

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

**FORM 10-Q**

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

For the quarterly period ended June 17, 2005

OR

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

Commission File No. 1-13881

**MARRIOTT INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State of Incorporation)

**52-2055918**

(I.R.S. Employer Identification No.)

**10400 Fernwood Road,  
Bethesda, Maryland**

(Address of Principal Executive Offices)

**20817**

(Zip Code)

**(301) 380-3000**

(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, and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act).

Yes  No

Class  
Class A Common Stock,  
\$0.01 par value

Shares outstanding  
at July 8, 2005

216,710,567

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## PART I - FINANCIAL INFORMATION

**Item 1. Financial Statements**

**MARRIOTT INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(\$ in millions, except per share amounts)  
(Unaudited)

	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004	June 17, 2005	June 18, 2004
<b>REVENUES</b>				
Base management fees	\$ 123	\$ 106	\$ 234	\$ 205
Franchise fees	78	72	148	133
Incentive management fees	52	36	102	69
Owned, leased, corporate housing and other revenue	180	182	347	338
Timeshare interval sales and services	335	281	681	599
Cost reimbursements	1,795	1,614	3,477	3,199
Synthetic fuel	98	111	206	111
	<u>2,661</u>	<u>2,402</u>	<u>5,195</u>	<u>4,654</u>
<b>OPERATING COSTS AND EXPENSES</b>				
Owned, leased and corporate housing – direct	138	157	283	289
Timeshare – direct	269	245	541	497
Reimbursed costs	1,795	1,614	3,477	3,199
General, administrative and other	284	127	408	259
Synthetic fuel	134	141	287	141
	<u>2,620</u>	<u>2,284</u>	<u>4,996</u>	<u>4,385</u>
<b>OPERATING INCOME</b>	41	118	199	269
Gains and other income	63	48	58	52
Interest expense	(21)	(24)	(45)	(46)
Interest income	25	39	52	65
Provision for loan losses	—	(3)	(11)	—
Equity in (losses) earnings - Synthetic fuel	—	—	—	(28)
- Other	6	1	1	(1)
	<u>114</u>	<u>179</u>	<u>254</u>	<u>311</u>
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTEREST</b>	114	179	254	311
Benefit from (provision for) income taxes	20	(33)	15	(51)
	<u>134</u>	<u>146</u>	<u>269</u>	<u>260</u>
<b>INCOME BEFORE MINORITY INTEREST</b>	134	146	269	260
Minority interest	4	14	14	14
	<u>138</u>	<u>160</u>	<u>283</u>	<u>274</u>
<b>NET INCOME</b>	\$ 138	\$ 160	\$ 283	\$ 274
<b>EARNINGS PER SHARE – Basic</b>	\$ 0.63	\$ 0.71	\$ 1.27	\$ 1.20
<b>EARNINGS PER SHARE – Diluted</b>	\$ 0.59	\$ 0.67	\$ 1.19	\$ 1.14
<b>DIVIDENDS DECLARED PER SHARE</b>	\$ 0.105	\$ 0.085	\$ 0.190	\$ 0.160

See Notes to Condensed Consolidated Financial Statements

**MARRIOTT INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(\$ in millions)

	June 17, 2005 (Unaudited)	December 31, 2004
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 471	\$ 770
Accounts and notes receivable	993	797
Current deferred taxes, net	159	162
Other	235	217
	<u>1,858</u>	<u>1,946</u>
Property and equipment	2,497	2,389
Intangible assets		
Goodwill	923	923
Contract acquisition costs	441	513
	<u>1,364</u>	<u>1,436</u>
Cost method investments	236	70
Equity method investments	243	249
Notes receivable		
Loans to equity method investees	116	526
Loans to timeshare owners	293	289
Other notes receivable	289	374
	<u>698</u>	<u>1,189</u>
Other long-term receivables	356	326
Deferred taxes, net	514	397
Other	698	666
	<u>\$ 8,464</u>	<u>\$ 8,668</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Current portion of long-term debt	\$ 225	\$ 489
Accounts payable	622	570
Accrued payroll and benefits	445	508
Self-insurance reserves	79	71
Other payables and accruals	436	416
Liability for guest loyalty program	302	302
	<u>2,109</u>	<u>2,356</u>
Long-term debt	1,207	836
Self-insurance reserves	169	163
Liability for guest loyalty program	705	640
Other long-term liabilities	607	580
Minority interest	14	12
Shareholders' equity		
Class A common stock	3	3
Additional paid-in capital	3,498	3,423
Retained earnings	2,172	1,951
Deferred compensation	(169)	(108)
Treasury stock, at cost	(1,850)	(1,197)
Accumulated other comprehensive (loss) income	(1)	9
	<u>3,653</u>	<u>4,081</u>
	<u>\$ 8,464</u>	<u>\$ 8,668</u>

See Notes to Condensed Consolidated Financial Statements

**MARRIOTT INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(\$ in millions)  
(Unaudited)

	Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 283	\$ 274
Adjustments to reconcile to cash provided by operating activities:		
Depreciation and amortization	73	76
Minority interest in results of synthetic fuel operation	(14)	(14)
Income taxes	(98)	(19)
Timeshare activity, net	12	92
Other	132	(36)
Working capital changes	(55)	(70)
Net cash provided by operating activities	333	303
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(133)	(81)
Dispositions	24	23
Loan advances	(40)	(54)
Loan collections and sales	457	121
Equity and cost method investments	(210)	(23)
Other	(54)	6
Net cash provided by (used in) investing activities	44	(8)
<b>FINANCING ACTIVITIES</b>		
Commercial paper, net	—	100
Issuance of long-term debt	346	16
Repayment of long-term debt	(293)	(155)
Issuance of Class A common stock	87	79
Dividends paid	(38)	(34)
Purchase of treasury stock	(753)	(353)
Earn-outs paid, net	(25)	(13)
Net cash used in financing activities	(676)	(360)
<b>DECREASE IN CASH AND EQUIVALENTS</b>	(299)	(65)
CASH AND EQUIVALENTS, beginning of period	770	229
<b>CASH AND EQUIVALENTS, end of period</b>	<b>\$ 471</b>	<b>\$ 164</b>

See Notes to Condensed Consolidated Financial Statements

**MARRIOTT INTERNATIONAL, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**1. Basis of Presentation**

The condensed consolidated financial statements present the results of operations, financial position and cash flows of Marriott International, Inc. (together with its subsidiaries, we, us or the Company).

The accompanying condensed consolidated financial statements have not been audited. 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. We believe the disclosures made are adequate to make the information presented not misleading. You should, however, read the condensed consolidated financial statements in conjunction with the consolidated financial statements and notes to those financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2004. Certain terms not otherwise defined in this quarterly report have the meanings specified in that Annual Report on Form 10-K.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods and the disclosures of contingent liabilities. Accordingly, ultimate results could differ from those estimates. We have reclassified certain prior year amounts to conform to our 2005 presentation.

In our opinion, the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of June 17, 2005 and December 31, 2004, the results of our operations for the twelve and twenty-four weeks ended June 17, 2005 and June 18, 2004 and our cash flows for the twenty-four weeks ended June 17, 2005 and June 18, 2004. Interim results may not be indicative of fiscal year performance because of seasonal and short-term variations. We have eliminated all material intercompany transactions and balances between entities consolidated in these financial statements.

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### 2. **Earnings Per Share**

The table below illustrates the reconciliation of the earnings and number of shares used in the basic and diluted earnings per share calculations.

(in millions, except per share amounts)

	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004	June 17, 2005	June 18, 2004
<i>Computation of Basic Earnings Per Share</i>				
Net income	\$ 138	\$ 160	\$ 283	\$ 274
Weighted average shares outstanding	220.5	226.9	223.0	228.2
Basic earnings per share	\$ 0.63	\$ 0.71	\$ 1.27	\$ 1.20
<i>Computation of Diluted Earnings Per Share</i>				
Net income	\$ 138	\$ 160	\$ 283	\$ 274
Weighted average shares outstanding	220.5	226.9	223.0	228.2
Effect of dilutive securities				
Employee stock option plans	9.6	8.1	9.8	7.8
Deferred stock incentive plans	3.7	4.3	3.7	4.3
Restricted stock units	0.7	0.5	1.3	0.5
Convertible debt	—	0.5	—	0.7
Shares for diluted earnings per share	234.5	240.3	237.8	241.5
Diluted earnings per share	\$ 0.59	\$ 0.67	\$ 1.19	\$ 1.14

We compute the effect of dilutive securities using the treasury stock method and average market prices during the period.

### 3. **Share-Based Compensation**

We have several share-based employee compensation plans that we account for using the intrinsic value method under the recognition and measurement principles of Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees.” Accordingly, we do not reflect share-based employee compensation cost in net income for our Stock Option Program, the Supplemental Executive Stock Option awards or the Employee Stock Purchase Plan.

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The following table shows share-based employee compensation costs we recognized in the twelve and twenty-four weeks ended June 17, 2005 and June 18, 2004, and our deferred compensation balance at June 17, 2005 and December 31, 2004.

(\$ in millions)

	Reported Share-Based Compensation, Net of Tax			
	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004	June 17, 2005	June 18, 2004
Deferred share grants	\$ 1	\$ 1	\$ 2	\$ 2
Restricted share grants	1	1	1	2
Restricted stock units	8	6	15	11
	<u>\$ 10</u>	<u>\$ 8</u>	<u>\$ 18</u>	<u>\$ 15</u>

(\$ in millions)

	Deferred Compensation Balance	
	June 17, 2005	December 31, 2004
	Deferred share grants	\$ 11
Restricted share grants	9	10
Restricted stock units	149	84
	<u>\$ 169</u>	<u>\$ 108</u>

During the first half of 2005, we granted approximately 1.4 million units (each representing one share of our Class A common stock) under the restricted stock unit program.

The following table illustrates the effect on net income and earnings per share as if we had applied the fair value recognition provisions of FAS No. 123, "Accounting for Stock-Based Compensation," to share-based employee compensation. We have included the impact of measured but unrecognized compensation cost and excess tax benefits credited to additional paid-in-capital in the calculation of the diluted pro forma shares for all periods presented. In addition, we have included the estimated impact of reimbursements from third parties.

(\$ in millions, except per share amounts)

	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004	June 17, 2005	June 18, 2004
	Net income, as reported	\$ 138	\$ 160	\$ 283
Add: Share-based employee compensation expense included in reported net income, net of related tax effects	10	8	18	15
Deduct: Total share-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects and estimated reimbursed costs	(14)	(14)	(28)	(27)
Pro forma net income	<u>\$ 134</u>	<u>\$ 154</u>	<u>\$ 273</u>	<u>\$ 262</u>
Earnings per share:				
Basic – as reported	\$ 0.63	\$ 0.71	\$ 1.27	\$ 1.20
Basic – pro forma	<u>\$ 0.61</u>	<u>\$ 0.68</u>	<u>\$ 1.23</u>	<u>\$ 1.15</u>
Diluted – as reported	\$ 0.59	\$ 0.67	\$ 1.19	\$ 1.14
Diluted – pro forma	<u>\$ 0.57</u>	<u>\$ 0.64</u>	<u>\$ 1.14</u>	<u>\$ 1.08</u>



**4. Comprehensive Income and Capital Structure**

Our total comprehensive income was \$130 million and \$161 million for the twelve weeks ended June 17, 2005 and June 18, 2004, respectively, and \$273 million and \$281 million, respectively, for the twenty-four weeks ended June 17, 2005 and June 18, 2004.

For the twenty-four weeks ended June 17, 2005, approximately 3.1 million shares of our Class A Common Stock were issued as a result of exercised options. In addition, during the first two quarters of 2005 we repurchased approximately 12.3 million shares of our Class A Common Stock at an average price of \$63.86 per share.

**5. Business Segments**

We are a diversified hospitality company with operations in five business segments:

- *Full-Service Lodging*, which includes Marriott Hotels & Resorts, The Ritz-Carlton, Renaissance Hotels & Resorts and Bulgari Hotels & Resorts;
- *Select-Service Lodging*, which includes Courtyard, Fairfield Inn and SpringHill Suites;
- *Extended-Stay Lodging*, which includes Residence Inn, TownePlace Suites, Marriott ExecuStay and Marriott Executive Apartments;
- *Timeshare*, which includes the development, marketing, operation and ownership of timeshare properties under the Marriott Vacation Club International, The Ritz-Carlton Club, Marriott Grand Residence Club and Horizons by Marriott Vacation Club International brands; and
- *Synthetic Fuel*, which includes our interest in the operation of coal-based synthetic fuel production facilities.

We evaluate the performance of our segments based primarily on the results of the segment without allocating corporate expenses, interest income, provision for loan losses, and interest expense. With the exception of the Synthetic Fuel segment, we do not allocate income taxes to our segments. As timeshare note sales are an integral part of the timeshare business we include timeshare note sale gains in our Timeshare segment results, and we allocate other gains as well as equity in earnings (losses) from our joint ventures and divisional general, administrative and other expenses to each of our segments.

Our tax benefit of \$20 million in the quarter ended June 17, 2005 includes a tax provision of \$48 million before the impact of the Synthetic Fuel segment, more than offset by a \$9 million tax benefit associated with the Synthetic Fuel segment losses and \$59 million of synthetic fuel tax credits. Our tax provision of \$33 million in the quarter ended June 18, 2004 includes a tax provision of \$71 million before the impact of the Synthetic Fuel segment, partially offset by a \$3 million tax benefit associated with the Synthetic Fuel segment losses and \$35 million of synthetic fuel tax credits. Our tax benefit of \$15 million for the first half of 2005 includes a tax provision of \$115 million before the impact of the Synthetic Fuel segment, more than offset by a \$24 million tax benefit associated with the Synthetic Fuel segment losses and \$106 million of synthetic fuel tax credits. Our tax provision of \$51 million in the first two quarters of 2004 includes a tax provision of \$128 million before the impact of the Synthetic Fuel segment, partially offset by a \$13 million tax benefit associated with the Synthetic Fuel segment losses and \$64 million of synthetic fuel tax credits.

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We have aggregated the brands and businesses presented within each of our segments considering their similar economic characteristics, types of customers, distribution channels and the regulatory business environment of the brands and operations within each segment.

(\$ in millions)	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004	June 17, 2005	June 18, 2004
<b>Revenues</b>				
Full-Service	\$ 1,751	\$ 1,548	\$ 3,380	\$ 3,053
Select-Service	293	264	565	511
Extended-Stay	136	129	262	244
Timeshare	383	350	782	735
	<u>2,563</u>	<u>2,291</u>	<u>4,989</u>	<u>4,543</u>
Total Lodging	2,563	2,291	4,989	4,543
Synthetic Fuel	98	111	206	111
	<u>\$ 2,661</u>	<u>\$ 2,402</u>	<u>\$ 5,195</u>	<u>\$ 4,654</u>

(\$ in millions)	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004	June 17, 2005	June 18, 2004
<b>Net Income</b>				
Full-Service	\$ 30	\$ 113	\$ 146	\$ 213
Select-Service	48	39	81	62
Extended-Stay	13	18	29	28
Timeshare	80	51	143	101
	<u>171</u>	<u>221</u>	<u>399</u>	<u>404</u>
Total Lodging financial results	171	221	399	404
Synthetic Fuel (after-tax)	44	31	62	42
Unallocated corporate expenses	(33)	(33)	(59)	(63)
Interest income, provision for loan losses and interest expense	4	12	(4)	19
Income taxes (excluding Synthetic Fuel)	(48)	(71)	(115)	(128)
	<u>\$ 138</u>	<u>\$ 160</u>	<u>\$ 283</u>	<u>\$ 274</u>

(\$ in millions)	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004	June 17, 2005	June 18, 2004
<b>Equity in Earnings (Losses) of Equity Method Investees</b>				
Full-Service	\$ 6	\$ 2	\$ 8	\$ 8
Select-Service	1	—	(4)	(6)
Timeshare	(1)	(1)	(3)	(4)
Synthetic Fuel	—	—	—	(28)
Corporate	—	—	—	1
	<u>\$ 6</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ (29)</u>

## 6. Contingencies

### Guarantees

We issue guarantees to certain lenders and hotel owners primarily to obtain long-term management contracts. The guarantees generally have a stated maximum amount of funding and a term of five years or less. The terms of guarantees to lenders generally require us to fund if cash flows from hotel operations are inadequate to cover annual debt service or to repay the loan at the end of the term. The terms of the guarantees to hotel owners generally require us to fund if the hotels do not attain specified levels of operating profit. Guarantee fundings to lenders and hotel owners are generally recoverable as loans and are generally repayable to us out of future hotel cash flows and/or proceeds from the sale of hotels.

We also enter into project completion guarantees with certain lenders in conjunction with hotels and timeshare units that we or our joint venture partners are building.

The maximum potential amount of future fundings for guarantees where we are the primary obligor and the carrying amount of the liability for expected future fundings at June 17, 2005, are as follows:

(\$ in millions)	Maximum Potential Amount of Future Fundings	Liability for Future Fundings at June 17, 2005
<b>Guarantee Type</b>		
Debt service	\$ 112	\$ 6
Operating profit	246	20
Project completion	26	—
Other	73	3
<b>Total guarantees where Marriott International is the primary obligor</b>	<b>\$ 457</b>	<b>\$ 29</b>

Our guarantees of \$457 million listed above include \$75 million for guarantees that will not be in effect until the underlying hotels open and we begin to manage the properties. The \$75 million of guarantees not in effect is comprised of \$61 million of operating profit guarantees and \$14 million of debt service guarantees.

In addition to the guarantees noted above, in conjunction with financing obtained for specific projects or properties owned by joint ventures in which we are a party, we may provide industry standard indemnifications to the lender for loss, liability, or damage occurring as a result of the actions of the other joint venture owner or our own actions.

The guarantees of \$457 million in the table above also do not include \$339 million of guarantees related to Senior Living Services lease obligations and lifecare bonds for which we are secondarily liable. Sunrise Senior Living, Inc. (“Sunrise”) is the primary obligor of the leases and a portion of the lifecare bonds, and CNL Retirement Properties, Inc. (“CNL”) is the primary obligor of the remainder of the lifecare bonds. Prior to the sale of the Senior Living Services business in 2003, these pre-existing guarantees were guarantees by the Company of obligations of consolidated Senior Living Services subsidiaries. Sunrise and CNL have indemnified us for any guarantee fundings we may be called on to make in connection with these lease obligations and lifecare bonds. We do not expect to fund under the guarantees.

Additionally, the guarantees of \$457 million in the table above do not include lease obligations for which we became secondarily liable when we acquired the Renaissance Hotel Group N.V. in 1997, consisting of annual rent payments of approximately \$56 million and total remaining rent payments through the initial term plus available extensions of approximately \$1.46 billion. We are also secondarily obligated for real estate taxes and other charges associated with the leases. Third parties have severally indemnified us for all payments we may be required to make in connection with these obligations. Since we assumed the guarantees, we have not funded any amounts, and we do not expect to fund any amounts under these guarantees in the future. For additional information, see our discussion under the heading “CTF Holdings Ltd.” in Footnote 9, “Acquisitions and Dispositions” later in this report.

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### *Commitments and Letters of Credit*

In addition to the guarantees noted above, as of June 17, 2005, we had extended approximately \$167 million of loan commitments to owners of lodging properties, under which we expect to fund approximately \$68 million by December 30, 2005, and \$73 million in one to three years. We do not expect to fund the remaining \$26 million of commitments, which expire as follows: \$24 million in one to three years; and \$2 million after five years. At June 17, 2005, we also have commitments to invest up to \$33 million of equity for a minority interest in two partnerships that plan to purchase both full-service and select-service hotels in the United States.

At June 17, 2005, we also had \$93 million of letters of credit outstanding on our behalf, the majority of which are related to our self-insurance programs. Surety bonds issued on our behalf as of June 17, 2005, totaled \$563 million, the majority of which were requested by federal, state or local governments related to our timeshare and lodging operations and self-insurance programs.

### *Litigation and Arbitration*

*CTF/HPI arbitration and litigation.* On April 8, 2002, we initiated an arbitration proceeding against CTF Hotel Holdings, Inc. and its affiliate, Hotel Property Investments (B.V.I.) Ltd. ("HPI"), in connection with a dispute over procurement and other issues for certain Renaissance hotels and resorts that we manage for CTF Hotel Holdings, Inc. and HPI. On April 12, 2002, CTF Hotel Holdings, Inc. filed a lawsuit in U.S. District Court in Delaware against us and Avendra LLC, alleging that, in connection with procurement at 20 of those hotels, we engaged in improper acts of self-dealing, and claiming breach of fiduciary, contractual and other duties, fraud, misrepresentation, and violations of the RICO and the Robinson-Patman Acts. CTF Hotel Holdings, Inc. sought various remedies, including a stay of the arbitration proceedings against CTF Hotel Holdings, Inc. and unspecified actual, treble and punitive damages.

During the 2005 second quarter, we signed a purchase and sale agreement with CTF Holdings Ltd., the indirect parent company of CTF Hotel Holdings, Inc. As part of that transaction, we and CTF Holdings Ltd. and its subsidiaries agreed to dismiss all litigation pending between us, including litigation and arbitration involving CTF Hotel Holdings, Inc. and its affiliates described above. See Footnote No. 9, "Acquisitions and Dispositions" for additional information. On June 23, 2005, subsequent to the 2005 second quarter, we substantially completed the transaction, exchanged legal releases effective as of the closing date with CTF Holdings Ltd. and the litigation and arbitration between the two companies is now dismissed.

### *Synthetic Fuel*

The tax credits available under Section 29 of the Internal Revenue Code for the production and sale of synthetic fuels were established by Congress to encourage the development of alternative domestic energy sources. Congress deemed that the incentives provided by Section 29 credits would not be necessary if the price of oil increased beyond certain thresholds as prices would then provide a more natural market for these alternative fuels. As a result, the tax credits available under Section 29 for the production and sale of synthetic fuel in any given calendar year are phased-out if the Reference Price of a barrel of oil for that year falls within a specified, inflation-adjusted price range. The Reference Price of a barrel of oil is an estimate of the annual average wellhead price per barrel of domestic crude oil and is determined for each calendar year by the Secretary of the Treasury by April 1 of the following year. In 2003 and 2004, the Reference Price was roughly \$3.43 and \$4.72 lower, respectively, than the average price for those years of the benchmark NYMEX futures contract for a barrel of light, sweet crude oil. The price range within which the credit is phased-out was set in 1980 and is adjusted annually for inflation. In 2004, the Reference Price phase-out range was \$51.35 to \$64.47. Because the Reference Price of a barrel of oil for 2004 was below that range, at \$36.75, there was no reduction of the tax credits available for synthetic fuel produced and sold in 2004. We cannot predict with any accuracy the future price of a barrel of oil. If the Reference Price of a barrel of oil in 2005 or future years exceeds the applicable phase-out threshold for those years, the tax credits generated by our synthetic fuel facilities in those years could be reduced or eliminated and we could be required to reimburse our joint venture partner for excess earn-out payments and capital contributions received with respect to those years, which would have a negative impact on our financial statements.

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In July 2004, Internal Revenue Service (“IRS”) field auditors challenged the placed-in-service dates of three of our four synthetic fuel facilities. One of the conditions to qualify for tax credits under Section 29 of the Internal Revenue Code is that the production facility must have been placed in service before July 1, 1998. In June 2005 we were notified that the IRS National Office issued a Technical Advice Memorandum confirming that the three synthetic fuel facilities in question meet the placed-in-service requirement under Section 29 of the Internal Revenue Code.

### **7. Long-Term Debt**

Our long-term debt at June 17, 2005, and December 31, 2004, consisted of the following:

<i>(\$ in millions)</i>	<u>June 17, 2005</u>	<u>December 31, 2004</u>
Senior Notes:		
Series B, interest rate of 6.875%, maturing November 15, 2005	\$ 200	\$ 200
Series C, interest rate of 7.875%, maturing September 15, 2009	299	299
Series D, matured April 1, 2005	—	275
Series E, interest rate of 7.0%, maturing January 15, 2008	293	293
Series F, interest rate of 4.625%, maturing June 15, 2012	348	—
Mortgage debt, average interest rate of 7.9%, maturing May 15, 2025	173	174
Other	119	84
	<u>1,432</u>	<u>1,325</u>
Less current portion	(225)	(489)
	<u>\$ 1,207</u>	<u>\$ 836</u>

As of the end of our 2005 second quarter, all debt, other than mortgage debt and \$103 million of other debt, is unsecured.

We are party to a multicurrency revolving credit facility that provides for borrowings of up to \$2 billion which we entered into in the second quarter of 2005 and expires in 2010. Borrowings under the facility bear interest at the London Interbank Offered Rate (LIBOR) plus a spread, based on our public debt rating. Additionally, we pay annual fees on the facility at a rate also based on our public debt rating.

### **8. Asset Securitizations**

In June 2005, we sold \$196 million of notes receivable generated by our timeshare business in connection with the sale of timeshare intervals. In conjunction with the sale, we received net proceeds of \$176 million, retained residual interests of \$50 million, and recorded a gain of \$29 million. We used the following key assumptions to measure the fair value of the residual interests: discount rate of 8.15 percent; expected annual prepayments, including defaults, of 19.16 percent; expected weighted average life of prepayable notes receivable, excluding prepayments and defaults, of 72 months; and expected weighted average life of prepayable notes receivable, including prepayments and defaults, of 37 months. Our key assumptions are based on our experience with other timeshare notes receivable that we originated.

**9. Acquisitions and Dispositions**

*Marriott and Whitbread Joint Venture*

We announced in the first quarter of 2005 that we had signed an agreement with Whitbread PLC (“Whitbread”) to establish a 50/50 joint venture to acquire Whitbread’s portfolio of 46 franchised Marriott and Renaissance hotels of over 8,000 rooms, and for us to take over management of the entire portfolio of hotels upon the transfer of the hotels to the new joint venture. Closing occurred in the 2005 second quarter.

Whitbread sold its interest in the 46 hotels to the joint venture for approximately £995 million. Whitbread received approximately £710 million in cash (including £620 million from senior debt proceeds) and 50 percent of the preferred and ordinary shares of the joint venture and non-voting deferred consideration shares valued at \$285 million. We contributed approximately £90 million (\$171 million) in the second quarter of 2005 for the remaining 50 percent of the preferred and ordinary shares of the joint venture. As the joint venture sells the hotels, our interest in the joint venture will be redeemed. The joint venture expects to sell properties to investors over the next two years subject to long-term management agreements with us.

*CTF Holdings Ltd. (“CTF”)*

During the 2005 second quarter, we signed a purchase and sale agreement with CTF to purchase 32 properties (in each case through a purchase of real estate, a purchase of the entity that owned the hotel, or an assignment of CTF’s leasehold rights) and certain joint venture interests from CTF for an aggregate price of \$1,452 million. At that time, all of the properties were operated by us or our subsidiaries and included 29 Renaissance Hotels & Resorts brand properties and three Courtyard brand properties. The agreement permitted us to designate substitute purchasers at closing. Sunstone Hotel Investors, Inc. (“Sunstone”), Walton Street Capital, L.L.C. (“Walton Street”) and Tarsadia Hotels (“Tarsadia”) signed separate agreements with us to be substitute purchasers and acquire 15 hotels and certain joint venture interests from CTF for approximately \$1 billion at the transaction’s closing. Sunstone agreed to purchase five hotels and one joint venture interest for \$419 million, Walton Street agreed to purchase eight hotels for \$578 million, and Tarsadia agreed to purchase two hotels for \$29 million. Walton Street and Sunstone also agreed to invest a combined \$68 million to further upgrade the 13 hotels they were acquiring and enter into new long-term management agreements with us.

The Walton Street, Sunstone, and Tarsadia closings took place on June 23, 2005, after the end of our second quarter. We continue to manage the hotels purchased by Walton Street and Sunstone under long-term agreements. The two hotels purchased by Tarsadia are being operated under short-term management and franchise agreements.

We also completed the purchase of 12 hotels from CTF, on June 23, 2005, for an aggregate price of \$374 million and are currently discussing the sale of a number of these hotels with potential purchasers. Our purchase of the five remaining hotels and a joint venture interest, which represent \$52 million of the previously announced total purchase price was postponed pending receipt of certain third-party consents. We expect to close on those remaining hotels before the end of the year. We plan to sell 11 of the hotels we purchase in this transaction to third-party owners. The remaining six hotels are operated under leases, five of which expire by 2012.

We and CTF also exchanged legal releases effective as of the closing date, and the litigation and arbitration between the two companies is now dismissed, including litigation and arbitration involving CTF and its affiliates described under Footnote No. 6, “Contingencies.”

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On the closing date we and CTF also modified management agreements on 29 other CTF-leased hotels, 28 located in Europe and one hotel located in the United States. We became secondarily liable for annual rent payments for certain of these hotels when we acquired the Renaissance Hotel Group N.V. in 1997. We will continue to manage 16 of these hotels under new long-term management agreements. CTF has placed approximately \$89 million in trust accounts to cover possible shortfalls in cash flow necessary to meet rent payments under these leases. In turn, we released CTF affiliates from their guarantees in connection with these leases. Our third quarter financial statements will reflect us as lessee on these hotels with minimum annual payments of approximately \$48 million.

For the remaining 13 European leased hotels, CTF may terminate management agreements with us as CTF obtains releases from landlords of our back-up guarantees. Pending completion of the CTF-landlord agreements, we continue to manage these hotels under modified management agreements and remain secondarily liable under certain of these leases. CTF has made available €35 million in cash collateral in the event that we are required to fund under such guarantees. As CTF obtains releases from the landlords and these hotels exit the system, our contingent liabilities will decline.

We also continue to manage three hotels in the United Kingdom under amended management agreements with CTF-affiliated companies and continue to manage 14 properties in Asia on behalf of New World Development Company Limited and its affiliates. CTF's principals are officers, directors and stockholders of New World Development Company Limited. The owners of the UK and Asian hotels have agreed to invest \$17 million to renovate those properties.

In the 2005 second quarter we recorded a \$94 million pre-tax charge primarily due to the non-cash write-off of deferred contract acquisition costs associated with the expected termination of the existing management agreements. As described above, we entered into new long-term management agreements with CTF, Walton Street and Sunstone at the closing of the transactions, and we expect that the hotels we acquired will also be sold subject to long-term management agreements.

### **10. Notes Receivable**

<i>(\$ in millions)</i>	<u>June 17, 2005</u>	<u>December 31, 2004</u>
Loans to timeshare owners	\$ 318	\$ 315
Lodging senior loans	75	75
Lodging mezzanine and other loans	497	867
	<u>890</u>	<u>1,257</u>
Less current portion	(192)	(68)
	<u>\$ 698</u>	<u>\$ 1,189</u>

Amounts due within one year are classified as current assets in the caption accounts and notes receivable in the accompanying Consolidated Balance Sheet, including \$25 million and \$26 million, respectively, as of June 17, 2005, and December 31, 2004, related to the loans to timeshare owners.

### **11. Synthetic Fuel**

On April 29, 2005, we entered into an amendment agreement with our synthetic fuel partner. This amendment extended until June 30, 2005, the period in which our partner had the right to elect to have its approximately 50 percent ownership interest in the three synthetic fuel facilities that were subject to the IRS's placed-in-service challenge redeemed. Our joint venture partner had the right to have us redeem its ownership interest in those three facilities because the IRS's placed-in-service challenge remained outstanding as of March 31, 2005. Under the terms of the amendment, our partner was allocated 1 percent of the tax credits from those three facilities until May 31, 2005. Effective as of June 1, 2005, our partner's share of the tax credits from those three facilities has returned to approximately 50 percent.

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In June 2005, we were notified that the IRS National Office issued a Technical Advice Memorandum confirming that the three synthetic fuel facilities that were under IRS review meet the placed-in-service requirement under Section 29 of the Internal Revenue Code.

On June 30, 2005, we entered into another amendment agreement with our synthetic fuel partner. This amendment gives our partner the right to elect to have us redeem its approximately 50 percent ownership interest in the three synthetic fuel facilities owned by Synthetic American Fuel Enterprises II, LLC on November 30, 2005, or December 31, 2005.

### **12. Variable Interest Entities**

Since year-end 2004, we have one new significant interest in an entity that is a variable interest entity under FIN 46R, "Consolidation of Variable Interest Entities," Revised ("FIN 46(R)"). As described in Footnote 9 "Acquisitions and Dispositions" under the heading "Marriott and Whitbread Joint Venture," in the 2005 second quarter we formed a joint venture with Whitbread for the purpose of acquiring a portfolio of 46 hotels from Whitbread to be managed by us. The purchase price of the portfolio was approximately £995 million. As of the end of our 2005 second quarter, our maximum exposure to loss from our investment in this joint venture is £92 million (\$167 million). We do not consolidate the joint venture since we do not bear the majority of the expected losses or expected residual returns.

### **13. Courtyard Joint Venture**

During the 2005 second quarter, Sarofim Realty Advisors ("Sarofim"), on behalf of an institutional investor, completed the acquisition of a 75 percent interest in the Courtyard Joint Venture, and we signed new long-term management agreements with the joint venture. The transaction will result in an accelerating pace of reinventions and upgrades at the joint venture's hotels.

Prior to Sarofim's acquisition, we and Host Marriott owned equal shares in the 120-property joint venture. With the addition of the new equity, our interest in the joint venture has declined to approximately 21 percent and Host Marriott's interest declined to less than 4 percent. As part of the completed transaction, our mezzanine loan to the joint venture (including accrued interest) totaling approximately \$269 million was repaid. We are making available to the joint venture a seven year subordinated loan of up to \$129 million, primarily to fund renovation costs in 2005 and 2006 for the remaining hotels in the portfolio. No fundings have yet occurred.



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

**Forward-Looking Statements**

We make forward-looking statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report based on the beliefs and assumptions of our management and on information currently available to us. Forward-looking statements include information about our possible or assumed future results of operations which follow under the headings “Business and Overview,” “Liquidity and Capital Resources” and other statements throughout this report preceded by, followed by or that include the words “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” or similar expressions.

Forward-looking statements are subject to a number of risks and uncertainties which could cause actual results to differ materially from those expressed in these forward-looking statements, including the risks and uncertainties described below and other factors described from time to time in our periodic filings with the Securities and Exchange Commission. We therefore caution you not to rely unduly on any forward-looking statements. The forward-looking statements in this report speak only as of the date of the report in which the forward-looking statement is made, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

**Risks and Uncertainties**

We are subject to various risks that could have a negative effect on the Company and its financial condition. You should understand that these risks could cause results to differ materially from those expressed in forward-looking statements contained in this report and in other Company communications. Because there is no way to determine in advance whether, or to what extent, any present uncertainty will ultimately impact our business, you should give equal weight to each of the following.

*The lodging industry is highly competitive, which may impact our ability to compete successfully with other hotel and timeshare properties for customers.* We generally operate in markets that contain numerous competitors. Each of our hotel and timeshare brands competes with major hotel chains in national and international venues and with independent companies in regional markets. Our ability to remain competitive and to attract and retain business and leisure travelers depends on our success in distinguishing the quality, value and efficiency of our lodging products and services from those offered by others. If we are unable to compete successfully in these areas, this could limit our operating margins, diminish our market share and reduce our earnings.

*We are subject to the range of operating risks common to the hotel, timeshare and corporate apartment industries.* The profitability of the hotels, vacation timeshare resorts and corporate apartments that we operate or franchise may be adversely affected by a number of factors, including:

- (1) the availability of and demand for hotel rooms, timeshares and apartments;
- (2) international, national and regional economic conditions;
- (3) the desirability of particular locations and changes in travel patterns;
- (4) taxes and government regulations that influence or determine wages, prices, interest rates, construction procedures and costs;
- (5) the availability of capital to allow us and potential hotel owners and joint venture partners to fund investments;
- (6) regional and national development of competing properties; and
- (7) increases in wages and other labor costs, energy, healthcare, insurance, transportation and fuel, and other expenses central to the conduct of our business.

Any one or more of these factors could limit or reduce the demand, and therefore the prices we are able to obtain, for hotel rooms, timeshare units and corporate apartments or could increase our costs and therefore reduce the profits of our businesses. In addition, reduced demand for hotels could also give rise to losses under loans, guarantees and minority equity investments that we have made in connection with hotels that we manage.

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*The uncertain pace of the lodging industry's recovery will continue to impact our financial results and growth.* Both the Company and the lodging industry were hurt by several events occurring over the last few years, including the global economic downturn, the terrorist attacks on New York and Washington in September 2001, the global outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003 and military action in Iraq. Business and leisure travel decreased and remained depressed as some potential travelers reduced or avoided discretionary travel in light of increased delays and safety concerns and economic declines stemming from an erosion in consumer confidence. Weaker hotel performance reduced management and franchise fees and gave rise to fundings or losses under loans, guarantees and minority investments that we have made in connection with some hotels that we manage, which, in turn, has had a material adverse impact on our financial performance. Although both the lodging and travel industries are recovering, the pace, duration and full extent of that recovery remain unclear. Accordingly, our financial results and growth could be harmed if that recovery stalls or is reversed.

*Our lodging operations are subject to international, national and regional conditions.* Because we conduct our business on a national and international platform, our activities are susceptible to changes in the performance of regional and global economies. In recent years, our business has been hurt by decreases in travel resulting from recent economic conditions, the military action in Iraq and the heightened travel security measures that have resulted from the threat of further terrorism. Our future economic performance is similarly subject to the uncertain magnitude and duration of the economic recovery in the United States, the prospects of improving economic performance in other regions, the unknown pace of any business travel recovery that results and the occurrence of any future incidents in the countries in which we operate.

*Our growth strategy depends upon third-party owners/operators, and future arrangements with these third parties may be less favorable.* Our present growth strategy for development of additional lodging facilities entails entering into and maintaining various arrangements with property owners. The terms of our management agreements, franchise agreements and leases for each of our lodging facilities are influenced by contract terms offered by our competitors, among other things. We cannot assure you that any of our current arrangements will continue. Moreover, we may not be able to enter into future collaborations, or to renew or enter into agreements in the future, on terms that are as favorable to us as those under existing collaborations and agreements.

*We may have disputes with the owners of the hotels that we manage or franchise.* Consistent with our focus on management and franchising, we own very few of our lodging properties. The nature of our responsibilities under our management agreements to manage each hotel and enforce the standards required for our brands under both management and franchise agreements may, in some instances, be subject to interpretation and may give rise to disagreements. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential hotel owners and joint venture partners but have not always been able to do so. Failure to resolve such disagreements has in the past resulted in litigation, and could do so in the future.

*Our ability to grow our management and franchise systems is subject to the range of risks associated with real estate investments.* Our ability to sustain continued growth through management or franchise agreements for new hotels and the conversion of existing facilities to managed or franchised Marriott brands is affected, and may potentially be limited, by a variety of factors influencing real estate development generally. These include site availability, financing, planning, zoning and other local approvals and other limitations that may be imposed by market and submarket factors, such as projected room occupancy, changes in growth in demand compared to projected supply, territorial restrictions in our management and franchise agreements, costs of construction and anticipated room rate structure.

