DiamondRock Hospitality Co
Form 10-Q/A
December 07, 2009

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

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended March 27, 2009

OR

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

Commission file number 001-32514

DIAMONDROCK HOSPITALITY COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Maryland	20-1180098
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
6903 Rockledge Drive, Suite 800, Bethesda, Maryland	**20817**
(Address of Principal Executive Offices)	**(Zip Code)**

(240) 744-1150

(Registrant s telephone number, including area code)

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

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

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

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

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

The registrant had 107,972,100 shares of its $0.01 par value common stock outstanding as of May 5, 2009.

EXPLANATORY NOTE

We are filing this Amendment No.1 (this Amendment) to our Quarterly Report on Form 10-Q for the quarter ended March 27, 2009 (the Original Form 10-Q), as filed with the Securities and Exchange Commission, or SEC, on May 5, 2009:

- to amend the certifications of the Chief Executive Officer and Chief Financial Officer filed as Exhibits 31.1 and 31.2 to the Original 10-Q, which inadvertently omitted certain introductory language of paragraph 4 of Item 601(b)(31) of Regulation S-K, and

- to file as exhibit 10.3 to this Amendment, the Agreement of Limited Partnership of DiamondRock Hospitality Limited Partnership, dated as of June 4, 2004 (originally filed as an exhibit to the Company s Registration Statement on Form S-11 (File no. 333-123065)) and as exhibit 10.4 to this Amendment, the Company s Amended and Restated Credit Agreement, dated as of February 28, 2007 (originally filed as an exhibit to the Company s Current Report on Form 8-K filed with the SEC on March 9, 2007), each in its entirety, including all schedules and exhibits thereto.

This Amendment should be read in conjunction with the Original Form 10-Q, which continues to speak as of the date that the Original Form 10-Q was filed. Except as specifically noted above, this Amendment does not modify or update any disclosures in the Original Form 10-Q. Accordingly, this Amendment does not reflect events occurring after the filing of the Original Form 10-Q or modify or update any disclosures that may have been affected by subsequent events.

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Item I. Financial Statements

DIAMONDROCK HOSPITALITY COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
As of March 27, 2009 and December 31, 2008
(in thousands, except share amounts)

	March 27, 2009 (Unaudited)	December 31, 2008
ASSETS		
Property and equipment, at cost	$ 2,151,416	$ 2,146,616
Less: accumulated depreciation	(245,145)	(226,400)
	1,906,271	1,920,216
Deferred financing costs, net	3,142	3,335
Restricted cash	28,534	30,060
Due from hotel managers	56,562	61,062
Favorable lease assets, net	40,444	40,619
Prepaid and other assets	31,756	33,414
Cash and cash equivalents	14,283	13,830
Total assets	**$ 2,080,992**	**$ 2,102,536**
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Mortgage debt	$ 820,352	$ 821,353
Senior unsecured credit facility	52,000	57,000
Total debt	872,352	878,353
Deferred income related to key money, net	20,197	20,328
Unfavorable contract liabilities, net	84,007	84,403
Due to hotel managers	34,410	35,196
Accounts payable and accrued expenses	56,720	66,624
Total other liabilities	195,334	206,551
Stockholders Equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized; no shares issued and outstanding		

Common stock, $.01 par value; 200,000,000 shares authorized; 90,147,100 and 90,050,264 shares issued and outstanding at March 27, 2009 and December 31, 2008, respectively		901		901
Additional paid-in capital		1,101,588		1,100,541
Accumulated deficit		(89,183)		(83,810)
Total stockholders equity		1,013,306		1,017,632
Total liabilities and stockholders equity	**$**	**2,080,992**	**$**	**2,102,536**

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

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DIAMONDROCK HOSPITALITY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Fiscal Quarters Ended March 27, 2009 and March 21, 2008
(in thousands, except per share amounts)

	Fiscal Quarter Ended March 27, 2009 (Unaudited)	Fiscal Quarter Ended March 21, 2008 (Unaudited)
Revenues:		
Rooms	$ 75,116	$ 85,927
Food and beverage	36,890	40,081
Other	6,538	6,855
Total revenues	118,544	132,863
Operating Expenses:		
Rooms	19,982	21,160
Food and beverage	26,581	28,928
Management fees	3,327	4,965
Other hotel expenses	46,024	46,453
Depreciation and amortization	18,717	16,687
Corporate expenses	3,769	2,959
Total operating expenses	118,400	121,152
Operating profit	144	11,711
Other Expenses (Income):		
Interest income	(83)	(438)
Interest expense	11,498	10,695
Total other expenses	11,415	10,257
(Loss) Income before income taxes	(11,271)	1,454
Income tax benefit	5,978	3,723
Net (loss) income	$ (5,293)	$ 5,177
(Loss) Earnings per share:		

