to any creditor of the Company to make any contribution to the Company or to issue any call for capital pursuant to this Agreement.

Section 15. **Allocation of Profits and Losses.**

The Company's profits and losses shall be allocated to the Member.

Section 16. **Distributions.**

Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to the Member on account of its interest in the Company if such distribution would violate the Act or any other applicable law or any Basic Document.

Section 17. **Books and Records.**

The Member shall keep or cause to be kept complete and accurate books of account and records with respect to the Company's business. The books of the Company shall at all times be maintained by the Member. The Member and its duly authorized representatives shall have the right to examine the Company books, records and documents during normal business hours. The Company's books of account shall be kept using the method of accounting determined by the Member. The Company's independent auditor, if any, shall be an independent public accounting firm selected by the Member.

Section 18. Reports.

(a) Within 60 days after the end of each fiscal quarter, the Member shall cause to be prepared an unaudited report setting forth as of the end of such fiscal quarter:

- (i) unless such quarter is the last fiscal quarter, a balance sheet of the Company; and
- (ii) unless such quarter is the last fiscal quarter, an income statement of the Company for such fiscal quarter.

(b) The Member shall use diligent efforts to cause to be prepared and mailed to the Member, within 90 days after the end of each fiscal year, an audited or unaudited report setting forth as of the end of such fiscal year:

- (i) a balance sheet of the Company;
- (ii) an income statement of the Company for such fiscal year; and
- (iii) a statement of the Member's capital account.

(c) The Member shall, after the end of each fiscal year, use reasonable efforts to cause the Company's independent accountants, if any, to prepare and transmit to the Member as promptly as possible any such tax information as may be reasonably necessary to enable the Member to prepare its federal, state and local income tax returns relating to such fiscal year.

Section 19. Other Business.

The Member, the Special Member and any Affiliate of the Member or the Special Member may engage in or possess an interest in other business ventures (unconnected with the Company) of every kind and description, independently or with others. The Company shall not have any rights in or to such independent ventures or the income or profits therefrom by virtue of this Agreement.

Section 20. Exculpation and Indemnification.

(a) Neither the Member nor the Special Member nor any employee or agent of the Company nor any employee, representative, agent or Affiliate of the Member or the Special Member (collectively, the "Covered Persons") shall, to the fullest extent permitted by law, be liable to the Company or any other Person who has an interest in or claim against the Company

for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's gross negligence or willful misconduct.

(b) To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of such Covered Person's gross negligence or willful misconduct with respect to such acts or omissions; provided, however, that any indemnity under this Section 20 by the Company shall be provided out of and to the extent of Company assets only, and the Member and the Special Member shall not have personal liability on account thereof; and provided further, that so long as any Obligation is outstanding, no indemnity payment from funds of the Company (as distinct from funds from other sources, such as insurance) of any indemnity under this Section 20 shall be payable from amounts allocable to any other Person pursuant to the Basic Documents.

(c) To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in this Section 20.

(d) A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, or any other facts pertinent to the existence and amount of assets from which distributions to the Member might properly be paid.

(e) To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any other Covered Person, a Covered Person acting under this Agreement shall not be liable to the Company or to any other Covered Person for its good faith reliance on the provisions of this Agreement or any approval or authorization granted by the Company or any other Covered Person. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Member, the Springing Members and the Special Member to replace such other duties and liabilities of such Covered Person.

(f) Notwithstanding the foregoing provisions, any indemnification set forth herein shall be fully subordinate to the Loan and shall not constitute a claim against the Company in the event that the Company's cash flow is insufficient to pay its obligations.

(g) The foregoing provisions of this Section 20 shall survive any termination of this Agreement.

Section 21. Assignments.

(a) Subject to Section 23 and any transfer restrictions contained in the Loan Documents, the Member may assign in whole or in part its limited liability company interest in the Company. Subject to Section 23, if the Member transfers all of its limited liability company interest in the Company pursuant to this Section 21, the transferee shall be admitted to the Company as a member of the Company upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement, which instrument may be a counterpart signature page to this Agreement. Such admission shall be deemed effective immediately prior to the transfer and, immediately following such admission, the transferor Member shall cease to be a member of the Company. Notwithstanding anything in this Agreement to the contrary, any successor to the Member by merger or consolidation in compliance with the Basic Documents shall, without further act, be the Member hereunder, and such merger or consolidation shall not constitute an assignment for purposes of this Agreement and the Company shall continue without dissolution.