*We depend on capital to buy and maintain hotels, and we may be unable to access capital when necessary.* In order to fund new hotel investments, as well as refurbish and improve existing hotels, both the Company and current and potential hotel owners must periodically spend money. The availability of funds for new investments and maintenance of existing hotels depends in large measure on capital markets and liquidity factors over which we can exert little control. Our ability to recover loan and guarantee advances from hotel operations or from owners through the proceeds of hotel sales, refinancing of debt or otherwise may also affect our ability to recycle and raise new capital.

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*In the event of damage to or other potential losses involving properties that we own, manage or franchise, potential losses may not be covered by insurance.* We have comprehensive property and liability insurance policies with coverage features and insured limits that we believe are customary. Market forces beyond our control may nonetheless limit both the scope of property and liability insurance coverage that we can obtain and our ability to obtain coverage at reasonable rates. There are certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods or terrorist acts, that may be uninsurable or may be too expensive to justify insuring against. As a result, we may not be successful in obtaining insurance without increases in cost or decreases in coverage levels. In addition, we may carry insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of our lost investment or that of hotel owners or in some cases could also result in certain losses being totally uninsured. As a result, we could lose all, or a portion of, the capital we have invested in a property, as well as the anticipated future revenue from the property, and we could remain obligated for guarantees, debt or other financial obligations related to the property.

*Risks relating to acts of God, terrorist activity and war could reduce the demand for lodging, which may adversely affect our revenues.* Acts of God, such as natural disasters and the spread of contagious diseases, in locations where we own, manage or franchise significant properties and areas of the world from which we draw a large number of customers can cause a decline in the level of business and leisure travel and reduce the demand for lodging. Wars (including the potential for war), terrorist activity (including threats of terrorist activity), political unrest and other forms of civil strife and geopolitical uncertainty can have a similar effect. Any one or more of these events may reduce the overall demand for hotel rooms, timeshare units and corporate apartments or limit the prices that we are able to obtain for them, both of which could adversely affect our revenues.

*Increasing use of third-party internet reservation services may adversely impact our revenues.* Some of our hotel rooms are booked through internet travel intermediaries serving both the leisure and, increasingly, the corporate travel sectors. While Marriott's Look No Further Best Rate Guarantee has greatly reduced the ability of these internet travel intermediaries to undercut the published rates of Marriott hotels, these internet travel intermediaries continue their attempts to commoditize hotel rooms by aggressively marketing to price-sensitive travelers and corporate accounts and increasing the importance of general indicators of quality (such as "three-star downtown hotel") at the expense of brand identification. These agencies hope that consumers will eventually develop brand loyalties to their travel services rather than to our lodging brands. Although we expect to continue to maintain and even increase the strength of our brands in the online marketplace, if the amount of sales made through internet intermediaries increases significantly, our business and profitability may be harmed.

*Changes in privacy law could adversely affect our ability to market our products effectively.* Our timeshare segment, and to a lesser extent our other lodging segments, rely on a variety of direct marketing techniques, including telemarketing and mass mailings. Recent initiatives, such as the National Do Not Call Registry and various state laws regarding marketing and solicitation, including anti-spam legislation, have created some concern about the continuing effectiveness of telemarketing and mass mailing techniques and could force further changes in our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could impact the amount and timing of our sales of timeshare units and other products. We also obtain lists of potential customers from travel service providers with whom we have substantial relationships and market to some individuals on these lists directly. If the acquisition of these lists were outlawed or otherwise restricted, our ability to develop new customers and introduce them to our products could be impaired.

*Operating risks at our synthetic fuel operations could reduce the tax benefits generated by those facilities.* The Company owns an interest in four synthetic fuel production facilities. Section 29 of the Internal Revenue Code provides tax credits for the production and sale of synthetic fuels produced from coal through 2007.

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Although our synthetic fuel facilities incur significant losses, those losses are more than offset by the tax credits generated under Section 29, which reduce our income tax expense. Problems related to supply, production and demand at any of the synthetic fuel facilities, the power plants and other end users that buy synthetic fuel from the facilities or the coal mines from which the facilities buy coal could diminish the productivity of our synthetic fuel operations and adversely impact the ability of those operations to generate tax credits. In addition, if our businesses do not generate sufficient profits, we might suffer losses associated with generating tax credits that we were unable to utilize.

*High oil prices in 2005 and beyond could reduce or eliminate the tax credits generated by our synthetic fuel facilities.* The tax credits available under Section 29 of the Internal Revenue Code for the production and sale of synthetic fuel produced in any given year are phased out if the Reference Price of a barrel of oil for that year falls within a specified, inflation-adjusted price range. The "Reference Price" of a barrel of oil is an estimate of the annual average wellhead price per barrel of domestic crude oil and is determined for each calendar year by the Secretary of the Treasury by April 1 of the following year. In 2003 and 2004, the Reference Price was roughly \$3.43 and \$4.72 lower, respectively, than the average price for those years of the benchmark NYMEX futures contract for a barrel of light, sweet crude oil for those years. The price range within which the credit is phased-out was set in 1980 and is adjusted annually for inflation. In 2004, the phase-out range was \$51.35 to \$64.47. Because the Reference Price of a barrel of oil for 2004 was below that range, at \$36.75, there was no reduction of the tax credits available for synthetic fuel produced and sold in 2004. Assuming a 2 percent inflation rate for 2005 and assuming that the ratio of the Reference Price to the average price of the benchmark NYMEX futures contract remains the same in 2005 as it was in 2004, we currently estimate that, because the average NYMEX price for the first half of the year was approximately \$52, the price of the benchmark NYMEX futures contract for a barrel of light, sweet crude oil would need to average in excess of \$68 per barrel for the remainder of 2005 in order for the tax credits available for the production and sale of synthetic fuel in 2005 to begin to be reduced. We cannot predict with any accuracy the future price of a barrel of oil. If the Reference Price of a barrel of oil in 2005 or future years exceeds the applicable phase-out threshold for those years, the tax credits generated by our synthetic fuel facilities in those years could be reduced or eliminated and we could be required to reimburse our joint venture partner for excess earn-out payments and capital contributions received with respect to those years, which would have a negative impact on our financial statements.

## **BUSINESS AND OVERVIEW**

As expected, the favorable momentum that we saw building in 2004 has continued through the first half of 2005. Demand for our properties is strong in most markets around the world, although Europe remains a challenge as some economies continue to experience difficulties. The weak U.S. dollar continues to drive international travelers into the United States with New York, Washington, D.C., Florida and California particularly benefiting. Demand associated with business travel continues to improve and leisure demand remains strong. Demand is strong in most markets in the United States. Resorts in the Caribbean, Mexico, and the Middle East were also popular with vacationers from around the world, and demand in China remained strong. Comparable Revenue per Available Room ("RevPAR") for our worldwide systemwide properties increased 9.8 percent year-to-date versus the prior year, driven principally by rate increases, but also by occupancy improvements.

We currently have approximately 60,000 rooms in our development pipeline and expect to open a total of 25,000 to 30,000 rooms in 2005. During the first two quarters of 2005, over 29 percent of the rooms added to our system were conversions from competitor brands.

Our brands are strong because of our superior customer service with an emphasis on guest satisfaction, the location and quality of our products, the Marriott Rewards loyalty program, an information-rich and easy-to-use web site, and desired amenities including meeting and banquet facilities, fitness centers, award winning restaurants, and high speed and wireless internet access.

## CONSOLIDATED RESULTS

The following discussion presents an analysis of results of our operations for the twelve weeks ended June 17, 2005 compared to the twelve weeks ended June 18, 2004.

### Revenues

Revenues increased 11 percent to \$2,661 million in 2005 from \$2,402 million in 2004, primarily reflecting higher fees resulting from strong demand for hotel rooms reflected in year-over-year RevPAR increases driven primarily by rate increases as well as by occupancy improvement and unit expansion. Also favorably impacting revenue was higher financially reportable development revenue associated with our timeshare operations partially offset by lower synthetic fuel revenue associated with lower production.

Reflected in the 11 percent increase in total revenue is \$181 million of increased cost reimbursements revenue, to \$1,795 million in the 2005 second quarter from \$1,614 million in the year ago quarter. This revenue represents reimbursements of costs incurred on behalf of managed and franchised properties and relate, predominantly, to payroll costs at managed properties where we are the employer. As cost reimbursements revenue is paid to us based upon the costs incurred with no added mark-up, this revenue and related reimbursed costs expense have no impact on either our operating income or net income. The increase in reimbursed costs is primarily attributable to the growth in the number of properties we manage. We have added 71 managed properties (12,692 rooms) to our system since the end of the 2004 second quarter (including the Whitbread properties added in the 2005 second quarter as more fully described under the caption "Marriott and Whitbread Joint Venture" in the "Liquidity and Capital Resources" section which follows).

### Operating Income

Operating income decreased \$77 million to \$41 million in 2005 from \$118 million in 2004. The decrease is primarily due to \$157 million of increased general and administrative expenses, and \$6 million of increased synthetic fuel operating losses reflecting lower synthetic fuel revenue coupled with increased costs, offset to some extent by lower production. General, administrative and other expenses increased \$157 million in the second quarter of 2005 to \$284 million, primarily due to a \$94 million pre-tax charge impacting our Full-Service Lodging segment primarily due to the non-cash write-off of deferred contract acquisition costs associated with the termination of management agreements (discussed more fully below in "Liquidity and Capital Resources" under the heading "CTF Holdings Ltd.") and \$29 million of pre-tax expenses associated with our bedding incentive program impacting our Full-Service, Select-Service and Extended-Stay Lodging segments. We implemented the bedding incentive program in 2005 to ensure that guests could enjoy the comfort and luxury of our new bedding by year-end 2005. In 2005, we also recorded a \$12 million pre-tax charge for a cure payment associated with one property and a \$6 million pre-tax charge associated with guarantees, and we had increased overhead costs related to the Company's unit growth and development, all of which impacted general and administrative expenses. As our unallocated corporate general and administrative expenses were flat as compared to last year, the \$157 million increase over last year relates entirely to our Lodging segments. Partially offsetting these unfavorable items were a combined base, incentive and franchise fee improvement of \$39 million, \$30 million of stronger timeshare interval sales and services revenue net of direct expenses, and \$17 million of stronger owned, leased, corporate housing and other revenue net of direct expenses. The \$17 million increase includes our receipt of a \$10 million termination fee associated with one property which left our system.

## Gains and Other Income

The table below shows our gains and other income for the twelve weeks ended June 17, 2005 and June 18, 2004:

(\$ in millions)	Twelve Weeks Ended	
	June 17, 2005	June 18, 2004
Timeshare note sale gains	\$ 29	\$ 27
Other note sale/repayment gains	22	—
Synthetic fuel earn-out payments received, net	8	9
Gains on sales of real estate and other	4	12
	<u>\$ 63</u>	<u>\$ 48</u>

## Interest Expense

Interest expense decreased \$3 million (13 percent) to \$21 million primarily due to lower interest associated with the payoff, at maturity, in April 2005 of our Series D senior notes and higher capitalized interest primarily associated with timeshare projects under construction, partially offset by higher interest associated with the Marriott Rewards program.

## Interest Income, Provision for Loan Losses and Income Tax

Interest income decreased \$14 million (36 percent) to \$25 million, primarily reflecting the impact of loans repaid to us. Since year-end 2004, our notes receivable balance has declined by \$367 million, primarily reflecting loans repaid to us, including the Courtyard Joint Venture loan as described more fully under the “Courtyard Joint Venture” caption in the “Liquidity and Capital Resources” section later in this report. There were no loan loss provisions in the 2005 second quarter versus a \$3 million provision in the year ago quarter.

Income before income taxes and minority interest generated a tax benefit of \$20 million in the second quarter of 2005, compared to a tax provision of \$33 million in the second quarter of 2004. The difference is attributable to the impact of our synthetic fuel joint ventures, which generated a tax benefit and tax credits of \$68 million in 2005, compared to \$38 million in 2004, and \$23 million of lower taxes attributable to lower pre-tax income associated with our other activities. For additional information see the analysis of results of operations for the Synthetic Fuel segment for the twelve weeks ended June 17, 2005, compared to the twelve weeks ended June 18, 2004, later in this report.

## Minority Interest

Minority interest decreased from a \$14 million benefit in the second quarter of 2004 to a benefit of \$4 million in the second quarter of 2005, as a result of both lower production and our increased proportion of operating losses associated with the three synthetic fuel facilities that were under IRS review. For additional information see the analysis of results of operations for the Synthetic Fuel segment for the twelve weeks ended June 17, 2005, compared to the twelve weeks ended June 18, 2004, later in this report.

## Net Income

Net income decreased \$22 million (14 percent) to \$138 million in 2005, and diluted earnings per share decreased \$0.08 (12 percent) to \$0.59. The unfavorable variance to the year ago quarter was primarily driven by higher general and administrative expenses including, as described in the preceding “Operating Income” discussion, a \$94 million pre-tax charge primarily due to the non-cash write-off of deferred contract acquisition costs associated with the termination of management agreements, pre-tax expenses totaling \$29 million associated with our bedding incentive program, and a \$12 million pre-tax cure payment associated with one property, coupled with lower interest income. These unfavorable variances to the prior year were significantly offset by, among other items, higher fees associated with stronger demand, higher timeshare interval sales and services revenue net of direct expenses reflecting increased reportability levels and improved margins, higher gains reflecting the impact of loans repaid to us in 2005 before maturity, receipt of a termination fee associated with one property, stronger Synthetic Fuel segment results (including tax credits and earn-outs) and lower income taxes associated with our non-synthetic fuel activities, reflecting lower pre-tax income.

**Business Segments**

We are a diversified hospitality company with operations in five business segments:

- *Full-Service Lodging*, which includes Marriott Hotels & Resorts, The Ritz-Carlton, Renaissance Hotels & Resorts and Bulgari Hotels & Resorts;
- *Select-Service Lodging*, which includes Courtyard, Fairfield Inn and SpringHill Suites;
- *Extended-Stay Lodging*, which includes Residence Inn, TownePlace Suites, Marriott ExecuStay and Marriott Executive Apartments;
- *Timeshare*, which includes the development, marketing, operation and ownership of timeshare properties under the Marriott Vacation Club International, The Ritz-Carlton Club, Marriott Grand Residence Club and Horizons by Marriott Vacation Club International brands; and
- *Synthetic Fuel*, which includes our interest in the operation of coal-based synthetic fuel production facilities.

We evaluate the performance of our segments based primarily on the results of the segment without allocating corporate expenses, interest income, provision for loan losses, and interest expense. With the exception of the Synthetic Fuel segment, we do not allocate income taxes to our segments. As timeshare note sales are an integral part of the timeshare business we include timeshare note sale gains in our Timeshare segment results, and we allocate other gains as well as equity in earnings (losses) from our joint ventures and divisional general, administrative and other expenses to each of our segments.

We have aggregated the brands and businesses presented within each of our segments considering their similar economic characteristics, types of customers, distribution channels and the regulatory business environment of the brands and operations within each segment.

<b>Revenues</b>	<b>Twelve Weeks Ended</b>	
	<b>June 17, 2005</b>	<b>June 18, 2004</b>
<i>(\$ in millions)</i>		
Full-Service	\$ 1,751	\$ 1,548
Select-Service	293	264
Extended-Stay	136	129
Timeshare	383	350
<b>Total Lodging</b>	<b>2,563</b>	<b>2,291</b>
Synthetic Fuel	98	111
	<b>\$ 2,661</b>	<b>\$ 2,402</b>

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Net Income	Twelve Weeks Ended	
	June 17, 2005	June 18, 2004
<i>(\$ in millions)</i>		
Full-Service	\$ 30	\$ 113
Select-Service	48	39
Extended-Stay	13	18
Timeshare	80	51
<b>Total Lodging financial results</b>	<b>171</b>	<b>221</b>
Synthetic Fuel (after-tax)	44	31
Unallocated corporate expenses	(33)	(33)
Interest income, provision for loan losses and interest expense	4	12
Income taxes (excluding Synthetic Fuel)	(48)	(71)
	<b>\$ 138</b>	<b>\$ 160</b>

### Equity in Earnings (Losses) of Equity Method Investees

	Twelve Weeks Ended	
	June 17, 2005	June 18, 2004
<i>(\$ in millions)</i>		
Full-Service	\$ 6	\$ 2
Select-Service	1	—
Timeshare	(1)	(1)
Synthetic Fuel	—	—
Corporate	—	—
	<b>\$ 6</b>	<b>\$ 1</b>

### Marriott Lodging

We consider lodging revenues and lodging financial results to be meaningful indicators of our performance because they measure our growth in profitability as a lodging company and enable investors to compare the sales and results of our lodging operations to those of other lodging companies.

Lodging, which includes our Full-Service, Select-Service, Extended-Stay, and Timeshare segments, reported financial results of \$171 million in the second quarter of 2005, compared to \$221 million in the second quarter of 2004, and revenues of \$2,563 million in the second quarter of 2005, a 12 percent increase from revenues of \$2,291 million in the second quarter of 2004. The results as compared to the year ago quarter reflect a \$39 million increase (18 percent) in base, franchise and incentive fees, from \$214 million in the second quarter of 2004 to \$253 million in the second quarter of 2005, stronger Timeshare segment results, stronger owned, leased, corporate housing and other revenue, net of direct expenses, improved equity income and higher gains. The increase in base and franchise fees was driven by higher RevPAR for comparable rooms, resulting primarily from both domestic and international rate increases as well as from occupancy improvements, and new unit growth. Incentive management fees increased \$16 million (44 percent) during the quarter, reflecting the impact of increased travel worldwide driving strong property level profits. More than offsetting these improvements were \$157 million of increased general and administrative expenses as noted in the preceding "Operating Income" discussion.

We have added 136 properties (22,370 rooms) and deflagged 45 properties (7,067 rooms) since the end of the second quarter of 2004. Most of the deflagged properties were Fairfield Inns. In addition, 206 properties (27,647 rooms) exited our system as a result of the sale of our Ramada International Hotels & Resorts franchised brand in the fourth quarter of 2004.



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Systemwide RevPAR, which includes data from our franchised properties, in addition to our owned, leased and managed properties, for comparable North American properties increased 9.8 percent, and RevPAR for our comparable North American company-operated properties increased 10.0 percent. Systemwide RevPAR for comparable international properties increased 13.4 percent, and RevPAR for comparable international company-operated properties increased 12.2 percent. Worldwide RevPAR for comparable company-operated properties increased 10.5 percent while worldwide RevPAR for comparable systemwide properties increased 10.4 percent. In addition, worldwide company-operated property level house profit margins increased 170 basis points.

*Summary of Properties by Brand.* We opened 34 lodging properties (5,932 rooms) during the second quarter of 2005, while six hotels (946 rooms) exited the system, increasing our total properties to 2,676 (489,430 rooms). The table below shows properties by brand as of June 17, 2005 (excluding 1,817 rental units relating to Marriott ExecuStay):

Brand	Company-Operated		Franchised	
	Properties	Rooms	Properties	Rooms
<b>Full-Service Lodging</b>				
Marriott Hotels & Resorts	267	106,672	183	55,322
Marriott Conference Centers	14	3,577	—	—
JW Marriott Hotels & Resorts	31	14,408	4	1,205
The Ritz-Carlton	58	18,931	—	—
Renaissance Hotels & Resorts	92	34,300	44	13,829
Ramada International	4	724	—	—
Bulgari Hotel & Resort	1	58	—	—
<b>Select-Service Lodging</b>				
Courtyard	303	48,292	365	47,947
Fairfield Inn	2	855	513	46,542
SpringHill Suites	23	3,597	111	11,960
<b>Extended-Stay Lodging</b>				
Residence Inn	133	17,914	342	38,544
TownePlace Suites	34	3,661	84	8,274
Marriott Executive Apartments	15	2,710	1	99
<b>Timeshare</b>				
Marriott Vacation Club International	44	9,160	—	—
The Ritz-Carlton Club	4	273	—	—
Marriott Grand Residence Club	2	248	—	—
Horizons by Marriott Vacation Club International	2	328	—	—
<b>Total</b>	<b>1,029</b>	<b>265,708</b>	<b>1,647</b>	<b>223,722</b>

### Revenue per Available Room

We consider RevPAR to be a meaningful indicator of our performance because it measures the period-over-period change in room revenues for comparable properties. We calculate RevPAR by dividing room sales for comparable properties by room nights available to guests for the period. RevPAR may not be comparable to similarly titled measures, such as revenues.

The following table shows occupancy, average daily rate and RevPAR for each of our comparable principal established brands. We have not presented statistics for company-operated North American Fairfield Inn properties here because we operate only a limited number of properties, as the brand is predominantly franchised and such information would not be meaningful (identified as “nm” in the following table). Systemwide statistics include data from our franchised properties, in addition to our owned, leased and managed properties.

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For North American properties the occupancy, average daily rate and RevPAR statistics used throughout this report for the twelve weeks ended June 17, 2005, include the period from March 26, 2005 through June 17, 2005, while the twelve weeks ended June 18, 2004, include the period from March 27, 2004 through June 18, 2004 (except, in each case, for The Ritz-Carlton, which includes only March through May).

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	Comparable Company-Operated North American Properties			Comparable Systemwide North American Properties		
	Twelve Weeks Ended June 17, 2005	Change vs. 2004		Twelve Weeks Ended June 17, 2005	Change vs. 2004	
<b>Marriott Hotels &amp; Resorts <sup>(1)</sup></b>						
Occupancy	76.5%	1.3%	pts.	73.9%	1.4%	pts.
Average Daily Rate	\$ 156.77	7.9%		\$ 145.34	7.3%	
RevPAR	\$ 119.90	9.8%		\$ 107.36	9.4%	
<b>The Ritz-Carlton <sup>(2)</sup></b>						
Occupancy	74.5%	0.4%	pts.	74.5%	0.4%	pts.
Average Daily Rate	\$ 308.59	10.7%		\$ 308.59	10.7%	
RevPAR	\$ 229.89	11.3%		\$ 229.89	11.3%	
<b>Renaissance Hotels &amp; Resorts</b>						
Occupancy	74.2%	2.7%	pts.	73.4%	2.9%	pts.
Average Daily Rate	\$ 148.38	7.6%		\$ 139.54	7.6%	
RevPAR	\$ 110.14	11.7%		\$ 102.42	12.0%	
<b>Composite – Full-Service <sup>(3)</sup></b>						
Occupancy	75.9%	1.4%	pts.	73.8%	1.6%	pts.
Average Daily Rate	\$ 169.98	8.2%		\$ 155.31	7.7%	
RevPAR	\$ 129.06	10.3%		\$ 114.68	10.0%	
<b>Residence Inn</b>						
Occupancy	81.7%	0.4%	pts.	81.1%	0.5%	pts.
Average Daily Rate	\$ 108.45	7.1%		\$ 104.89	7.0%	
RevPAR	\$ 88.56	7.6%		\$ 85.05	7.6%	
<b>Courtyard</b>						
Occupancy	74.1%	-0.1%	pts.	75.4%	0.7%	pts.
Average Daily Rate	\$ 106.85	9.5%		\$ 106.09	8.1%	
RevPAR	\$ 79.14	9.4%		\$ 79.97	9.2%	
<b>Fairfield Inn</b>						
Occupancy	nm	nm		72.3%	2.1%	pts.
Average Daily Rate	nm	nm		\$ 74.26	8.6%	
RevPAR	nm	nm		\$ 53.72	11.8%	
<b>TownePlace Suites</b>						
Occupancy	77.8%	-0.3%	pts.	78.0%	-0.1%	pts.
Average Daily Rate	\$ 69.93	8.1%		\$ 71.89	10.5%	
RevPAR	\$ 54.41	7.6%		\$ 56.08	10.4%	
<b>SpringHill Suites</b>						
Occupancy	77.9%	4.8%	pts.	76.7%	3.6%	pts.
Average Daily Rate	\$ 95.54	10.1%		\$ 91.31	9.2%	
RevPAR	\$ 74.38	17.3%		\$ 70.00	14.6%	
<b>Composite – Select-Service &amp; Extended-Stay <sup>(4)</sup></b>						
Occupancy	76.6%	0.3%	pts.	76.4%	1.1%	pts.
Average Daily Rate	\$ 104.09	8.8%		\$ 96.19	7.9%	
RevPAR	\$ 79.76	9.2%		\$ 73.54	9.5%	
<b>Composite – All <sup>(5)</sup></b>						
Occupancy	76.2%	1.0%	pts.	75.3%	1.3%	pts.
Average Daily Rate	\$ 144.20	8.5%		\$ 120.96	7.9%	
RevPAR	\$ 109.88	10.0%		\$ 91.12	9.8%	

<sup>(1)</sup> Marriott Hotels & Resorts includes our JW Marriott Hotels & Resorts brand.

<sup>(2)</sup> Statistics for The Ritz-Carlton are for March through May.

<sup>(3)</sup> Full-Service composite statistics include properties for the Marriott Hotels & Resorts, Renaissance Hotels & Resorts and The Ritz-Carlton brands.

<sup>(4)</sup> Select-Service and Extended-Stay composite statistics include properties for the Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn and SpringHill Suites brands.

<sup>(5)</sup> Composite – All statistics include properties for the Marriott Hotels & Resorts, Renaissance Hotels & Resorts, The Ritz-Carlton, Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn and SpringHill Suites brands.

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Systemwide international statistics are based on comparable units, excluding North America. The following table shows occupancy, average daily rate and RevPAR for international properties by region/brand.

	Comparable Company-Operated International Properties <sup>(1), (2)</sup>			Comparable Systemwide International Properties <sup>(1), (2)</sup>		
	Three Months Ended May 31, 2005	Change vs. 2004		Three Months Ended May 31, 2005	Change vs. 2004	
<b>Caribbean &amp; Latin America</b>						
Occupancy	74.5%	2.6%	pts.	74.0%	3.0%	pts.
Average Daily Rate	\$ 155.67	10.9%		\$ 152.18	12.6%	
RevPAR	\$ 115.98	14.9%		\$ 112.67	17.4%	
<b>Continental Europe</b>						
Occupancy	70.2%	-1.1%	pts.	68.1%	0.6%	pts.
Average Daily Rate	\$ 144.10	1.7%		\$ 143.96	2.6%	
RevPAR	\$ 101.18	0.2%		\$ 97.99	3.4%	
<b>United Kingdom</b>						
Occupancy	76.6%	-0.5%	pts.	73.6%	-2.0%	pts.
Average Daily Rate	\$ 189.64	6.4%		\$ 171.43	6.6%	
RevPAR	\$ 145.21	5.6%		\$ 126.11	3.8%	
<b>Middle East &amp; Africa</b>						
Occupancy	80.2%	7.5%	pts.	77.8%	7.5%	pts.
Average Daily Rate	\$ 105.17	19.9%		\$ 104.25	18.6%	
RevPAR	\$ 84.37	32.3%		\$ 81.06	31.3%	
<b>Asia Pacific <sup>(3)</sup></b>						
Occupancy	76.7%	1.9%	pts.	77.5%	2.5%	pts.
Average Daily Rate	\$ 117.59	14.8%		\$ 119.35	14.3%	
RevPAR	\$ 90.14	17.7%		\$ 92.52	18.1%	
<b>The Ritz-Carlton International</b>						
Occupancy	75.6%	6.1%	pts.	75.6%	6.1%	pts.
Average Daily Rate	\$ 217.09	12.8%		\$ 217.09	12.8%	
RevPAR	\$ 164.08	22.6%		\$ 164.08	22.6%	
<b>Total Composite International <sup>(4)</sup></b>						
Occupancy	74.9%	1.8%	pts.	74.2%	2.4%	pts.
Average Daily Rate	\$ 142.50	9.5%		\$ 140.95	9.8%	
RevPAR	\$ 106.78	12.2%		\$ 104.53	13.4%	
<b>Total Worldwide <sup>(5)</sup></b>						
Occupancy	75.9%	1.2%	pts.	75.1%	1.5%	pts.
Average Daily Rate	\$ 143.76	8.8%		\$ 124.33	8.3%	
RevPAR	\$ 109.07	10.5%		\$ 93.41	10.4%	

<sup>(1)</sup> International financial results are reported on a period-end basis, while international statistics are reported on a month-end basis.

<sup>(2)</sup> The comparison to 2004 is on a currency-neutral basis and includes results for March through May. Excludes North America (except for Worldwide).

<sup>(3)</sup> Excludes Hawaii.

<sup>(4)</sup> Includes Hawaii.

<sup>(5)</sup> Includes international statistics for the three months ended May 31, 2005 and May 31, 2004, and North American statistics for the twelve weeks ended June 17, 2005 and June 18, 2004.

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	Twelve Weeks Ended		Change
	June 17, 2005	June 18, 2004	2005/2004
<b>Full-Service Lodging</b> (\$ in millions)			
Revenues	\$ 1,751	\$ 1,548	13%
Segment results	\$ 30	\$ 113	-73%

**Full-Service Lodging** includes our *Marriott Hotels & Resorts*, *The Ritz-Carlton*, *Renaissance Hotels & Resorts*, *Ramada International* and *Bulgari Hotels & Resorts* brands. Our second quarter 2005 segment results as compared to the prior year reflect a \$21 million increase in base management, incentive management and franchise fees, and \$16 million of other revenue which included a \$10 million termination fee associated with one property which left our system, more than offset by \$141 million of higher general and administrative costs. As noted in our preceding "Operating Income" discussion, during the 2005 second quarter we recorded a \$94 million pre-tax charge primarily due to the non-cash write-off of deferred contract acquisition costs associated with the termination of management agreements (discussed more fully below in "Liquidity and Capital Resources" under the heading "CTF Holdings Ltd."), and we incurred pre-tax expenses of \$18 million related to our bedding incentive program, both of which impacted our general and administrative expenses. We also recorded a \$12 million pre-tax charge for a cure payment associated with one property and a \$4 million pre-tax charge associated with a guarantee, both of which further impacted general and administrative expenses.

The increase in fees is largely due to stronger RevPAR, driven primarily by rate as well as by occupancy increases both favorably impacting property level house profits (above minimum thresholds), and to the growth in the number of rooms. Since the second quarter of 2004, across our Full-Service Lodging segment, we have added 29 hotels (8,763 rooms) and deflagged five hotels (2,127 rooms). In addition, 206 properties (27,647 rooms) exited our system as a result of the sale of our Ramada International Hotels & Resorts franchised brand in the fourth quarter of 2004. Owned and leased property results were favorable to the year ago quarter by \$4 million.

Further impacting segment results, gains were \$13 million higher than last year, and equity results were \$4 million higher than last year. The increase in gains is primarily attributable to the sale or repayment before maturity of loans receivable associated with three properties.

RevPAR for Full-Service Lodging comparable company-operated North American hotels increased 10.3 percent to \$129.06. Occupancy for these hotels increased to 75.9 percent, while average daily rates increased 8.2 percent to \$169.98.

Financial results for our international operations were strong across most regions, generating a 12.2 percent RevPAR increase for comparable company-operated hotels. Occupancy increased 1.8 percentage points, while average daily rates increased to \$142.50. Demand was strong in China, Mexico, the Caribbean, and Egypt, while the European markets generally continue to remain less robust.

	Twelve Weeks Ended		Change
	June 17, 2005	June 18, 2004	2005/2004
<b>Select-Service Lodging</b> (\$ in millions)			
Revenues	\$ 293	\$ 264	11%
Segment results	\$ 48	\$ 39	23%

**Select-Service Lodging** includes our *Courtyard*, *Fairfield Inn* and *SpringHill Suites* brands. The \$9 million increase in segment results reflects an \$11 million increase in base management, incentive management and franchise fees, \$6 million of higher gains, \$3 million of stronger owned and leased results, and essentially flat equity results, partially offset by \$11 million of higher general and administrative costs, which included \$7 million of pre-tax expenses related to our bedding incentive program. The increase in gains is primarily attributable to the early repayment to us of the loan we made to the Courtyard Joint Venture (see the discussion which follows in "Liquidity and Capital Resources" under the caption "Courtyard Joint Venture"). The increase in fees is largely due to higher RevPAR, driven primarily by rate increases as well as by occupancy improvements, both favorably impacting property level house profits (above minimum thresholds), and to the growth in the number of rooms. Across our Select-Service Lodging segment, we have added 72 hotels (8,921 rooms) and deflagged 39 hotels (4,860 rooms) since the second quarter of 2004.

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	Twelve Weeks Ended		Change
	June 17, 2005	June 18, 2004	2005/2004
<b>Extended-Stay Lodging</b> (\$ in millions)			
Revenues	\$ 136	\$ 129	5%
Segment results	\$ 13	\$ 18	-28%

**Extended-Stay Lodging** includes our *Residence Inn*, *TownePlace Suites*, *Marriott Executive Apartments*, and *Marriott ExecuStay* brands. Our base and incentive management fees were \$3 million higher than last year while our franchise fees, principally associated with our Residence Inn brand, increased \$2 million. The increase in franchise fees is largely due to higher RevPAR and the growth in the number of rooms. Since the second quarter of 2004, across our Extended-Stay Lodging segment, we have added 30 hotels (3,332 rooms) and deflagged one hotel (80 rooms). Corporate housing and other revenue, net of direct costs declined \$3 million compared to the year ago quarter primarily as a result of the shift towards franchising for our ExecuStay brand, and gains were \$4 million lower than the prior year. General and administrative costs were unfavorable to the prior year by \$2 million, primarily reflecting pre-tax expenses of \$4 million related to our bedding incentive program, partially offset by other lower general and administrative expenses including lower costs associated with ExecuStay's shift towards franchising.

RevPAR for Select-Service and Extended-Stay Lodging comparable company-operated North American hotels increased 9.2 percent to \$79.76. Occupancy for these hotels increased to 76.6 percent, while average daily rates increased 8.8 percent to \$104.09.

	Twelve Weeks Ended		Change
	June 17, 2005	June 18, 2004	2005/2004
<b>Timeshare</b> (\$ in millions)			
Revenues	\$ 383	\$ 350	9%
Segment results	\$ 80	\$ 51	57%

**Timeshare** includes our *Marriott Vacation Club International*, *The Ritz-Carlton Club*, *Marriott Grand Residence Club* and *Horizons by Marriott Vacation Club International* brands. Timeshare revenues of \$383 million in 2005 and \$350 million in 2004 include interval sales, base management fees, resort rental fees, and cost reimbursements. Timeshare contract sales, including sales made by our timeshare joint venture projects, which represent sales of timeshare intervals before adjustment for percentage of completion accounting, were essentially flat as compared to the year ago quarter reflecting limited available inventory at Ritz-Carlton projects compared to the year ago quarter. The favorable segment results versus the prior year reflect a 19 percent increase in timeshare interval sales and services revenue primarily reflecting higher financially reportable development revenue, higher margins primarily resulting from the mix of units sold, and higher financing income. The increase in financing income is primarily due to a higher average notes receivable portfolio balance in 2005 and a \$29 million gain in 2005 associated with our note sale versus a \$27 million gain in the prior year. Versus the prior year, general and administrative costs increased \$3 million.

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### Synthetic Fuel

For the twelve weeks ended June 17, 2005, the synthetic fuel operation generated revenue of \$98 million versus \$111 million of revenue for the twelve weeks ended June 18, 2004, primarily due to lower production. The \$13 million increase in synthetic fuel net income to \$44 million from \$31 million is primarily due to our increased proportion of tax credits associated with the three synthetic fuel facilities that were under IRS review.

The table below details the impact of our Synthetic Fuel segment on our tax benefit (provision) and net income:

	Twelve Weeks Ended June 17, 2005			Twelve Weeks Ended June 18, 2004		
	As Reported	Syn. Fuel Impact	Before Syn. Fuel	As Reported	Syn. Fuel Impact	Before Syn. Fuel
<i>(\$ in millions)</i>						
Operating income (loss)	\$ 41	\$ (36)	\$ 77	\$ 118	\$ (30)	\$ 148
Gains and other income	63	8	55	48	9	39
Interest income, provision for loan losses and interest expense	4	—	4	12	—	12
Equity in earnings	6	—	6	1	—	1
Income (loss) before income taxes and minority interest	114	(28)	142	179	(21)	200
Tax (provision) benefit	(39)	9	(48)	(68)	3	(71)
Tax credits	59	59	—	35	35	—
Total tax benefit (provision)	20	68	(48)	(33)	38	(71)
Income before minority interest	134	40	94	146	17	129
Minority interest	4	4	—	14	14	—
Net income	\$ 138	\$ 44	\$ 94	\$ 160	\$ 31	\$ 129

On April 29, 2005, we entered into an amendment agreement with our synthetic fuel partner. This amendment extended until June 30, 2005, the period in which our partner had the right to elect to have its approximately 50 percent ownership interest in the three synthetic fuel facilities that were subject to the IRS's placed-in-service challenge redeemed. Our joint venture partner had the right to have us redeem its ownership interest in those three facilities because the IRS's placed-in-service challenge remained outstanding as of March 31, 2005. Under the terms of the amendment, our partner was allocated 1 percent of the tax credits from those three facilities until May 31, 2005. Effective as of June 1, 2005, our partner's share of the tax credits from those three facilities has returned to approximately 50 percent.

In June 2005, we were notified that the IRS National Office issued a Technical Advice Memorandum confirming that the three synthetic fuel facilities that were under IRS review meet the placed-in-service requirement under Section 29 of the Internal Revenue Code.

On June 30, 2005, we entered into another amendment agreement with our synthetic fuel partner. This amendment gives our partner the right to elect to have us redeem its approximately 50 percent ownership interest in the three synthetic fuel facilities owned by Synthetic American Fuel Enterprises II, LLC on November 30, 2005, or December 31, 2005.

## **Impact of Future Adoption of Accounting Standards**

### *Statement of Position 04-2, "Accounting for Real Estate Time-sharing Transactions"*

In December 2004, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 04-2, "Accounting for Real Estate Time-sharing Transactions," and the FASB amended FAS No. 66, "Accounting for Sales of Real Estate," and FAS No. 67 "Accounting for Costs and Initial Rental Operations of Real Estate Projects," to exclude accounting for real estate time-sharing transactions from these statements. The SOP will be effective for fiscal years beginning after June 15, 2005.

Under the SOP, the majority of the costs incurred to sell timeshares will be charged to expense when incurred. In regards to notes receivable issued in conjunction with a sale, an estimate of uncollectibility that is expected to occur must be recorded as a reduction of revenue at the time that profit is recognized on a timeshare sale. Rental and other operations during holding periods must be accounted for as incidental operations, which require that any excess costs be recorded as a reduction of inventory costs.

We estimate that the initial adoption of the SOP, which will be reported as a cumulative effect of a change in accounting principle in our fiscal year 2006 financial statements, will result in a one-time non-cash pre-tax charge of approximately \$150 million to \$175 million, consisting primarily of the write-off of deferred selling costs and establishing the required reserve on notes. We estimate that the ongoing impact of adoption will be immaterial.