Basic and diluted (loss) earnings per share	$	(0.06)	$	0.05

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

DIAMONDROCK HOSPITALITY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Fiscal Quarters Ended March 27, 2009 and March 21, 2008
(in thousands)

	Fiscal Quarter Ended March 27, 2009 (Unaudited)	Fiscal Quarter Ended March 21, 2008 (Unaudited)
Cash flows from operating activities:		
Net (loss) income	$ (5,293)	$ 5,177
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Real estate depreciation	18,717	16,687
Corporate asset depreciation as corporate expenses	34	32
Non-cash ground rent	1,787	1,777
Non-cash financing costs as interest	193	186
Amortization of debt premium and unfavorable contract liabilities	(397)	(397)
Amortization of deferred income	(130)	(122)
Stock-based compensation	1,207	671
Changes in assets and liabilities:		
Prepaid expenses and other assets	1,658	(234)
Restricted cash	1,383	1,175
Due to/from hotel managers	3,570	2,735
Accounts payable and accrued expenses	(8,886)	(8,071)
Net cash provided by operating activities	13,843	19,616
Cash flows from investing activities:		
Hotel capital expenditures	(7,293)	(21,542)
Receipt of deferred key money		5,000
Change in restricted cash	143	(3,930)
Net cash used in investing activities	(7,150)	(20,472)
Cash flows from financing activities:		
Repayments of credit facility	(5,000)	
Draws on credit facility		14,000
Scheduled mortgage debt principal payments	(1,002)	(680)
Repurchase of shares	(158)	(344)
Payment of dividends	(80)	(22,819)
Net cash used in financing activities	(6,240)	(9,843)
Net increase (decrease) in cash and cash equivalents	453	(10,699)
Cash and cash equivalents, beginning of period	13,830	29,773

Cash and cash equivalents, end of period	$	14,283	$	19,074
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest	$	11,987	$	11,820
Cash paid for income taxes	$	35	$	93
Capitalized interest	$	19	$	183
Non-Cash Financing Activities:				
Unpaid dividends	$		$	23,921

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

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DIAMONDROCK HOSPITALITY COMPANY
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization

DiamondRock Hospitality Company (the Company) is a lodging-focused real estate company that owns, as of May 5, 2009, 20 premium hotels and resorts. We are committed to maximizing stockholder value through investing in premium full-service hotels and, to a lesser extent, premium urban limited-service hotels located throughout the United States. Our hotels are concentrated in key gateway cities and in destination resort locations and are all operated under a brand owned by one of the top three national brand companies (Marriott International, Inc. (Marriott), Starwood Hotels & Resorts Worldwide, Inc. (Starwood) or Hilton Hotels Corporation (Hilton)).

We are owners, as opposed to operators, of hotels. As an owner, we receive all of the operating profits or losses generated by our hotels, after paying the hotel managers a fee based on the revenues and profitability of the hotels and reimbursing all of their direct and indirect operating costs.

As of March 27, 2009, the Company owned 20 hotels, comprising 9,586 rooms, located in the following markets: Atlanta, Georgia (3); Austin, Texas; Boston, Massachusetts; Chicago, Illinois (2); Fort Worth, Texas; Lexington, Kentucky; Los Angeles, California (2); New York, New York (2); Northern California; Oak Brook, Illinois; Orlando, Florida; Salt Lake City, Utah; Washington D.C.; St. Thomas, U.S. Virgin Islands; and Vail, Colorado.

We conduct our business through a traditional umbrella partnership REIT, or UPREIT, in which our hotel properties are owned by our operating partnership, DiamondRock Hospitality Limited Partnership, or subsidiaries of our operating partnership. We are the sole general partner of the operating partnership and currently own, either directly or indirectly, all of the limited partnership units of the operating partnership.