(b) Notwithstanding anything to the contrary contained in this Agreement for so long as any Obligation remains outstanding, the Company shall always have one and only one member.

Section 22. Resignation.

So long as any Obligation is outstanding, the Member may not resign, except as permitted under the Loan Documents and if the Rating Agency Condition is satisfied and if an additional member is admitted to the Company pursuant to Section 23. If the Member is permitted to resign pursuant to this Section 22, an additional member of the Company shall be admitted to the Company, subject to Section 23, upon its execution of an instrument signifying its agreement to be bound by the terms and conditions of this Agreement, which instrument may be a counterpart signature page to this Agreement. Such admission shall be deemed effective immediately prior to the resignation and, immediately following such admission, the resigning Member shall cease to be a member of the Company.

Section 23. Admission of Additional Members.

(a) One or more additional members of the Company may be admitted to the Company with the written consent of the Member; provided, however, that, notwithstanding the foregoing, so long as any Obligation remains outstanding, no additional Member may be admitted to the Company pursuant to Sections 21, 22 or 23 unless (1) there is a transfer of 100%

of the limited liability company interest to a single Person and (2) the Rating Agency Condition is satisfied.

Section 24. Dissolution.

(a) Subject to Section 9(c), the Company shall be dissolved, and its affairs shall be wound up upon the first to occur of the following: (i) the termination of the legal existence of the last remaining member of the Company or the occurrence of any other event which terminates the continued membership of the last remaining member of the Company in the Company unless the Company is continued without dissolution in a manner permitted by this Agreement or the Act or (ii) the entry of a decree of judicial dissolution under Section 18-802 of the Act. Upon the occurrence of any event that causes the last remaining member of the Company to cease to be a member of the Company (other than (i) upon an assignment by the Member of all of its limited liability company interest in the Company and the admission of the transferee pursuant to Sections 21 and 23, or (ii) the resignation of the Member and the admission of an additional member of the Company pursuant to Sections 22 and 23), to the fullest extent permitted by law, the personal representative of such member is hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company or the Member in the Company.

(b) Notwithstanding any other provision of this Agreement, the Bankruptcy of the Member or a Special Member shall not cause the Member or Special Member, respectively, to cease to be a member of the Company and upon the occurrence of such an event, the Company shall continue without dissolution.

(c) Notwithstanding any other provision of this Agreement, each of the Member and the Special Member waives any right it might have to agree in writing to dissolve the Company upon the Bankruptcy of the Member or a Special Member, or the occurrence of an event that causes the Member or a Special Member to cease to be a member of the Company.

(d) In the event of dissolution, the Company shall conduct only such activities as are necessary to wind up its affairs (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Act.

(e) The Company shall terminate when (i) all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company shall have been distributed to the Member in the manner provided for in this Agreement and (ii) the Certificate of Formation shall have been canceled in the manner required by the Act.

Section 25. Waiver of Partition; Nature of Interest.

Except as otherwise expressly provided in this Agreement, to the fullest extent permitted by law, each of the Member, the Special Member, the Springing Members, and any additional member admitted to the Company hereby irrevocably waives any right or power that

such Person might have to cause the Company or any of its assets to be partitioned, to cause the appointment of a receiver for all or any portion of the assets of the Company, to compel any sale of all or any portion of the assets of the Company pursuant to any applicable law or to file a complaint or to institute any proceeding at law or in equity to cause the dissolution, liquidation, winding up or termination of the Company. The Member shall not have any interest in any specific assets of the Company, and the Member shall not have the status of a creditor with respect to any distribution pursuant to Section 16 hereof. The interest of the Member in the Company is personal property.

Section 26. Tax Status.

It is intended that the Company, solely for tax purposes, shall be disregarded as an entity separate from its Member for federal, state, and local income tax purposes.

Section 27. Benefits of Agreement; No Third-Party Rights.

Except for the Lender with respect to Section 9(c)(ii) of this Agreement, none of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Company or by any creditor of the Member or a Special Member. Except for the Lender with respect to Section 9(c)(ii), nothing in this Agreement shall be deemed to create any right in any Person (other than Covered Persons) not a party hereto, and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third Person (except as provided in Section 30).

Section 28. Severability of Provisions.

Each provision of this Agreement shall be considered severable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement which are valid, enforceable and legal.

Section 29. Entire Agreement.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

Section 30. Binding Agreement.