### *FAS No. 123 (revised 2004), "Share-Based Payment"*

In December 2004, the FASB issued FAS No. 123 (revised 2004), "Share-Based Payment" ("FAS No. 123R"), which is a revision of FAS No. 123, "Accounting for Stock-Based Compensation." FAS No. 123R supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends FAS No. 95, "Statement of Cash Flows." Registrants were initially required to adopt FAS No. 123R as of the beginning of the first interim period that begins after June 15, 2005. On April 14, 2005, during our 2005 second quarter, the Securities and Exchange Commission adopted a new rule that allows companies to implement FAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period that begins after June 15, 2005. We will adopt FAS No. 123R at the beginning of our 2006 fiscal year. We estimate the adoption of FAS No. 123R, using the modified prospective method, will result in incremental pre-tax expense in fiscal year 2006 of approximately \$25 million, based on our current share-based payment compensation plans.



## CONSOLIDATED RESULTS

The following discussion presents an analysis of results of our operations for the twenty-four weeks ended June 17, 2005 compared to the twenty-four weeks ended June 18, 2004.

### Revenues

Revenues increased 12 percent to \$5,195 million in 2005 from \$4,654 million in 2004, primarily reflecting higher fees resulting from strong demand for hotel rooms reflected in year-over-year RevPAR increases driven primarily by rate increases as well as by occupancy improvement and unit expansion. Also favorably impacting revenue were higher financially reportable development revenue associated with our timeshare operations and the accounting impact associated with the consolidation of our synthetic fuel operations from the start of the 2004 second quarter versus accounting for the synthetic fuel operations using the equity method of accounting in the 2004 first quarter.

Reflected in the 12 percent increase in total revenue is \$278 million of increased cost reimbursements revenue, to \$3,477 million in the first half of 2005 from \$3,199 million in the prior year. This revenue represents reimbursements of costs incurred on behalf of managed and franchised properties and relate, predominantly, to payroll costs at managed properties where we are the employer. As cost reimbursements revenue is paid to us based upon the costs incurred with no added mark-up, this revenue and related reimbursed costs expense have no impact on either our operating income or net income. The increase in reimbursed costs is primarily attributable to the growth in the number of properties we manage. We have added 71 managed properties (12,692 rooms) to our system since the end of the 2004 second quarter (including the Whitbread properties added in the 2005 second quarter as more fully described under the caption "Marriott and Whitbread Joint Venture" in the "Liquidity and Capital Resources" section later in this report).

### Operating Income

Operating income decreased \$70 million to \$199 million in 2005 from \$269 million in 2004. The decrease versus the prior year is primarily due to \$149 million of increased general and administrative expenses and \$51 million of increased synthetic fuel operating losses. Operating income for 2005 includes a synthetic fuel operating loss of \$81 million versus \$30 million of operating losses in the prior year, reflecting increased costs, and the accounting impact associated with the consolidation of our synthetic fuel operations from the start of the 2004 second quarter versus accounting for the synthetic fuel operations using the equity method of accounting in the 2004 first quarter, offset to some extent by lower production. For additional information, see our "Synthetic Fuel" segment discussion later in this report.

The \$149 million of increased general and administrative expenses is comprised of an increase of \$153 million of expenses across our Lodging segments, partially offset by \$4 million of lower unallocated corporate expenses. The increase associated with the general, administrative and other expenses reflects a \$94 million pre-tax charge in the second quarter of 2005, impacting our Full-Service Lodging segment primarily due to the non-cash write-off of deferred contract acquisition costs associated with the termination of management agreements (discussed more fully below in "Liquidity and Capital Resources" under the heading "CTF Holdings Ltd.") and \$29 million of pre-tax expenses in the second quarter of 2005 associated with our bedding incentive program, impacting our Full-Service, Select-Service and Extended-Stay Lodging segments. We implemented the bedding incentive program in 2005 to ensure that guests could enjoy the comfort and luxury of our new bedding by year-end 2005.

Additionally impacting general and administrative expenses in 2005, we recorded pre-tax cure payments of \$15 million associated with two properties and a \$6 million pre-tax charge associated with two guarantees, and we had increased overhead costs related to the Company's unit growth and development, partially offset by lower litigation expenses. Partially offsetting these unfavorable items were a combined base, incentive and franchise fee improvement of \$77 million, \$38 million of stronger timeshare interval sales and services revenue net of direct expenses and \$15 million of stronger owned, leased, corporate housing and other revenue net of direct expenses. The \$15 million increase includes our receipt of a \$10 million termination fee associated with one property which left our system.

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### Gains and Other Income

The table below shows our gains and other income for the twenty-four weeks ended June 17, 2005 and June 18, 2004:

(\$ in millions)	Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004
Timeshare note sale gains	\$ 29	\$ 27
Other note sale/repayment gains	22	—
Synthetic fuel earn-out payments (made) received, net	(1)	9
Gains on sales of real estate and other	8	16
	<u>\$ 58</u>	<u>\$ 52</u>

### Interest Expense

Interest expense decreased \$1 million (2 percent) to \$45 million primarily due to lower interest expense associated with the payoff, at maturity, in April 2005 of our Series D senior notes and higher capitalized interest primarily associated with timeshare projects under construction, partially offset by higher interest expense associated with the Marriott Rewards program.

### Interest Income, Provision for Loan Losses and Income Tax

Interest income decreased \$13 million (20 percent) to \$52 million, primarily reflecting the impact of loans repaid to us. Since year-end 2004, our notes receivable balance has declined \$367 million, primarily reflecting loans repaid to us, including the Courtyard Joint Venture loan as described more fully under the “Courtyard Joint Venture” caption in the “Liquidity and Capital Resources” section later in this report. Our provision for loan losses increased \$11 million versus the prior year reflecting an \$11 million charge in the current year associated with one property.

Income before income taxes and minority interest generated a tax benefit of \$15 million in the first half of 2005, compared to a tax provision of \$51 million in the first half of 2004. The difference is attributable to the impact of our synthetic fuel joint ventures, which generated a tax benefit and tax credits of \$130 million in 2005, compared to \$77 million in 2004, and \$13 million of lower taxes attributable to lower pre-tax income in 2005 associated with our other activities. For additional information see the analysis of results of operations for the Synthetic Fuel segment for the twenty-four weeks ended June 17, 2005, compared to the twenty-four weeks ended June 18, 2004, later in this report.

### Minority Interest

Minority interest remained flat at a \$14 million benefit in the first half of 2005. Minority interest for 2005 reflects our partner’s share of the synthetic fuel operating losses for the first half of 2005 while minority interest for 2004, reflects our partner’s share of the operating losses for only the second quarter of 2004. For the 2004 first quarter, we accounted for the synthetic fuel operations using the equity method of accounting. For additional information see the analysis of results of operations for the Synthetic Fuel segment for the twenty-four weeks ended June 17, 2005, compared to the twenty-four weeks ended June 18, 2004, later in this report.

### Net Income

Net income increased \$9 million (3 percent) to \$283 million in 2005, and diluted earnings per share increased \$0.05 (4 percent) to \$1.19. The favorable variance to the prior year was primarily driven by higher fees associated with strong demand, higher timeshare interval sales and services revenue net of direct expenses reflecting increased reportability levels and improved margins, higher gains reflecting the impact of loans repaid to us in 2005 before maturity, receipt of a termination fee associated with one property, stronger Synthetic Fuel segment results (including tax credits and earn-outs) and lower taxes associated with our non-

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synthetic fuel activities reflecting lower pre-tax income. Significantly offsetting these favorable variances to the prior year were, among other items, higher general and administrative expenses including, as described in the preceding "Operating Income" discussion, a \$94 million pre-tax charge primarily due to the non-cash write-off of deferred contract acquisition costs associated with the termination of management agreements, pre-tax expenses totaling \$29 million associated with our bedding incentive program, and pre-tax cure payments of \$15 million associated with two properties, coupled with both lower interest income and higher loan loss provisions.

### Business Segments

We evaluate the performance of our segments based primarily on the results of the segment without allocating corporate expenses, interest income, provision for loan losses, and interest expense. With the exception of the Synthetic Fuel segment, we do not allocate income taxes to our segments. As timeshare note sales are an integral part of the timeshare business we include timeshare note sale gains in our Timeshare segment results, and we allocate other gains as well as equity in earnings (losses) from our joint ventures and divisional general, administrative and other expenses to each of our segments.

<b>Revenues</b>	<b>Twenty-Four Weeks Ended</b>	
	<b>June 17, 2005</b>	<b>June 18, 2004</b>
<i>(\$ in millions)</i>		
Full-Service	\$ 3,380	\$ 3,053
Select-Service	565	511
Extended-Stay	262	244
Timeshare	782	735
<b>Total Lodging</b>	<b>4,989</b>	<b>4,543</b>
Synthetic Fuel	206	111
	<b>\$ 5,195</b>	<b>\$ 4,654</b>

  

<b>Net Income</b>	<b>Twenty-Four Weeks Ended</b>	
	<b>June 17, 2005</b>	<b>June 18, 2004</b>
<i>(\$ in millions)</i>		
Full-Service	\$ 146	\$ 213
Select-Service	81	62
Extended-Stay	29	28
Timeshare	143	101
<b>Total Lodging financial results</b>	<b>399</b>	<b>404</b>
Synthetic Fuel (after-tax)	62	42
Unallocated corporate expenses	(59)	(63)
Interest income, provision for loan losses and interest expense	(4)	19
Income taxes (excluding Synthetic Fuel)	(115)	(128)
	<b>\$ 283</b>	<b>\$ 274</b>

Equity in Earnings (Losses) of Equity Method Investees	Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004
(\$ in millions)		
Full-Service	\$ 8	\$ 8
Select-Service	(4)	(6)
Timeshare	(3)	(4)
Synthetic Fuel	—	(28)
Corporate	—	1
	\$ 1	\$ (29)

### Marriott Lodging

We consider lodging revenues and lodging financial results to be meaningful indicators of our performance because they measure our growth in profitability as a lodging company and enable investors to compare the sales and results of our lodging operations to those of other lodging companies.

Lodging, which includes our Full-Service, Select-Service, Extended-Stay, and Timeshare segments, reported financial results of \$399 million in the first half of 2005, compared to \$404 million in the first half of 2004, and revenues of \$4,989 million in the first half of 2005, a 10 percent increase from revenues of \$4,543 million in the first half of 2004. The results as compared to the prior year reflect a \$77 million increase (19 percent) in base, franchise and incentive fees, from \$407 million in the first half of 2004 to \$484 million in the first half of 2005, stronger Timeshare segment results, stronger owned, leased, corporate housing and other revenue, net of direct expenses, improved equity income and higher gains. The increase in base and franchise fees was driven by higher RevPAR for comparable rooms, resulting primarily from both domestic and international rate increases as well as by occupancy improvements and new unit growth. Increased general and administrative expenses of \$153 million, as discussed in the preceding "Operating Income" discussion, more than offset these improvements.

We have added 136 properties (22,370 rooms) and deflagged 45 properties (7,067 rooms) since the end of the second quarter of 2004. Most of the deflagged properties were Fairfield Inns. In addition, 206 properties (27,647 rooms) exited our system as a result of the sale of our Ramada International Hotels & Resorts franchised brand in the fourth quarter of 2004.

Systemwide RevPAR, which includes data from our franchised properties, in addition to our owned, leased and managed properties, for comparable North American properties increased 9.2 percent, and RevPAR for our comparable North American company-operated properties increased 9.1 percent. Systemwide RevPAR for comparable international properties increased 13.1 percent, and RevPAR for comparable international company-operated properties increased 13.2 percent. Incentive management fees increased \$33 million (48 percent) during the first two quarters, reflecting the impact of increased travel worldwide driving strong property level profits. The increase also reflects recognition in the 2005 first quarter of \$8 million of incentive fees that were calculated based on prior period earnings, but not earned and due until the 2005 first quarter. Worldwide RevPAR for comparable company-operated properties increased 10.0 percent while worldwide RevPAR for comparable systemwide properties increased 9.8 percent. In addition, worldwide company-operated property level house profit margins increased 150 basis points.

### Revenue per Available Room

The following table shows occupancy, average daily rate and RevPAR for each of our comparable principal established brands. We have not presented statistics for company-operated North American Fairfield Inn properties here because we operate only a limited number of properties, as the brand is predominantly franchised and such information would not be meaningful (identified as "nm" in the following table). Systemwide statistics include data from our franchised properties, in addition to our owned, leased and managed properties.

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For North American properties the occupancy, average daily rate and RevPAR statistics used throughout this report for the twenty-four weeks ended June 17, 2005, include the period from January 1, 2005 through June 17, 2005, while the twenty-four weeks ended June 18, 2004, include the period from January 3, 2004 through June 18, 2004 (except, in each case, for The Ritz-Carlton, which includes only January through May).

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	Comparable Company- Operated North American Properties			Comparable Systemwide North American Properties		
	Twenty-Four Weeks Ended June 17, 2005	Change vs. 2004		Twenty-Four Weeks Ended June 17, 2005	Change vs. 2004	
<b>Marriott Hotels &amp; Resorts <sup>(1)</sup></b>						
Occupancy	73.1%	0.7%	pts.	71.0%	0.9%	pts.
Average Daily Rate	\$ 156.20	7.0%		\$ 145.19	6.5%	
RevPAR	\$ 114.22	8.0%		\$ 103.15	7.9%	
<b>The Ritz-Carlton <sup>(2)</sup></b>						
Occupancy	71.7%	0.4%	pts.	71.7%	0.4%	pts.
Average Daily Rate	\$ 309.36	11.8%		\$ 309.36	11.8%	
RevPAR	\$ 221.86	12.4%		\$ 221.86	12.4%	
<b>Renaissance Hotels &amp; Resorts</b>						
Occupancy	71.8%	2.9%	pts.	70.6%	2.7%	pts.
Average Daily Rate	\$ 147.37	6.6%		\$ 139.29	7.0%	
RevPAR	\$ 105.80	11.1%		\$ 98.38	11.3%	
<b>Composite – Full-Service <sup>(3)</sup></b>						
Occupancy	72.8%	1.0%	pts.	71.0%	1.2%	pts.
Average Daily Rate	\$ 167.07	7.5%		\$ 153.39	7.0%	
RevPAR	\$ 121.62	9.0%		\$ 108.93	8.8%	
<b>Residence Inn</b>						
Occupancy	79.2%	1.5%	pts.	78.5%	1.2%	pts.
Average Daily Rate	\$ 107.08	6.6%		\$ 104.11	6.6%	
RevPAR	\$ 84.76	8.7%		\$ 81.75	8.3%	
<b>Courtyard</b>						
Occupancy	71.1%	-0.5%	pts.	72.0%	0.5%	pts.
Average Daily Rate	\$ 106.70	9.8%		\$ 105.27	8.1%	
RevPAR	\$ 75.82	9.1%		\$ 75.78	8.9%	
<b>Fairfield Inn</b>						
Occupancy	nm	nm		68.1%	1.9%	pts.
Average Daily Rate	nm	nm		\$ 73.36	8.3%	
RevPAR	nm	nm		\$ 49.93	11.4%	
<b>TownePlace Suites</b>						
Occupancy	74.1%	-0.3%	pts.	74.5%	0.7%	pts.
Average Daily Rate	\$ 69.24	7.6%		\$ 71.48	10.0%	
RevPAR	\$ 51.31	7.1%		\$ 53.27	11.0%	
<b>SpringHill Suites</b>						
Occupancy	74.3%	5.9%	pts.	73.4%	3.7%	pts.
Average Daily Rate	\$ 94.81	10.3%		\$ 90.99	9.1%	
RevPAR	\$ 70.43	19.8%		\$ 66.77	14.9%	
<b>Composite – Select-Service &amp; Extended-Stay <sup>(4)</sup></b>						
Occupancy	73.7%	0.5%	pts.	73.1%	1.2%	pts.
Average Daily Rate	\$ 103.57	8.7%		\$ 95.52	7.7%	
RevPAR	\$ 76.32	9.5%		\$ 69.81	9.5%	
<b>Composite – All <sup>(5)</sup></b>						
Occupancy	73.1%	0.8%	pts.	72.2%	1.2%	pts.
Average Daily Rate	\$ 141.91	7.9%		\$ 119.63	7.3%	
RevPAR	\$ 103.80	9.1%		\$ 86.39	9.2%	

<sup>(1)</sup> Marriott Hotels & Resorts includes our JW Marriott Hotels & Resorts brand.

<sup>(2)</sup> Statistics for The Ritz-Carlton are for January through May.

<sup>(3)</sup> Full-Service composite statistics include properties for the Marriott Hotels & Resorts, Renaissance Hotels & Resorts and The Ritz-Carlton brands.

<sup>(4)</sup> Select-Service and Extended-Stay composite statistics include properties for the Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn and SpringHill Suites brands.

<sup>(5)</sup> Composite – All statistics include properties for the Marriott Hotels & Resorts, Renaissance Hotels & Resorts, The Ritz-Carlton, Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn and SpringHill Suites brands.

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Systemwide international statistics are based on comparable units, excluding North America. The following table shows occupancy, average daily rate and RevPAR for international properties by region/brand.

	Comparable Company-Operated International Properties <sup>(1), (2)</sup>			Comparable Systemwide International Properties <sup>(1), (2)</sup>		
	Five Months Ended May 31, 2005	Change vs. 2004		Five Months Ended May 31, 2005	Change vs. 2004	
<b>Caribbean &amp; Latin America</b>						
Occupancy	75.7%	4.2%	pts.	73.2%	3.0%	pts.
Average Daily Rate	\$ 161.19	9.7%		\$ 155.45	10.4%	
RevPAR	\$ 122.04	16.2%		\$ 113.74	15.1%	
<b>Continental Europe</b>						
Occupancy	65.8%	0.2%	pts.	63.7%	1.0%	pts.
Average Daily Rate	\$ 142.55	2.2%		\$ 141.70	3.2%	
RevPAR	\$ 93.80	2.5%		\$ 90.26	4.8%	
<b>United Kingdom</b>						
Occupancy	74.0%	-0.9%	pts.	68.9%	-3.0%	pts.
Average Daily Rate	\$ 187.49	6.2%		\$ 169.81	6.3%	
RevPAR	\$ 138.77	4.8%		\$ 117.04	1.8%	
<b>Middle East &amp; Africa</b>						
Occupancy	78.4%	7.8%	pts.	76.0%	7.6%	pts.
Average Daily Rate	\$ 107.24	17.9%		\$ 106.15	16.9%	
RevPAR	\$ 84.03	30.9%		\$ 80.69	30.0%	
<b>Asia Pacific <sup>(3)</sup></b>						
Occupancy	74.7%	2.1%	pts.	75.4%	2.6%	pts.
Average Daily Rate	\$ 113.12	14.0%		\$ 115.47	12.8%	
RevPAR	\$ 84.51	17.3%		\$ 87.05	16.7%	
<b>The Ritz-Carlton International</b>						
Occupancy	74.0%	7.6%	pts.	74.0%	7.6%	pts.
Average Daily Rate	\$ 216.42	12.9%		\$ 216.42	12.9%	
RevPAR	\$ 160.26	25.8%		\$ 160.26	25.8%	
<b>Total Composite International <sup>(4)</sup></b>						
Occupancy	72.9%	2.5%	pts.	71.6%	2.5%	pts.
Average Daily Rate	\$ 141.50	9.3%		\$ 139.45	9.2%	
RevPAR	\$ 103.13	13.2%		\$ 99.83	13.1%	
<b>Total Worldwide <sup>(5)</sup></b>						
Occupancy	73.1%	1.2%	pts.	72.1%	1.4%	pts.
Average Daily Rate	\$ 141.82	8.2%		\$ 122.51	7.7%	
RevPAR	\$ 103.65	10.0%		\$ 88.35	9.8%	

<sup>(1)</sup> International financial results are reported on a period-end basis, while international statistics are reported on a month-end basis.

<sup>(2)</sup> The comparison to 2004 is on a currency-neutral basis and includes results for January through May. Excludes North America (except for Worldwide).

<sup>(3)</sup> Excludes Hawaii.

<sup>(4)</sup> Includes Hawaii.

<sup>(5)</sup> Includes international statistics for the five months ended May 31, 2005 and May 31, 2004, and North American statistics for the twenty-four weeks ended June 17, 2005 and June 18, 2004.

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	Twenty-Four Weeks Ended		Change
	June 17, 2005	June 18, 2004	2005/2004
<b>Full-Service Lodging</b> (\$ in millions)			
Revenues	\$ 3,380	\$ 3,053	11%
Segment results	\$ 146	\$ 213	-31%

**Full-Service Lodging** includes our *Marriott Hotels & Resorts*, *The Ritz-Carlton*, *Renaissance Hotels & Resorts*, *Ramada International* and *Bulgari Hotels & Resorts* brands. Our 2005 segment results reflect a \$46 million increase in base management, incentive management and franchise fees, and \$21 million of other revenue which included a \$10 million termination fee associated with one property which left our system, more than offset by \$148 million of higher general and administrative costs. As noted in the preceding "Operating Income" discussion, during the 2005 second quarter we recorded a \$94 million pre-tax charge primarily due to the non-cash write-off of deferred contract acquisition costs associated with the termination of management agreements and we incurred pre-tax expenses of \$18 million related to our bedding incentive program, both of which impacted our general and administrative expenses. We also recorded pre-tax cure payments of \$15 million associated with two properties and a \$4 million pre-tax charge associated with a guarantee, which further impacted general and administrative expenses.

The increase in fees is largely due to stronger RevPAR, driven primarily by rate as well as by occupancy increases favorably impacting property level house profits (above minimum thresholds), the growth in the number of rooms and the recognition in the 2005 first quarter of \$8 million of incentive fees that were calculated based on prior period earnings, but not earned and due until the 2005 first quarter. Since the second quarter of 2004, across our Full-Service Lodging segment, we have added 29 hotels (8,763 rooms) and deflagged five hotels (2,127 rooms). In addition, 206 properties (27,647 rooms) exited our system as a result of the sale of our Ramada International Hotels & Resorts franchised brand in the fourth quarter of 2004. Owned and leased property results were favorable to the year ago quarter by \$3 million and reflected improved property performance, partially offset by \$6 million of severance payments and other costs associated with the temporary closing of a property undergoing renovation in Ireland.

Further impacting segment results, gains were \$12 million higher than last year, while equity results were flat. On April 1, 2004, Cendant Corporation exercised its option to redeem our interest in the Two Flags joint venture, which owned the trademarks and licenses for the Ramada and Days Inn lodging brands in the United States. In the first half of 2004, our equity earnings included \$6 million attributable to our interest in the Two Flags joint venture. The increase in gains is primarily attributable to the sale or repayment before maturity of loans receivable associated with three properties.

RevPAR for Full-Service Lodging comparable company-operated North American hotels increased 9.0 percent to \$121.62. Occupancy for these hotels increased to 72.8 percent, while average daily rates increased 7.5 percent to \$167.07.

Financial results for our international operations were strong across most regions, generating a 13.2 percent RevPAR increase for comparable company-operated hotels. Occupancy increased 2.5 percentage points, while average daily rates increased to \$141.50. We experienced strong demand particularly in China, Mexico, the Caribbean and Egypt, while the European markets generally remain less robust.



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	Twenty-Four Weeks Ended		Change
	June 17, 2005	June 18, 2004	2005/2004
<b>Select-Service Lodging</b> (\$ in millions)			
Revenues	\$ 565	\$ 511	11%
Segment results	\$ 81	\$ 62	31%

**Select-Service Lodging** includes our *Courtyard*, *Fairfield Inn* and *SpringHill Suites* brands. The \$19 million increase in segment results reflects an \$18 million increase in base management, incentive management and franchise fees, \$6 million of stronger owned and leased results, \$4 million of higher gains, and a \$2 million increase in equity results, partially offset by \$7 million of higher pre-tax general and administrative costs associated with our bedding incentive program. The increase in gains is primarily attributable to the repayment, before maturity, to us of the loan we made to the Courtyard Joint Venture (see the discussion which follows in "Liquidity and Capital Resources" under the caption "Courtyard Joint Venture"). The increase in fees is largely due to higher RevPAR, driven primarily by rate increases as well as by occupancy improvements, favorably impacting property level house profits (above minimum thresholds), and to the growth in the number of rooms. Across our Select-Service Lodging segment, we have added 72 hotels (8,921 rooms) and deflagged 39 hotels (4,860 rooms) since the second quarter of 2004.

	Twenty-Four Weeks Ended		Change
	June 17, 2005	June 18, 2004	2005/2004
<b>Extended-Stay Lodging</b> (\$ in millions)			
Revenues	\$ 262	\$ 244	7%
Segment results	\$ 29	\$ 28	4%

**Extended-Stay Lodging** includes our *Residence Inn*, *TownePlace Suites*, *Marriott Executive Apartments*, and *Marriott ExecuStay* brands. Our base and incentive management fees were \$6 million higher than last year while our franchise fees, principally associated with our Residence Inn brand, increased \$4 million. The increase in franchise fees is largely due to higher RevPAR and the growth in the number of rooms. Since the second quarter of 2004, across our Extended-Stay Lodging segment, we have added 30 hotels (3,332 rooms) and deflagged one hotel (80 rooms). Corporate housing and other revenue, net of direct costs declined \$6 million compared to a year ago primarily as a result of the shift towards franchising for our ExecuStay brand and gains were \$4 million lower than last year. General and administrative costs were favorable to the prior year by \$4 million, primarily reflecting pre-tax expenses in 2005 of \$4 million related to our bedding incentive program, more than offset by lower other general and administrative costs, including lower costs associated with ExecuStay's shift towards franchising.

RevPAR for Select-Service and Extended-Stay Lodging comparable company-operated North American hotels increased 9.5 percent to \$76.32. Occupancy for these hotels increased to 73.7 percent, while average daily rates increased 8.7 percent to \$103.57.

	Twenty-Four Weeks Ended		Change
	June 17, 2005	June 18, 2004	2005/2004
<b>Timeshare</b> (\$ in millions)			
Revenues	\$ 782	\$ 735	6%
Segment results	\$ 143	\$ 101	42%

**Timeshare** includes our *Marriott Vacation Club International*, *The Ritz-Carlton Club*, *Marriott Grand Residence Club* and *Horizons by Marriott Vacation Club International* brands. Timeshare revenues of \$782 million in 2005 and \$735 million in 2004 include interval sales, base management fees, resort rental fees, and cost reimbursements. Timeshare contract sales, including sales made by our timeshare joint venture projects, which represent sales of timeshare intervals before adjustment for percentage of completion accounting, were down 3 percent as compared to last year reflecting limited available inventory at Ritz-Carlton projects in the current year versus strong Ritz-Carlton contract sales in the year ago period. The favorable segment results versus the prior year reflect a 14 percent increase in timeshare interval sales and services revenue primarily reflecting higher financially reportable development revenue, higher margins primarily resulting from the mix of units sold, \$4 million of higher gains associated with land sales and our note sale, higher services income, relatively flat joint venture results and \$3 million of increased general and administrative expenses. The increase in financing income is primarily due to a higher average notes receivable portfolio balance in 2005 and a note sale gain of \$29 million in 2005 versus \$27 million in the prior year.

## **Synthetic Fuel**

For the twenty-four weeks ended June 17, 2005, the synthetic fuel operation generated revenue of \$206 million versus revenue of \$111 million for the twenty-four weeks ended June 18, 2004, primarily due to the accounting impact associated with the consolidation of our synthetic fuel operations from the start of the 2004 second quarter versus accounting for the synthetic fuel operations using the equity method of accounting in the 2004 first quarter.

We adopted Financial Accounting Standards Board (“FASB”) Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities,” (“FIN 46(R)”) on the last day of the 2004 first quarter. As a result of adopting FIN 46(R), we consolidated the synthetic fuel operations. Accordingly, as we accounted for the synthetic fuel operations using the equity method of accounting throughout the 2004 first quarter, there was no revenue or operating income impact, whereas there was both a revenue and an operating income impact in the first quarter of 2005.

The \$20 million increase in synthetic fuel net income to \$62 million from \$42 million is primarily due to our increased proportion of tax credits associated with the three synthetic fuel facilities that were under IRS review, and equity losses in 2004 versus none in 2005, partially offset by our decreased proportion of tax credits associated with the facility that was not under IRS review and lower gains and other income in 2005 reflecting lower earn-out payments received from our partner. In addition, higher operating losses reflect the impact of FIN 46(R) as noted above and cost increases, offset to some extent by lower production.

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The table below details the impact of our Synthetic Fuel segment on our tax benefit (provision) and net income:

	Twenty-Four Weeks Ended June 17, 2005			Twenty-Four Weeks Ended June 18, 2004		
	As Reported	Syn. Fuel Impact	Before Syn. Fuel	As Reported	Syn. Fuel Impact	Before Syn. Fuel
<i>(\$ in millions)</i>						
Operating income (loss)	\$ 199	\$ (81)	\$ 280	\$ 269	\$ (30)	\$ 299
Gains and other income (expense)	58	(1)	59	52	9	43
Interest income, provision for loan losses and interest expense	(4)	—	(4)	19	—	19
Equity in earnings (losses)	1	—	1	(29)	(28)	(1)
Income (loss) before income taxes and minority interest	254	(82)	336	311	(49)	360
Tax (provision) benefit	(91)	24	(115)	(115)	13	(128)
Synthetic fuel tax credits	106	106	—	64	64	—
Total tax benefit (provision)	15	130	(115)	(51)	77	(128)
Income before minority interest	269	48	221	260	28	232
Minority interest	14	14	—	14	14	—
Net income	\$ 283	\$ 62	\$ 221	\$ 274	\$ 42	\$ 232

For additional information see the preceding analysis of results of operations for the Synthetic Fuel segment for the twelve weeks ended June 17, 2005, compared to the twelve weeks ended June 18, 2004.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Requirements and our Credit Facilities

We are party to a multicurrency revolving credit agreement that provides for aggregate borrowings of \$2 billion expiring in 2010, which supports our commercial paper program and letters of credit. This facility became effective on June 6, 2005, replacing two multicurrency credit agreements in the same aggregate amount which would otherwise have expired in 2006. As with the facilities it replaced, borrowings under this new facility bear interest at LIBOR plus a spread based on our public debt rating. With the exception of the 2010 expiration date, the material terms of the new credit agreement are the same as those of the replaced agreements.

At June 17, 2005, we had no loans outstanding under the facility. At June 17, 2005, our cash balances combined with our available borrowing capacity under the credit facility amounted to \$2.4 billion. We consider these resources, together with cash we expect to generate from operations, adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, meet debt service and fulfill other cash requirements, including repayment of our Series B senior notes totaling \$200 million which mature on November 15, 2005.

Cash and equivalents totaled \$471 million at June 17, 2005, a decrease of \$299 million from year-end 2004, reflecting activity for the twenty-four weeks ended June 17, 2005 including: purchases of treasury stock (\$753 million); equity and cost method investments (\$210 million) including, as described below, the "Marriott and Whitbread Joint Venture;" capital expenditures (\$133 million); dividend payments (\$38 million) and other cash outflows net of other cash inflows (\$55 million). Partially offsetting these cash outflows were cash inflows associated with the following: loan collections and sales net of advances (\$417 million) including the loan associated with the Courtyard Joint Venture as described below; strong operations (\$333 million); common stock issuances (\$87 million); and debt issuances net of debt repayments (\$53 million).

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While our timeshare business generates strong operating cash flow, the timing of both cash outlays for the acquisition and development of new resorts and cash received from purchaser financing affects quarterly amounts. We include timeshare interval sales we finance in cash from operations when we collect cash payments or the notes are sold for cash. The following table shows the net operating activity from our timeshare business (which excludes the portion of net income from our timeshare business):

	Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004
<i>(\$ in millions)</i>		
Timeshare development, less cost of sales	\$ 52	\$ 6
New timeshare mortgages, net of collections	(192)	(160)
Loan repurchases	(10)	(8)
Note sale gains	(29)	(27)
Note sale proceeds	176	141
Financially reportable sales (in excess of) lower than closed sales	(48)	29
Collection on retained interests in notes sold and servicing fees	37	62
Other cash inflows	26	49
Net cash inflows from timeshare activity	\$ 12	\$ 92

### Asset Securitizations and Other

In June 2005, we sold \$196 million of notes receivable generated by our timeshare business in connection with the sale of timeshare intervals. In conjunction with the sale, we received net proceeds of \$176 million, retained residual interests of \$50 million, and recorded a gain of \$29 million. We used the following key assumptions to measure the fair value of the residual interests: discount rate of 8.15 percent; expected annual prepayments, including defaults, of 19.16 percent; expected weighted average life of prepayable notes receivable, excluding prepayments and defaults, of 72 months; and expected weighted average life of prepayable notes receivable, including prepayments and defaults, of 37 months. Our key assumptions are based on experience.

In the second quarter of 2005 we also sold one lodging note for cash proceeds of \$34 million. In addition, including the mezzanine loan associated with the Courtyard Joint Venture (described more fully below under the caption "Courtyard Joint Venture"), \$367 million of notes receivable due to us have been repaid since year-end 2004.

### Debt

In the first half of 2005, debt increased by \$107 million, due to the second quarter 2005 issuance of \$348 million (book value) of Series F senior notes (described more fully below) and other debt increases of \$34 million, partially offset by the maturity in April 2005 of \$275 million of Series D senior notes.

On June 9, 2005, we entered into a Terms Agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated and other Underwriters to sell \$350 million aggregate principal amount of 4<sup>5</sup>/<sub>8</sub> percent Series F Notes due 2012 (the "Notes"). The offering of the Notes closed on June 14, 2005. We received net proceeds of approximately \$346 million from this offering, after deducting a discount and underwriting fees, and we used these proceeds to repay commercial paper borrowings and for general corporate purposes.

Interest on the Notes will be paid on June 15 and December 15 of each year, commencing on December 15, 2005. The Notes will mature on June 15, 2012, and are redeemable, in whole or in part, at any time and from time to time under the terms provided in the Form of Note. The Notes were issued under an indenture with JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank), as trustee, dated as of November 16, 1998.

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### **Share Repurchases**

We purchased 12.3 million shares of our Class A Common Stock during the twenty-four weeks ended June 17, 2005, at an average price of \$63.86 per share.

### **Courtyard Joint Venture**

During the 2005 second quarter, Sarofim Realty Advisors (“Sarofim”), on behalf of an institutional investor, completed the acquisition of a 75 percent interest in the Courtyard Joint Venture, and we signed new long-term management agreements with the joint venture. The transaction will result in an accelerating pace of reinventions and upgrades at the joint venture’s hotels.

Prior to Sarofim’s acquisition, we and Host Marriott owned equal shares in the 120-property joint venture. With the addition of the new equity, our interest in the joint venture has declined to approximately 21 percent and Host Marriott’s interest declined to less than 4 percent. As part of the completed transaction, our mezzanine loan to the joint venture (including accrued interest) totaling approximately \$269 million was repaid. We are making available to the joint venture a seven year subordinated loan of up to \$129 million, primarily to fund renovation costs in 2005 and 2006 for the remaining hotels in the portfolio. No fundings have yet occurred.

### **Marriott and Whitbread Joint Venture**

We announced in the first quarter of 2005 that we had signed an agreement with Whitbread PLC (“Whitbread”) to establish a 50/50 joint venture to acquire Whitbread’s portfolio of 46 franchised Marriott and Renaissance hotels of over 8,000 rooms, and for us to take over management of the entire portfolio of hotels upon the transfer of the hotels to the new joint venture. Closing occurred in the 2005 second quarter.

Whitbread sold its interest in the 46 hotels to the joint venture for approximately £995 million. Whitbread received approximately £710 million in cash (including £620 million from senior debt proceeds) and 50 percent of the preferred and ordinary shares of the joint venture and non-voting deferred consideration shares valued at £285 million. We contributed approximately £90 million (\$171 million) in the second quarter of 2005 for the remaining 50 percent of the preferred and ordinary shares of the joint venture. As the joint venture sells the hotels, our interest in the joint venture will be redeemed. The joint venture expects to sell properties to investors over the next two years subject to long-term management agreements with us.

### **CTF Holdings Ltd. (“CTF”)**

During the 2005 second quarter, we signed a purchase and sale agreement with CTF to purchase 32 properties (in each case through a purchase of real estate, a purchase of the entity that owned the hotel, or an assignment of CTF’s leasehold rights) and certain joint venture interests from CTF for an aggregate price of \$1,452 million. At that time, all of the properties were operated by us or our subsidiaries and included 29 Renaissance Hotels & Resorts brand properties and three Courtyard brand properties. The agreement permitted us to designate substitute purchasers at closing. Sunstone Hotel Investors, Inc. (“Sunstone”), Walton Street Capital, L.L.C. (“Walton Street”), and Tarsadia Hotels (“Tarsadia”) signed separate agreements with us to be substitute purchasers and acquire 15 hotels and certain joint venture interests from CTF for approximately \$1 billion at the transaction’s closing. Sunstone agreed to purchase five hotels and one joint venture interest for \$419 million, Walton Street agreed to purchase eight hotels for \$578 million, and Tarsadia agreed to purchase two hotels for \$29 million. Walton Street and Sunstone also agreed to invest a combined \$68 million to further upgrade the 13 hotels they were acquiring and enter into new long-term management agreements with us.

The Walton Street, Sunstone, and Tarsadia closings took place on June 23, 2005, after the end of our second quarter. We continue to manage the hotels purchased by Walton Street and Sunstone under long-term agreements. The two hotels purchased by Tarsadia are being operated under short-term management and franchise agreements.

We also completed the purchase of 12 hotels from CTF, on June 23, 2005, for an aggregate price of \$374 million and are currently discussing the sale of a number of these hotels with potential purchasers. Our purchase of the five remaining hotels and a joint venture interest, which represent \$52 million of the previously announced total purchase price was postponed pending receipt of certain third-party consents. We expect to close on those remaining hotels before the end of the year. We plan to sell 11 of the hotels we purchase in this transaction to third-party owners. The remaining six hotels are operated under leases, five of which expire by 2012.

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We and CTF also exchanged legal releases effective as of the closing date, and the litigation and arbitration between the two companies is now dismissed, including litigation and arbitration involving CTF and its affiliates described under Footnote No. 6, "Contingencies."

On the closing date we and CTF also modified management agreements on 29 other CTF-leased hotels, 28 located in Europe and one hotel located in the United States. We became secondarily liable for annual rent payments for certain of these hotels when we acquired the Renaissance Hotel Group N.V. in 1997. We will continue to manage 16 of these hotels under new long-term management agreements. CTF has placed approximately \$89 million in trust accounts to cover possible shortfalls in cash flow necessary to meet rent payments under these leases. In turn, we released CTF affiliates from their guarantees in connection with these leases. Our third quarter financial statements will reflect us as lessee on these hotels with minimum annual payments of approximately \$48 million.