2. Summary of Significant Accounting Policies

Basis of Presentation

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. generally accepted accounting principles, or GAAP, in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto as of and for the year ended December 31, 2008, included in our Annual Report on Form 10-K dated February 27, 2009.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of March 27, 2009, and the results of our operations and cash flows for the fiscal quarters ended March 27, 2009 and March 21, 2008. Interim results are not necessarily indicative of full-year performance because of the impact of seasonal and short-term variations.

Our financial statements include all of the accounts of the Company and its subsidiaries in accordance with U.S. GAAP. All intercompany accounts and transactions have been eliminated in consolidation.

Reporting Periods

The results we report in our condensed consolidated statements of operations are based on results of our hotels reported to us by our hotel managers. Our hotel managers use different reporting periods. Marriott, the manager of most of our properties, uses a fiscal year ending on the Friday closest to December 31 and reports twelve weeks of operations for each of the first three quarters and sixteen or seventeen weeks for the fourth quarter of the year for its domestic managed hotels. In contrast, Marriott, for its non-domestic hotels (including Frenchman s Reef), Vail Resorts, manager of the Vail Marriott, Noble Management Group, LLC, manager of the Westin Atlanta North at Perimeter, Hilton Hotels Corporation, manager of the Conrad Chicago, and Westin Hotel Management, L.P, manager of the Westin Boston Waterfront Hotel report results on a monthly basis. Additionally, as a REIT, we are required by U.S. federal tax laws to report results on a calendar year basis. As a result, we have adopted the reporting periods used by Marriott for its domestic hotels, except that the fiscal year always ends on December 31 to comply with REIT rules. The first three fiscal quarters end on the same day as Marriott s fiscal quarters but the fourth quarter ends on December 31 and the full year results, as reported in the statement of operations, always include the same number of days as the calendar year.

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Two consequences of the reporting cycle we have adopted are: (1) quarterly start dates will usually differ between years, except for the first quarter which always commences on January 1, and (2) the first and fourth quarters of operations and year-to-date operations may not include the same number of days as reflected in prior years.

While the reporting calendar we adopted is more closely aligned with the reporting calendar used by the manager of most of our properties, one final consequence of the calendar is we are unable to report any results for Frenchman s Reef, Vail Marriott, Westin Atlanta North at Perimeter, Conrad Chicago, or Westin Boston Waterfront Hotel for the month of operations that ends after its fiscal quarter-end because neither Westin Hotel Management, L.P., Hilton Hotels Corporation, Noble Management Group, LLC, Vail Resorts nor Marriott make mid-month results available to us. As a result, our quarterly results of operations include results from Frenchman s Reef, the Vail Marriott, the Westin Atlanta North at Perimeter, the Conrad Chicago, and the Westin Boston Waterfront Hotel as follows: first quarter (January, February), second quarter (March to May), third quarter (June to August) and fourth quarter (September to December). While this does not affect full-year results, it does affect the reporting of quarterly results.

Revenue Recognition

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

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net (loss) income, adjusted for dividends on unvested stock grants, by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net (loss) income, adjusted for dividends on unvested stock grants, by the weighted-average number of common shares outstanding during the period plus other potentially dilutive securities such as stock grants or shares issuable in the event of conversion of operating partnership units. No adjustment is made for shares that are anti-dilutive during a period.

We implemented the provisions of FASB Staff Position EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*, which resulted in no significant impact on current or prior period earnings (loss) per share.

Stock-based Compensation

We account for stock-based employee compensation using the fair value based method of accounting under Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS 123R), *Share-Based Payment*. We record the cost of awards with service conditions based on the grant-date fair value of the award. That cost is recognized over the period during which an employee is required to provide service in exchange for the award. No compensation cost is recognized for equity instruments for which employees do not render the requisite service. No awards with performance-based or market-based conditions have been issued.

Intangible Assets and Liabilities

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

Straight-Line Rent

We record rent expense on leases that provide for minimum rental payments that increase in pre-established amounts over the remaining term of the lease on a straight-line basis as required by U.S. GAAP.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents. We maintain cash and cash equivalents with various high credit-quality financial institutions. We perform periodic evaluations of the relative credit standing of these financial institutions and limit the amount of credit exposure with any one institution.

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Use of Estimates

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

Risks and Uncertainties

The state of the overall economy can significantly impact hotel operational performance and thus, impact our financial position. Should any of our hotels experience a significant decline in operational performance, it may affect our ability to make distributions to our stockholders and service debt or meet other financial obligations.