The Member agrees that this Agreement, including, without limitation, the Special Purpose Provisions, constitutes a legal, valid and binding agreement of the Member, and is enforceable against the Member by the Independent Managers, in accordance with its terms. In addition, the Independent Managers shall be intended beneficiaries of this Agreement.

Section 31. Governing Law.

This Agreement shall be governed by and construed under the laws of the State of Delaware (without regard to conflict of laws principles), all rights and remedies being governed by said laws.

Section 32. Amendments.

Subject to Section 9(c), this Agreement may be modified, altered, supplemented or amended pursuant to a written agreement executed and delivered by the Member. Notwithstanding anything to the contrary in this Agreement, so long as any Obligation is outstanding, this Agreement may not be modified, altered, supplemented or amended unless the Rating Agency Condition is satisfied except: (i) to cure any ambiguity or (ii) to convert or supplement any provision in a manner consistent with the intent of this Agreement and the other Basic Documents.

Section 33. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement and all of which together shall constitute one and the same instrument.

Section 34. Notices.

Any notices required to be delivered hereunder shall be in writing and personally delivered, mailed or sent by telecopy, electronic mail or other similar form of rapid transmission, and shall be deemed to have been duly given upon receipt (a) in the case of the Company, to the Company at its address in Section 2, (b) in the case of the Member, to the Member at its address as listed on Schedule B attached hereto and (c) in the case of either of the foregoing, at such other address as may be designated by written notice to the other party.

Section 35. Effectiveness.

Pursuant to Section 18-201 (d) of the Act, this Agreement shall be effective as of the time of the filing of the Certificate of Formation with the Office of the Secretary of State of the State of Delaware on November 26, 2003.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Limited Liability Company Agreement as of the ____ day of December, 2003.

MEMBER:

**LASALLE HOTEL OPERATING
PARTNERSHIP, L.P.**

By: LaSalle Hotel Properties, its general partner

By: _____
Name:
Title:

By: _____
Name:
Title:

SPRINGING MEMBERS:

Richard Klumpp

Thomas M. Strauss

SCHEDULE A

Definitions

A. Definitions

When used in this Agreement, the following terms not otherwise defined herein have the following meanings:

"Act" has the meaning set forth in the preamble to this Agreement.

"Affiliate" means, with respect to any Person, any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such Person.

"Agreement" means this Limited Liability Company Agreement of the Company, together with the schedules attached hereto, as amended, restated or supplemented or otherwise modified from time to time.

"Bankruptcy" means, with respect to any Person, if such Person (i) makes an assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceeding, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Person or of all or any substantial part of its properties, or (vii) if 120 days after the commencement of any proceeding against the Person seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, if the proceeding has not been dismissed, or if within 90 days after the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within 90 days after the expiration of any such stay, the appointment is not vacated. The foregoing definition of "Bankruptcy" is intended to replace and shall supersede and replace the definition of "Bankruptcy" set forth in Sections 18-101(1) and 18-304 of the Act.

"Basic Documents" means this Agreement, the Agreement of Limited Partnership of LHO Mission Bay Hotel, L.P., the Management Agreement, the Loan Documents, and all documents and certificates contemplated thereby or delivered in connection therewith.

"Cash Management Account" has the meaning set forth in the Cash Management Agreement.

"Cash Management Agreement" means that certain Cash Management Agreement dated [], by and among the Company, Lender and LaSalle Bank National Association, as bank.

"Certificate of Formation" means the Certificate of Formation of the Company filed with the Secretary of State of the State of Delaware on November 26, 2003, as amended or amended and restated from time to time.

"Company" means LHO SAN DIEGO FINANCING, L.L.C., a Delaware limited liability company.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or general partnership or managing member interests, by contract or otherwise. "Controlling" and "Controlled" shall have correlative meanings. Without limiting the generality of the foregoing, a Person shall be deemed to Control any other Person in which it owns, directly or indirectly, a majority of the ownership interests.

"Covered Persons" has the meaning set forth in Section 20(a).

"Independent Manager" means a natural person who is not at the time of initial appointment as a director or at any time while serving as a director or manager of the Company and has not been at any time during the five (5) years preceding such initial appointment:

- (a) a stockholder, director (with the exception of serving as an Independent Manager of the Company), officer, trustee, employee, partner, member, attorney or counsel of Property Owner, the Company, the Member or any Affiliate of any of them;
- (b) a creditor, customer, supplier, or other person who derives any of its purchases or revenues from its activities with the Property Owner, the Member, the Company or any Affiliate of any of them;
- (c) a Person controlling or under common control with any Person excluded from serving as Independent Manager under (a) or (b); or
- (d) a member of the immediate family of any Person excluded from serving as Independent Manager under (a) or (b).