For the remaining 13 European leased hotels, CTF may terminate management agreements with us as CTF obtains releases from landlords of our back-up guarantees. Pending completion of the CTF-landlord agreements, we continue to manage these hotels under modified management agreements and remain secondarily liable under certain of these leases. CTF has made available €35 million in cash collateral in the event that we are required to fund under such guarantees. As CTF obtains releases from the landlords and these hotels exit the system, our contingent liabilities will decline.

We also continue to manage three hotels in the United Kingdom under amended management agreements with CTF-affiliated companies and continue to manage 14 properties in Asia on behalf of New World Development Company Limited and its affiliates. CTF's principals are officers, directors and stockholders of New World Development Company Limited. The owners of the UK and Asian hotels have agreed to invest \$17 million to renovate those properties.

In the 2005 second quarter we recorded a \$94 million pre-tax charge primarily due to the non-cash write-off of deferred contract acquisition costs associated with the expected termination of the existing management agreements. As described above, we entered into new long-term management agreements with CTF, Walton Street and Sunstone at the closing of the transactions, and we expect that the hotels we acquired will also be sold subject to long-term management agreements.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in our Annual Report on Form 10-K for fiscal year 2004. Since the date of that Form 10-K, there have been no material changes to our critical accounting policies or the methodologies or assumptions we apply under them.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our exposure to market risk has not materially changed since December 31, 2004.

**Item 4. Controls and Procedures**

*Disclosure Controls and Procedures*

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), and management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. You should note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based upon the foregoing evaluation, our Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

*Internal Control Over Financial Reporting*

During the second quarter of 2005, we began the phased implementation of an enterprise-wide general ledger and financial reporting system, which will be implemented across all business units over the next several quarters. The implementation is being performed in the ordinary course of business to improve efficiency through the use of a single common application platform with more current technology.

There have been no other changes in internal control over financial reporting that occurred during the first two quarters that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II - OTHER INFORMATION****Item 1. Legal Proceedings**

The legal proceedings and claims described under the heading captioned "Contingencies" in Note 6 of the Notes to Condensed Consolidated Financial Statements set forth in Part I, Item 1 of this Quarterly Report are hereby incorporated by reference. We also refer you to the discussion of The Ritz-Carlton Bali Resort and Spa litigation on page 16 of our 2004 Annual Report on Form 10-K. From time to time, we are also subject to certain legal proceedings and claims in the ordinary course of business. We currently are not aware of any such legal proceedings or claims that we believe will have, individually or in aggregate, a material adverse effect on our business, financial condition, or operating results.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****(a) Unregistered Sale of Securities**

None.

**(b) Use of Proceeds**

None.

**(c) Issuer Purchases of Equity Securities**

(in millions, except per share amounts)

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup></u>	<u>Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup></u>
March 26, 2005 – April 22, 2005	1.4	\$ 64.91	1.4	12.0
April 23, 2005 – May 20, 2005	4.7	62.30	4.7	7.3
May 21, 2005 – June 17, 2005	1.0	68.39	1.0	6.3

<sup>(1)</sup> On April 30, 2004, we announced that our Board of Directors increased by 20 million shares, the authorization to repurchase our common stock for a total outstanding authorization of approximately 25 million shares on that date. That authorization is ongoing and does not have an expiration date. We repurchase shares in the open-market and in privately negotiated transactions.

**Item 3. Defaults Upon Senior Securities**

None.



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### **Item 4. Submission of Matters to a Vote of Security Holders**

We held our Annual Meeting of Shareholders on May 6, 2005. The shareholders (1) re-elected directors J.W. Marriott, Jr., Debra L. Lee, George Muñoz and William J. Shaw; (2) ratified the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2005; (3) approved an increase of five million shares of the Company's Class A Common Stock authorized for issuance under the Company's 2002 Comprehensive Stock and Cash Incentive Plan; (4) approved a shareholder proposal to declassify the Board of Directors and establish annual election of all directors; and (5) defeated a shareholder proposal to require election of directors by a majority of votes cast at an Annual Meeting.

The following table sets forth the votes cast with respect to each of these matters:

<u>MATTER</u>	<u>FOR</u>	<u>AGAINST</u>	<u>WITHHELD</u>	<u>ABSTAIN</u>
Re-election of J.W. Marriott, Jr.	1,836,579,250	—	55,783,580	—
Re-election of Debra L. Lee	1,861,361,240	—	31,001,590	—
Re-election of George Muñoz	1,865,045,590	—	27,317,240	—
Re-election of William J. Shaw	1,796,457,710	—	95,905,120	—
Ratification of appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2005	1,871,966,840	11,962,670	—	8,433,320
Approval of an increase of five million shares of the Company's Class A Common Stock authorized for issuance under the Company's 2002 Comprehensive Stock and Cash Incentive Plan	880,297,170	760,676,140	—	16,389,550
Shareholder proposal to declassify the Board of Directors and establish annual election of all directors	914,915,160	720,816,800	—	21,630,900
Shareholder proposal to require election of directors by a majority of votes cast at an Annual Meeting	639,150,050	995,014,380	—	23,198,430

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)</u>
4.1	Form of 4.625% Series F Note due 2012.	Exhibit No. 4.2 to our Form 8-K dated June 9, 2005.
10.1	Deferred compensation grant for J.W. Marriott, Jr.	Our Form 8-K dated May 5, 2005.
10.2	Purchase and Sale Agreement with CTF Holdings Ltd., dated as of April 27, 2005.	<i>Filed with this report.</i>
10.3	Purchase and Sale Agreement with WSRH Holdings, LLC, dated as of April 27, 2005.	<i>Filed with this report.</i>
10.4	Purchase and Sale Agreement with Sunstone Hotel Investors, Inc., dated as of April 27, 2005.	<i>Filed with this report.</i>

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<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)</u>
10.5	Third Amendment Agreement regarding Synthetic American Fuel Enterprises I, LLC, dated as of April 28, 2005.	<i>Filed with this report.</i>
10.6	Fourth Amendment Agreement regarding Synthetic American Fuel Enterprises II, LLC, dated as of April 29, 2005.	<i>Filed with this report.</i>
10.7	\$2.0 billion Credit Agreement dated as of June 3, 2005, with Citibank, N.A. as Administrative Agent and certain banks.	Exhibit No. 10 to our Form 8-K dated June 3, 2005.
12	Statement of Computation of Ratio of Earnings to Fixed Charges.	<i>Filed with this report.</i>
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).	<i>Filed with this report.</i>
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).	<i>Filed with this report.</i>
32	Section 1350 Certifications.	<i>Furnished with this report.</i>

**SIGNATURES**

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

MARRIOTT INTERNATIONAL, INC.

22<sup>nd</sup> day of July, 2005

/s/ Arne M. Sorenson

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Arne M. Sorenson  
Executive Vice President and  
Chief Financial Officer

/s/ Carl T. Berquist

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Carl T. Berquist  
Executive Vice President, Financial  
Information and Enterprise Risk Management and  
Principal Accounting Officer

**PURCHASE AND SALE AGREEMENT**

**between**

**CTF HOLDINGS LTD.**

**AND CERTAIN OF ITS SUBSIDIARIES,**

**as the Seller**

**and**

**MARRIOTT INTERNATIONAL, INC.,**

**as the Buyer**

**Dated as of April 27, 2005**

Execution Copy

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Execution Copy

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## EXHIBITS

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Exhibit D	Excluded German Hotel Master Agreement
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Exhibit H	Renaissance Heathrow Hotel Amended and Restated Management Agreement
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Exhibit K-2	Form of Chancery Court Guarantee
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## PURCHASE AND SALE AGREEMENT

PURCHASE AND SALE AGREEMENT, dated as of April 27, 2005 (this "Agreement"), between CTF Holdings Ltd., a British Virgin Islands company ("CTF"), the Selling Entities (together with CTF, the "Seller"), and Marriott International, Inc., a Delaware corporation, on behalf of itself and its Subsidiaries (the "Buyer").

### RECITALS

WHEREAS, the Seller owns interests in certain hotels in the United States, Canada, the Caribbean, Europe, and Australia which are currently operated and managed by the Buyer under the Marriott, Renaissance, Courtyard or Ramada brands;

WHEREAS, the Seller wishes to transfer all of the Seller's interests in 33 hotels to the Buyer, through (i) the sale of the land, improvements and personal property comprising 12 of such hotels or, at the Buyer's option, the sale of equity interests in entities that have interests in such hotels, (ii) the assignment of the leasehold interest in six (6) hotels, (iii) the sale of equity interests in entities that have interests in 14 hotels, or, at the Buyer's option, the assignment of leasehold interests in three (3) of those hotels, and (iv) the assignment of the management agreement in one hotel, and the Buyer wishes to acquire such interests;

WHEREAS, the Seller and the Buyer wish to alter their relationship with respect to 34 other hotels owned by the Seller and managed by the Buyer by executing certain agreements in the form attached as exhibits hereto;

WHEREAS, the parties intend that the Seller shall sell to the Buyer, and the Buyer shall acquire from the Seller, all of the Seller's equity interests in the Minority Owned Entities; and

WHEREAS, in connection with the transactions contemplated herein, it is the Seller's and the Buyer's intention to end all their pending disputes and to release each other from any and all existing claims arising from the management of all hotels, to terminate certain existing agreements and enter into certain other agreements which shall govern their future relationship.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties agree as follows:

### ARTICLE 1 DEFINITIONS

Section 1.1 Certain Defined Terms. For purposes of this Agreement:

"1995 Agreement" means the Agreement, dated as of the 29th of August, 1995 by and among (i) New World Development Company Limited, (ii) Chow Tai Fook Enterprises Ltd., (iii) Hotel Property Investments (B.V.I.) Ltd. and its wholly-owned subsidiary Hotel Property Investments, Inc., and Renaissance Hotel Group N.V.

Execution Copy

“Accounting Firm” means BDO Seidman, LLP, or such other accounting firm as the parties shall agree.

“Accounting Period” means (i) in respect of any Hotel located in North America, the four (4) week accounting periods having the same beginning and ending dates as the Buyer’s four (4) week accounting periods, except that an Accounting Period may occasionally contain five (5) weeks when necessary to conform the Buyer’s accounting system to the calendar and (ii) in respect of any Hotel located outside North America, the calendar month.

“Affiliate,” with respect to any specified Person, means any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

“Ancillary Agreements” means the agreements listed on Schedule 1.1(a) and any other Closing instruments or other transfer documents necessary or desirable to effectuate the transactions contemplated hereby, including those required under the Laws of any local jurisdiction, and all other agreements, documents and instruments required to be delivered by any party pursuant to this Agreement, and any other agreements, documents or instruments entered into, at or prior to Closing in connection with this Agreement or the transactions contemplated hereby.

“Bonds” means the bonds in the aggregate original principal amount of \$400 million issued by Paragon under the Indenture.

“Business Day” means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

“Buyer Material Adverse Effect” means any event, change, circumstance, effect or state of facts that is materially adverse to the ability of the Buyer to perform its obligations under this Agreement or the Ancillary Agreements to which it will be a party or to consummate the transactions contemplated hereby or thereby.

“Buyer’s Accounting Practices” means the primary accounting treatment (including the implicit contractual interpretations underlying such treatment) that Buyer has given a particular issue on the books and records of the Hotels, notwithstanding any objection that the Seller has previously raised to such practices. For avoidance of doubt, “Buyer’s Accounting Practices” shall not include the rights or position that Seller has reserved or asserted, but rather only the accounting treatment actually implemented by the Buyer on the books and records of the Hotels.

“Buyer’s Closing Deliveries” means the Ancillary Agreements and the other documents to be delivered at Closing by the Buyer as set forth in Schedule 9.4.

“Capital Expenditures” means any expenditure for property, plant, fixtures and furnishings and equipment located at a Hotel, as determined to be a capital expenditure under GAAP and the Uniform System of Accounts.

“Closing Interest Rate” means 3 month Libor (as quoted by Bloomberg Service for 3-month Libor or on any successor or substitute page of such service reasonably satisfactory to the parties at approximately 10:00 a.m., New York City time on any date of determination) plus 150 basis points, calculated on the basis of a 365 day calendar year.

“Code” means the Internal Revenue Code of 1986, as amended through the date hereof, and any Treasury Regulations promulgated thereunder.

“Commercially Reasonable Efforts” means the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to achieve such result expeditiously and on commercially reasonable terms, without the expenditure of funds; provided, however, that in connection with its assumption of the following Leasehold Interests, the Buyer’s obligations are:

(a) *Renaissance Chicago Hotel*: to provide a party to become the assignee which meets the financial requirements for acceptance by the landlord as set forth in the lease;

(b) *Renaissance Atlanta Hotel Downtown, Renaissance Oakbrook Hotel, Renaissance PineIsle Resort and Golf Club*: to provide an Affiliate of the Buyer to become the assignee, and if required by the landlord, supported by the credit of the Buyer;

(c) *Renaissance Cleveland Hotel*: to provide a party to become the assignee that has reasonably sufficient net assets to satisfy its obligations under the lease and otherwise satisfying the criteria set forth on Schedule 9.2(b); and

(d) *Renaissance Vinoy Resort and Golf Club*: to provide a party to become the assignee to the satisfaction of the landlord, consistent with the terms of the applicable Lease.

“Consent” means any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

“Contract” means any legally binding written or oral agreement, contract, subcontract, lease, understanding, option, warranty, purchase order, license, sublicense, insurance policy or commitment or undertaking of any nature related to any Hotel or Hotel Interest.

“control,” including the terms “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, as general partner or managing member, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

“Dealer-Manager” means Credit Suisse First Boston LLC or such other nationally recognized financial advisor as shall be appointed the dealer-manager by Paragon for the Offer and Solicitation.

“Debt” means any debts for borrowed money (including any interest, fees and penalties incurred in connection therewith) outstanding of any Target or that is secured by a lien on any Hotel Interest.

“Düsseldorf Debt” means the amount outstanding (including any interest, fees and penalties incurred in connection therewith) pursuant to the loan in the original principal amount of DM 20 million in favor of Euro Hyp (successor to Deutsche Hyp Deutsche Hypothekenbank Frankfurt-Hamburg AG), dated October 4/December 10, 1985, as amended.

“Emergency Capital Expenditures” means those major repairs and replacements to the property, plant, equipment and fixtures of a Hotel, other than those repairs and replacements identified on the property condition reports that are listed on Schedule 2.6(c), which (a) result from an acute failure of any such property, plant, equipment or fixtures that are necessary to the Hotel’s continued operation, or are necessary to prevent injury to its guests, invitees or employees or (b) are required to resolve citations from a Governmental Authority for failure to comply with applicable Law (each, an “Emergency Event”).

“Employee Benefit Plan” means an “employee benefit plan” as such term is defined in Section 3(3) of ERISA or any other employee benefit plan, program or arrangement, including any pension, profit sharing, 401(k), deferred compensation, retirement, bonus, incentive, stock option, stock appreciation right, stock purchase or restricted stock plan, severance or “golden parachute” arrangement, or any other compensation, perquisite, welfare or fringe benefit plan, program or arrangement providing for benefits for, or for the welfare of, any or all of the current or former employees, leased employees, independent contractors, officers, directors, managers, managing members, members, trustees or partners of any of the Targets or the beneficiaries of such persons.

“Encumbrance” means any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, infringement, interference, option, right of first refusal, right of first offer, preemptive right or community property interest (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset); provided, however, that the term Encumbrance shall not be deemed to include (a) Liens for current Property Taxes not yet due and payable or that are being contested in good faith, in each case, and for which adequate accruals have been established on the books of the Selling Entity or Target, as applicable, (b) Liens for assessments or other governmental charges established by statute, regulation, ordinance or other Law, or Liens of landlords, carriers, warehousemen, mechanics or materialmen securing obligations incurred in the Seller’s Ordinary Course of Business that are not yet due and payable or due but not delinquent or being contested in good faith, (c) Liens incurred in the Seller’s Ordinary Course of Business in connection with workers’ compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases,

government contracts, performance and return of money bonds and similar obligations, (d) purchase money or similar security interests granted in connection with the purchase or capital or operating lease of equipment or supplies used in the operations of a Hotel, and (e) Permitted Encumbrances.

“Environmental Law” means any Law applicable to a Target or in connection with the operation of a Hotel that relates to or otherwise imposes liability or standards of conduct concerning the prevention and control of air, water and ground pollution or otherwise relating to the manufacture, processing, generation, distribution, use, treatment, storage, disposal, cleanup, transport or handling of pollutants.

“Equity Interests” means all the Seller’s stock, membership units, partnership interest and other equity interests, as applicable, of a Target.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any corporation or other entity which is treated as a single employer with any of the Targets pursuant to the provisions of section 414(b), (c), (m) or (o) of the Code.

“Financed Hotels” means those 15 Hotels listed on Schedule 4.1(a).

“GAAP” means United States generally accepted accounting principles as in effect on the date hereof.

“GMAC Debt” means the amount outstanding (including any interest, fees and penalties incurred in connection therewith) pursuant to the loan in the original principal amount of \$12 million issued by GMAC Commercial Mortgage Corporation under the Loan Agreement dated February 10, 1998 to HPI Orlando, Inc. and secured by a mortgage on the Renaissance Orlando Hotel-Airport.

“Governmental Authority” means any United States or non-United States federal, national, supranational, state, provincial, local or similar government, governmental, regulatory or administrative authority, branch, agency or commission or any court, tribunal, or arbitral or judicial body.

“Governmental Authorization” means any: (a) permit, license, certificate, franchise, permission, variance, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any applicable Law; or (b) right under any Contract with any Governmental Authority.

“Hotel” means each hotel identified on Schedules 2.1(a)-(d) to be transferred pursuant to this Agreement.

“Hotel Interests” means the Fee Properties, Leasehold Properties and Equity Interests being transferred in accordance with this Agreement and the Ancillary Agreements.

“Hotel Management Agreements” means: (i) the Master Management Agreement dated August 5, 1993, between CTF Hotel Holdings, Inc. and Renaissance Hotel Operating Company, (the “CTF Master Agreement”), (ii) the HPI Master Management Agreement dated as of June 30, 1995 between Renaissance Hotel Group N.V. and Hotel Property Investments (B.V.I.) Ltd. (the “HPI Master Agreement”), (iii) the Agreement dated April 23, 1999 by and among Marriott International, Inc., Renaissance Hotel Operating Company, Renaissance Hotel Group N.V., CTF Hotel Holdings, Inc., and Hotel Property Investments (B.V.I.), Ltd. (the “1999 Agreement”) and (iv) the Hotel-specific agreements set forth on Schedules 2.1(a)-(c).

“Hotel Working Capital” means the items of Working Capital derived from the records maintained by the Buyer as manager of the Hotels.

“Indenture” means the Indenture and Servicing Agreement among Paragon, the Trustee, and others dated October 28, 2003, relating to the issuance of Series 2003-CTF bonds in the original principal amount of \$400 million.

“Intellectual Property” means all proprietary rights of every kind and nature, including copyrights, trademarks, tradenames, all applications for any of the foregoing, and any license or agreements granting rights related to the foregoing that relate to the business being conducted on each Hotel property, to the extent of such Seller’s right, title and interest therein, other than any software licenses used by the Targets or Selling Entities in the corporate offices of the Seller.

“Intercompany Debt” means any debts outstanding of any Target to CTF or any of its Affiliates. For the avoidance of doubt, Intercompany Debt does not include the Orlando ODL Note or the Orlando Mortgage Note.

“Interest Holder” means any Target or, with respect to the Hotels being transferred pursuant to the Fee Sale or the Lease Agreement and Sale, any Selling Entity that conveys a Hotel Interest at the Closing.

“IRS” means the Internal Revenue Service of the United States.

“Law” means any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or order of any Governmental Authority.

“Leased Real Property” means the real property leased by a Selling Entity or Target, in each case, as tenant, together with, to the extent so leased, the Hotel and all other structures, facilities or improvements currently or hereafter located therein or thereon, and all easements, licenses, rights and appurtenances relating to the foregoing.

“Leasehold Interest” means the leasehold interest created under the applicable Leases for the Leased Real Property.

“Leases” means the leases identified on Schedules 2.1(b) and (c).

“Legal Proceeding” means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Authority or any arbitrator or arbitration panel.

“Lien” shall mean a charge against or interest in property to secure payment of a debt or performance of a liability, whether granted voluntarily or involuntarily, including without limitation, any security interest, pledge, mortgage or charge, except for any charge against or interest to secure any purchase money obligation or any operating or capital leases of personal property.

“Management Fees” means all fees and incentive fees, if any, due the Buyer under the Hotel Management Agreements, but expressly excluding Reimbursables.

“Material Contract” means (a) any Contract that (i) involves an annual expense to an Interest Holder of more than \$100,000 (or more than \$100,000 on an annualized basis) or (ii) is not terminable upon 90 days notice or less with damages or penalties of such termination not exceeding \$10,000, other than (A) those Contracts to which Buyer is a party, (B) those Contracts entered into or administered by the Buyer on behalf of the Seller, (C) the Leases and (D) the Debt and (b) any Contract between an Interest Holder and an Affiliate of the Seller other than those identified on Schedule 5.10.

“Minority Owned Entities” means THA I, LLC, a District of Columbia limited liability company, THA II, LLC, a District of Columbia limited liability company, and Inn on the Square Associates, an Ohio limited partnership. For the avoidance of doubt, the Minority Owned Entities are not Targets.

“Miscellaneous Operating Supplies” means items in unopened packages in the following categories: (i) linen; (ii) china, glass, & silver; (iii) miscellaneous serving equipment; (iv) uniforms; and (v) guest supplies. The value of Miscellaneous Operating Supplies for the Hotels shall be conclusively established as (1) the total of the amounts set forth on Schedule 1.1(b)(i), less (2) the amounts set forth thereon with respect to any Hotels not transferred by the Seller at the Closing, plus (3) the amount, if any, by which (a) the expense for Miscellaneous Operating Supplies incurred in the aggregate at the Hotels transferred by the Seller at Closing, from January 1, 2005 to the Effective Date (excluding the Canadian \$41,000 prior-year adjustment booked in the Buyer’s Fourth Accounting Period, 2005, at the Vancouver Renaissance Hotel), exceeds (b) the total of the amounts set forth on Schedule 1.1(b)(ii) with respect to such transferred Hotels (with the amounts set forth on Schedule 1.1(b)(ii) to be pro rated with respect to Hotels located in the United States and Canada if the Effective Date is other than June 17, 2005, and with respect to all other Hotels if the Effective Date is other than June 30, 2005, based in either case on the number of actual days elapsed from January 1, 2005).

“Notes” means the Restated Note and the New Note, collectively, as such terms are defined in the Restated Credit Agreement.

“Order” means any: (a) order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, subpoena, writ or award issued, made, entered, rendered or otherwise put into effect by or under the authority of any



court, administrative agency or other Governmental Authority or any arbitrator or arbitration panel; or (b) Contract with any Governmental Authority entered into in connection with any Legal Proceeding.

“Ordinary Course of Business” means such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person.

“Organizational Documents” mean: (a) if a corporation, the articles or certificate of incorporation and the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles of organization and operating agreement; (e) any other charter or similar document adopted or filed in connection with the creation, formation or organization of such entity; (f) the minutes of each meeting or written consents of the board of directors or other governing body, any committee of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders (g) all equity holders’ agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of such entity, or relating to the rights, duties and obligations of the equity holders of such entity; and (h) any amendment or supplement to any of the foregoing.

“Orlando Hotel Management Agreement” means the Hotel Management Agreement, dated December 26, 1986, between SWW No. 1 and The CTF Hotel Management Corporation, as amended.

“Orlando Mortgage Note” means the note evidencing a loan and mortgage in the principal amount outstanding of \$54, 229,280 as of December 31, 2004, and all related documents, copies of which are attached as Exhibit B.

“Orlando ODL Note” means the note evidencing the loan by CTF Orlando Resort LLC to SWW No. 1 LLC in the outstanding principal amount of \$112,742,758 as of December 31, 2004, a copy of which is attached as Exhibit A.

“Owned Real Property” means the real property owned by a Selling Entity or Target together with the Hotel and all other structures, facilities or improvements currently or hereafter located thereon, and all easements, licenses, rights and appurtenances relating to the foregoing.

“Paragon” means Paragon Hotel Finance Company LDC, a Cayman Islands limited duration company.

“Permits” means, with respect to each Hotel property as applicable, all transferable or assignable permits (including liquor licenses), certificates of occupancy, operating permits, sign permits, development rights and approvals granted by any Governmental Authority or by any private party pursuant to any applicable declaration of covenants or like instrument, instrument, licenses, warranties and guarantees held by each Interest Holder which relate exclusively to each Hotel, as applicable.

“Permitted Encumbrances” means with respect to each Hotel property, (a) all matters shown on or disclosed by the Title Materials which are (i) not objected to by the Buyer pursuant to Section 9.1 or (ii) are deemed to have been accepted or waived by the Buyer pursuant to Section 9.1, provided, however, that Permitted Encumbrances shall in no circumstance include Encumbrances arising from any Debt, (b) the Hotel Management Agreements, (c) applicable zoning regulations and ordinances and other governmental laws, ordinances and regulations provided the same do not prohibit or impair in any material respect use of each Hotel property as currently operated, (d) the occupancy rights of transient lodging guests as transient lodging guests and (e) liens, pledges, hypothecations, charges, mortgages, security interests, encumbrances, claims, infringements, interferences, options, rights of first refusal, preemptive rights or community property interests created by the acts or omissions of the Buyer as manager of the Hotels.

“Person” means an individual, corporation, partnership, limited liability company, limited partnership, syndicate, person, trust, association, organization or other entity, including any Governmental Authority, and including any successor, by merger or otherwise, of any of the foregoing.

“Personal Property” means all fixtures, furnishings, artwork, systems, equipment and items of personal property (other than cash) used in the operation of a Hotel or attached or appurtenant to a Hotel.

“PIP Expenditures” means expenditures of the Seller and its Subsidiaries, in respect of the Property Improvement Programs listed on Schedule 3.2(b).

“Property” means the Leasehold Interests, the Owned Real Property and the Personal Property.

“Property Tax” means real estate or personal property taxes, assessments and water or sewer charges.

“Reimbursables” means all amounts payable to Buyer pursuant to any of the Hotel Management Agreements consistent with Buyer’s Accounting Practices, but specifically excluding Management Fees.

“Released Agreements” means, collectively, the (i) *Strategic Alliance Agreement* dated as of August 29, 1995 among Renaissance Hotel Group N.V., New World Development Company Limited, Mr. Henry Cheng Kar Shun, Chow Tai Fook Enterprises Limited, New World Hotels (Holdings) Limited, Hotel Property Investments (B.V.I.) Ltd., and CTF Hotel Holdings, Inc.; (ii) *Framework Agreement for the Restructuring* dated June 30, 1995 among Renaissance Hotel Group N.V., Hotel Property Investments (B.V.I.) Ltd., Hotel Property Investments, Inc. and the other parties listed therein; (iii) *Indemnity* of Mr. Henry Cheng Kar Shun dated as of August 29, 1995 to Renaissance Hotel Operating Company; (iv) *CTF Master Agreement*; (v) *HPI Master Agreement*; and (vi) the hotel specific management agreements entered into by The CTF Hotel Management Corporation with respect to any of the Hotels other than the hotel-specific Hotel Management Agreement for the Renaissance Wailea Resort, the Renaissance Nashville Hotel and the Orlando Hotel Management Agreement;

“Representatives” means the officers, employees, agents, accountants, advisors, bankers and other representatives of a Person.

“Restated Credit Agreement” means the Amended and Restated Credit Agreement between Paragon and CTF Hotels LLC, dated October 28, 2003, a true and complete copy of which has been provided to the Buyer.

“Sales, Use & Occupancy Tax Audit Liabilities” means any liabilities resulting from audits by any Governmental Authority for sales, use and occupancy taxes arising from the operations of the Hotels located within the United States, regardless of the period in which such liabilities arose. For the avoidance of doubt, Sales, Use & Occupancy Tax Audit Liabilities shall exclude any Transfer Tax liability.

“SAS Valmy Debt” means the amount outstanding (including any interest, fees and penalties incurred in connection therewith) pursuant to: (a) the loan, as amended, in the original principal amount of **FF** 140,000,000, between Credit Immobilier Generale and SAS Valmy dated June 20, 1996, and (b) the loan in the original principal amount of **FF** 116,000,000, between Credit Immobilier Generale and SAS Valmy dated August 30, 2000.

“Schedule” means each of those schedules referenced in, and attached to, this Agreement. Each such Schedule is considered part of this Agreement. All disclosures made on any Schedule are deemed to be made for all Schedules, to the extent it is apparent or can be reasonably inferred from the nature and contents of the Schedule that such disclosure is applicable to other Schedules.

“Seller Working Capital” means the items of Working Capital derived from the records of any Target or Selling Entity, as such books are maintained by the Seller in respect of a Hotel Interest. For avoidance of doubt, Seller Working Capital specifically excludes Hotel Working Capital.

“Seller’s Closing Deliveries” means the Ancillary Agreements and the other documents to be delivered at Closing by the Seller as set forth in Schedule 9.5.

“Seller’s Knowledge” or derivations thereof, means the knowledge of any of the officer or employee of the Seller whose name is listed on Schedule 1.1(c) with respect to a particular fact or other matter of which such individual is actually aware.

“Selling Entity” means those entities identified as such on Schedules 2.1(a)-(e).

“Subsidiary” or “Subsidiaries” of any Person means any other Person controlled by such Person, directly or indirectly, through one or more intermediaries.

“Supplement to the Restated Credit Agreement” means the Supplement to the Restated Credit Agreement between Paragon and CTF Hotels LLC, dated October 28, 2003, a true and complete copy of which has been provided to the Buyer.

“Target” means those entities identified as such on Schedules 2.1(a) and 2.1(c), and any Subsidiaries of those entities.

“Target Sale” means the transfer of the Equity Interests of the Targets by the Seller in accordance with Sections 2.1(a) and 2.1(c).

“Tax or Taxes” shall mean any and all taxes, charges, fees, levies or other assessments, including but not limited to income, gross receipts, excise, real or personal property, sales, withholding, social security, retirement, unemployment, occupation, use, goods and services, service use, license, value added, capital, net worth, payroll, profits, withholding, franchise, registration, transfer and recording taxes, fees and charges, and any other taxes, assessment or similar charges whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest whether paid or received, fines, penalties or additional amounts attributable to, or imposed upon, or with respect to, any such taxes, charges, fees, levies or other assessments.

“Tax Return” shall mean any report, return, document, questionnaire, declaration or other information or filing required to be supplied to any Taxing Authority with respect to Taxes, including information returns, any documents with respect to or accompanying payments of estimated Taxes, any claim or request for refunds, or any documents with respect to or accompanying requests for the extension of time in which to file any such report, return, document, questionnaire, declaration or other information.

“Taxing Authority” means, with respect to any Tax, the IRS or any other United States or non-United States Governmental Authority that imposes such Tax, including any state, county, local, provincial or foreign government or any subdivision or taxing agency thereof (including a United States possession).

“Title Company” means First American Title Insurance Company.

“Transfer Tax” means any stamp, registration, real or personal property transfer, sales, use, documentary, notary fee or other similar Tax or charge related to the Fee Sale, Target Sale or the Lease Assignment & Sale.

“Trustee” means LaSalle National Bank Association.

“Uniform System of Accounts” means the Uniform System of Accounts for the Lodging Industry, Ninth Revised Edition, 1996, as published by the Educational Institute of the American Hotel & Motel Association, as revised from time to time to the extent such revision has been or is in the process of being generally implemented by the Buyer.

“Working Capital” means: (a) the sum of all: (i) cash, (ii) accounts receivable (net of a reasonable allowance for doubtful accounts), (iii) inventories (excluding Miscellaneous Operating Supplies), (iv) prepaid expenses, (v) deposits (whether classified as current or otherwise), (vi) impounds and escrows, (vii) prepaid Taxes and Taxes receivable (excluding any United States federal, state, local, and foreign income taxes, which are addressed in Article 8 of this Agreement), and (viii) Miscellaneous Operating Supplies; minus (b) the sum of all: (1) accounts payable and other current payables, (2) accrued payroll, benefits, and related expenses, (3) accrued operating liabilities, (4) advance and security deposits from customers and others, (5) unearned rental income, (6) Taxes payable excluding any United States federal, state, local, and foreign income taxes, (7) an accrual for the estimated liabilities associated with Ohio

workmen's compensation, which shall be conclusively established as \$93,000, unless the Hotel Interests relating to the Renaissance Cleveland Hotel and Inn on the Square Associates are not transferred at the Closing, in which case the amount shall be conclusively established as \$0.00 and (8) one-half of the room revenue of each Hotel acquired by the Buyer at the Closing in respect of the room night that begins on the Effective Date and ends on the day after (it being understood that the revenue for such room shall be for the account of the Seller). Excluded in all cases from the definition of "Working Capital" are: (A) deferred Taxes resulting from an accounting convention to reflect timing differences between book and tax accounting, (B) the current and the long-term portion of any Debt and any accrued interest thereon, and (C) Management Fees and Reimbursables. For the avoidance of doubt, no accruals shall be made to Working Capital with respect to (i) any Sales, Use & Occupancy Tax Audit Liabilities, (ii) any claims by or liabilities to employees in respect of any employment practices of the Hotels located within the United States (the "Employment Practices Liabilities") and (iii) any liability in respect of the pension plan for the Renaissance Amsterdam Hotel.

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**ARTICLE 2  
THE TRANSACTIONS**

Section 2.1 Transactions. Upon the terms and subject to the conditions of this Agreement, at the Closing:

(a) with respect to the Hotels listed on Schedule 2.1(a), the Seller shall (i) sell, transfer, convey and deliver the Owned Real Property, (ii) sell, transfer, convey and deliver all of the Personal Property and Intellectual Property and (iii) assign or otherwise transfer and deliver the Permits and Contracts related to such Hotels (for each Hotel, the "Fee Property") to the Buyer, and the Buyer shall purchase and assume the Fee Properties from the Seller (for each Hotel, a "Fee Sale"); provided, however, at the Buyer's election (to be made no later than May 23, 2005) in lieu of any specific Fee Sale, the Seller shall sell, transfer, convey and deliver all of the Equity Interests of a Target to the Buyer, and the Buyer shall purchase such Equity Interest of the Target from the Seller in the same manner as set forth in Section 2.1(c), and such sale shall be deemed a Target Sale (each an "Alternate Target Sale");

(b) with respect to the Hotels listed on Schedule 2.1(b), the Seller shall (i) assign or otherwise transfer and deliver the Seller's Leasehold Interests (ii) sell, transfer, convey and deliver all of the Personal Property and Intellectual Property and (iii) assign or otherwise transfer and deliver the Permits and Contracts related to such Hotels (for each Hotel, the "Leasehold Property") to the Buyer, and the Buyer shall assume and purchase the Leasehold Properties from the Seller (for each Hotel, a "Lease Assignment & Sale"), provided, however, with respect to each of the Renaissance Manchester Hotel and the Renaissance Reading Hotel (the "UK Hotels"), such transfers shall be with a view toward carrying on the business thereof as a going concern (as such term is understood under English law) and the provisions of Schedule 2.1(b)-1 shall apply.

(c) with respect to the Hotels listed on Schedule 2.1(c), (i) the Seller shall sell, transfer, convey and deliver all of the Equity Interests of the Targets to the Buyer, and the Buyer shall purchase the Equity Interests of the Targets from the Seller and (ii) with respect to the Renaissance Vancouver Hotel Harborside, Courtyard by Marriott Surfer Paradise and Courtyard by Marriott Düsseldorf the Seller shall transfer the Leasehold Property and Personal Property as set forth on Schedule 2.1(c); provided, however, with respect to the Hotels identified on Schedule 2.1(c)-1, if the Buyer has obtained the landlord's consent for the Seller to assign the Leasehold Interests for any such Hotel to the Buyer, then, at the Buyer's election (to be made no later than May 23, 2005) in lieu of any specific Target Sale, the Seller shall (i) assign or otherwise transfer and deliver the Seller's Leasehold Interests (ii) sell, transfer, convey and deliver all of the Personal Property and Intellectual Property and (iii) assign or otherwise transfer and deliver the Permits and Contracts related to such Hotel in the same manner as set forth in Section 2.1(b), above, and such assignment shall be deemed a Lease Assignment & Sale (each, an "Alternate Assignment");

(d) with respect to the Wailea Beach Resort, The CTF Hotel Management Corporation shall transfer and assign to the Buyer and the Buyer shall assume the Hotel Management Agreement, dated July 22, 1989, as amended, with Wailea Hotel & Beach Resort, L.L.C. (the "Management Interest");

(e) the Seller shall sell, transfer, convey and deliver its equity interests in the Minority Owned Entities to the Buyer, and the Buyer shall purchase the equity interests in the Minority Owned Entities from the Seller;

(f) in connection with the Fee Sale and the Lease Assignment & Sale, the Buyer shall assume and pay, discharge, perform or otherwise satisfy from and after the Closing Date (with effect as of the Effective Date) the following liabilities and obligations of the Selling Entity relating to the ownership and operation of the applicable Hotel (the "Assumed Liabilities");

(i) all liabilities referred to in clause (b) of the definition of "Working Capital",

(ii) all liabilities and obligations arising from all Contracts (other than those Material Contracts not disclosed on Schedule 5.10, if any), Leases, Permitted Encumbrances and Permits subsequent to the Closing Date (with effect as of the Effective Date),

(iii) all liabilities in respect of Sales, Use & Occupancy Tax Audit Liabilities, whenever incurred,

(iv) all liabilities arising from or in connection with any claims of employees in respect of any Employment Practices Liabilities, whenever incurred, and

(v) all liabilities in respect of the Dutch Pension Plan, whenever incurred;

provided, however, it is understood and agreed by the parties that the Buyer shall not assume any Debt except as explicitly set forth herein, and further provided that nothing in this Section 2.1(f) shall be construed as limiting the Buyer's recourse in respect of a representation, warranty or covenant contained in this Agreement in accordance with Article 10.



(g) the Seller shall cause its Subsidiary which is the holder of the Orlando Mortgage Note and the Orlando ODL Note to assign and transfer to the Buyer the Orlando Mortgage Note and the Orlando ODL Note, free and clear of all Encumbrances and the Buyer shall assume all obligations thereunder and shall cause The CTF Hotel Management Corporation to assign to the Buyer or terminate, at the Buyer's election, all of its rights under the Orlando Hotel Management Agreement; and

(h) CTF and the Buyer shall consummate the transactions described in Section 2.3 (the "Related Transactions").

The transactions set forth in this Section 2.1 (including the Related Transactions) are collectively referred to as the "Transaction."

Section 2.2 Certain Information.

(a) Schedule 2.1(a) sets forth, for each Hotel being transferred through the Fee Sale: (i) the name and location of the Hotel, (ii) the name and jurisdiction of organization of the Target(s), (iii) the name and jurisdiction of organization of the Selling Entity, (iv) the portion of the Unadjusted Purchase Price (the "Preliminary Allocated Price") allocated to the Fee Property, (v) the permitted range of the Closing Allocated Price, and (vi) the hotel-specific Hotel Management Agreement(s) for such Hotel.