3. Property and Equipment

Property and equipment as of March 27, 2009 (unaudited) and December 31, 2008 consists of the following (in thousands):

	March 27, 2009	December 31, 2008
Land	$ 219,590	$ 219,590
Land improvements	7,994	7,994
Buildings	1,661,710	1,658,227
Furniture, fixtures and equipment	260,360	259,154
CIP and corporate office equipment	1,762	1,651
	2,151,416	2,146,616
Less: accumulated depreciation	(245,145)	(226,400)
	$ 1,906,271	$ 1,920,216

As of March 27, 2009 we did not have any accrued capital expenditures. As of December 31, 2008, we had accrued capital expenditures of $2.6 million.

4. Capital Stock

Common Shares

We are authorized to issue up to 200,000,000 shares of common stock, $.01 par value per share. Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Holders of our common stock are entitled to receive dividends out of assets legally available for the payment of dividends when authorized by our board of directors.

On April 17, 2009, we completed a follow-on public offering of our common stock. We sold 17,825,000 shares of common stock, including the underwriters overallotment of 2,325,000 shares, at an offering price of $4.85 per share. The net proceeds to us, after deduction of offering costs, were approximately $82.1 million.

Preferred Shares

We are authorized to issue up to 10,000,000 shares of preferred stock, $.01 par value per share. Our board of directors is required to set for each class or series of preferred stock the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, and terms or conditions of redemption. As of March 27, 2009 and December 31, 2008, there were no shares of preferred stock outstanding.

Operating Partnership Units
Holders of operating partnership units have certain redemption rights, which enable them to cause our operating partnership to redeem their units in exchange for cash per unit equal to the market price of our common stock, at the time of redemption, or, at our option for shares of our common stock on a one-for-one basis. The number of shares issuable upon exercise of the redemption rights will be adjusted upon the occurrence of stock splits, mergers, consolidations or similar pro-rata share transactions, which otherwise would have the effect of diluting the ownership interests of the limited partners or our stockholders. As of March 27, 2009 and December 31, 2008, there were no operating partnership units held by unaffiliated third parties.

5. Stock Incentive Plans

As of March 27, 2009, we have issued or committed to issue 3,194,151 shares of our common stock under our 2004 Stock Option and Incentive Plan, as amended, including 1,978,595 shares of unvested restricted common stock and a commitment to issue 466,819 units of deferred common stock.

Restricted Stock Awards
As of March 27, 2009, our officers and employees have been awarded 3,066,967 shares of restricted common stock, including those shares which have since vested. Shares issued to our officers and employees vest over a three-year period from the date of the grant based on continued employment. We measure compensation expense for the restricted stock awards based upon the fair market value of our common stock at the date of grant. Compensation expense is recognized on a straight-line basis over the vesting period and is included in corporate expenses in the accompanying condensed consolidated statements of operations.

A summary of our restricted stock awards from January 1, 2009 to March 27, 2009 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2009	605,809	$ 13.02
Granted	1,515,955	2.82
Vested	(135,985)	15.29
Forfeited	(7,184)	14.61
Unvested balance at March 27, 2009	1,978,595	$ 5.04

The remaining share awards are expected to vest as follows: 62,748 shares during 2009, 631,082 shares during 2010, 779,448 shares during 2011 and 505,317 during 2012. As of March 27, 2009, the unrecognized compensation cost related to restricted stock awards was $8.7 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 28 months. For the fiscal quarters ended March 27, 2009 and March 21, 2008, we recorded $1.1 million and $0.6 million, respectively, of compensation expense related to restricted stock awards.

Deferred Stock Awards
At the time of our initial public offering, we made a commitment to issue 382,500 shares of deferred stock units to our senior executive officers. These deferred stock units are fully vested and represent the promise to issue a number of shares of our common stock to each senior executive officer upon the earlier of (i) a change of control or (ii) five years after the date of grant, which was the initial public offering completion date (the Deferral Period). However, if an executive s service with the Company is terminated for cause prior to the expiration of the Deferral Period, all deferred stock unit awards will be forfeited. The executive officers are restricted from transferring these shares until the fifth anniversary of the initial public offering completion date. As of March 27, 2009, we have a commitment to issue 466,819 shares under this plan. The share commitment increased from 382,500 to 466,819 since our initial public offering because current dividends are not paid out but instead are effectively reinvested in additional deferred stock units based on the closing price of our common stock on the dividend payment date.