A natural person who satisfies the foregoing definition other than subparagraph (b) shall not be disqualified from serving as an Independent Manager of the Company if such individual is an Independent Manager provided by a nationally recognized company that provides professional independent directors and it also provides other corporate services in the ordinary course of its business. A natural person who otherwise satisfies the foregoing definition except for being the independent director of a "special purpose entity" affiliated with the Company that does not own a direct or indirect equity interest in the Company or any co-borrower shall not be disqualified from serving as an Independent Manager of the Company if such individual is at the time of initial appointment, or at any time while serving as a Independent Manager of the Company, an Independent Manager of a "special purpose entity" affiliated with the Company (other than any entity that owns a direct or indirect interest in the Company or in any co-borrower) if such individual is an independent director provided by a nationally-recognized company that provides professional independent directors. For purposes of this paragraph, a "special purpose entity" is

an entity, whose organizational documents contain restrictions on its activities and impose requirements intended to preserve the Company's separateness that are substantially similar to those of the Company, as applicable, and provide, inter alia, that it: (a) is organized for the limited purpose of owning and operating one or more properties or of being the general partner or member of a special purpose entity organized for the limited purpose of owning and operating one or more properties (i.e. of an "**SPE Borrower**"); (b) has restrictions on its ability to incur indebtedness, dissolve, liquidate, consolidate, merge and/or sell assets; (c) may not file voluntarily a bankruptcy petition either on its own behalf or, if it is a general partner or member of an SPE Borrower, on behalf of such SPE Borrower, without the consent of an independent director or manager and (d) shall conduct itself and, if it is a general partner or member of an SPE Borrower, cause the SPE Borrower to conduct itself, in accordance with certain "separateness covenants", including, but not limited to, the maintenance of its (and the SPE Borrower's) books, records, bank accounts and assets separate from those of any other person or entity.

"Lender" means General Electric Capital Corporation as lender under the Loan Documents, together with its successors and assigns.

"Loan" means that certain loan in the amount of \$65,000,000 to be made by Lender to the Company in accordance with the terms, conditions and provisions of the Loan Documents.

"Loan Agreement" means that certain Loan Agreement dated December ____, 2003, by and between the Company and Lender.

"Loan Documents" has the meaning set forth in the Loan Agreement.

"Management Agreement" means the agreement of the Independent Manager in the form attached hereto as **Schedule C**. The Management Agreement shall be deemed incorporated into, and a part of, this Agreement.

"Material Action" means to file any insolvency, or reorganization case or proceeding, to institute proceedings to have the Company be adjudicated bankrupt or insolvent, to institute proceedings under any applicable insolvency law, to seek any relief under any law relating to relief from debts or the protection of debtors, to consent to the filing or institution of bankruptcy or insolvency proceedings against the Company, to file a petition seeking, or consent to, reorganization or relief with respect to the Company under any applicable federal or state law relating to bankruptcy or insolvency, to seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian, or any similar official of or for the Company or a substantial part of its property, to make any assignment for the benefit of creditors of the Company, to admit in writing the Company's inability to pay its debts generally as they become due, or to take action in furtherance of any of the foregoing.

"Member" means LASALLE HOTEL OPERATING PARTNERSHIP, L.P., as the initial member of the Company, and includes any Person admitted as an additional member of the Company or a substitute member of the Company pursuant to the provisions of this

Agreement, each in its capacity as a member of the Company; provided, however, the term "Member" shall not include the Special Member or the Springing Members.

"Obligations" shall mean the indebtedness, liabilities and obligations of the Property Owner under or in connection with the ownership or operation of the Property, the Loan Documents, this Agreement, the other Basic Documents or any related document in effect as of any date of determination.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority.

"Property" shall have the meaning given thereto in the Loan Agreement.

"Rating Agency" has the meaning assigned to that term in the Loan Agreement.