(b) Schedule 2.1(b) sets forth, for each Hotel being transferred through the Lease Assignment & Sale: (i) the name and location of the Hotel; (ii) the name and jurisdiction of organization of the Selling Entity; (iii) title, date and parties to the Lease(s); (iv) the Preliminary Allocated Price allocated to the Leasehold Property; (v) the permitted range of the Closing Allocated Price; and (vi) the hotel-specific Hotel Management Agreement(s) for such Hotel.

(c) Schedule 2.1(c) sets forth, for each Hotel being transferred through the Target Sale: (i) the name and location of the Hotel; (ii) the name and jurisdiction of organization of the Selling Entity; (iii) the name and jurisdiction of organization of the Target(s); (iv) the nature of the Target's ownership interest in the Hotel (i.e. fee ownership or leasehold); (v) the percentage interest in the Target(s) being transferred hereunder; (vi) title, date and parties to the Lease(s), if applicable; (vii) the Preliminary Allocated Price allocated to the Target and Leasehold Property; (viii) the permitted range of the Closing Allocated Price; and (ix) the hotel-specific Hotel Management Agreement(s) for such Hotel.

(d) Schedule 2.1(d) sets forth for the Wailea Beach Resort: (i) the location of the Hotel; (ii) the name and jurisdiction of the manager of Wailea Beach Resort; (iii) the owner of the Wailea Beach Resort; (iv) the Preliminary Allocated Price allocated to the Management Interest; (v) the permitted range of the Closing Allocated Price; and (vi) the management agreements for the Wailea Beach Resort.

(e) Schedule 2.1(e) sets forth for each Minority Owned Entity (i) the name and jurisdiction of the Selling Entity; (ii) the percentage interest in the equity of the Minority Owned Entity being transferred hereunder; (iii) the Preliminary Allocated Price allocated to the Minority Owned Entity; and (iv) the permitted range of the Closing Allocated Price.

Section 2.3 Related Transactions. The Related Transactions shall occur on or prior to Closing and consist of the following:

(a) *Supported Hotels*. With respect to the 15 hotels identified on Schedule 2.3(a) (the “Supported Hotels”), CTF and the Buyer shall, as appropriate, cause all parties thereto to execute the Leasehold Support Agreement (Europe) and all the exhibits attached thereto in the form of Exhibit C.

(b) *Excluded German Hotels*. With respect to the 13 hotels identified on Schedule 2.3(b) (the “Excluded German Hotels”), CTF and the Buyer shall, as appropriate, cause all parties thereto to execute the Excluded German Hotel Master Agreement and all the exhibits attached thereto in the form of Exhibit D.

(c) *Renaissance NY Hotel*. With respect to the Renaissance New York Hotel, CTF and the Buyer shall, as appropriate, cause all parties thereto to execute the Leasehold Support Agreement (NY) and all the exhibits attached thereto in the form attached hereto as Exhibit E.

(d) *Other Excluded Hotels*. With respect to the hotels identified on Schedule 2.3(d):

(i) *Chancery Court Hotel*. CTF and the Buyer shall, as appropriate, cause all parties thereto to execute the Amendment to the Hotel Management Agreement for the Chancery Court Hotel in the form attached hereto as Exhibit F.

(ii) *Stanford Court Hotel*. CTF and the Buyer shall, as appropriate, cause all parties thereto to execute the Amended and Restated Hotel Management Agreement for the Stanford Court Hotel in the form attached hereto as Exhibit G.

(iii) *Renaissance Heathrow Hotel*. CTF and the Buyer shall, as appropriate, cause all parties thereto to execute the Amended and Restated Hotel Management Agreement for the Renaissance Heathrow Hotel in the form attached hereto as Exhibit H.

(iv) *Renaissance Gatwick Hotel*. CTF and the Buyer shall, as appropriate, cause all parties thereto to execute the Amended and Restated Hotel Management Agreement for the Renaissance Gatwick Hotel in the form attached hereto as Exhibit I.

(v) *Poipu Beach Hotel*. The Buyer and the Seller shall waive and release any right or interest in the management of the Poipu Beach Hotel at no cost to the Seller or the Buyer.

(e) *SAS Valmy*. Immediately prior to the Closing, (i) the Seller and Buyer shall each cause their respective Affiliates to repay any loans as set forth on Schedule 2.3(e) received from SAS Valmy, (ii) SAS Valmy shall repay the SAS Valmy Debt to the extent of the amounts set forth in clause (i), above, and (iii) the Buyer shall arrange for the repayment of the remaining amount of the SAS Valmy Debt, such repayment to occur at the Closing.

(f) *Transfer of Certain Trademarks*. CTF shall cause its designee to execute and the Buyer shall execute the Trademark Assignment Agreement in the form attached hereto as Exhibit J.

(g) *Guarantee Agreements*. Chow Tai Fook Enterprises Ltd., the entity then owning the fee interest in the Chancery Court and Mr. Henry Cheng Kar Shun shall execute the guarantees attached hereto as Exhibits K-1, K-2 and K-3.

(h) *1999 Agreement Amendment*. The Seller and the Buyer shall execute the 2005 Amendment to the 1999 Agreement in the form attached hereto as Exhibit K-4.

(i) *Subordination Agreement*. The Seller and the Buyer shall execute the Subordination Agreement in the form attached hereto as Exhibit K-5.

(j) *Gallery Hotel Limited Partnership Purchase Agreement*. The Seller shall execute the Gallery Hotel L.P. Side Letter in the form attached hereto as Exhibit K-6.

(k) *1995 Indemnification Agreement*. The Seller and the Buyer shall execute the 2005 Amendment to the 1995 Agreement in the form attached hereto as Exhibit K-7.

Section 2.4 Debt. Schedule 2.4 sets forth the Debt as of the date of this Agreement. The Seller covenants that at the Closing all outstanding Debt shall have been repaid, defeased or otherwise released; provided, however, that, subject to the provisions of Schedule 2.4 with respect to the GMAC Debt, the GMAC Debt and the Düsseldorf Debt will not be repaid and will be assumed by the Buyer at the Closing.

Section 2.5 Intercompany Debt. The Seller covenants that at the Closing there shall be no Intercompany Debt outstanding in respect of any Target. Accordingly, all currently outstanding Intercompany Debt with respect to each Target shall have been repaid, cancelled, forgiven, contributed to capital or otherwise extinguished (the method of which to be determined at the option of the Seller), such that no Target shall remain liable for the payment of any principal, interest, fees or penalties on any Intercompany Debt and such that the Buyer shall not be liable for any Taxes in connection therewith. Reasonably promptly, within 30 days following the execution of this Agreement, the Seller shall provide the Buyer a schedule setting forth all Intercompany Debt of any Target that is organized under the laws of a jurisdiction outside the United States and a reasonably detailed discussion of the manner in which the Seller shall cause such Intercompany Debt to be extinguished on or before the Closing. The Seller shall use Commercially Reasonable Efforts to minimize the liability for Taxes to any Target in connection with canceling the Intercompany Debt.

Section 2.6 Capital Expenditures.

(a) The Seller shall fund \$4,450,000 of agreed upon Capital Expenditures as shown on Schedule 2.6(a) from January 1 through June 17, 2005 (the "Target North American Capex Amount"). If the Effective Date is a date other than June 17, 2005, the Target North

American Capex Amount shall be increased (if the Closing Date is delayed) or decreased (if the Closing Date is advanced) pro rata (based on the number of actual days elapsed from January 1, 2005).

(b) The Seller shall fund \$685,000 of agreed upon Capital Expenditures for Hotels listed on Schedule 2.6(b) from January 1 through June 17, 2005 (the "Target Foreign Capex Amount"). If the Effective Date is a date other than June 17, 2005, the Target Foreign Capex Amount shall be increased (if the Closing Date is delayed) or decreased (if the Closing Date is advanced) pro rata (based on the number of actual days elapsed from January 1, 2005).

(c) With respect to each Emergency Event that arises from the date hereof through the Effective Date that results in the need for an Emergency Capital Expenditure, (i) the Seller shall pay for the cost of such Emergency Capital Expenditure and (ii) such payment shall be first credited against the amount allocated therefore in the Target North American Capex Amount or the Target Foreign Capex Amount, as appropriate. The Seller shall pay for costs of any Emergency Capital Expenditure in excess of amounts allocated for such purposes in the Target North American Capex Amount or the Target Foreign Capex Amount. The Buyer shall not engage its "A&C" division to perform any work related to any Emergency Capital Expenditure without the Seller's consent (which may be granted or withheld in the Seller's sole and absolute discretion). If any Emergency Capital Expenditure is covered by insurance, the proceeds of such insurance (to the extent not received directly by the Seller) will be paid to the Seller to the extent of any costs paid by the Seller. No Emergency Capital Expenditure paid or incurred by the Seller shall result in an adjustment to the Unadjusted Purchase Price.

(d) The payment of the amounts set forth in Sections 2.6(a), (b) and (c) and the PIP Expenditures shall, in the aggregate, conclusively be deemed to satisfy all of the Seller's obligations with respect to capital expenditures for the Hotels pursuant to the Hotel Management Agreements, notwithstanding anything therein to the contrary.

Section 2.7 Mutual Releases and Termination of Agreements.

(a) At the Closing, the Seller and the Buyer shall execute and exchange, and shall cause certain other required parties related to each of the Seller or the Buyer, respectively, to execute and exchange, the releases in the form attached hereto as Exhibits L-1 and L-2.

(b) At the Closing, the Seller and its Affiliates, the Buyer and its Subsidiaries and certain other parties thereto, each as appropriate, shall enter into an agreement for the termination of the Released Agreements, in the form attached hereto as Exhibit M.

**ARTICLE 3**  
**PURCHASE PRICE ADJUSTMENTS AND CLOSING**

Section 3.1 Purchase Price. In consideration for the Transaction, the Buyer shall pay the Seller at the Closing an aggregate purchase price of U.S.\$1,452,390,000 (the "Unadjusted Purchase Price"), as shall be adjusted as provided in this Article 3, Section 7.3 and Section 9.2 (less the Preliminary Allocated Purchase Price of any Hotel Interest not transferred at the Closing) (the "Adjusted Purchase Price").

Section 3.2 Closing Date Estimated Working Capital, Capital Expenditure and PIP Expenditure Adjustments.

(a) Not later than ten (10) Business Days prior to the Closing Date:

(i) the Buyer shall deliver to the Seller a good faith estimate as of the Effective Date of the Hotel Working Capital, prepared in the manner and containing items consistent with Schedule 3.2(a)(i); and

(ii) the Seller shall deliver to the Buyer a good faith estimate as of the Effective Date of the Seller Working Capital, prepared in the manner and containing items consistent with Schedule 3.2(a)(ii).

The "Estimated Total Working Capital" shall be the sum of such estimates of Hotel Working Capital and the Seller Working Capital. The parties shall cooperate in good faith to prepare the Estimated Total Working Capital. In the event of any good faith disagreement between the parties as to any item included in or omitted from, or the treatment or amount thereof, the computation of the Estimated Total Working Capital, the parties shall endeavor to resolve the matter (including providing such supplemental information and supplying documentation as reasonably requested by the other party). If a disagreement as to any item is not resolved before the Closing, such item shall be reflected in the Estimated Total Working Capital in an amount equal to the simple average of the impact on Estimated Total Working Capital of each party's respective position thereon.

(b) Not later than ten (10) Business Days prior to the Closing Date, the Buyer shall deliver to the Seller estimates as of the Effective Date, of:

(i) the expenditures paid or accrued (to the extent included in Working Capital) in respect of the Target North American Capex Amount (the "Estimated North American Capex");

(ii) the expenditures paid or accrued (to the extent included in Working Capital) in respect of the Target Foreign Capex Amount (the "Estimated Foreign Capex");

(iii) the expenditures paid or accrued (to the extent included in Working Capital) in respect of the PIP Expenditures (the "Estimated PIP Expenditures").

The Estimated North American Capex and Estimated Foreign Capex shall be prepared by the Buyer in good faith and in the same manner as the Buyer currently prepares the "Period Capex Reports."

(c) At the Closing, in respect of (A) the Hotels being transferred pursuant to this Agreement or (B) the Optional Consent Hotels to which Section 9.2 of this Agreement applies, the Unadjusted Purchase Price shall be:

(i) increased (or decreased) by the amount by which the Estimated Total Working Capital is more (or less) than \$0;

Capex Amount; (ii) increased (or decreased) by the amount by which the Estimated North American Capex is more (or less) than the Target North American

and (iii) increased (or decreased) by the amount by which the Estimated Foreign Capex is more (or less) than the Target Foreign Capex Amount;

(iv) increased by the amount of the Estimated PIP Expenditures.

Section 3.3 Post-Closing Adjustments.

(a) Within 60 days after the Closing Date, the Buyer shall deliver to the Seller statements showing, as at the Effective Date, the actual amount (or, as applicable, the amount conclusively established by definition) of: (i) the "Total Working Capital" (consisting of the actual Hotel Working Capital and the actual Seller Working Capital, with the latter to be supplied by the Seller not less than 45 days after the Closing Date, accompanied by a certificate of an officer of the Seller with knowledge of the matter, stating that to the best of such officer's knowledge, the Seller Working Capital is true, complete and accurate in all material respects); (ii) the amount of aggregate expenditures on Miscellaneous Operating Supplies at each of the Hotels from January 1, 2005 through the Effective Date; (iii) the Capital Expenditures in respect of the Target North American Capex Amount; (iv) the Capital Expenditures in respect of the Target Foreign Capex Amount; (v) the PIP Expenditures and (vi) the Cash True-Up (the statements in clauses (i) through (vi) collectively, the "Closing Statements"). The Closing Statements shall be presented in the same manner as the estimates prepared by the Buyer for each (except that the Closing Statement for the Total Working Capital shall include the Seller Working Capital as aforesaid and that there shall be no estimate in respect of the Cash True-Up), and shall be accompanied by a certificate of an officer of the Buyer with knowledge of the matter, stating that to the best of such officer's knowledge, each Closing Statement is true, complete and accurate in all material respects (except with respect to information furnished by the Seller in respect of the Seller Working Capital). The Seller and its Representatives shall have the right, at the Seller's expense, to observe the cut-off procedures and physical inventory count as of the Effective Date at each Hotel.

(b) Within ten (10) days of the delivery of the Closing Statements, the Seller and the Buyer shall submit the Closing Statements and Closing Management Fee Statement to the Accounting Firm. The Accounting Firm shall be engaged by both the Seller and the Buyer to perform procedures and render its report with respect to the Closing Statements and the Closing Management Fee Statement, and they shall each pay for one-half of the Accounting Firm's fees and expenses. With respect to the Closing Statements, the Accounting Firm shall undertake the procedures outlined by the parties on Schedule 3.3(b), and any such other procedures as may be agreed by the parties and the Accounting Firm, to verify whether such items were prepared in accordance with the terms of this Agreement. With respect to the Management Fees reflected on the Closing Management Fee Statement, the Accounting Firm shall verify the mathematical computation of such fees. With respect to the Reimbursables reflected on the Closing Management Fee Statement, the Accounting Firm shall verify the mathematical computation thereof and shall examine the back-up documentation for the Reimbursables maintained at the Hotels. If the Accounting Firm determines that any adjustments or corrections are required to the Closing Statements or the Closing Management Fee Statement, it shall make adjustments

thereto as it, in its sole discretion, deems appropriate. The Seller and Buyer shall, and the Buyer shall cause the management of each Hotel to, cooperate fully with the Accounting Firm, and each party shall afford the Accounting Firm access to its books and records and employees, as the Accounting Firm deems necessary or desirable for the completion of its report. Each party shall have access to the workpapers and personnel of the Accounting Firm to review and discuss the Accounting Firm's work and determinations. The determinations of the Accounting Firm shall be binding on both the Seller and the Buyer.

(c) Within five (5) Business Days of the Accounting Firm's delivery of its final report, the Seller or the Buyer, as the case may be, shall transfer by wire transfer of United States dollars in immediately available funds to a bank account designated in writing by the other party the difference between the adjustments made to the Unadjusted Purchase Price (pursuant to Section 3.2(c), above) and the final determination of the Accounting Firm as set forth in Section 3.3(b), above. The interest on such sums shall accrue from the Effective Date to the date of such payment(s) at the Closing Interest Rate.

Section 3.4 Currency of Payments. Except as otherwise expressly set forth in this Agreement, all payments to or from any party shall be made in United States dollars. All translations from a foreign currency into United States dollars shall be calculated at the average of the United States dollar closing buy and sell bids for the subject foreign currency on the Effective Date (as quoted by Bloomberg Service for Benchmark Currency Rates or on any successor or substitute page of such service reasonably satisfactory to the parties at approximately 10:00 a.m., New York City time on any date of determination), regardless of the date actually made.

Section 3.5 Management Fees. Not later than ten (10) Business Days prior to the Closing, the Buyer shall deliver to the Seller an estimate, as of the Effective Date, of the unpaid Management Fees and Reimbursables for each Hotel through the Effective Date (collectively, the "Estimated Management Fees"). Such estimate shall be prepared in good faith, in accordance with the Buyer's Accounting Practices for the Hotels under the Hotel Management Agreements and shall be accompanied by supporting documentation itemized by Hotel; provided, however, that the incentive fees under the Hotel Management Agreements for 2004 and 2005 shall be as set forth on Schedule 3.5. At the Closing, the Seller shall pay or cause to be paid to the Buyer the Estimated Management Fees. Within 60 days after the Closing Date, the Buyer shall deliver to the Seller a final statement of the Management Fees and Reimbursables through to the Effective Date (the "Closing Management Fee Statement"), prepared in the same manner as the Estimated Management Fees, along with a certificate from an officer of the Buyer with knowledge of such matters, stating that to the best of such officer's knowledge the Closing Management Fee Statement is true, complete and accurate in all material respects.

Section 3.6 Other Adjustments. At the Closing, the Unadjusted Purchase shall be further adjusted as follows:

(a) the Unadjusted Purchase Price shall be decreased by the outstanding amount of the GMAC Debt and 94.39% of the Düsseldorf Debt as at the Effective Date;

(b) the Unadjusted Purchase Price shall be increased by the Buyer's pro rata share, as an equity owner, of the Debt listed on Schedule 2.4 of Vinoy Investments Limited Partnership, including interest thereon and any penalties or fees that result from pre-payment thereof, as at the Effective Date;

(c) the Unadjusted Purchase Price shall be decreased by 88.76% of the outstanding SAS Valmy Debt (remaining after repayment pursuant to Section 2.3(e)(ii)); and

(d) for each Hotel transferred at the Closing, the Unadjusted Purchase Price shall be decreased by the amount set forth on Schedule 3.6.

Section 3.7 Dutch Pension. At the Closing, the Unadjusted Purchase Price shall be reduced by €300,000 in respect of the Amsterdam Renaissance Hotel in connection with the Renaissance Hotels Pension Scheme in The Netherlands (the "Dutch Pension Plan").

Section 3.8 Unrestricted Allowances for Fiscal Year 2005. Seller waives all of its right to receive any Unrestricted Allowances (as defined in the 1999 Agreement) with respect to fiscal year 2004. At Closing, the Seller shall pay the Buyer \$1,405,317, which the parties agree represents the amount of Unrestricted Allowances Buyer previously paid Seller with respect to fiscal year 2004. With regard to the Hotel Interests conveyed at Closing, Seller waives all of its right to receive any Unrestricted Allowances allocable to such Hotel Interests with respect to any portion of fiscal year 2005.

Section 3.9 Certain Transaction Costs.

(a) For the Hotels listed on Schedules 2.1(a) and (c), the Seller shall be allocated one-half of the Transfer Taxes which would be payable if such Hotels were transferred pursuant to the Target Sale at the Preliminary Allocated Price. For the Hotels listed on Schedule 2.1(b), the Seller shall be allocated one-half of the Transfer Taxes payable pursuant to the Lease Assignment & Sale at the Preliminary Allocated Price. Schedule 3.9 sets forth the parties' initial estimate of the Transfer Taxes to be incurred in connection with the Fee Sale, Target Sale and Lease Assignment & Sale as well as the estimated amount thereof to be allocated to the Seller and the Buyer. Schedule 3.9 shall be adjusted by the Seller and the Buyer from time-to-time until the Closing to reflect any elections made by the Buyer hereunder and calculations made by the Title Company based upon the actual amount of Transfer Taxes due and payable in the applicable jurisdictions as of the Closing Date.

(b) Regardless of Law or convention, it shall be the responsibility of the Buyer to pay or cause to be paid all Transfer Taxes and otherwise complete and file all Tax Returns in connection therewith in a timely manner. The Seller shall cooperate with the Buyer as reasonably requested by the Buyer in connection with the preparation and filing of such Tax Returns. The Unadjusted Purchase Price shall be reduced at Closing by the total amount of Transfer Taxes allocated to the Seller that are actually paid or payable by the Buyer, and the Preliminary Allocated Price related to each Hotel Interest affected thereby shall be reduced accordingly.



### Section 3.10 Purchase Price Allocation.

(a) The parties have agreed upon the amount of the Preliminary Allocated Price for the Seller's interest in each of the Hotels, the Management Interest and the Minority Owned Entities, which amounts are set forth on Schedules 2.1(a)-(e). The Buyer and the Seller agree that where the Preliminary Allocated Price of any Hotel is a negative value, the Closing Allocated Price shall be \$0.00 for United States federal income tax purposes, and such aggregate negative value shall be allocated pro rata among the other Hotels, the Management Interest and the Minority Owned Entities being purchased hereunder based on the Preliminary Allocated Prices of such other interests. By written notice to the Seller given not less than ten (10) Business Days prior to the Closing, the Buyer may modify the Preliminary Allocated Price for any such interest within the range permitted in Schedules 2.1(a)-(e), as applicable (each such Preliminary Allocated Price as modified the "Closing Allocated Price"), provided, however, that the total amount of all Closing Allocated Prices shall at all times equal the Unadjusted Purchase Price, as it may be adjusted pursuant to the terms of this Agreement. The Closing Allocated Price of each property shall be set forth on Schedules 2.1(a)-(e), which shall be delivered by the Buyer to the Seller at Closing, provided, however, that to the extent such allocations result in change in the total amount of Transfer Taxes allocated to the Seller as set forth on Schedule 3.9, such difference shall be borne by the Buyer. In the event of any purchase price adjustment hereunder, the Seller and the Buyer agree to adjust any previously agreed purchase price allocation to reflect such purchase price adjustment and to file Tax Returns consistent with such agreed allocation.

(b) The Buyer and the Seller agree that the Closing Allocated Price for each Hotel Interest shall be adjusted to reflect the Adjusted Purchase Price as determined at the Closing. For each Hotel Interest the purchase of which is treated as an asset purchase for United States federal income tax purposes, the Adjusted Purchase Price, as so adjusted, plus any liabilities attributable to such Hotel Interest that are liabilities for United States tax purposes, shall be allocated for federal income tax purposes among the assets acquired thereby as agreed to by the parties and, if no agreement is reached, as reasonably determined by each of the parties. Subject to the requirements of applicable Law, the Buyer and the Seller, and each of their Affiliates, shall file all Tax Returns, consistent with the Closing Allocated Price adjusted to take into account purchase price adjustments at the Closing and with any other allocation that is agreed in respect of a particular Hotel Interest. In the event of any purchase price adjustment hereunder, the Seller and the Buyer agree to adjust any previously agreed purchase price allocation to reflect such purchase price adjustment and to file Tax Returns consistent with such agreed allocation.

### Section 3.11 Closing.

(a) The closing of the Transactions shall take place at a closing (the "Closing") to be held at the offices of Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, at 10:00 A.M. (local time), with respect to the Hotels located in the United States, Canada, Australia and Caribbean, and at the offices of Gibson, Dunn & Crutcher LLP, Telephone House, 2-4 Temple Avenue, London, United Kingdom EC4Y 0HB, at 10:00 A.M. (local time), with respect to the Hotels located in Europe, or at such other place or places as the Seller and the Buyer may agree in writing.

(b) The Closing shall occur on June 17, 2005, provided, however, that if the conditions to Closing of the Seller or the Buyer have not been satisfied as of that date, or upon notice given by either party no later than June 10, 2005, then the Closing shall occur not later June 30, 2005, provided further, however, if all the conditions of both parties to the Closing have been satisfied except that the Seller has not received the requisite consent pursuant to the Offer and Solicitation to allow for the release of the liens on the Property securing the Notes, then the Buyer may, by written notice to the Seller given no later than July 8, 2005, exercise a one-time option to postpone the Closing to November 15, 2005, provided further still, however, if the Closing with respect to any Hotel is delayed in accordance with the terms of this Agreement, the Closing for such Hotel shall occur as soon practicable following the satisfaction of the conditions to Closing with respect to such Hotel. The day on which a Closing takes place is referred to as the "Closing Date."

(c) If a Closing occurs after June 17, 2005, with respect to Hotels included in such Closing:

(i) all of the Transactions shall be deemed to be effective as of the Buyer's most recently ended Accounting Period prior to the Closing Date with respect to the Hotels located in the United States and Canada, and on the Closing Date with respect to the other Hotels (for such Closing, the "Effective Date");

(ii) the Buyer shall pay to the Seller at the Closing daily interest on the sum of Preliminary Allocated Price of the Hotels located in the United States and Canada, from and including the Effective Date to but not including the Closing Date, at a rate equal to the Closing Interest Rate; and

(iii) with respect to the Hotels located in the United States and Canada, the Seller, or the Buyer, as the case may be, shall account and pay for the difference between (i) all deposits to the Seller's bank accounts arising from Hotel operations from the close of business on the Effective Date through the Closing Date, and (ii) all checks issued, wire transfers and other disbursements from Seller's bank accounts arising from Hotel operations from the close of business on the Effective Date through the Closing Date, which would have been disbursed by the Buyer if the Closing had occurred on the Effective Date (the "Cash True-Up").

(d) On or before a Closing, (i) the Buyer shall deliver to the Title Company, by wire transfer to bank escrow accounts specified by the Title Company, the amount of the Adjusted Purchase Price, in immediately available funds in United States Dollars (such amount to be as shown on a settlement memorandum detailing required adjustments to the Unadjusted Purchase Price) and other sums required to be paid by Buyer hereunder, including Transfer Taxes and other costs of Closing, (ii) the Seller shall deliver to the Title Company, by wire transfer to a bank escrow account specified by the Title Company, the amount of the Estimated Management Fees for the Hotels included in the Closing, in immediately available funds in United States Dollars (such amount to be as shown on a settlement memorandum detailing required adjustments to the Unadjusted Purchase Price) and other sums required to be paid by Seller hereunder, (iii) the Seller shall deliver to the Title Company the Seller's Closing Deliveries and all other documents required by the provisions of this Agreement or any Ancillary Agreement to be delivered by the Seller and such other parties as are necessary and appropriate,

each such Deliveries and/or such document to be executed by the Seller and such other parties as are necessary and appropriate and to be held in escrow by the Title Company, and (iv) the Buyer shall deliver to the Title Company the Buyer's Closing Deliveries and all other documents required by the provisions of this Agreement or any Ancillary Agreement to be delivered by the Buyer, each such Deliveries and/or such document to be executed by the Buyer and to be held in escrow by the Title Company. Following completion of the matters specified in (d)(i)-(iv) above, and upon the joint written direction of Seller and Buyer, the Unadjusted Purchase Price and all documents so held in escrow shall be released from escrow and disbursed and/or distributed to those Persons entitled thereto, including to those Persons required pursuant to all Ancillary Agreements. In addition, the Seller and the Buyer shall cooperate to develop procedures for the flow of funds at each Closing.

#### **ARTICLE 4 PARAGON BONDS**

##### Section 4.1 Paragon Bonds.

(a) The parties understand that (i) the property related to the Financed Hotels, the equity of the entities which own or lease the Financed Hotels, the Orlando Mortgage Note and the Orlando ODL Note are security for the Notes pursuant to the Restated Credit Agreement and the Supplement to the Restated Credit Agreement; (ii) Paragon is the payee under the Notes; (iii) Paragon financed its acquisition of the Notes through the issuance of the Bonds secured by Paragon's pledge of the Notes and the security for the Notes under the Indenture; and (iv) the Indenture prohibits the repayment of the Bonds prior to November 15, 2005. Consequently, for the Transaction to proceed to the Closing, the Bonds must be repurchased or defeased in order to allow the repayment of the Notes by the Seller and the release of the liens on the Property securing the Notes.

(b) Paragon has agreed with the Seller that it will commence a tender offer to and a consent solicitation from the holders of the Bonds on the terms and subject to the conditions as set forth on Schedule 4.1(b) (the "Offer and Solicitation") no later than May 9, 2005. Paragon has agreed to use its Commercially Reasonable Efforts to complete the Offer and Solicitation concurrent with the Closing and in addition the Seller has agreed with Paragon to pay the costs of the Offer and Solicitation in excess of the principal and interest then due to the holders of the Bonds, (including defeasance costs and other payments to the holders of the Bonds, attorneys' and Trustee's fees and Dealer-Manager fees, collectively referred to as the "Solicitation Costs"). If, in the Seller's reasonable estimate (based on, among other things, the advice of the Dealer-Manager), the Solicitation Costs are projected at any time to exceed the amount set forth on Schedule 4.1(b), the Seller may, upon notice to Paragon (with a copy to the Buyer), terminate its agreement to pay the Solicitation Costs upon the expiration of five (5) Business Days following such notice (thereby releasing Paragon from its agreement to conduct the Offer and Solicitation), unless prior thereto the Seller receives written confirmation from the Buyer that it undertakes to assume and pay all Solicitation Costs in excess of the amount set forth on Schedule 4.1(b) (it being understood that Buyer shall be under no obligation to do so).

**ARTICLE 5  
REPRESENTATIONS AND WARRANTIES  
OF THE SELLER**

Subject to Section 5.17, CTF and each Selling Entity jointly and severally represent and warrant, and to the extent applicable, covenant, to the Buyer, as of the date hereof and as of the Closing Date, that:

Section 5.1 Organization, Existence; Records and Actions.

(a) Schedules 2.1(a)-(e) contain, with respect to each Selling Entity and Target, a complete and accurate list of the jurisdiction of formation of such Selling Entity and Target, and any other jurisdictions in which such Target is qualified to do business as a foreign entity. Each Selling Entity and each Target is duly incorporated or formed and organized, validly existing and in good standing under the laws of the jurisdiction in which each was formed, with corporate power (or otherwise, as applicable) and authority to conduct its business as it is now being conducted, to own or use the properties and assets that it purports to own or use. Each Target is duly qualified to do business as a foreign entity and is in good standing under the laws of each jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the business or operations of the Target as presently conducted.

(b) A true and complete copy of the Organizational Documents of each Target, certified by the Secretary or Assistant Secretary of the Target, has been delivered to the Buyer, and remain in full force and effect.

(c) The minute books of each Target contain accurate and complete records of all meetings held, and actions taken by, the board of directors or other governing body, any committees of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders of such Target.

(d) At the Closing, all of the books of account, minute books, equity interest record books, and other records of a Target (including correspondence related to the Leases) will be in the possession of such Target. As soon as reasonably practicable, but in no event more than 20 days following the Closing, the Seller shall physically deliver all such corporate minutes books and other corporate records to the Buyer, and no more than 60 days following the Closing, the Seller shall physically deliver all other such books and records to the Buyer.

Section 5.2 Authority, Approval and Enforceability. The execution, delivery and performance by the Seller of this Agreement and the Ancillary Agreements, as applicable is within the corporate power (or otherwise, as applicable) of the Seller and has been duly and validly authorized by the Seller, and no other corporate proceedings (or otherwise, as applicable) on the part of the Seller are necessary to authorize this Agreement, the Ancillary Agreements, or the transactions contemplated hereby and thereby. This Agreement has been, and the Ancillary Agreements upon their execution at the Closing will be, validly executed and delivered by the

Seller, and is or will be a valid and binding obligation of the Seller enforceable against the Seller in accordance with its respective terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting the rights of creditors generally, and to the exercise of a court's equitable powers.

Section 5.3 Capitalization.

(a) Except as otherwise set forth on Schedules 2.1(a) and (c), the Equity Interests constitute all of the outstanding stock, membership interests or partnership interests of each Target. All of the outstanding Equity Interests of each Target have been duly authorized and are validly issued, fully paid and nonassessable and are owned beneficially and of record by the Selling Entity set forth on Schedules 2.1(a) and (c). Except as set forth on Schedules 2.1(a) and (c), the Selling Entities will convey all of the outstanding Equity Interests of each Target to the Buyer at the Closing free and clear of any and all Encumbrances.

(b) The Seller's interest in the Minority Owned Entities represents the percentage interest of each Minority Owned Entity as set forth on Schedule 2.1(e). The Seller's equity interests in the Minority Owned Entities are owned beneficially and of record by the Selling Entity set forth on Schedule 2.1(e), and such Selling Entity will convey such equity interests in the Minority Owned Entities to the Buyer at the Closing free and clear of any and all Encumbrances. The capital accounts of the Selling Entity in each of the Minority Owned Entities as reported to the Seller are as set forth in Schedule 2.1(e) as of the date(s) indicated therein. To the Seller's Knowledge, there has been no change in such capital accounts since the dates indicated, other than changes arising from income or losses attributable to the operations of the related Hotels.

(c) Except as set forth on Schedules 2.1(a), (c) and (e), there is no: (i) outstanding subscription, option, call, warrant or right (whether or not currently exercisable or contingent) to acquire any equity interest or security of any Target or a Selling Entity's interest in a Minority Owned Entity; (ii) outstanding security, instrument or obligation that is or may become convertible into or exchangeable for any equity interest or security of any Target; or (iii) Contract under which any Target is or may become obligated to sell or otherwise issue any equity interest or security.

(d) All outstanding equity or securities of each Target have been issued in compliance with (i) applicable Law and (ii) all requirements set forth in Contracts applicable to the issuance of equity or securities of each Target.

(e) Except as set forth on Schedules 2.1(a) and (c), no Target has any Subsidiaries or any direct or indirect ownership interest in any other Person.

(f) The Orlando ODL Note and the Orlando Mortgage Note are owned by a Subsidiary of CTF and will be conveyed to the Buyer at the Closing free and clear of any Encumbrances. The obligor of the Orlando ODL Note or the Orlando Mortgage Note is not in default under the terms thereof.

(g) None of the parties to the GMAC Debt and the Düsseldorf Debt is in default under the terms thereof.

(h) No Seller or Target has filed a voluntary petition in bankruptcy or similar petition, nor has any order, judgment or action been taken or suffered by any Interest Holder under any insolvency or bankruptcy law.

Section 5.4 Lines of Business. No Target is engaged in any business, and no Target located in the United States has, for the two years prior to the date of this Agreement, engaged in any business, other than the ownership and operation of the business of a Hotel and operations incidental thereto. Each Target has conducted its business in all material respects in accordance with its Organizational Documents.

Section 5.5 No Conflicts; Consents. Neither the execution and delivery of this Agreement or the Ancillary Agreements nor the consummation or performance of any of the transactions contemplated hereby or thereby will, directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of the Seller or any Target, or (B) any resolution or action adopted by the board of directors or other governing body, any committee of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders of the Seller or Target;

(b) contravene, conflict with, or result in a violation of, or give any Governmental Authority or other Person the right to challenge any transaction contemplated by this Agreement or the Ancillary Agreements;

(c) except as set forth on Schedule 5.5, give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under any applicable Law or any Order to which the Seller or any Target, or any material assets owned or used by any Interest Holder, may be subject;

(d) except as set forth on Schedule 5.5, contravene, conflict with, or result in a material violation of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate, or modify, any material Governmental Authorization that is held in the name of any Target other than Permits in relation to the operations of any Hotel;

(e) except as set forth on Schedules 2.1(a)-(c) or 5.5, contravene, conflict with, or result in a material violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract or Lease or in respect of the Management Interest;

(f) result in the imposition or creation of any Encumbrance upon or with respect to the Property;

(g) except as set forth on Schedules 2.1(a)-(c) or 5.5, require any Interest Holder to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the transactions

contemplated by this Agreement or the Ancillary Agreements, except with respect to any Permits in relation to the operations of any Hotel, and any antitrust Consents from Governmental Authorities; or

(h) except as set forth on Schedule 2.1(e), with respect to the Minority Owned Entities, constitute a breach of the Organizational Documents of such Minority Owned Entities or other Contracts related thereto to which the Seller or any Subsidiary is a party.

Section 5.6 Balance Sheets.

(a) Attached as Schedule 5.6 is the consolidating unaudited balance sheet of each Target and its Subsidiaries as at December 31, 2004 (the "Balance Sheet"). With respect to such Target, the Balance Sheet constitutes a compilation prepared by the Seller of (i) the assets and liabilities of each Hotel owned or leased by such Target (excluding the Seller Level Data) (the "Hotel Level Data") and (ii) the other assets and liabilities, if any, of the Target which either (A) are unrelated to the Hotel or (B) have historically not been accounted for as Hotel Level Data and (C) adjustments made by the Seller to the Hotel Level Data (the "Seller Level Data"). The Hotel Level Data is maintained by and has been extracted from the financial information supplied by the Buyer under the Hotel Management Agreements. The Seller Level Data has been compiled from the books and records of each Target maintained by the Seller. The Balance Sheet fairly presents the financial condition of the Target (and its consolidated Subsidiaries, as appropriate) as at December 31, 2004 in all material respects in accordance with GAAP, except for any deferred income tax asset or liability and any explanatory footnotes required under GAAP and except to the extent that any Hotel Level Data is not complete and accurate.

(b) There are no liabilities or obligations of any nature (whether known or unknown, absolute, contingent, or otherwise) of any Target (excluding (i) any deferred tax liabilities resulting from an accounting convention to reflect timing differences between book and tax accounting, (ii) liabilities in respect of Sales, Use & Occupancy Tax Audit Liabilities, (iii) liabilities in respect of employee claims arising out of any Employment Practices Liabilities and (iv) liabilities in respect of the Dutch Pension Plan (clauses (i) – (iv), collectively being the "Excluded Liabilities")), except for liabilities or obligations reflected on or reserved against in the Balance Sheet with respect to such Target and except to the extent that the Hotel Level Data is not complete and accurate. Since the date of the Balance Sheet through to the Closing Date, the Seller has not caused and will not permit any Target to suffer or incur any liability except for liabilities (i) pursuant to Contracts which are not Material Contracts; (ii) pursuant to executory Material Contracts disclosed on Schedule 5.10; (iii) for capital expenditures provided under Section 2.6; (iv) pursuant to any Lease; (v) that are Intercompany Debt, (vi) that are included within Working Capital for such Target or (vii) that constitute Excluded Liabilities.