Stock Appreciation Rights and Dividend Equivalent Rights

In 2008, we awarded our executive officers stock-settled stock appreciation rights (SARs) and dividend equivalent rights (DERs). The SARs/DERs vest over three years based on continued employment and may be exercised, in whole or in part, at any time after the instrument vests and before the tenth anniversary of issuance. Upon exercise, the holder of a SAR is entitled to receive a number of common shares equal to the positive difference, if any, between the closing price of our common stock on the exercise date and the strike price. The strike price is equal to the closing price of our common stock on the SAR grant date. We simultaneously issued one DER for each SAR. The DER entitles the holder to the value of dividends issued on one share of common stock. No dividends are paid on a DER prior to vesting, but upon vesting, the holder of each DER will receive a lump sum equal to the cumulative dividends paid per share of common stock from the grant date through the vesting date. The DER terminates eight years from the grant date. We measure compensation expense of the SAR/DER awards based upon the fair market value of these awards at the grant date. Compensation expense is recognized on a straight-line basis over the vesting period and is included in corporate expenses in the accompanying condensed consolidated statements of operations.

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As of March 27, 2009, we have awarded 300,225 SARs/DERs to our executive officers with an aggregate grant date fair value of approximately $2.0 million. For the fiscal quarters ended March 27, 2009 and March 21, 2008, we recorded approximately $0.2 million and $0.1 million, respectively, of compensation expense related to the SARs/DERs. A summary of our SARs/DERs as of March 27, 2009 is as follows:

	Number of SARs/DERs	Weighted-Average Grant Date Fair Value
Balance at January 1, 2009	300,225	$ 6.62
Granted		
Exercised		
Balance at March 27, 2009	300,225	$ 6.62

One-third of the SAR/DER awards vested in 2009 and the remainder are expected to vest as follows: one-third in 2010 and one-third in 2011. As of March 27, 2009, the unrecognized compensation cost related to the SAR/DER awards was $1.3 million and the weighted-average period over which the unrecognized compensation expense will be recorded is approximately 23 months.

6. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net (loss) income available to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings (loss) per share is calculated by dividing net (loss) income available to common stockholders, that has been adjusted for dilutive securities, by the weighted-average number of common shares outstanding including dilutive securities. For the fiscal quarter ended March 27, 2009, no effect is shown for the potentially dilutive effect of our restricted stock and SAR s, as the impact is anti-dilutive in periods when we incur a net loss.

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

	Fiscal Quarter Ended March 27, 2009 (unaudited)	Fiscal Quarter Ended March 21, 2008 (unaudited)
Basic Earnings (Loss) per Share Calculation:		
Numerator:		
Net (loss) income	$ (5,293)	$ 5,177
Less: dividends on unvested restricted common stock		(119)
Net (loss) income after dividends on unvested restricted common stock	$ (5,293)	$ 5,058
Weighted-average number of common shares outstanding basic	90,551,505	95,173,458
Basic (loss) earnings per share	$ (0.06)	$ 0.05
Diluted Earnings (Loss) per Share Calculation:		
Numerator:		
Net (loss) income	$ (5,293)	$ 5,177

Less: dividends on unvested restricted common stock				(90)
Net (loss) income after dividends on unvested restricted common stock	$	(5,293)	$	5,087
Weighted-average number of common shares outstanding basic		90,551,505		95,173,458
Unvested restricted common stock				114,795
Unvested SARs				
Weighted-average number of common shares outstanding diluted		90,551,505		95,288,253
Diluted (loss) earnings per share	$	(0.06)	$	0.05

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7. Debt

We have incurred limited recourse, property specific mortgage debt in conjunction with certain of our hotels. In the event of default, the lender may only foreclose on the pledged assets; however, in the event of fraud, misapplication of funds and other customary recourse provisions, the lender may seek payment from us. As of March 27, 2009, 12 of our 20 hotel properties were secured by mortgage debt. Our mortgage debt contains certain property specific covenants and restrictions, including minimum debt service coverage ratios that trigger cash management provisions as well as restrictions on incurring additional debt without lender consent. As of March 27, 2009, we were in compliance with the financial covenants of our mortgage debt.

The following table sets forth information regarding the Company s debt as of March 27, 2009 (unaudited), in thousands:

Property	Principal Balance