"Rating Agency Condition" means (i) with respect to any action taken at any time before the loan evidenced and secured by the Loan Documents has been sold or assigned to a securitization trust, that the Lender has consented in writing to such action, and, in addition, (ii) with respect to any action taken at any time after the loan evidenced and secured by the Loan Documents has been sold or assigned to a securitization trust, that each Rating Agency shall have been given ten days prior notice thereof and that each of the Rating Agencies shall have notified the Company in writing that such action will not result in a reduction, withdrawal, downgrade or qualification of the then current rating by such Rating Agency of any of securities issued by such securitization trust.

"Special Member" means, upon such person's admission to the Company as a member of the Company pursuant to Section 5(c), a person acting as either Springing Member 1 or Springing Member 2, in such person's capacity as a member of the Company. A Special Member shall only have the rights and duties expressly set forth in this Agreement.

"Special Purpose Provisions" shall have the meaning given thereto in Section 9(c) of this Agreement.

"Springing Member" means a Person who is not a member of the Company but who has signed this Agreement in order that, upon the conditions described in Section 5(c), such Person can become the Special Member without any delay in order that at all times the Company shall have at least one member.

B. Rules of Construction

Definitions in this Agreement apply equally to both the singular and plural forms of the defined terms. The words "include" and "including" shall be deemed to be followed by the phrase "without limitation." The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section, paragraph or subdivision. The Section titles appear as a matter of convenience only and shall not affect the

interpretation of this Agreement. All Section, paragraph, clause, Exhibit or Schedule references not attributed to a particular document shall be references to such parts of this Agreement.

SCHEDULE B

Member

<u>Name</u>	<u>Mailing Address</u>	<u>Agreed Value of Capital Contribution</u>	<u>Membership Interest</u>
LASALLE HOTEL OPERATING PARTNERSHIP, L.P.	4800 Montgomery Lane Suite M25 Bethesda, Maryland 20814	\$100.00	100%

SCHEDULE C

Management Agreement

December __, 2003

LHO SAN DIEGO FINANCING, L.L.C.
4800 Montgomery Lane
Suite M25
Bethesda, Maryland 20814

Re: Management Agreement -- LLC

Ladies and Gentlemen:

For good and valuable consideration, each of the undersigned Persons, who have been designated as Independent Manager of LHO SAN DIEGO FINANCING, L.L.C., a Delaware limited liability company (the "**Company**"), in accordance with the Limited Liability Company Agreement of the Company, dated as of December __, 2003, as it may be amended or restated from time to time (the "**LLC Agreement**"), hereby agree as follows:

1. Each of the undersigned accepts such Person's rights and authority as an Independent Manager under the LLC Agreement and agrees to perform and discharge such Person's duties and obligations as an Independent Manager under the LLC Agreement, and further agrees that such rights, authorities, duties and obligations under the LLC Agreement shall continue until such Person's successor as an Independent Manager is designated or until such Person's resignation or removal as an Independent Manager in accordance with the LLC Agreement. Each of the undersigned agrees and acknowledges that it has been designated as a "manager" of the Company within the meaning of the Delaware Limited Liability Company Act.

2. So long as any Obligation is outstanding, each of the undersigned agrees, solely in its capacity as a creditor of the Company on account of any indemnification or other payment owing to the undersigned by the Company, not to acquiesce, petition or otherwise invoke or cause the Company to invoke the process of any court or governmental authority for the purpose of commencing or sustaining a case against the Company under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or any substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company.

3. **THIS MANAGEMENT AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, AND ALL RIGHTS AND REMEDIES SHALL BE GOVERNED BY SUCH LAWS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.**

Initially capitalized terms used and not otherwise defined herein have the meanings set forth in the LLC Agreement.

This Management Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Management Agreement and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned has executed this Management Agreement as of the day and year first above written.

CERTIFICATE OF FORMATION
OF
LHO SAN DIEGO FINANCING, L.L.C.

This Certificate of Formation of LHO SAN DIEGO FINANCING, L.L.C. (the "LLC"), dated as of November __, 2003, is being duly executed and filed by Hans S. Weger, as an authorized person, to form a limited liability company under the Delaware Limited Liability Company Act (6 Del.C. §18-101, et seq.).

FIRST. The name of the limited liability company formed hereby is LHO SAN DIEGO FINANCING, L.L.C.

SECOND. The address of the registered office of the LLC in the State of Delaware is: c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801-1102.

THIRD. The name and address of the registered agent for service of process on the LLC in the State of Delaware are: The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801-1102.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation as of the date first above written.

Hans S. Weger
Authorized Person