(c) Except as set forth on Schedule 7.12, no Target is the guarantor of the obligations of a third party. No Target has contractually indemnified any third party except in respect of liabilities directly related to the operations of a Target's Hotel.

(d) Except as set forth on Schedule 2.4 as of the date of this Agreement, no Target has any Debt.

(e) The Seller Level Data accounting records are maintained by and are in the possession of the Seller.

(f) The Seller shall provide the Buyer a Balance Sheet for any Target in respect of an Alternate Target Sale upon such election by the Buyer and shall provide balance sheets (in the form required for the Balance Sheets) for the Buyer's review of such potential Targets within five Business Days of the Buyer's request.

Section 5.7 Absence of Certain Changes. Except as set forth on Schedules 2.1(a) and (c), since December 31, 2004, no Target has:

- (a) sold, transferred, or otherwise disposed of any of its Property except in the Ordinary Course of Business;
- (b) forgiven or canceled debts or waived any claims or rights of substantial value other than Intercompany Debt;
- (c) incurred any debt or extended any credit other than in the Ordinary Course of Business, except for Intercompany Debt;  
or
- (d) made any change in any method of accounting or accounting practice or policy.

Section 5.8 Litigation and Related Matters.

(a) Except as set forth in Schedule 5.8, there is no pending Legal Proceeding that has been commenced by or against any Interest Holder or related to the Property other than routine litigation related to the operations of a Hotel which is covered by insurance, and, to the Seller's Knowledge, no Legal Proceeding has been threatened and no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Legal Proceeding. The Seller has made available to the Buyer copies of all pleadings, correspondence, and other documents relating to each Legal Proceeding set forth in Schedule 5.8.

(b) Except as set forth in Schedule 5.8, and with the further exception that, with respect to the operations of any Hotel, the following representations are made to the Seller's Knowledge only:

- (i) there is no Order to which any Interest Holder, any of the assets owned or used by any Target, is subject;
- (ii) no Interest Holder is subject to any Order that relates to the business or Property of any Interest Holder; and

(iii) no officer, director, manager, managing member, trustee, partner, agent, or employee of any Target who is not under the control of the Buyer is subject to any Order that prohibits such Person from engaging in or continuing any conduct, activity, or practice relating to the business of any Target.



(c) Except as set forth in Schedule 5.8, and with the further exception that, with respect to the operations of any Hotel, the following representations are made to the Seller's Knowledge only:

(i) each Target and Interest Holder is in compliance in all material respects with the terms and requirements of each Order to which it is subject;

(ii) no event has occurred or circumstance exists that may constitute or result in (with or without notice or lapse of time) a violation of or failure to comply, in any material respect, by an Interest Holder with the terms or requirements of any Order to which it is subject; and

(iii) no Interest Holder has received any written notice from any Governmental Authority or any other Person regarding any actual, alleged, possible or potential violation of, or failure to comply with the terms and requirements of any Order to which it is subject.

Section 5.9 Compliance with Laws; Governmental Authorizations.

(a) Each Target is presently or, at the Closing shall be, in compliance in all material respects with all Governmental Authorizations necessary for the continued operation of the business of each Target, other than any Permits. Each Interest Holder has complied with, and is not in violation of, any applicable Law affecting such Target, excluding any applicable Law relating to the operations or business of any Hotel.

(b) Except as set forth on Schedules 2.1(a)-(d), the Seller has not received written notice of any request, application, proceeding, plan, study or effort including any condemnation proceeding, proposed change of zoning or other proposed land use regulation or action, which would have a material adverse effect on any Hotel or on any Permits. The Seller has not received written notice that the present development, improvement, use and operation of any Hotel are not in compliance with or violate any applicable Law or any Permit.

Section 5.10 Contracts and Commitments.

(a) Other than (i) the Contracts set forth on Schedule 5.10; (ii) the Leases; (iii) the exceptions noted on any Title Commitments (which shall be governed by Section 9.1); (iv) the GMAC Debt; (v) the Düsseldorf Debt; and (vi) the Orlando Mortgage Note and the Orlando ODL Note, there are no Material Contracts that will be binding on any Target, the Buyer, the Owned Real Property or the Leased Real Property subsequent to the Closing Date.

(b) (i) Schedule 5.10 sets forth a true and complete list of all Material Contracts, true and complete copies of which have been delivered to the Buyer; (ii) the Material Contracts are in full force and effect and no Interest Holder, nor to the Seller's Knowledge any other party thereto, is in material default in the performance of any of its obligations thereunder, nor, to Seller's Knowledge, has any event occurred which could give any party thereunder the right to give a notice of default to any other party; (iii) the Material Contracts have not been further modified, supplemented or amended in any material respect; and (iv) all rent, charges or other payments due from any Interest Holder under any Material Contract, as applicable, have either

been paid through the date of this Agreement or the Closing Date, as applicable, or provision has been made for the payment thereof as and when the same shall become due and payable.

(c) Except as set forth on Schedule 5.10, the Seller has no equity or other economic interest in any supplier, landlord or lessee of any Target. Except as set forth on Schedule 5.10, there are no Contracts between the Seller or any Affiliate of the Seller that will be binding on any Target or the Buyer subsequent to the Closing Date.

(d) To Seller's Knowledge, no Target and no Person on behalf of a Target has made any illegal or unrecorded payments, deposits or similar items.

(e) True and complete copies of all agreements and instruments with respect to (i) the GMAC Debt; (ii) the Düsseldorf Debt; (iii) the Orlando Mortgage Note; and (iv) the Orlando ODL Note have been delivered to the Buyer, and such agreements and instruments have not been and will not be further modified, supplemented or amended.

(f) All Contracts related to PIP Expenditures, have been, and those Contracts related to PIP Expenditures after the date hereof will be, delivered to the Buyer.

Section 5.11 Hotel Properties.

(a) With the exception of Encumbrances which will be satisfied and discharged at Closing, each Interest Holder, as appropriate, owns the Property free and clear of any Encumbrances.

(b) Except as set forth on Schedule 5.11, to the Seller's Knowledge, since January 1, 2003, no Interest Holder has received written notice by any Governmental Authority of any violation of an Environmental Law or written notice by any Person of any breach by an Interest Holder of its obligations under any Contract for the remediation of any condition at a Hotel under an Environmental Law.

Section 5.12 Intellectual Property. To the Seller's Knowledge, Schedule 5.12 sets forth a true and complete list of all tradenames and trademarks owned or used by each Interest Holder with respect to each Hotel property ("Tradenames"). To the Seller's Knowledge, there has been no infringement by any Interest Holder on the rights or interests of any third party with respect to the Tradenames, nor any infringement upon any Interest Holder's rights or interests in any of the Tradenames. To the Seller's Knowledge, no Interest Holder has received written notice that it is infringing the rights or interests of any third party with respect to the Intellectual Property or that any third party is infringing upon any Interest Holder's rights or interests in any of the Intellectual Property. The Seller and its Affiliates will not retain any rights to the Intellectual Property used in connection with the operation of a Hotel after the Closing.

Section 5.13 Employee Benefits.

(a) With respect to those Targets organized within the United States:

(i) no Interest Holder or ERISA Affiliate thereof has sponsored, maintained and/or contributed to Employee Benefit Plan at any time within the past five (5) years; and

(ii) Except as set forth on Schedule 5.13, no Target has any employees, except employees under the control of the Buyer who are employed in connection with the business and operations of the Hotels.

(b) With respect to those Targets incorporated or organized outside the United States:

(i) Except as set forth on Schedule 5.13, no Target has any employees, except employees under the control of the Buyer who are employed in connection with the business and operations of the Hotels.

(ii) Except as set forth on Schedule 5.13, no Target has any obligations with respect to any defined benefit pension plans other than those mandated by a Governmental Authority or those implemented by the Buyer.

(iii) No Target has hired any personnel not employed at a Hotel or made any material change in the terms of employment of any person who is employed at a Hotel without the Buyer's knowledge.

(iv) Prior to the Closing, the Seller will terminate the employment of the individuals listed on Schedule 5.13. All costs and expenses associated with such terminations shall be borne by the Seller.

Section 5.14 Insurance.

(a) Schedule 5.14 lists:

(i) all of the policies of insurance that have been issued covering losses that may have occurred during the past three (3) insurance policy years (including the current year) preceding the date of this Agreement to which any Target or Interest Holder is a party or has been covered excluding any policies placed by the landlords under the Leases, true and complete copies of which have been provided to the Buyer;

(ii) a list of the policy numbers and names of insurance carriers for two policy years in addition to those covered by clause (i) above, excluding casualty policies excluding property and business interruption policies as well as property terrorism policies, and excluding any policies placed by the landlords under the Leases;

(iii) all pending applications for policies of insurance, true and complete copies of which have been provided to the Buyer;

(iv) a schedule of all locations insured under the policies listed in subsection 5.14(a)(i), above; and

(v) all surety bonds placed directly by the Seller to which any Target is a party or has been covered within the current year, true and complete copies of which have been provided to the Buyer.

(b) Schedule 5.14 describes any self-insurance arrangement by or affecting any Target, including any reserves established thereunder.

(c) The Seller has previously provided to the Buyer, by line of coverage, by policy year, for each Interest Holder, for each of the three (3) preceding policy years (including the current policy year):

(i) a recent summary of the loss experience under each insurance policy; and

(ii) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

(d) Except as set forth on Schedule 5.14, all policies to which any Target is a party:

(i) are valid, outstanding, and enforceable;

(ii) will continue in full force and effect until the Closing Date; and

(iii) do not provide for any retrospective premium adjustment or other experience-based liability on the part of any Target.

(e) Within the past twelve (12) months, no Target has received (A) any notice of a material increase in premiums, or (B) any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or that the issuer of any policy is not willing or able to perform its obligations thereunder.

(f) Each Target has paid all premiums due under each policy to which it is a party.

(g) Seller shall be responsible for the payment of all brokers' or insurance service providers' fees relating to insurance that is terminated at or prior to Closing with respect to the Hotels.

Section 5.15 Leases, Schedules 2.1(b) and (c) set forth a complete and accurate list of the Leases, including the dates thereof and all amendments thereto. Except as set forth on Schedule 5.15, each Lease is in full force and effect and has not been modified, supplemented, or amended in any respect and no default has occurred by the respective tenant and is continuing under the Lease and no event has occurred and is continuing which with the giving of notice or lapse of time or both would constitute a default thereunder on the part of the respective tenant. Furthermore, to the Seller's Knowledge, no default by the respective landlord under each Lease has occurred and is continuing under such Lease and no event has occurred and is continuing which with the giving of notice or lapse of time or both would constitute a default thereunder on the part of such landlord.

Section 5.16 Taxes. Except for Taxes the reporting and payment of which is the responsibility of the Buyer pursuant to its management of the Hotel:

(a) Except as set forth on Schedule 5.16, each Target has duly and timely filed all Tax Returns required to be filed with any Taxing Authority (or has timely and properly filed valid extensions of time with respect to the filing thereof) and the Seller or the Seller's Affiliates have duly and timely filed each Tax Return required to be filed with any Taxing Authority by the Seller or the Seller's Affiliates which include or are based upon the assets, operations, ownership or activities of any of the Targets, including any consolidated, combined, unitary, fiscal unity or similar Tax Return which includes or is based upon the assets, operations, ownership or activities of any of the Targets (or the Seller or Seller's Affiliates have timely and properly filed valid extensions of time with respect to the filing thereof) and all such Tax Returns were correct and complete in all material respects. The Targets (or the Seller or the Seller's Affiliates on behalf of the Targets) have paid all Taxes owing with respect to the assets, ownership, operations and activities of the Targets (whether or not shown on any Tax Return).

(b) There are no Liens on any of the assets of any of the Targets that arose in connection with any failure (or alleged failure) to pay any Tax, other than Liens for Taxes not yet due and payable.

(c) Except as set forth in Schedule 5.16, there are no pending audits, assessments or claims from any Taxing Authority for deficiencies, penalties or interest against any of the Targets or any of their assets, operations or activities. Except as set forth in Schedule 5.16, there are no pending claims for refund of any Tax of any Target (including refunds of Taxes allocable to the Targets or with respect to consolidated, combined, unitary, fiscal unity or similar Tax Returns).

(d) Except as set forth in Schedule 5.16, there is no pending investigation or other proceeding by any Taxing Authority for any jurisdiction where any of the Targets does not file Tax Returns with respect to a given Tax that may lead to an assertion by such Tax Authority that any of the Targets is or may be subject to a given Tax in such jurisdiction.

(e) Except as set forth on Schedule 5.16, none of the Targets has (i) waived any statute of limitations in respect of Taxes or, (ii) agreed to any extension of time with respect to the filing of any Tax Return of any of the Targets (including any Tax Return which includes or is based upon their respective assets, ownership, operations or activities), the payment of any Taxes of any of the companies, or any limitation period regarding the assessment of any such Taxes or (iii) received approval to make or agreed to a change in accounting method or has any application pending with any Taxing Authority requesting permission for any such change.

(f) None of the Targets has elected under Treasury Regulation Section 301.7701-3 to be taxed as a corporation for United States Tax purposes. Except as set forth on Schedule 5.16, none of the Targets has elected under Treasury Regulation Section 301.7701-3 to be taxed as a partnership or disregarded entity for United States Tax purposes.

(g) Except as set forth in Schedule 5.16, there are no outstanding rulings or determinations of, or requests for rulings or determinations with, any state, local or foreign Taxing Authority expressly addressed to any Target (or to an Affiliate of any Target) that are, or if issued would be, binding upon any Target.

(h) Except as set forth in Schedule 5.16, none of the Targets is a party to any Tax allocation, Tax reimbursement or Tax sharing agreement.

(i) Except as set forth in Schedule 5.16, as to each year or period for which the relevant limitation period for assessments has not yet expired as to a given Tax, none of the Targets: (I) has been a member of an affiliated, consolidated, unitary, fiscal unity, combined or similar Tax group which files a consolidated, unitary, fiscal unity, combined or similar Tax Return for purposes of that Tax other than the group of which it currently is a member; or (II) has any liability for the Taxes of any Person (other than any of the members of the group of which it currently is a member) under Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise.

(j) Except as set forth in Schedule 5.16, none of the Targets is a party to any joint venture, partnership or other arrangement or contract that could be treated as a partnership for US or Non-US Tax purposes.

(k) No Selling Entity that is selling a United States real property interest is a "foreign person" within the meaning of Code Section 1445 (or, if a Selling Entity is a disregarded entity for US Tax purposes, the recognized Tax owner of the Selling Entity that is treated as the seller of a real property interest for US Tax purposes is not a "foreign person" within the meaning of Code Section 1445).

(l) Except as set forth in Schedule 5.16, none of the Selling Entities or the Targets has given a power of attorney to any Person (other than a Tax Matters Partner pursuant to Code Section 6231(a)(7)) on any matters relating to Taxes.

(m) Except as set forth in Schedule 5.16, each asset with respect to which any Target claims depreciation, amortization or similar expense for Tax purposes is owned for Tax purposes by such Target under applicable Tax Law.

(n) Except as set forth in Schedule 5.16, no Target will have any taxable income or gain as a result of prior intercompany transactions with Affiliates of the Targets that have been deferred and that will be subject to Tax as a result of the changes in ownership of each of the Targets as contemplated by this Agreement.

(o) Each Target has withheld from each payment made to any of its past and present shareholders, directors, officers, employees and agents the amount of all Taxes and other deductions required to be withheld and has paid or made adequate provision for the payment of such amounts to the proper Taxing Authority.

Section 5.17 Limitations. The Seller's representations, warranties, and to the extent applicable, covenants set forth in Sections 5.4, 5.6(b)-(d), 5.7, 5.9, 5.10, 5.12 and 5.15, are expressly made subject to any action of the Buyer or its Representatives or any failure of the

Buyer or its Representatives to act in circumstances where the Buyer is under a legal or contractual duty to act, and in the event of such action or failure to act by the Buyer, the Seller assumes no responsibility for the accuracy or completeness of such representations and warranties or the performance of such covenants to the extent of such inaccuracy, incompleteness or failure to perform is a result of such action or failure to act by the Buyer. In addition, the Seller's representations, warranties, and to the extent applicable, covenants are qualified by reference to any condition identified in the property condition reports that are listed in Schedule 2.6(c).

**ARTICLE 6**  
**REPRESENTATIONS AND WARRANTIES OF THE BUYER**

The Buyer hereby represents and warrants to the Seller as follows:

Section 6.1 Organization.

(a) Marriott International, Inc. is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has all necessary corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. The Buyer is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except, in each case, for any such failures that would not, individually or in the aggregate, reasonably be expected to have a Buyer Material Adverse Effect.

(b) Marriott International, Inc. has heretofore furnished to the Seller a complete and correct copy of the Buyer's certificate of incorporation and bylaws. Such certificate of incorporation and bylaws are in full force and effect.

Section 6.2 Authority. The Buyer has full corporate power and authority to execute and deliver this Agreement and each of the Ancillary Agreements to which it will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by the Buyer of this Agreement and each of the Ancillary Agreements to which it will be a party and the consummation by the Buyer of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action. This Agreement has been, and upon their execution each of the Ancillary Agreements to which the Buyer will be a party will have been, duly and validly executed and delivered by the Buyer. This Agreement constitutes, and upon their execution each of the Ancillary Agreements to which the Buyer will be a party will constitute, the legal, valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with its and their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 6.3 No Conflict; Required Filings and Consents.

(a) The execution, delivery and performance by the Buyer of this Agreement and each of the Ancillary Agreements to which the Buyer will be a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not:

- (i) conflict with or violate the certificate of incorporation or bylaws of the Buyer;
- (ii) conflict with or violate any Law applicable to the Buyer or by which any property or asset of the Buyer is bound or affected; or
- (iii) conflict with, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, require any consent of any Person pursuant to, or give to others any rights of termination, acceleration or cancellation of, any material contract or agreement to which the Buyer is a party;

except, in the case of clause (ii) or (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not, individually or in the aggregate, reasonably be expected to have a Buyer Material Adverse Effect.

(b) Except as set forth on Schedule 6.3(b), the Buyer is not required to file, seek or obtain any notice, authorization, approval, order, permit or consent of or with any Governmental Authority in connection with the execution, delivery and performance by the Buyer of this Agreement and each of the Ancillary Agreements to which it will be party or the consummation of the transactions contemplated hereby or thereby or in order to prevent the termination of any right, privilege, license or qualification of the Buyer, except where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or in the aggregate, reasonably be expected to have a Buyer Material Adverse Effect or (iv) as may be necessary as a result of any facts or circumstances relating solely to the Seller or any of its Affiliates.

Section 6.4 Financing. The Buyer has, and shall have at the Closing, sufficient funds to permit the Buyer to consummate the transactions contemplated by this Agreement and the Ancillary Agreements. The parties acknowledge and agree that it shall not be a condition to the obligations of the Buyer to consummate the transactions contemplated hereby that the Buyer have sufficient funds for payment of the Unadjusted Purchase Price and any post-closing adjustments thereto.

**ARTICLE 7  
COVENANTS**

Section 7.1 Management of the Hotels Prior to the Closing. Between the date of this Agreement and the Closing Date, except as set forth in this Agreement, the Buyer shall operate and manage the Hotels in accordance with the approved annual operating and capital expenditure budgets for each Hotel and otherwise only in conformity with the Hotel Management Agreements and Buyer's Accounting Practices for the Hotels.



Section 7.2 Conduct of Business of the Selling Entities and Targets Prior to the Closing.

(a) Between the date of this Agreement and the Closing Date, unless the Buyer shall otherwise agree in writing, the Seller shall conduct the business of the Interest Holders in the Ordinary Course of Business in compliance in all material respects with the Hotel Management Agreements and in such manner as not to cause a breach of a representation, warranty or covenant contained in this Agreement.

(b) Between the date of this Agreement and the Closing Date, without the prior consent of the Buyer, which consent may be withheld in the Buyer's sole and absolute discretion, no Interest Holder will:

(i) amend, supplement or change the Organizational Documents of a Target nor consent (nor will any Seller consent) to any amendment, supplement or change to the Organizational Documents of a Minority Owned Entity;

(ii) issue or sell any shares of capital stock, membership units, partnership interests or other equity of a Target, as applicable;

(iii) allow any Target to acquire any corporation, partnership, limited liability company, other business organization or division thereof or any assets other than in the Ordinary Course of Business;

(iv) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation or recapitalization;

(v) authorize any Capital Expenditure other than pursuant to Section 2.6;

(vi) create any Encumbrance against the Owned Real Property or the Leased Real Property other than Encumbrances existing on the date of this Agreement;

(vii) enter into, materially amend or terminate any Contract (a copy of any such Contract or amendment agreed to by the Buyer as provided above shall be delivered to the Buyer);

(viii) modify, supplement, amend or terminate any Lease; or

(ix) enter into any Contract with an Affiliate of a Seller.

Section 7.3 Risk of Loss. The Hotel Management Agreements notwithstanding, the risk of loss or damage to the Owned Real Property or the Leased Real Property, including, without limitation, loss or damage resulting from casualty, condemnation, eminent domain and any business interruption therefore attributable to any acts or occurrences prior to the Closing (a "Casualty Loss") shall be borne by Seller. In the event of a Casualty Loss, the following shall apply:

(a) If the Casualty Loss relates to a Hotel listed on Schedule 7.3(a) (the “Group A Hotels”), and the casualty results in a loss of less than \$2,000,000 (the “Group A Threshold Amount”), as estimated by the Seller and the Buyer, Buyer will proceed to Closing with respect to such Hotel, and, at the Closing, the Seller shall assign all insurance proceeds to Buyer, except to the extent such insurance is related to business interruption or extraordinary expenses incurred prior to the Closing. If insurance proceeds in respect of such Casualty Loss that are available for the costs of repair and restoration of the Fee Property or the Leasehold Property, as applicable, are estimated to be insufficient to cover such costs, or if the Casualty Loss is uninsured, the parties will reduce the Preliminary Allocated Price by the amount of the estimated shortfall in insurance proceeds available for such costs. In any case where the Casualty Loss is insured, at Closing the Preliminary Allocated Price shall be reduced by any deductible applicable to the insurance coverage;

(b) If the Casualty Loss relates to a Hotel listed on Schedule 7.3(b) (the “Group B Hotels”), and the casualty results in a loss of less than the lesser of \$5,000,000 or 10% of the Preliminary Allocated Price applicable to the affected Hotel (the “Group B Threshold Amount”), as estimated by the Seller and the Buyer, Buyer will proceed to Closing with respect to such Hotel, and, at the Closing, the Seller shall assign all insurance proceeds to Buyer, except to the extent such insurance is related to business interruption or extraordinary expenses incurred prior to the Closing. If insurance proceeds in respect of such Casualty Loss that are available for the costs of repair and restoration of the Fee Property or the Leasehold Property, as applicable, are estimated to be insufficient to cover such costs, or if the Casualty Loss is uninsured, the parties will reduce the Preliminary Allocated Price by the amount of the estimated shortfall in insurance proceeds available for such costs. In any case where the Casualty Loss is insured, at Closing the Preliminary Allocated Price shall be reduced by any deductible applicable to the insurance coverage; or

(c) If the Casualty Loss exceeds the Group A Threshold Amount or the Group B Threshold Amount, as applicable, Buyer, at its option, may either:

(i) proceed to Closing with respect to such Hotel, and, at the Closing, the Seller shall assign all insurance proceeds to Buyer, except to the extent such insurance is related to business interruption or extraordinary expenses incurred prior to the Closing. If insurance proceeds in respect of such Casualty Loss that are available for the costs of repair and restoration of the Fee Property or the Leasehold Property, as applicable, are estimated to be insufficient to cover such costs, or if the Casualty Loss is uninsured, the parties will reduce the Preliminary Allocated Price by the amount of the estimated shortfall in insurance proceeds available for such costs. In any case where the Casualty Loss is insured, at Closing the Preliminary Allocated Price shall be reduced by any deductible applicable to the insurance coverage; or

(ii) elect not to close with respect to such Hotel (with a reduction in the Unadjusted Purchase Price by the Preliminary Allocated Price for such Hotel) and at Closing, the parties will terminate the Hotel Management Agreement(s) with respect to the Hotel and the Seller will pay the Buyer a termination fee equal to six times the base management fees for the thirteen Accounting Periods elapsing just prior to the Closing Date for Hotels located in the United States and Canada and for the twelve months elapsing just prior to the Closing Date for

all other Hotels. If the term of the Lease for any such Hotel has less than six years remaining after the Closing Date, the Seller shall have the option to cause Manager to continue to manage the Hotel for the remaining term of such Lease, however, such Hotel Management Agreement(s) shall be amended and restated at Closing in the form of the management agreement attached hereto as Exhibit N-1 for domestic Hotels and Exhibit N-2 for international Hotels, with no termination fee due at the expiration of such Lease.

(d) In the event of a Casualty Loss affecting the Renaissance Techworld Hotel in excess of \$5,000,000, the Buyer, at its option, may either: (i) proceed to Closing with respect to such equity interests in the related Minority Owned Entities or (ii) elect not to close with respect to such equity interests in the Minority Owned Entities with a reduction in the Unadjusted Purchase Price by the Preliminary Allocated Price for the Renaissance Techworld Hotel.

(e) In the event of a Casualty Loss, the Seller shall, in cooperation with the Buyer, promptly and diligently file and pursue recovery of, all appropriate insurance claims and to the extent of any insurance proceeds recovered, with the Buyer's consent, apply such proceeds to the restoration of the Property. In the event any lender on a Property damaged by a Casualty Loss exercises any rights with respect to the insurance proceeds, such that they are not available for restoration of the Property or assignment to the Buyer, the Preliminary Allocated Price of the related Hotel shall be reduced by the amount of the proceeds taken by such lender. Insurance proceeds for business interruption losses shall be applied to such losses and shall not be used in the estimation of casualty losses.

(f) All risk of loss or damage to the Owned Real Property and the Leased Real Property, including without limitation, loss or damage resulting from casualty, condemnation, eminent domain and any business interruption resulting therefrom shall be borne by the Buyer following the Closing of the Transaction.

#### Section 7.4 Covenants Regarding Information.

(a) From the date hereof until the Closing Date, upon reasonable notice, the Seller and its Subsidiaries shall (i) afford the Buyer and its Representatives and Designees, reasonable access to the books and records of the Targets and the Selling Entities related to the Targets, (ii) furnish the Buyer with such financial, operating and other data and information as the Buyer may reasonably request and (iii) furnish the Representatives usual and customary "management representation letters" to a firm of certified public accountants necessary for completion of an independent audit of the Target (it being understood that with respect to the Hotel Level Data, such letter shall rely on an equivalent letter from the Hotel's manager); provided, however, that any such access or furnishing of information shall be conducted at the Buyer's expense, during normal business hours upon reasonable notice, under the supervision of the Seller's personnel and in such a manner as to not unreasonably interfere with the normal operations of the Seller. Notwithstanding anything to the contrary in this Agreement, neither the Seller nor any of its Subsidiaries shall be required to disclose any information to the Buyer or its Representatives if such disclosure would, (A) in the Seller's sole discretion, jeopardize any attorney-client privilege or any work-product privilege or (B) contravene any duty imposed by applicable Laws.

(b) The Seller hereby consents to the Buyer (or its Designees) engaging, at the Buyer's or its Designee's expense, the independent registered public accounting firm that audited, reviewed or otherwise advised the Seller regarding the financial statements of any Target to audit such financial statements for periods preceding the Closing Date and to access the audit work papers relating to such prior period. The Seller shall also cooperate with the Buyer in responding to reasonable requests for other information relating to such financial statements.

(c) For a period of seven (7) years after the Closing or, if shorter, the applicable period specified in the Buyer's document retention policy, the Buyer shall or shall cause its Designees, as applicable to (i) retain the books and records relating to the Hotels, the Property or the Intellectual Property relating to periods prior to the Closing and (ii) afford the Representatives of the Seller reasonable access (including the right to make, at the Seller's expense, photocopies), during normal business hours upon reasonable notice, to such books and records wherever located in order to allow the Seller to fulfill any pre-existing contractual obligation which is binding upon the Seller and disclosed to the Buyer or requirement of any Law or to defend any claim (other than a claim by an Indemnified Party), including any litigation (civil, criminal or otherwise), governmental investigation, tax audit or insurance claim.

(d) For a period of seven (7) years after the Closing or, if shorter, the applicable period specified in the Seller's document retention policy, with respect to any documents not previously delivered to the Buyer, the Seller shall (i) retain the books and records relating to the Seller Level Data with respect to the Targets, Hotels, Leased Real Property, Owned Real Property, Personal Property or Intellectual Property relating to periods prior to the Closing to the extent not delivered to the Buyer at the Closing and (ii) afford the Representatives of the Buyer reasonable access (including the right to make, at the Buyer's expense, photocopies), during normal business hours upon reasonable notice, to such books and records wherever located in order to allow the Buyer to fulfill any pre-existing contractual obligation or requirement which is binding on the Buyer and disclosed to the Seller or requirement of any Law or to defend any claim (other than a claim by an Indemnified Party), including any litigation (civil, criminal or otherwise), governmental investigation, tax audit or insurance claim.

#### Section 7.5 Non-Waiver of Attorney-Client Privilege.

(a) The Buyer agrees and shall cause its Designees to agree that the Seller, the Selling Entities, and their respective Affiliates, by virtue of the transfer of the Seller's interest in the Hotels, or any other transaction contemplated by this Agreement and the Ancillary Agreements, are not surrendering, waiving or transferring any attorney-client, work product, or other applicable privileges that exist with respect to any and all attorney-client relationships that exist between the Seller and the Selling Entities and the attorneys listed below, including any relationships related to:

(i) any matters arising out or related to the matters listed on Schedule 7.5;

(ii) any advice provided by Gibson, Dunn & Crutcher LLP or any other law firm retained by the Seller in connection with the negotiation of this Agreement and the Ancillary Agreements;

- (iii) any other legal advice provided by Gibson, Dunn & Crutcher LLP to the Seller and the Selling Entities;
- (iv) any legal advice provided by Skadden, Arps, Slate Meagher & Flom LLP to the Seller and the Selling Entities;
- (v) any legal advice provided by Weil Gotshal & Manges LLP; and
- (vi) any legal advice provided by Daniel Heining and Bradley Hornbacher.

(b) The Buyer and its Designees further agree that: (i) the Seller and the Selling Entities and their respective Affiliates have received and continue to receive legal representation in various matters from all of the above referenced attorneys, (ii) the Buyer and its Designees shall not be entitled to receive or review any attorney work product, information subject to attorney-client privilege or client files relating to the Seller, the Selling Entities, or their respective Affiliates in the possession of any counsel referenced above, and (iii) that neither this Agreement, the Buyer's or its Designees subsequent ownership of the Hotel Interests, or the Minority Owned Interests, nor any transaction that arises out of or related to this Agreement or the Ancillary Agreements shall provide any basis for the Buyer, its Subsidiaries or its Designees, or any its Affiliates or their successors or assigns to: (A) except to the extent specifically agreed in the Conflict Waiver Agreement dated November 24, 2004 with respect to Gibson, Dunn & Crutcher LLP or any similar agreements concerning law firms retained by the Seller in connection with this Agreement, seek to disqualify any of the above referenced counsel's representation or the Seller, the Selling Entities or their respective Affiliates in any matter, including any matter adverse to the Buyer, its Subsidiaries, the Buyer's Designees, or its Affiliates, whether or not related to the any of the above referenced counsel's prior representation of the Seller, the Selling Entities or their respective Affiliates or any of the Hotels that are the subject of this Agreement or the Ancillary Agreements, or (B) claim or assert that any privilege has been waived between the Seller, the Selling Entities, and their respective Affiliates and the above-referenced counsel.

Section 7.6 Notification of Certain Matters. Until the Closing, each party hereto shall promptly notify the other party in writing of any fact, change, condition, circumstance or occurrence or nonoccurrence of any event of which it is aware that will or is reasonably likely to result in any of the conditions set forth in Sections 9.3 through 9.5 of this Agreement becoming incapable of being satisfied.

Section 7.7 Resignations. The Seller will deliver at the Closing the written resignation of all of the directors, managers, general partners and officers of the Targets, effective as of the Closing Date.

Section 7.8 Confidentiality. Until the Closing, each of the parties shall, and shall cause its Affiliates, Representatives, and Designees and Representatives of Designees to keep confidential, disclose only to its Affiliates, Representatives, and Designees and Representatives of Designees and use only in connection with the transactions contemplated by this Agreement and the Ancillary Agreements, all information and data obtained by them from the other party or

its Affiliates, Representatives, or Designees or Representatives of Designees relating to such other party in the course of due diligence (collectively, the “Information”), unless disclosure of the Information is required by applicable Law. Notwithstanding the foregoing, the provisions of this Section 7.8 shall not apply to those portions of any Information that (a) are or become generally available to the public other than as a result of a disclosure by the other party or its Representatives; (b) become available on a non-confidential basis from a source other than the other party or its Representatives which to the knowledge of the party receiving such information, is not bound by a confidentiality agreement or other obligation of confidentiality prohibiting such disclosure; (c) were known on a non-confidential basis prior to the disclosure by the other party or its Representatives; or (d) are independently developed without reference to the Information. In the event that the transactions contemplated hereby are not consummated, each party shall, and shall use its Commercially Reasonable Efforts to cause its Affiliates, Representatives, and Designees and Representatives of Designees to, promptly return to the other party or destroy all documents (including all copies thereof) containing any Information.

Section 7.9 Consents and Estoppels.

(a) Each party shall use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable to obtain from any third party all consents necessary to assign (or, with respect to the UK Hotels, novate) the Material Contracts to the Buyer or its Designee. Notwithstanding the foregoing, if there shall not be assigned (or novated) to the Buyer or its Designee any Material Contract or if an attempted assignment (or novation) thereof without the consent of the other party or parties thereto would constitute a breach thereof or in any way adversely affect the rights of the Seller thereunder and such consent is not obtained, or if an attempted assignment (or novation) would be ineffective or would affect the rights of the Seller thereunder so that the Buyer would not, in fact, receive the benefits thereof, the Seller covenants and agrees that in such case, the beneficial interest in and to any such Material Contract shall, to the extent permitted by the relevant Material Contract and by Law, pass to the Buyer or its Designee, and the Seller will: (i) hold all such Material Contracts in trust for the benefit of the Buyer, its successors, assigns or Designees, from and after the Closing Date (with effect from the Effective Date), (ii) use Commercially Reasonable Efforts to obtain and secure any and all consents and approvals that may be necessary to effect such assignment or assignments (or novations) of the same and (iii) make or complete such assignment or assignments (or novations) as soon as reasonably possible.

(b) Subject to Section 9.2, each party shall use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable to obtain from any third party all consents sufficient to create a valid transfer of the Equity Interests and the Seller’s interest in the Minority Owned Entities to the Buyer or its Designee without causing the Buyer or its Designee to incur additional liabilities or limitations of any rights as assignee of the Equity Interests and the Seller’s interest in the Minority Owned Entities.

(c) Subject to Section 9.2, the parties shall use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable to obtain consents from the applicable lessors or landlords sufficient to create a valid assignment of the Leasehold Interests to the Buyer or its Designee without causing the Buyer or its Designee to incur additional liabilities or limitations of any rights as assignee of the Leasehold Interests.

(d) The parties shall use Commercially Reasonable Efforts to obtain (i) subject to the terms of Schedule 2.4, a consent and estoppel certificate with respect to the assumption of the GMAC Debt, executed by the lender thereunder and in a form mandated by the terms of the loan documents or in a form reasonably acceptable to Buyer and (ii) a statement of outstanding principal amount with respect to the Düsseldorf Debt executed by the lender thereunder.

(e) Subject to Section 9.2, the parties agree that, except with respect to the Hotel identified on Schedule 7.9(e) as not requiring an estoppel certificate, they shall use Commercially Reasonable Efforts to obtain an estoppel certificate from the applicable lessors or landlords under the Leases containing the information required by the terms of the Leases or, in the event that no such requirements are set forth therein, in a form reasonably acceptable to the Buyer and addressed to (i) in the case of a Lease Assignment & Sale, the Buyer or its Designee, as the case may be, or (ii) in the case of a Target Sale, the Target (collectively, the "Estoppel Certificates").

Section 7.10 Governmental Consents, Filings and Closing Deliveries. Each party shall use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements as promptly as practicable, including to (i) obtain from Governmental Authorities all consents, approvals, authorizations, qualifications and orders as are necessary for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, (ii) promptly make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement required under any applicable Law and (iii) on the Closing Date, deliver or cause to be delivered the Seller's Closing Deliveries by the Seller and the Buyer's Closing Deliveries by the Buyer and satisfying the other conditions of Closing set forth in Sections 9.4 and 9.5.

Section 7.11 Public Announcements. The parties shall consult with each other before issuing any press release with respect to this Agreement or the Ancillary Agreements or the transactions contemplated hereby or thereby, and neither party nor its Representatives shall criticize, disparage, defame or otherwise make any statement which would reflect negatively on (i) the other party, (ii) any current or former employees, officers, directors, agents or other persons associated with the either party, (iii) any of the services provided by either party or (iv) any of the current or past business practices of either party. Furthermore, the Buyer specifically agrees that it will not file this Agreement or any Ancillary Agreement with any Governmental Authority unless and until required to do so. The Buyer also agrees that it will give the Seller reasonable notice of such filing, and, at the reasonable request of the Seller, the Buyer shall use its Commercially Reasonable Efforts to seek confidential treatment of any provisions herein or therein.

Section 7.12 Release of Guarantees and Indemnification of Other Liabilities. The Buyer shall request, but shall not be obligated to obtain, the release of the Seller or its Affiliates from the guarantees listed in Schedule 7.12 (each, a "Guarantee"). In the event a Guarantee is

not released prior to or at the Closing, the Buyer will provide the Seller and its Affiliates at the Closing with an indemnity in respect of such Guarantee in the form of the Indemnification Agreement attached hereto as Exhibit O, provided, however, that with respect to the Renaissance Cleveland Hotel, if the Buyer subsequently transfers such Leasehold Interest, the Buyer shall be permitted to substitute the transferee or another party as the indemnitor under the Indemnification Agreement, so long as such transferee or other party meets the requirements set forth on Schedule 9.2(b). Upon such substitution, the Buyer shall be released from all obligations under the Indemnification Agreement.

## ARTICLE 8 TAX MATTERS

### Section 8.1 Tax Returns.

(a) The Seller shall prepare, or shall cause to be prepared, and shall file or cause to be filed, all income Tax Returns of any Target for taxable years that end on the Closing Date, and all other Tax Returns the due date of which is before the Closing Date. The Buyer shall cooperate, and cause each of the Targets to cooperate, with the reasonable requests of the Seller in connection with the filing of any such Tax Return, including, without limitation, the execution of any such Tax Return (provided that such Tax Return is complete in all material respects and there is a reasonable basis (or analogous standard under the laws of the relevant jurisdiction) for the positions taken in such Tax Return) or of any other document required to be filed with any Taxing authority in connection therewith. Except as required by applicable law, such Tax Returns shall be prepared in a manner that is consistent with past practice.

(b) The Buyer shall prepare or cause to be prepared and shall file or cause to be filed all other Tax Returns of the Targets. Except as required by applicable law, such Tax Returns shall be prepared in a manner that is consistent with past practice. The Buyer shall deliver a copy of any Tax Returns in respect of which the Seller is required to make a payment pursuant to this Agreement, completed in draft form, at least 15 days before the due date thereof for the review and approval of Seller, which is not to be unreasonably withheld or delayed, and a schedule, in reasonable detail, of the amount of payment due to Buyer. If Seller approves such Tax Return, it shall pay the amount owed Buyer before the due date of such Tax Return.

Section 8.2 Seller's Obligations. Except in the case of (i) any Taxes imposed as a result of the gross negligence or willful misconduct of the Buyer pursuant to the management of the Hotels under the Hotel Management Agreements, (ii) Transfer Taxes governed by Section 3.9, (iii) any Sales, Use & Occupancy Tax Audit Liabilities and (iv) Taxes governed by Schedule 2.1(b)-1, and except to the extent that Taxes (including real property taxes) are taken into account in the definition of Working Capital, the Seller shall be responsible for and pay, and shall indemnify the Buyer and the Targets from, (a) any and all Taxes imposed on any of the Targets, or for which a Target is liable, for any taxable period ending on or before the Effective Date and the portion through the end of the Effective Date for any taxable period that includes but does not end on the Effective Date (the "Pre-Closing Tax Period"); provided, however, that in the event of Vinoy Club L.C., Vinoy Investments LP, SWW No. 1 LLC, and SAS Valmy, the Seller's obligations shall be limited to the amount of Tax imposed on any such entity multiplied



by the percentage interest in the entity transferred pursuant to this agreement; provided further, however, that the Seller shall not be responsible for any Taxes arising out of events outside the ordinary course of business and within the control of the Buyer occurring on the Closing Date after the Closing, (b) any and all Taxes imposed on any of the Targets or Selling Entities, or for which a Target or Selling Entity becomes liable, for any taxable period ending after the Effective Date to the extent that such Taxes result from a transaction or an event occurring on or before the Effective Date, (c) any Taxes arising out of a breach of the representations in Section 5.16 and (d) any costs or expenses with respect to Taxes indemnified hereunder. The Seller shall indemnify, defend and hold the Buyer harmless from, and shall be entitled to any refund of (unless the refund was credited pursuant to the Working Capital adjustments set forth in Article 3), any and all Taxes that are the Seller's responsibility pursuant to the immediately preceding sentence. Any indemnity payment required to be made by the Seller pursuant to this Section 8.2 shall be made within 30 days of written notice from the Buyer.

Section 8.3 Buyer's Obligations. Except as otherwise provided in Section 8.2, from and after the Effective Date, the Buyer and the Targets shall be solely responsible for the payment or discharge of all Taxes imposed on the any of the Targets and any costs or expenses with respect to taxes indemnified hereunder. The Buyer shall indemnify, defend and hold the Seller harmless from, and shall be entitled to any refund of, any and all Taxes that are the Buyer's responsibility pursuant to the immediately preceding sentence. Any indemnity payment required to be made by the Buyer pursuant to this Section 8.3 shall be made within 30 days of written notice from the Seller.

Section 8.4 Straddle Period. In the case of any taxable period that includes (but does not end on) the Effective Date (a "Straddle Period"), the amount of any Taxes based on or measured by income or receipts of a Target for the Pre-Closing Tax Period shall be determined based on an interim closing of the books as of the close of business on the Effective Date (and for such purpose, the taxable period of any partnership or other pass-through entity in which the Target holds a beneficial interest shall be deemed to terminate at such time) and the amount of other Taxes of a Target for a Straddle Period that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Effective Date and the denominator of which is the number of days in such Straddle Period. The benefits of lower tax brackets and other similar benefits shall be apportioned in making the calculation of such allocated portions on the basis of the number of days in the Buyer's or its Designee's, as the case may be, and the Seller's holding periods for the taxable period beginning before and ending after the Effective Date.

Section 8.5 Contests. For purposes of this Agreement, a "Contest" is any audit, court proceeding or other dispute with respect to any tax matter that affects a Target. Unless the Buyer has previously received written notice from the Seller of the existence of such Contest, the Buyer shall give written notice to the Seller of the existence of any Contest relating to a tax matter that is the Seller's responsibility under Section 8.2 within ten (10) days from the receipt by the Buyer of any written notice of such Contest, but no failure to give such notice shall relieve the Seller of any liability hereunder. Unless the Seller has previously received written notice from the Buyer of the existence of such Contest, the Seller shall give written notice to the Buyer of the existence of any Contest for which the Buyer has responsibility within ten (10) days from the receipt by

the Seller of any written notice of such Contest. The Buyer, on the one hand, and the Seller, on the other, agree, in each case at no cost to the other party, to cooperate with the other and the other's Representatives in a prompt and timely manner in connection with any Contest. Such cooperation shall include, but not be limited to, making available to the other party, during normal business hours, all books, records, Tax Returns, documents, files, other information (including working papers and schedules), officers or employees (without substantial interruption of employment) or other relevant information necessary or useful in connection with any Contest requiring any such books, records and files. The Seller shall, at its election, have the right to represent a Target's interests in any Contest relating to a Tax matter arising in a period ending on or before the Effective Date, to employ counsel of its choice at its expense and to control the conduct of such Contest, including settlement or other disposition thereof; provided, however, that the Buyer shall have the right to consult with the Seller regarding any such Contest that may affect such Target for any periods ending after the Effective Date at the Buyer's own expense and provided, further, that any settlement or other disposition of any such Contest may only be with the consent of the Buyer, which consent will not be unreasonably withheld.

Section 8.6 Price Adjustment. All amounts paid pursuant to this Agreement by one party to another party (other than interest payments and payments pursuant to Section 3.5, which shall be treated as management fees) shall be treated by such parties as an adjustment to the Unadjusted Purchase Price, to the extent appropriate and permitted by law.

Section 8.7 After-Tax Basis. All payments due in respect of Non-United States Taxes under this Article 8 shall be fully adjusted to reflect (i) any net increase in Taxes that the recipient of such payments will experience as a result of receiving such payments, (ii) any net increase in Taxes such recipient will experience as a result of receiving any gross-up payments under this Section 8.7 and (iii) any net Tax benefits that the recipient will incur as a result of the payment of the indemnified tax.

Section 8.8 Elections. Seller shall cooperate fully with Buyer and the Targets, to the extent necessary and to the extent reasonably requested by Buyer, in connection with the filing of any elections relating to Taxes which become available to Buyer or any of the Targets as a result of the transactions described in this Agreement; provided, however, that Seller shall not be obligated to consent to an election if such election would increase the amount of Taxes it is required to pay unless the parties otherwise agree.

Section 8.9 Survival. All obligations under this Article 8 shall survive the Closing hereunder and continue until 90 days following the expiration of the period of limitations applicable to the related Tax. If a Tax claim that is raised by one party during the survival period is disputed by the other party, such claim shall survive until the dispute between the parties is resolved.

**ARTICLE 9**  
**TITLE COMMITMENT AND SURVEY REVIEW PROCESS;**  
**CONDITIONS TO CLOSING**

Section 9.1 Title Commitment and Survey Review Process.

(a) Title Review Process. Buyer shall initiate the title review process promptly following the date of this Agreement, which shall consist of (i) with respect to the Leased Real Property, the Owned Real Property and the real property owned by any Minority Owned Entity located in the United States and other jurisdictions where consistent with local practice, (A) ordering from the Title Company a Uniform Commercial Code financing statement search including a search on any Target and a commitment for owner's title insurance, on such policy form as is available in the applicable jurisdiction as selected by Buyer, and (B) ordering from Bock & Clark Corporation National Surveyors Network ("Surveyor") an ALTA survey with such instructions regarding information to be shown and the scope of certification as Buyer shall determine, and (ii) with respect to all other Leased Real Property and Owned Real Property (together with such properties referenced in clause 9.1(a)(i) above, the "Real Properties"), ordering of such title and survey type investigative work as may be appropriate and available under local practice for the determination of the nature and quality of title (the "Non-U.S. Hotel Investigative Work"). The Uniform Commercial Code financing statement search results and the title commitments, surveys and Non-U.S. Hotel Investigative Work obtained by Buyer, as revised or updated from time to time, are herein referred to as "Title Materials." Copies of all Title Materials shall be provided to Seller's counsel as and when received, which copies shall not be required to be returned. During the period from the date of this Agreement and ending at 11:59 pm, May 7, 2005, Buyer shall notify the Seller in writing of those matters relating to title disclosed to Buyer in the Title Materials or otherwise disclosed in materials received by Buyer at least forty-eight (48) hours prior to 11:59 pm, May 7, 2005 to which Buyer objects (including, for example, the size or configuration of any Real Properties which are not acceptable to Buyer) and that are not Permitted Encumbrances set forth in items (b) through (e) of the definition thereof (collectively, the "Buyer's Objections"). As to matters relating to title disclosed in the Title Materials or otherwise disclosed in materials received by Buyer within forty-eight (48) hours prior to 11:59 pm, May 7, 2005, Buyer shall notify Seller in writing of its Title Objections within forty-eight (48) hours of its receipt of such materials, but in no event later than 11:59 pm, May 9, 2005 (the "Objection Period"). Buyer shall endeavor to deliver the Buyer's Objections in a reasonably expeditious manner and on a property-by-property basis commencing no later than the date hereof and thereafter as soon as reasonably practical after the date Buyer receives the applicable portion of the Title Materials. Buyer shall not be deemed to waive its right to make Buyer's Objections even if Buyer's Objections are not made in a reasonably expeditious manner, so long as Buyer's Objections are made during the Objection Period. If Buyer has not received any of the Non-U.S. Hotel Investigative Work on or before May 5, 2005, Buyer's Objections may be based upon the failure to receive the Non-U.S. Hotel Investigative Work as it relates to any particular Real Properties.

(b) Title Policies. Prior to the expiration of the Objection Period, Buyer shall obtain from the Title Company, with respect to the Leased Real Property and the Owned Real Property, in all jurisdictions where available, a commitment to insure accompanied by a Pro Forma title policy, in form acceptable to Buyer (each, a "Pro Forma"). Each Pro Forma shall be

written on an ALTA Form B (1970, amended 10/17/70, or if the 1970, amended 10/17/70 form is not available, the 1992 form with no creditors' rights exclusion (except in States or jurisdictions where such form or deletion is not permitted)) or on such similar form as is available in the applicable jurisdiction, insuring extended owner's title coverage and shall evidence Title Company's commitment, upon compliance with the Title Company's requirements as set forth in the Title Company's commitments to insure (the "Requirements"), to insure title to the Real Property that is the subject of any Pro Forma, subject only to the Permitted Encumbrances. The Pro Formas shall be in form and substance acceptable to Buyer, and shall include all endorsements reasonably required by Buyer. Buyer shall deliver all Pro Formas and Requirements (including the form of any affidavits or certifications required to be executed by Seller in satisfaction of a Requirement) to Seller's counsel no later than the expiration of the Objection Period.

(c) Title Cure Period. Upon the termination of the Objection Period, except for the Buyer's Objections if the same are timely raised, the Buyer shall be deemed to have accepted the form and substance of all matters disclosed in the Title Materials which shall become Permitted Encumbrances for all purposes under the terms of this Agreement and the Ancillary Agreements. Following the Objection Period, and without any obligation to do so, the Seller shall have until May 16, 2005, or by delivery of written notice to Buyer by Seller, until such later date, but not beyond May 23, 2005 (as such date may have been extended, the "Title Cure Period") to elect to cure or elect not to cure any or all matters raised in Buyer's Objections (it being agreed that the Seller shall cause to be released, by the Closing, any liens securing any Debt not assumed by the Buyer pursuant to terms of this Agreement). If Seller elects to cure such Title Objections, the cure must be sufficient for the Title Company to remove the applicable Title Objection from the exceptions to title set forth in the applicable Pro Forma.

(d) Termination of Title Cure Period. If, for any reason, Seller is unable or at Seller's sole election, unwilling to take such actions as may be required to cause the matter identified in Buyer's Objections to be cured or removed so as to convey title to the Real Properties consistent with the Pro Formas, or if Seller objects to any Requirement or any other obligation which it may incur in connection with the issuance of the Pro Formas title policies, Seller shall give Buyer notice thereof prior to the expiration of the Title Cure Period; it being understood and agreed that the failure of Seller to timely give such notice shall be deemed an election by Seller not to remedy such matters. If Seller shall elect not (or be deemed to elect not) to remove any matter identified in Buyer's Objections, Buyer may, in the exercise of its sole discretion either: (i) close the Transaction with respect to the Real Properties subject to the Buyer's Objections (that Seller will not cure) without abatement of the Unadjusted Purchase Price, in which event: (A) the Buyer's Objections that Seller will not cure shall be, and be deemed to be, for all purposes, Permitted Encumbrances; (B) the Buyer shall close the Transactions notwithstanding the existence of any of the Buyer's Objections that Seller will not cure; and (C) the Seller shall have no obligation or liability whatsoever after the Closing with respect to the Seller's failure to cause any of the Buyer's Objections to be eliminated; or (ii) terminate this Agreement by written notice given to the Seller within seven (7) calendar days after expiration of the Title Cure Period, in which event this Agreement shall terminate and neither party hereto shall have any further obligations hereunder other than those obligations expressly stated herein to survive the termination of this Agreement. In the event Buyer elects to proceed to Closing, the Pro Formas shall be revised to (1) delete those Requirements objected to

by the Seller and (2) add the Buyer's Objections that the Seller will not cure so that the Pro Forma's shall be consistent with the quality of title accepted or deemed accepted by the Buyer pursuant to this Section 9.1(d).

(e) Requirement to Eliminate Buyer's Objections; Requirement to Remove Liens; Additional Title Matters. It is expressly understood that unless the Seller expressly agrees, in the exercise of its sole discretion, to cure or remove a matter identified in the Buyer's Objections prior to Closing, the Seller shall not be required to bring any action, institute any proceeding, or otherwise incur any costs or expenses in order to attempt to eliminate any of the Buyer's Objections or to otherwise cause title to the Real Properties to comport with the terms of this Agreement on the Closing Date; provided, however, that the Seller shall be obligated to remove (i) any liens that are filed against the Real Properties during the period after the expiration of the Title Cure Period and before the Closing, but only if they are recorded by the Seller or caused by the Seller's actions or failure to act, and (ii) any liens securing any Debt not assumed by the Buyer pursuant to the terms of this Agreement. Should matters relative to title, other than liens the Seller is obligated to remove pursuant to the preceding sentence, be discovered from any update of the Title Materials received by the Buyer or otherwise after the expiration of the Objection Period that were not disclosed in the Title Materials received by the Buyer prior to the expiration of the Objection Period (collectively the "New Title Matters"), the Buyer shall have the right to notify the Seller in writing of any New Title Matters which are not Permitted Encumbrances set forth in items (b) through (e) of the definition thereof to which the Buyer objects, provided that Buyer notifies Seller, in writing, of its objection within forty-eight (48) hours after such matter is disclosed to Buyer. The Seller shall be obligated to remove any New Title Matters that are filed against any of the Real Properties during the period after the expiration of the Title Cure Period and before Closing but only if they are recorded by the Seller or caused by the Seller's actions or failure to act. With respect to all other New Title Matters, the Seller shall within five days after receipt of notice of the New Title Matters, advise Buyer whether the Seller will cure such New Title Matters prior to the Closing Date. Should the Seller fail to cure or remove prior to the Closing Date any New Title Matter which is objected to by the Buyer, and should such New Title Matter materially and adversely impair the value or use of any of the Real Properties to which such objection relates, such failure shall constitute a failure of a condition to Buyer's obligation to proceed to Closing with respect to the Real Properties affected by such New Title Matters, and the Buyer may, at its election, determine not to close with respect to such Real Properties. All other New Title Matters which are not cured or removed by the Seller shall be deemed waived by the Buyer and shall constitute Permitted Encumbrances for all purposes under this Agreement and the Ancillary Agreements. If the Buyer elects not to close with respect to any Real Properties in accordance with this Section 9.1(e), in such case, the Unadjusted Purchase Price shall be decreased by the Preliminary Allocated Price applicable to any such Real Properties, and at Closing, Seller and Buyer shall enter into an amended hotel management agreement with respect to any such Real Properties in the form of Exhibit Q-1 for domestic Hotels and Exhibit Q-2 for international Hotels.

(f) Related Fees, Costs and Expenses. All the fees, costs and expenses associated with the Buyer's procurement, preparation, delivery and review of the Title Materials, the issuance of title policies and any endorsements related thereto shall be for the account of the Buyer pursuant to Section 12.1 herein.

(g) Seller Assurance. The Seller covenants and agrees to cooperate with the Buyer in connection with the Title Materials and the title review process and will provide such affidavits or other documents and information as the Buyer may reasonably require in order to obtain affirmative endorsements or other assurances available under local practice as the Buyer may require, including non-imputation endorsements, where applicable, provided, however, that (i) all of the foregoing requirements are commercially reasonable, (ii) the Seller shall not be obligated to provide any affidavit, certification or indemnification to the Title Company that causes the Seller to incur any liability in excess of its liability under this Agreement and (iii) the Seller shall not be obligated to provide any affidavit, certification or indemnification with respect to the Minority Owned Entities.

(h) Form of Fee Sale Transfer and Conveyance Documents. Not later than the expiration of the Objection Period, Buyer shall cause to be prepared and forwarded to Seller the proposed form of the deeds, bills of sale (including any Intellectual Property, Contracts and Permits), assignments, certificates, affidavits and such other instruments and documents (excluding any documents previously provided in connection with the Requirements) (collectively the "Proposed Conveyance Documents") as may be reasonably necessary in order to consummate the Transactions and facilitate the issuance by the Title Company of the title insurance policies reasonably requested by Buyer and facilitate the obtaining of other commercially reasonable assurances available under local practice. Seller and Buyer shall negotiate in good faith to agree upon the final form of the Proposed Conveyance Documents on or prior to the Closing Date. Buyer and Seller acknowledge and agree that the warranty of title set forth in the various deeds and other conveyancing documents shall be in accordance with the commercially reasonable customary practices of the applicable jurisdictions but in all cases sufficient to enable the Title Company to issue the title policies in the forms of the Pro Formas. The warranties of title contained in the various deeds shall not be subject to the provision of Section 10.8(b) of this Agreement. Nothing herein shall be construed as requiring the Seller to make any representations, warranties or covenants in the Proposed Conveyance Documents other than those contained in Article 5 and Article 7 of this Agreement.

Section 9.2 Lack of Consents or Estoppels for Certain Hotels.

(a) If any consent satisfying the requirements of Section 7.9(c) and required for the assignment of the Leasehold Interest in the Renaissance Downtown Atlanta Hotel, the Renaissance Oakbrook Hotel, or the Renaissance PineIsle Resort and Golf Club (each such hotel, an "Optional Consent Hotel") is not obtained on or before the Closing Date, in such case:

(i) the Seller shall not assign to the Buyer the Leasehold Interest with respect to such Optional Consent Hotel at the Closing;

(ii) at the Closing, the Seller and the Buyer shall enter into an amended hotel management agreement for such Optional Consent Hotel for the remaining term of such Hotel's Lease in the form of Exhibit P;

(iii) no adjustment to the Unadjusted Purchase Price shall be made in respect of such Optional Consent Hotel; and

(iv) from and after the Closing through to December 31, 2005, the Seller and the Buyer shall use Commercially Reasonable Efforts to obtain and secure consents and approvals that may be necessary to effect the assignment of an Optional Consent Hotel and, if obtained, make or complete such assignment as soon as reasonably possible, without the payment of additional consideration to or by the Seller or the Buyer.

(b) If any consent satisfying the requirements of Section 7.9(c) and required for the assignment of the Leasehold Interests in (1) the Renaissance Chicago Hotel, (2) the Renaissance Cleveland Hotel (including the sale of the Seller's equity interest in Inn on the Square Associates), (3) the Renaissance Reading Hotel and (4) the Renaissance Manchester Hotel is not obtained or if any of the conditions set forth in Section 9.3 are not met with respect to the transfer of the Courtyard by Marriott Düsseldorf (each a "Mandatory Consent Hotel") on or before the Closing Date, in such case:

(i) the Seller shall not assign to the Buyer the Leasehold Interest with respect to such Mandatory Consent Hotel at the Closing (and in the case of the Renaissance Cleveland Hotel, the Seller shall not sell its equity interests in Inn on the Square Associates);

(ii) at the Closing, the Seller and the Buyer shall enter into an amended hotel management agreement for the Mandatory Consent Hotel through June 30, 2015 for the Renaissance Chicago Hotel, Renaissance Cleveland Hotel and Courtyard by Marriott Düsseldorf and through the current term of the Lease (without regard to any renewal or extension thereof) for the Renaissance Reading Hotel and the Renaissance Manchester Hotel in the form of Exhibit Q-1 for domestic Hotels and Exhibit Q-2 for international Hotels;

(iii) The Unadjusted Purchase Price shall be decreased by the amount of the Preliminary Allocated Price for the Mandatory Consent Hotel; and

(iv) from and after the Closing through to December 31, 2005, the Seller and the Buyer shall use Commercially Reasonable Efforts to obtain and secure consents and approvals that may be necessary to effect the assignment of the Leasehold Interest for such Mandatory Consent Hotel and if such consents and approvals are obtained and secured, to make or complete such assignment as soon as reasonably possible (and in the case of the Renaissance Cleveland Hotel, the Seller shall simultaneously sell the equity interests in Inn on the Square Associates), with the payment of additional consideration to the Seller in the amount of the Preliminary Allocated Price, it being understood that if such consent is not obtained, the provisions of clause (ii), above, shall continue to apply.

(c) If any Estoppel Certificate satisfying the requirements of Section 7.9(e) is not obtained prior to the Closing Date or if obtained, contains information which is inconsistent with Seller's representations and warranties set forth herein, then Buyer shall elect to either: (i) proceed with the Closing with respect to the applicable Hotel or Hotels and waive any right to require the receipt of an Estoppel Certificate and the right to make a claim for indemnification against Seller under Article 10 based upon the facts or circumstances disclosed by the applicable Estoppel Certificate, or (ii) elect not to proceed with the Closing with respect to the applicable Hotel or Hotels (in which case the Unadjusted Purchase Price shall be decreased by the Preliminary Allocated Price for such Hotel or Hotels) in order to permit Seller a period of time

during which to attempt to obtain an Estoppel Certificate in the form required hereby. In the event that Buyer elects under clause (ii) above to permit the Seller additional time to obtain an Estoppel Certificate and Seller fails to deliver an Estoppel Certificate satisfying the requirements of Section 7.9(e) to Buyer prior to December 31, 2005, then Buyer shall either (A) with respect to the Optional Consent Hotels, elect to have such Hotel for which the Estoppel Certificate was not obtained treated as an Optional Consent Hotel under Section 9.2(a) for which consent was not obtained or, with respect to all other Hotels, elect to have such Hotel treated as a Mandatory Consent Hotel under Section 9.2(b) for which consent was not obtained (except that, with respect to the Renaissance Vinoy Resort and Golf Club, the management agreement set forth on Exhibit Q-1 for domestic Hotels and Exhibit Q-2 for international Hotels, shall run through the term of the existing Hotel Management Agreement, including any optional renewal periods therein), or (B) proceed to consummate the Transaction with respect to the applicable Hotel and shall retain any rights it may have under the indemnification provisions of Article 10.

(d) If the consent described in Schedule 9.2(d) is not obtained on or prior to the Closing, the provisions of Schedule 9.2(d) shall apply.

(e) If the consent required for the transfer of the Renaissance Vinoy Resort and Golf Club from the Buyer to a Designee is not obtained on or before the Closing Date, in such case:

(i) the Seller shall not assign to the Buyer the Leasehold Interest with respect to the Renaissance Vinoy Resort and Golf Club;

(ii) The Unadjusted Purchase Price shall be decreased by the amount of the Preliminary Allocated Price for the Renaissance Vinoy Resort and Golf Club; and

(iii) as soon as reasonably practicable following the receipt of such consent, the Seller and the Buyer shall proceed with a Closing with respect to the Renaissance Vinoy Resort and Golf Club, provided, however, that if no such consent is obtained, the Seller and the Buyer shall proceed with the Closing of the Target Sale in respect of the Renaissance Vinoy Resort and Golf Club no later than December 31, 2005, with the payment of additional consideration to the Seller in the amount of the Preliminary Allocated Price for such Hotel.

Section 9.3 General Conditions. The respective obligations of the Buyer and the Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may, to the extent permitted by applicable Law, be waived in writing by either party in its sole discretion:

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent), that is then in effect and that enjoins, restrains, makes illegal or otherwise prohibits the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements.

(b) Any waiting period (and any extension thereof) under any antitrust laws applicable to the transactions contemplated by this Agreement and the Ancillary Agreements shall have expired or shall have been terminated. All material consents of, or registrations,



declarations or filings with, any Governmental Authority legally required for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements shall have been obtained or filed.

Section 9.4 Conditions to the Obligations of the Seller. The obligations of the Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by the Seller in its sole discretion:

(a) The Buyer shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing and the Seller shall have received from the Buyer a certificate to such effect, signed by a duly authorized officer thereof.

(b) The Seller shall have received an executed counterpart of each of the Buyer's Closing Deliveries, signed by each party thereto other than the Seller.

(c) The Buyer shall not have elected to exclude more than one Group A Hotel or more than one Group B Hotel pursuant to Sections 9.1(e) and 9.5(a)(iii), provided, however, if the Buyer elected to exclude a Hotel:

(i) pursuant to Section 9.1, as a result of New Title Matters caused by an action of the Seller or failure to act where the Seller was under a legal or contractual duty to so act, or

(ii) pursuant to Section 9.5(a)(iii), as a result of a breach of the Seller's representations, warranties or covenants caused by an action of the Seller or failure to act where the Seller is under a legal or contractual duty to act, after the date hereof, that knowingly resulted in such breach,

then such Hotel shall not be counted towards the determination of whether the Buyer elected not to close on more than one Group A Hotel or more than one Group B Hotel. For the avoidance of doubt, as an example, if the Buyer elects to eliminate one Group A Hotel pursuant to Section 9.1(e) and one Group A Hotel pursuant to Section 9.5(a)(iii) (and neither election meets the standard set forth in clauses (c)(i) or (c)(ii), above), then the Seller's conditions shall not have been met.

Section 9.5 Conditions to the Obligations of the Buyer. The obligations of the Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by the Buyer in its sole discretion:

(a) There shall not have occurred any of the following:

(i) an event or matter which constitutes a breach of a representation and warranty in Sections 5.2, 5.3(a)-(e) or 5.11(a) as to any Hotel

Interest;

Execution Copy

(ii) the entry against the Seller of an Order which constitutes a breach of a representation and warranty in Section 5.8(b) and, as of the Closing, prevents a Hotel from operating in the Ordinary Course of Business in all material respects; or

(iii) an event or matter, other than a Casualty Loss, that constitutes a breach of any other of Seller's representations, warranties or covenants contained in this Agreement that (A) with respect to any Group A Hotels or the Hotel Interests related thereto, adversely impacts the value of one or more of such Hotels or the Hotel Interests related thereto by more than the Group A Threshold Amount or (B) with respect to any Group B Hotels or the Hotel Interests related thereto, adversely impacts the value of one or more of such Hotels or the Hotel Interests related thereto by more than the Group B Threshold Amount, provided, however, if the Buyer determines not to proceed with the Closing with respect to such Hotel, the Buyer's sole remedy in event of such breach shall be that: (1) the Seller shall not assign, transfer, convey or deliver such Hotel Interest affected by such breach or the Seller's interest in such Minority Owned Entity affected by such breach to the Buyer at the Closing, (2) the Unadjusted Purchase Price shall be reduced by the Preliminary Allocated Price for such Hotel Interest or the Seller's interest in such Minority Owned Entity, and (3) the parties shall enter into a revised management agreement for such Hotel Interest in the form of Exhibit Q-1 for domestic Hotels and Exhibit Q-2 for international Hotels.

(b) The Seller shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing and the Buyer shall have received from the Seller a certificate to such effect, signed by a duly authorized officer thereof.

(c) The Buyer shall have received an executed counterpart of each of the Seller's Closing Deliveries, signed by each party thereto other than the Buyer.

(d) At the Closing, issuance by the Title Company of a title policy identical in all material respects to the Pro Formas for the Real Property related to the Hotel Interests being transferred at the Closing as each such Pro Forma has been modified in accordance with the provisions of Section 9.1(d), subject only to changes required to incorporate a New Title Matter accepted by Buyer in accordance with Section 9.1(e).

#### **ARTICLE 10 INDEMNIFICATION**

Section 10.1 Survival of Representations, Warranties and Indemnities. The representations, warranties and covenants of the Seller and the Buyer contained in this Agreement shall survive the Closing until April 30, 2007, provided, however, that the representations and warranties set forth in Sections 5.2, 5.3(a)-(e), 7.4 and 7.11 shall survive indefinitely, provided further, however, the survival of the representations and warranties set forth in Section 5.16 hereof shall be governed by the provisions of Section 8.9 hereof.

Section 10.2 Indemnification by the Seller. Subject to the terms and conditions of this Article 10, the Seller shall save, defend, indemnify and hold harmless the Buyer (including the Targets) and the respective Representatives, successors and assigns of each of the foregoing excluding the Buyer's Designees (collectively, the "Buyer Indemnified Parties") from and against any and all losses, damages, liabilities, deficiencies, claims, interest, awards, judgments, penalties, costs and expenses (including reasonable attorneys' fees, costs and other out-of-pocket expenses incurred in investigating, preparing or defending the foregoing) (collectively, "Losses"), incurred, sustained or suffered by any of the foregoing to the extent arising out of or resulting from:

(a) any breach of any representation or warranty made by the Seller contained in this Agreement;

(b) any breach of any covenant or agreement by the Seller contained in this Agreement;

(c) any Third Party Claim that arises from an event occurring prior to Closing regarding any Interest Holder or a holder of an equity interest in a Minority Owned Entity other than (i) a liability reflected on the Balance Sheet of such Target to the extent of the amount so reflected or (ii) any Assumed Liability and any other liability expressly assumed by Buyer under this Agreement to the extent of the amount so assumed;

(d) any claim for any broker's or investment banking fees of the Seller or its Affiliates in connection with this Agreement and the transactions contemplated hereby; and

(e) any claim or cause of action by any holder of Bonds arising from or in connection with the Offer and Solicitation.

Section 10.3 Indemnification by the Buyer. The Buyer shall save, defend, indemnify and hold harmless the Seller and its Affiliates and the respective Representatives, successors and assigns of each of the foregoing (collectively, the "Seller Indemnified Parties") from and against any and all Losses incurred, sustained or suffered by any of the foregoing to the extent arising out of or resulting from:

(a) any breach of any representation or warranty made by the Buyer contained in this Agreement;

(b) any breach of any covenant or agreement by the Buyer contained in this Agreement;

(c) any Third Party Claim that arises from an event that occurs after the Closing against any Seller Indemnified Party with respect to the operations or ownership of the Hotels or Hotel Interests, except to the extent that such claim or cause of action would not have arisen if the representations, warranties and covenants of the Seller contained in this Agreement were true, accurate and fulfilled;

(d) any Assumed Liabilities;

(e) any direct claims brought by any Designees against the Seller in relation to the Transactions;

(f) any claim for any broker's or investment banking fees of the Buyer in connection with this Agreement and the transactions contemplated hereby;

and

(g) arising other than from the Seller's actions or failure to take actions where required, all obligations, penalties, liabilities and expenses under the Worker Adjustment and Retraining Notification Act of 1988, as amended, or other similar state laws, arising from the Transactions.

#### Section 10.4 Procedures.

(a) In order for a Buyer Indemnified Party or Seller Indemnified Party (the "Indemnified Party") to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a Loss or a claim or demand made by any Person, other than the Seller and its Affiliates and the Buyer, against the Indemnified Party, other than a Mirror Claim (a "Third Party Claim"), such Indemnified Party shall deliver notice thereof to the party against whom indemnity is sought (the "Indemnifying Party") promptly after receipt by such Indemnified Party of written notice of the Third Party Claim, but in no event later than the Claims Deadline, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure to provide as part of the initial written notice of claim, the information set forth in the preceding sentence shall not invalidate the effectiveness of the written notice, provided such information is delivered in a reasonable time period thereafter. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article 10 except to the extent that the Indemnifying Party is prejudiced by such failure.

(b) The Indemnifying Party shall have the right, upon written notice to the Indemnified Party within 30 days of receipt of notice from the Indemnified Party of the commencement of such Third Party Claim, to assume the defense thereof at the expense of the Indemnifying Party with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the Indemnifying Party assumes the defense of such Third Party Claim, the Indemnified Party shall have the right to employ separate counsel and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, or offer to compromise, settle or discharge, such Third Party Claim without the Indemnifying Party's prior written consent unless the Indemnifying Party withdraws from the defense of such Third Party Claim or unless a final judgment from which no appeal may be taken by or on behalf of the Indemnifying Party is entered against the Indemnified

Party for such Third Party Claim. If the Indemnifying Party does not assume the defense of any such claims or proceeding pursuant to this Section 10.4 and the Indemnified Party proposes to settle such claims or proceeding prior to a final judgment thereon or to forgo any appeal with respect thereto, then the Indemnified Party shall give the Indemnifying Party prompt written notice thereof and the Indemnifying Party shall have the right to participate in the settlement or assume or reassume the defense of such claims or proceeding. The Indemnifying Party and its counsel shall keep the Indemnified Party fully advised as to its conduct of such defense or settlement, and shall not compromise or settle such Third Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld or delayed) unless such settlement or compromise does not subject the Indemnified Party to any monetary liability, includes a complete, unconditional release of the Indemnified Party from all liability with respect to such Third Party Claim, and does not constitute an acknowledgement or acceptance by the Indemnified Party of fault, culpability or responsibility of any kind. Notwithstanding the Indemnifying Party's election to defend against or settle the Third Party Claim, the Indemnified Party may, upon written notice to the Indemnifying Party, elect to employ its own counsel and participate at its own cost in such defense if (i) the Third Party Claim is made also against the Indemnifying Party and the Indemnified Party determines in good faith that joint representation would be inappropriate and (ii) the Indemnified Party determines in good faith that the Indemnified Party may have available to it one or more defenses or counterclaims that are inconsistent with, different from, or in addition to one or more of those that may be available to the Indemnifying Party with respect to such Third Party Claim; provided, however, that the participation in the defense or settlement of a Third Party Claim by the Indemnified Party pursuant to this sentence shall not relieve the Indemnifying Party of its obligation to indemnify and hold the Indemnified Party harmless.

(c) In the event any Indemnified Party should have a claim against any Indemnifying Party hereunder that does not involve a Third Party Claim (including any Mirror Claim) being asserted against or sought to be collected from such Indemnified Party, the Indemnified Party shall deliver notice of such claim to the Indemnifying Party no later than the Claims Deadline, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure to provide as part of the initial written notice of claim the information set forth in the preceding sentence shall not invalidate the effectiveness of the written notice provided the information is provided in a reasonable time period thereafter. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article 10 except to the extent that the Indemnifying Party is prejudiced by such failure. The Indemnifying Party shall have 30 days after receipt of notice of any claim pursuant to this Section 10.4(c) to (i) agree to the amount or method of determination set forth in such claim and to pay such amount to such Indemnified Party or (ii) provide the Indemnified Party with notice (a "Dispute Notice") that it disagrees with the amount or method of determination set forth in such claim. If the Indemnifying Party has timely delivered a Dispute Notice, the Indemnifying Party and the Indemnified Party shall, during a period 30 days from the Indemnified Party's receipt of such Dispute Notice, negotiate to achieve resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved as provided in Section 12.9.

Section 10.5 Limits on Indemnification.

(a) No claim may be asserted against any party for breach of any representation or warranty contained in this Agreement, unless written notice of such claim is received by such party, describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim on or prior to May 30, 2007 (the "Claim Deadline"), in which case such representation, warranty or covenant shall survive as to such claim until such claim has been finally resolved. Notwithstanding the foregoing, there shall be no Claims Deadline applicable to a claim raised with respect to a breach of Sections 5.2, 5.3(a)-(e), 7.4 and 7.11 hereof. In addition, no claim may be asserted against Seller for breach of any of Seller's representations or warranties to the extent that the Title Materials contain information that is inconsistent with such representations or warranties.

(b) Notwithstanding anything to the contrary contained in this Agreement, with respect to each Fee Property, Target, Leasehold Interest or Minority Owned Entity: (i) the Seller shall not be liable for any claim for indemnification of \$5,000 or less pursuant to Sections 10.2(a), 10.2(b), or 10.2(c) resulting from any single claim or aggregated claims arising out of the same facts, events or circumstances (the "De Minimis Amount") (ii) the Seller shall not be liable unless and until the aggregate amount of indemnifiable Losses which may be recovered from the Seller on account of all such claims equals or exceeds \$50,000 (the "Threshold Amount"), at which time the Seller shall be liable for all such Losses, (iii) the maximum aggregate amount of indemnifiable Losses which may be recovered by the Buyer Indemnified Parties arising out of or relating to the causes set forth in Sections 10.2(a), 10.2(b) or 10.2(c) in relation to any single Fee Property, Target, Leasehold Interest or Minority Owned Entity shall equal 50% of the Preliminary Allocated Price in respect of such Fee Property, Target, Leasehold Interest or Minority Owned Entity, as the case may be (the "Indemnification Limit"), provided, however, that the maximum aggregate amount of identifiable Losses which may be recovered by the Buyer Indemnified Parties with respect to the Leasehold Interest in Renaissance Atlanta Hotel Downtown is \$4,000,000 and with respect to Renaissance PineIsle Resort and Golf Club is \$3,000,000, and (iv) no party hereto shall have any liability under any provision of this Agreement for any punitive, consequential, incidental, special or indirect damages relating the breach or alleged breach of this Agreement. Notwithstanding the foregoing, (A) the Indemnification Limit applicable to Losses related to a breach of a representation, warranty or covenant under Sections 5.2 and 5.3(a)-(e) shall be the Preliminary Allocated Price of each Target and (B) the De Minimis Amount and the Threshold Amount shall not be applicable to Losses related to a breach of a representation, warranty or covenant under Sections 5.13(b)(iv).

(c) For all purposes of this Article 10, "Losses" shall be net of (i) any insurance (other than any self-insured retention program) or other recoveries paid (subject to Section 10.7) by a third-party to the Indemnified Party or its Affiliates in connection with the facts, events or circumstances giving rise to the right of indemnification and (ii) any net Tax benefit available to such Indemnified Party or its Affiliates arising in connection with the accrual, incurrence or payment of any such Losses (including the net present value of any Tax benefit arising in subsequent taxable years).

(d) The Buyer and the Seller shall cooperate with each other with respect to resolving any Third Party claim with respect to which one party is obligated to indemnify the other party hereunder, including by making Commercially Reasonable Efforts to mitigate such claim. In the event that the Buyer or the Seller shall fail to make such commercially reasonable efforts to mitigate or resolve any claim or liability, then notwithstanding anything else to the contrary contained herein, the other party shall not be required to indemnify any person for any loss, liability, claim, damage or expense that could reasonably be expected to have been avoided if the Buyer or the Seller, as the case may be, had made such efforts.

(e) For purposes of this Article 10, "Losses" shall be determined in all cases without regard to any qualification or limitation with respect to "materiality" whether by reference to "in any material respect" or any other use of "material".

Section 10.6 Tax Matters. Anything in this Article 10 to the contrary notwithstanding, the rights and obligations of the parties with respect to indemnification for any and all Tax matters shall be governed by Article 8.

Section 10.7 Assignment of Claims. If any Buyer Indemnified Party receives any payment from the Seller in respect of any Losses pursuant to Section 10.2 and the Buyer Indemnified Party could have recovered all or a part of such Losses from a third party (a "Potential Contributor") based on the underlying claim asserted against the Seller, the Buyer Indemnified Party shall assign, on a non-recourse basis and without any representation or warranty, such of its rights to proceed against the Potential Contributor as are necessary to permit the Seller to recover from the Potential Contributor the amount of such payment. Any payment received in respect of such claim shall be distributed, (i) first to the Buyer Indemnified Party in the amount of any deductible or similar amount required to be paid by the Buyer Indemnified Party prior to the Seller being required to make any payment to the Buyer Indemnified Party, (ii) second to the Seller in an amount equal to the aggregate payments made by the Seller to the Buyer Indemnified Party in respect of such claim, plus costs and expenses incurred in investigating, defending or otherwise incurred in connection with addressing such claim and (iii) the balance, if any, to the Buyer Indemnified Party.

Section 10.8 Disclaimer of Implied Warranties; Nature of Conveyances.

(a) It is the explicit intent and understanding of each party hereto that neither party hereto nor its Representatives is making any representation or warranty whatsoever, oral or written, express or implied, as to the accuracy or completeness of any information regarding the Property, except as expressly set forth in this Agreement, and neither party hereto is relying on any statement, representation or warranty, oral or written, express or implied, made by the other party hereto or such other party's Representatives, except for the representations and warranties expressly set forth in this Agreement and the conveyance documents contemplated hereunder.

(b) Each party hereto hereby agrees and acknowledges that with the exception of the various deeds which will be placed of record in the applicable real property records, each of the conveyance documents contemplated hereunder to consummate the Transaction shall explicitly reflect the fact that the Buyer is purchasing the applicable Owned Real Property or Leased Real Property on an "as is" condition "with all faults" and without any warranties,

representations or guaranties of any kind, oral or written, express or implied, concerning the Property from or on behalf of the Seller, except as may be expressly set forth in the representations and warranties in this Agreement or as contemplated under Section 9.1(g). The Buyer acknowledges that, except as may be expressly set forth in this Agreement and the conveyance documents contemplated hereunder, the Seller has not, does not and will not make any representations, warranties or guaranties, of any kind, oral or written, express or implied, concerning the Property including, without limitation (i) the quality, adequacy, state of repair or physical condition of the Property, (ii) the habitability, merchantability or fitness, suitability or adequacy of the Property or any portion thereof for any particular use or purpose, (iii) the zoning or other legal status of the Property, (iv) the compliance by the Property, or any portion thereof, with any applicable codes, laws, regulations, statutes, ordinances, covenants, conditions or restrictions of any governmental or quasi-governmental entity or of any Person, or (v) the environmental condition of the Property, including its compliance with environmental laws and the presence or non-presence of hazardous substances. At the Closing, Buyer shall execute and deliver a certificate to and for the benefit of Seller reflecting its acknowledgement of the foregoing provisions.

## **ARTICLE 11 TERMINATION, AMENDMENT AND WAIVER**

Section 11.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of the Buyer and the Seller;

(b) by the Seller, if any of the conditions set forth in Section 9.3 or Section 9.4 or by the Buyer, if any of the conditions set forth in Section 9.3 or Section 9.5 shall have not been fulfilled on the Closing Date; provided, however, that the right to terminate this Agreement pursuant to this Section 11.1(b) shall not be available if the failure of the party so requesting termination to fulfill any obligation under this Agreement shall have been the cause of the failure of such condition to be satisfied on or prior to such date, provided further, however, that (i) if the Buyer attempts to terminate this Agreement pursuant to this Section 11.1(b) or (ii) the Seller claims the Buyer failed to close in accordance with the Buyer's obligations under this Agreement, the following procedures shall apply:

(A) within five (5) Business Days after the date on which the Closing was scheduled to occur, the Seller shall give written notice of (1) its objections to the Buyer's determination in respect of clause (b)(i), above, not less than five (5) Business Days after receipt of the Buyer's notice thereof or (2) its determination that the Buyer failed to close in respect of clause (b)(ii), above, not less than five (5) Business Days after the date on which the Closing was scheduled to occur,

(B) not less than five (5) Business Days after the receipt of the Seller's notice pursuant to clause (A), the Buyer shall elect: (1) to proceed with the Closing, (2) not to proceed with the Closing, in which case the Seller and



the Buyer shall have all remedies available to them under this Agreement or (3) to terminate this Agreement by the payment of \$45,000,000 (the "Termination Fee") to the Seller by the wire transfer of immediately available funds to an account designated by the Seller in its notice under clause (A), above,

(C) if the Buyer elects to terminate this Agreement pursuant to clause (B)(3), above, such termination shall not be deemed a waiver of any of the Buyer's right to seek a judgment in accordance with the terms of this Agreement that the Seller failed to fulfill its obligations under this Agreement or the Buyer's conditions to Closing had not been met or could not have been met prior to Closing, and

(D) if successful in any claim pursuant to clause (C), above, the Buyer's damages shall be conclusively deemed to be the amount of the Termination Fee, and the Buyer shall not be entitled to any other damages claims or expenses of any nature whatsoever arising from or in connection with this Agreement or the Ancillary Agreements.

(c) by either the Seller or the Buyer, except as set forth in Section 3.11, if the Closing shall not have occurred by June 30, 2005 (the "Termination Date"); provided, however, that the right to terminate this Agreement under this Section 11.1(c) shall not be available if the failure of the party so requesting termination to fulfill any obligation under this Agreement shall have been the cause of the failure of the Closing to occur on or prior to such date; or

(d) by either the Seller or the Buyer in the event that any Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable; provided, that the party so requesting termination shall have complied with Section 7.10; or

(e) by the Buyer, upon payment to the Seller of the Termination Fee to an account designated by the Seller.

The party seeking to terminate this Agreement pursuant to this Section 11.1 (other than Section 11.1(a)) shall give prompt written notice of such termination to the other party.

Section 11.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 11.1, this Agreement shall forthwith become void and there shall be no liability on the part of either party except (a) for the representations of both parties relating to broker's fees and finder's fees, Section 7.8 relating to confidentiality, Section 7.11 relating to public announcements, Section 12.1 relating to fees and expenses, Section 12.4 relating to notices, Section 12.7 relating to third-party beneficiaries, Section 12.8 relating to governing law, Section 12.9 relating to submission to jurisdiction and this Section 11.2, (b) that, except as provided in Section 11.1, nothing herein shall relieve either party from liability for any breach of this Agreement or any Ancillary Agreement and (c) that, for all purposes, this Agreement and the Ancillary Agreements and all negotiations related hereto and thereto shall be deemed as "settlement" negotiations in respect of any litigation between the parties.

**ARTICLE 12**  
**GENERAL PROVISIONS**

Section 12.1 Fees and Expenses. Except as otherwise provided herein, all fees and expenses incurred in connection with or related to this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby shall be paid by the party incurring such fees or expenses, whether or not such transactions are consummated. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a breach of this Agreement by the other. All fees, expenses and premiums in connection with the procurement of any Title Materials and other related fees, expenses and premiums pursuant to Section 9.1(e) herein shall be for the account of the Buyer.

Section 12.2 Amendment and Modification. This Agreement may not be amended, modified or supplemented in any manner, whether by course of conduct or otherwise, except by an instrument in writing signed on behalf of each party and otherwise as expressly set forth herein.

Section 12.3 Waiver. No failure or delay of either party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereunder are cumulative and are not exclusive of any rights or remedies which they would otherwise have hereunder. Any agreement on the part of either party to any such waiver shall be valid only if set forth in a written instrument executed and delivered by a duly authorized officer on behalf of such party.

Section 12.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, or if by facsimile, upon written confirmation of receipt by facsimile, e-mail or otherwise, (b) on the first Business Day following the date of dispatch if delivered by a recognized next-day courier service or (c) on the earlier of confirmed receipt or the fifth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

(i) if to the Seller, to:

CTF Holdings Ltd.  
c/o CTF Hotels & Resorts  
Columbus Center  
One Alhambra Plaza  
Suite 1465  
Coral Gables, FL 33134  
Attention: General Counsel  
Facsimile: 305-442-7955

with copies (which shall not constitute notice) to:

CTF Holdings Ltd.  
c/o New World Development Company Limited  
32nd Floor  
New World Tower  
18 Queens Road Central  
Hong Kong Attention: Managing Director  
Facsimile: 852-2845-5872

and

Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, NY 10166  
Attention: Stephan H. Haimo, Esq.  
Facsimile: 212-351-5321

(ii) if to the Buyer, to:

Marriott International, Inc.  
10400 Fernwood Road  
Bethesda, MD 20817  
Attention: Executive Vice President, Mergers and Acquisitions  
Facsimile: (301) 530-2918

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

Marriott International, Inc.  
10400 Fernwood Road  
Bethesda, MD 20817  
Attention: Law Department  
Facsimile: (301) 380-6727

Section 12.5 Interpretation. When a reference is made in this Agreement to a Section, Article or Exhibit such reference shall be to a Section, Article or Exhibit of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement or in any Exhibit are for convenience of reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Any capitalized terms used in any Disclosure Schedule or Exhibit but not otherwise defined therein shall have the meaning as defined in this Agreement. All Disclosure Schedules and Exhibits attached hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth herein. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation," unless otherwise specified. This Agreement and the Ancillary Agreements shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

Section 12.6 Entire Agreement. This Agreement and the Ancillary Agreements, Exhibits, Schedules and other agreements and instruments delivered in connection herewith constitute the entire agreement, and supersede all prior written agreements, arrangements, communications and understandings and all prior and contemporaneous oral agreements, arrangements, communications and understandings among the parties with respect to the Transaction. Furthermore, to the extent this Agreement or Ancillary Agreements conflict with, or provide for remedies different from, any prior agreements between the Seller and the Buyer, nothing herein shall be deemed to amend or modify the provisions of such prior agreements; provided, however, the provisions of this Agreement and the Ancillary Agreements regarding remedies shall control as to this Agreement and the Ancillary Agreement, respectively. Neither this Agreement nor any Ancillary Agreement shall be deemed to contain or imply any restriction, covenant, representation, warranty, agreement or undertaking of any party with respect to the transactions contemplated hereby or thereby other than those expressly set forth herein or therein or in any document required to be delivered hereunder or thereunder, and none shall be deemed to exist or be inferred with respect to the subject matter hereof.

Section 12.7 No Third-Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of each of the parties and their respective successors and assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature under or by reason of this Agreement, except as provided in Section 7.12 and Article 10.

Section 12.8 Governing Law. This Agreement and all disputes or controversies arising out of or relating to this Agreement or the transactions contemplated hereby shall be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to the laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York other than Section 5-1401 of the New York General Obligations Law.

Section 12.9 Submission to Jurisdiction; Enforcement. Each of the parties irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement or for recognition and enforcement of any judgment in respect hereof brought by the other party or its successors or assigns may be brought and determined in any New York State or federal court sitting in the Borough of Manhattan in The City of New York (or, if such court lacks subject matter jurisdiction, in any appropriate New York State or federal court), and each of the parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the parties further agrees to accept service of process in any manner permitted by such courts. Each of the parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure lawfully to serve process, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by law,

that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of the parties shall be entitled to specific performance of the terms hereof, including an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any New York State or federal court sitting in the Borough of Manhattan in the City of New York (or, if such court lacks subject matter jurisdiction, in any appropriate New York State or federal court), this being in addition to any other remedy to which they are entitled at law or in equity. Each of the parties further hereby waives (a) any defense in any action for specific performance that a remedy at law would be adequate and (b) any requirement under any law to post security as a prerequisite to obtaining equitable relief. Subsequent actions for enforcement of an order or judgment may be brought in any jurisdiction.

Section 12.10 Personal Liability. Except as explicitly set forth herein, this Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any direct or indirect stockholder of the Seller or the Buyer or any officer, director, employee, Representative or investor of either party hereto.

Section 12.11 Assignment; Successors. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise, by either party without the prior written consent of the other party, and any such assignment without such prior written consent shall be null and void; provided, however, that:

(a) with respect to any Hotel, (i) upon receipt of notice by the Seller of the election by the Buyer to conduct an Alternate Target Sale, the Selling Entity identified on Schedule 2.1(a) shall assign all of its rights and obligations under this Agreement to the Alternate Selling Entity identified on Schedule 2.1(a) (which thereafter shall be deemed the Selling Entity) and CTF shall cause the Alternate Selling Entity to assume such rights and obligations and (ii) upon the receipt of notice by the Seller of the election by the Buyer to conduct an Alternate Assignment, the Selling Entity identified on Schedule 2.1(c) shall assign all of its rights and obligations under this Agreement to the Target identified on Schedule 2.1(c) (which thereafter shall be deemed the Selling Entity) and CTF shall cause the Target shall assume such rights and obligations;

(b) the Buyer may assign all or any portion of this Agreement without the prior consent of the Seller to any entity which is, and the Buyer expressly covenants shall remain at all times during which a claim for indemnification could be brought by the Buyer against the Seller under Article 10, directly or indirectly wholly-owned by Marriott International Inc.; and

(c) that CTF may assign any of its rights under this Agreement, including the right to receive the Adjusted Purchase Price, to one or more of its Affiliates without the consent of the Buyer;

provided further, however, that with respect to clauses (b) and (c), above, no assignment shall limit the assignor's obligations hereunder. Subject to the foregoing, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 12.12 Designees.

(a) At the Closing, subject to the terms and conditions of this Agreement, at the direction of the Buyer, the Seller will sell, transfer, convey, assign and deliver to one or more third parties designated by the Buyer (individually a "Designee" and collectively, the "Designees") all or any part of the Hotel Interests and the Seller's interests in the Minority Owned Entities, all as specified in writing by the Buyer to the Seller at least ten (10) Business Days prior to the Closing. At the Closing, each Designee shall acknowledge to the Seller in writing that (i) Designee has no contractual or legal rights under and is not a intended or incidental beneficiary of this Agreement; (ii) such conveyance or assignment creates no privity between Designee and the Seller; (iii) Designee has and will have no legal or equitable recourse to the Seller in respect of any claim or other matter whatsoever arising from or in connection with the transactions by which it acquires any of the Fee Properties, the Equity Interests, Leasehold Interests or interests in the Minority Owned Entities and the Seller makes no representations or warranties of any nature whatsoever to or for the benefit of Designee; and (iv) Designee will direct and pursue any and all claims and assert any rights whatsoever arising from such transactions solely against the Buyer, and not against the Seller. Any payment received by the Seller from a Designee shall be deemed made on behalf of the Buyer.

(b) The Seller has made certain representations, warranties and covenants (the "Seller's Representations") to, and has agreed to certain indemnification of, the Buyer in this Agreement and the Seller agrees that the Buyer has the right to rely upon the Seller's Representations and agreement to indemnify in making its own representations, warranties, covenants and indemnifications to a Designee. To the extent that any breach by the Buyer of a representation, warranty or covenant that it makes to a Designee is directly caused by the inaccuracy, untruth or unfulfillment of the Seller's Representations (a "Breach"), Buyer shall have the following rights and remedies:

(i) to bring against the Seller a claim for indemnification and institute litigation to enforce such claim, to the same extent as made by the Designee against the Buyer (to the full extent permitted in, and subject to the limitations of, this Agreement) (a "Mirror Claim"); and

(ii) to seek as damages in the Mirror Claim, all Losses of the Designee arising from the Mirror Claim (to the full extent permitted in, and subject to the limitations of, this Agreement).

Subject to the limitations of Article 5 and Article 10, Seller acknowledges and agrees that any Mirror Claims are subject to indemnification by the Seller to the Buyer and the Seller waives any defense based upon any claim that the Buyer has not suffered Losses or does not have the requisite standing to institute against the Seller any claim underlying the Mirror Claim.

Section 12.13 Seller's Obligations. The obligations of CTF and the Selling Entities pursuant to this Agreement are joint and several.

Section 12.14 Currency. All references to "dollars" or "\$" or "US\$" in this Agreement or any Ancillary Agreement refer to United States dollars, which, except as explicitly set forth herein, is the currency used for all purposes in this Agreement and any Ancillary Agreement. All references to "€" in this Agreement or any Ancillary Agreement refer to the European Union euro.

Section 12.15 Severability. Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 12.16 Counterparts. This Agreement may be executed in two (2) or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

Section 12.17 Facsimile Signature. This Agreement may be executed by facsimile signature and a facsimile signature shall constitute an original for all purposes.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Seller and the Buyer have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

CTF HOLDINGS LTD.

By: /s/ D. Heininger

Name: Daniel Heininger

Title: President

MARRIOTT INTERNATIONAL, INC.

By: /s/ Richard S. Hoffman

Name: Richard S. Hoffman

Title: Executive Vice President

CROWLEY INVESTMENTS LIMITED

By: /s/ D. Heininger

Name: Daniel Heininger

Title: President

CTF AUSTIN HOTEL L.P.

By: /s/ D. Heininger

Name: Daniel Heininger

Title: President of CTF Austin II Corporation  
(General Partner)

CTF BEDFORD HOTEL LLC

By: /s/ D. Heininger

Name: Daniel Heininger

Title: President

Execution Copy



CTF DENVER HOTEL LLC

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: President

CTF ESMERALDA RESORT LLC

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: President

LONG BEACH HOTEL ASSOCIATES

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: President of Hotel Property Investments (California),  
Inc. (General Partner)

HOTEL PROPERTY INVESTMENTS, INC.

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: President

MAYFLOWER HOTEL INVESTORS L.P.

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: President of CTF Hotels LLC  
(General Partner)

HPI ORLANDO, INC.

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

CTF SCOTTSDALE RESORT LLC

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

CTF ST. LOUIS HOTEL LLC

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

CTF WAVERLY HOTEL LLC

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

CTF WESTCHESTER HOTEL LLC

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

Execution Copy

HPI GEORGIA, INC.

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

CTF HOTEL HOLDINGS, INC.

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

HOTEL PROPERTY INVESTORS (U.K.) LIMITED

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: Director

CTF ORLANDO CORPORATION

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

CTF HOTELS LLC

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

Execution Copy

INNER HARBOR HOTEL CORPORATION

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

HPI GERMANY HOTELBESITZ GMBH

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: Geschäftsführer

HOTEL PROPERTY INVESTMENTS (BVI) LIMITED

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: Vice-President

SURFER'S PARADISE INVESTMENT CORPORATION

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

HPI SURFER'S PARADISE (YUKON) LIMITED

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

Execution Copy

ADAMAR NETHERLANDS ANTILLES N.V.

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: Director

NEW ERA PROPERTY TRUST

By: /s/ RKHollingsworth /s/ J Howitt

---

Name: Meespierson Guernsey

Title: As Trustee of the New Era Property Trust and not otherwise.

NEW WORLD HOTELS LIMITED

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: President

CTF ATLANTA CORPORATION

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: President

CTF DALLAS CORPORATION

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: President

Execution Copy

CTF DALLAS II CORPORATION

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

CTF ST. LOUIS CORPORATION

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

HPI FLORIDA, INC.

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

VINOY PROPERTY INVESTMENTS, INC.

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

THE CTF HOTEL MANAGEMENT CORPORATION

By: /s/ D. Heininger

---

Name: Daniel Heininger  
Title: President

Execution Copy

HPI PRODUCTIONS, INC.

By: /s/ D. Heininger

---

Name: Daniel Heininger

Title: President

Execution Copy

**PURCHASE AND SALE AGREEMENT  
BY AND BETWEEN**

**MARRIOTT INTERNATIONAL, INC.**

**and**

**WSRH HOLDINGS, LLC,**

**Dated as of April 27, 2005**



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## PURCHASE AND SALE AGREEMENT

**THIS PURCHASE AND SALE AGREEMENT** is made as of the 27th day of April, 2005 by and between **MARRIOTT INTERNATIONAL, INC.** ("Marriott"), and **WSRH HOLDINGS, LLC**, a Delaware limited liability company, together with rights of assignment to Affiliates (the "Purchaser").

### RECITALS

(A) Pursuant to the terms of a Purchase and Sale Agreement dated April 27, 2005 (the "CTF Agreement"), a copy of which (as it relates to the Hotels which are the subject of this Agreement) is attached hereto as Exhibit A, Marriott is the contract purchaser of certain land, improvements and personal property consisting of hotels in the United States and Europe, which are currently owned by CTF Holdings Ltd., a British Virgin Islands company and its subsidiaries (collectively, "CTF"), all of which are currently operated and managed by Marriott under the Renaissance brand.

(B) The CTF Agreement grants to Marriott the right to designate persons or entities to whom CTF has then agreed it will convey the Hotels as described in the CTF Agreement. The parties hereto intend that Marriott shall designate the Purchaser as a Designee under the CTF Agreement and Marriott shall cause CTF to sell to the Purchaser as a Designee of Marriott, and the Purchaser shall acquire directly from CTF, all of the interests as described in Recital (C) below.

(C) Marriott shall designate the Purchaser (or, at Purchaser's election, entities designated by Purchaser, each a "Designee") with regard to eight (8) of those hotels through (i) the sale of the land, improvements and personal property comprising six (6) of such hotels listed on Schedule 2.1(a); and (ii) the assignment of leasehold interests in two (2) of such hotel listed on Schedule 2.1(b), together with the personal property with respect thereto, and the Purchaser wishes to acquire such interests.

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

#### ARTICLE 1. DEFINITIONS.

Section 1.1. Certain Defined Terms. For purposes of this Agreement:

"Accounting Firm" means BDO Seidman, LLP, or such other accounting firm as CTF and Marriott shall agree. Marriott shall obtain Purchaser's consent of the selection of any accounting firm other BDO Seidman.

"Accounting Period" means the four (4) week accounting periods having the same beginning and ending dates as Marriott's four (4) week accounting periods, except that an Accounting Period may occasionally contain five (5) weeks when necessary to conform Marriott's accounting system to the calendar.

“Affiliate,” with respect to any specified Person, means any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

“Ancillary Agreements” means the agreements listed on Schedule 1.1(a) and any other Closing instruments or other transfer documents necessary or desirable to effectuate the transactions contemplated hereby, including (i) those required under the Laws of any local jurisdiction, (ii) all other agreements, documents and instruments required to be delivered by any party pursuant to this Agreement, and (iii) any other agreements, documents or instruments entered into, at or prior to Closing in connection with this Agreement or the transactions contemplated hereby including without limitation, the acknowledgement to be signed and delivered by Purchaser as described in Section 12.12(a) of the CTF Agreement and the Intercreditor Claims Side Letter, excluding, however, the Hotel Management Agreement, the REOC Side Letter and the Business Plan Side Letter.

“Business Day” means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

“Business Plan Side Letter” means the side letter to be executed at Closing by Purchaser as Owner and Marriott as Manager of the Hotels acquired by Purchaser hereunder substantially in the form attached hereto as Exhibit B.

“Capital Expenditures” means any expenditure for property, plant, fixtures, furnishings and equipment located at a Hotel, as determined to be a capital expenditure under GAAP and the Uniform System of Accounts.

“Closing Interest Rate” means 3 month Libor (as quoted by Bloomberg Service for 3-month Libor or on any successor or substitute page of such service reasonably satisfactory to CTF and the parties at approximately 10:00 a.m., New York City time on any date of determination) plus 150 basis points, calculated on the basis of a 365 day calendar year.

“Code” means the Internal Revenue Code of 1986, as amended through the date hereof, and any Treasury Regulations promulgated thereunder.

“Commercially Reasonable Efforts” means the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to achieve such result expeditiously and on commercially reasonable terms, without the expenditure of funds; provided, however, (x) that in connection with its assumption of the Renaissance Chicago Hotel, the Purchaser’s obligation is to provide a party to become the assignee which meets the financial requirements for acceptance by the landlord as set forth in the lease, and (y) that in connection with its assumption of the Renaissance Vinoy Hotel, “Commercially Reasonable Efforts” shall mean providing a party to be the assignee which (i) has a minimum net worth of \$6.5 million (including its investment in the Renaissance Vinoy Hotel) and (ii) has a good business reputation which it shall be deemed to have if such assignee is controlled by, or under common control with, Walton Street Capital, L.L.C.



“Consent” means any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

“Contract” means any legally binding written or oral agreement, contract, subcontract, lease, understanding, option, warranty, purchase order, license, sublicense, insurance policy or commitment or undertaking of any nature related to any Hotel or Hotel Interest.

“Control,” including the terms “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, as general partner or managing member, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

“CTF” shall mean CTF Holdings Ltd. and those of its Subsidiaries identified as Selling Entities and listed on Schedule 2.1(a), (b) and (c) of the CTF Agreement.

“CTF Ancillary Agreements” shall mean the agreements listed on Schedule 1.1(a) of the CTF Agreement and any other Closing instruments or other transfer documents necessary or desirable to effectuate the transactions contemplated thereby, including (i) those required under the Laws of any local jurisdiction, (ii) all other agreements, documents and instruments required to be delivered by CTF pursuant to the CTF Agreement, and (iii) any other agreements, documents or instruments entered into, at, or prior to Closing, in connection with the CTF Agreement or the transactions contemplated thereby.

“CTF Schedule” means each of those schedules referenced in, and attached to, the copy of the CTF Agreement attached hereto. Each such CTF Schedule is considered part of the CTF Agreement attached hereto. All disclosures made on any CTF Schedule are deemed to be made for all CTF Schedules, to the extent it is apparent or can be reasonably inferred from the nature and contents of the CTF Schedule that such disclosure is applicable to other CTF Schedules.

“CTF Selling Entity” shall mean CTF and those entities identified as Selling Entities on Schedules 2.1(a)-(e) of the CTF Agreement.

“CTF’s Knowledge” or derivations thereof, means the knowledge of any officer or employee of CTF whose name is listed on Schedule 1.1(c) of the CTF Agreement with respect to a particular fact or other matter of which such individual is actually aware.

“Debt” means any debts for borrowed money (including any interest, fees and penalties incurred in connection therewith) outstanding of any Target or that is secured by a lien on any Hotel Interest.

“Employee Benefit Plan” means an “employee benefit plan” as such term is defined in Section 3(3) of ERISA or any other employee benefit plan, program or arrangement, including, any pension, profit sharing, 401(k), deferred compensation, retirement, bonus, incentive, stock option, stock appreciation right, stock purchase or restricted stock plan, severance or “golden parachute” arrangement, or any other compensation, perquisite, welfare or fringe benefit plan, program or arrangement providing for benefits for, or for the welfare of, any or all of the current or former employees, leased employees, independent contractors, officers, directors, managers, managing members, members, trustees or partners of any of the Targets or the beneficiaries of such persons.

“Encumbrance” means any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, infringement, interference, option, right of first refusal, right of first offer, preemptive right or community property interest (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset); provided, however, that the term Encumbrance shall not be deemed to include (a) Liens for current Property Taxes not yet due and payable or that are being contested in good faith, in each case, and for which adequate accruals have been established on the books of the CTF Selling Entity or Target, as applicable, (b) Liens for assessments or other governmental charges established by statutory regulations, ordinance or other Law or, Liens of landlords, carriers, warehousemen, mechanics or materialmen securing obligations incurred in the Ordinary Course of Business that are not yet due and payable or due but not delinquent or being contested in good faith, (c) Liens incurred in CTF’s Ordinary Course of Business in connection with workers’ compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statute, obligations, surety and appeal bonds, bids, leases, government contracts, performance and return of money bonds and similar obligations, (d) purchase money or similar security interests granted in connection with the purchase or capital or operating lease of equipment or supplies used in the operation of a Hotel, and (e) Permitted Encumbrances.

“Environmental Law” means any Law applicable to a Target or in connection with the operation of a Hotel that relates to or otherwise imposes liability or standards of conduct concerning the prevention and control of air, water and ground pollution or otherwise relating to the manufacture, processing, generation, distribution, use, treatment, storage, disposal, cleanup, transport or handling of pollutants.

“Equity Interests” means all CTF’s and/or a CTF Selling Entity’s stock, membership units, partnership interest and other equity interests, as applicable, of a Target.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any corporation or other entity which is treated as a single employer with any of the Targets pursuant to the provisions of section 414(b), (c), (m) or (o) of the Code.

“GAAP” means United States generally accepted accounting principles as in effect on the date hereof.

“Governmental Authority” means any United States or non-United States federal, national, supranational, state, provincial, local or similar government, governmental, regulatory or administrative authority, branch, agency or commission or any court, tribunal, or arbitral or judicial body.

“Governmental Authorization” means any: (a) permit, license, certificate, franchise, permission, variance, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any applicable Law; or (b) right under any Contract with any Governmental Authority.

“Hotel” means each hotel identified on Schedules 2.1(a)-(c) to be transferred pursuant to this Agreement.

“Hotel Interests” means the Fee Properties, Leasehold Properties and Equity Interests being transferred by CTF to the Purchaser in accordance with this Agreement, the Ancillary Agreement, and the CTF Agreement.

“Hotel Management Agreements” means each of the agreements to be executed at Closing, by Designee, as Owner, and Marriott as Manager, of each of the Hotels acquired by Purchaser hereunder substantially in the form attached hereto as Exhibit C.

“Intellectual Property” means all proprietary rights of every kind and nature, including copyrights, trademarks, tradenames, all applications for any of the foregoing, and any license or agreements granting rights related to the foregoing that relate to the business being conducted on each Hotel property, to the extent of CTF’s right, title and interest therein, other than any software licenses used by the Targets or CTF Selling Entities in the corporate offices of CTF; provided, however, in no event shall Intellectual Property include Marriott or Renaissance brand concepts or the Manager Intellectual Property.

“Intercompany Debt” means any debts outstanding of any Target to CTF or any of its Affiliates.

“Intercreditor Claims Side Letter” means the side letter to be executed at Closing by Marriott, Sunstone Hotel Investors, Inc., and the Purchaser hereunder substantially in the form attached hereto as Exhibit D.

“Interest Holder” means any Target or, with respect to the Hotels being transferred pursuant to the Fee Sale or the Lease Agreement & Sale, any CTF Selling Entity that conveys a Hotel Interest at the Closing.

“IRS” means the Internal Revenue Service of the United States.

“Law” means any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or order of any Governmental Authority.

“Leased Real Property” means the real property leased by a CTF Selling Entity or Target in each case, as tenant, together with, to the extent so leased, the Hotel and all other structures, facilities or improvements currently or hereafter located therein or thereon, and all easements, licenses, rights and appurtenances relating to the foregoing.

“Leasehold Interest” means the leasehold interest created under the applicable Leases for the Leased Real Property.

“Leases” means the leases identified on Schedule 2.1(b).

“Legal Proceeding” means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Authority or any arbitrator or arbitration panel.

“Lien” shall mean a charge against or interest in property to secure payment of a debt or performance of a liability, whether granted voluntarily or involuntarily, including without limitation, any security interest, pledge, mortgage or charge, except for any charge against or interest to secure any purchase money obligation or any operating or capital leases of personal property.

“Manager Intellectual Property” means “Intellectual Property” as defined in the Hotel Management Agreements.

“Marriott’s Closing Deliveries” means the Ancillary Agreements and the other documents to be delivered at Closing by Marriott as set forth in Schedule 9.5(c).

“Marriott/CTF Hotel Management Agreements” means each of the agreements, as amended, between CTF or its Subsidiaries and Marriott or its Affiliates, providing for the management and operation of the Hotels including (i) the Master Management Agreement dated August 5, 1993, between CTF Hotel Holdings, Inc. and Renaissance Hotel Operating Company, (ii) the HPI Master Management Agreement dated as of June 30, 1995 between Renaissance Hotel Group N.V. and Hotel Property Investments (B.V.I.) Ltd., (iii) the Agreement dated April 23, 1999 by and among Marriott International, Inc., Renaissance Hotel Operating Company, Renaissance Hotel Group N.V., CTF Hotel Holdings, Inc., and Hotel Property Investments (B.V.I.), Ltd., and (iv) the Hotel-specific agreements set forth on Schedules 2.1(a)-(c) of the CTF Agreement.

“Marriott’s Accounting Practices” means the primary accounting treatment (including the implicit contractual interpretations underlying such treatment) that Marriott has given a particular issue on the books and records of the Hotels, notwithstanding any objection that CTF has previously raised to such practices. For

avoidance of doubt, "Marriott's Accounting Practices" shall not include the rights or position that CTF has reserved or asserted, but rather only the accounting treatment actually implemented by Marriott on the books and records of the Hotels.

"Marriott's Knowledge," or derivations thereof, means in Marriott's capacity as manager of the Hotels under the Marriott/CTF Hotel Management Agreements, the knowledge of any officer or employee of Marriott whose name is listed on Schedule 1.1(c), and, even if not named on Schedule 1.1(c), each employee of Marriott at each Hotel who holds the position at such Hotel of general manager and those attorneys of Venable LLP who have given substantial legal attention to the representation of Marriott in connection with the transactions contemplated by this Agreement, subject, however, to the attorney-client privilege.

"Marriott Material Contract" means any Contract relating to any Hotel or Hotel Interest to which Marriott is a party or entered into or administered by Marriott on behalf of CTF other than (a) Contracts entered into in the Ordinary Course of Business being those Contracts involving (i) an annual expense of less than \$50,000 or (ii) a space lease of less than 3,000 square feet, (b) group sales Contracts, or (c) other Hotel Contracts with guests or customers.

"Material Contract" means (a) any Contract that (i) involves an annual expense to an Interest Holder of more than \$100,000 (or more than \$100,000 on an annualized basis) or (ii) is not terminable upon ninety (90) days notice or less with damages or penalties of such termination not exceeding \$10,000, other than (A) those Contracts to which Marriott is a party, (B) those Contracts entered into or administered by Marriott on behalf of CTF, (C) the Leases, and (D) the Debt, and (b) any Contract between an Interest Holder and an Affiliate of CTF other than those identified on Schedule 5.10 of the CTF Agreement.

"Miscellaneous Operating Supplies" means items in unopened packages in the following categories: (i) linen; (ii) china, glass and silver; (iii) miscellaneous serving equipment; (iv) uniforms; and (v) guest supplies. The value of Miscellaneous Operating Supplies for the Hotels shall be conclusively established as (1) the total of the amounts set forth on Schedule 1.1(b)(i), less (2) the amounts set forth thereon with respect to any Hotels not transferred by CTF to Purchaser at the Closing, plus (3) the amount, if any, by which (a) the expense for Miscellaneous Operating Supplies for the Hotels incurred in the aggregate at the Hotels transferred by CTF to Purchaser or Purchaser's Designees at the Closing, from January 1, 2005 to the Effective Date exceeds (b) the total of the amounts set forth on Schedule 1.1(b)(ii) with respect to such transferred Hotels (with the amounts set forth on Schedule 1.1(b)(ii) to be pro rated with respect to the Hotels if the Effective Date is other than June 17, 2005, based on the number of actual days elapsed from January 1, 2005).

"Order" means any: (a) order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, subpoena, writ or award issued, made, entered, rendered or otherwise put into effect by or under the authority of any court, administrative agency or other Governmental Authority or any arbitrator or arbitration panel; or (b) Contract with any Governmental Authority entered into in connection with any Legal Proceeding.

“Ordinary Course of Business” means such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person.

“Organizational Documents” mean: (a) if a corporation, the articles or certificate of incorporation and the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles of organization and operating agreement; (e) any other charter or similar document adopted or filed in connection with the creation, formation or organization of such entity; (f) the minutes of each meeting or written consents of the board of directors or other governing body, any committee of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders (g) all equity holders’ agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of such entity, or relating to the rights, duties and obligations of the equity holders of such entity; and (h) any amendment or supplement to any of the foregoing.

“Owned Real Property” means the real property owned by a CTF Selling Entity or Target together with the Hotel and all other structures, facilities or improvements currently or hereafter located thereon, and all easements, licenses, rights and appurtenances relating to the foregoing.

“Permits” means, with respect to each Hotel property as applicable, all transferable or assignable permits (including liquor licenses), certificates of occupancy, operating permits, sign permits, development rights and approvals granted by any Governmental Authority or by any private party pursuant to any applicable declaration of covenants or like instrument, instrument, licenses, warranties and guarantees held by each Interest Holder which relate exclusively to each Hotel, as applicable.

“Permitted Encumbrances” means with respect to each Hotel property, (a) all matters shown on or disclosed by the Title Materials which are (i) not objected to by the Purchaser pursuant to Section 9.1, or (ii) are deemed to have been accepted or waived by the Purchaser pursuant to Section 9.1, provided, however, that Permitted Encumbrances shall in no circumstance include Encumbrances arising from any Debt, (b) Hotel Management Agreements, (c) applicable zoning regulations and ordinances and other governmental laws, ordinances and regulations provided the same do not prohibit or impair in any material respect use of each Hotel property as currently operated, and (d) the occupancy rights of transient lodging guests as transient lodging guests.

“Person” means an individual, corporation, partnership, limited liability company, limited partnership, syndicate, person, trust, association, organization or other entity, including any Governmental Authority, and including any successor, by merger or otherwise, of any of the foregoing.

“Personal Property” means all fixtures, furnishings, artwork, systems, equipment and items of personal property (other than cash) used in the operation of a Hotel or attached or appurtenant to a Hotel and intangible property with respect to the Hotel and Manager Intellectual Property.

“PIP Expenditures” means expenditures of CTF and its Subsidiaries, in respect of Property Improvement Plans listed on Schedule 3.2(b) of the CTF Agreement.

“Property” means the Leasehold Interests, the Owned Real Property and the Personal Property.

“Property Improvement Plans” shall have the meaning given to that term in Section 2.6 of this Agreement.

“Property Tax” means real estate or personal property taxes, assessments and water and sewer charges.

“Purchaser Material Adverse Effect” means any event, change, circumstance, effect or state of facts that is materially adverse to the ability of the Purchaser to perform its obligations under this Agreement or the Ancillary Agreements to which it will be a party or to consummate the transactions contemplated hereby or thereby.

“Purchaser’s Closing Deliveries” means the Ancillary Agreements and the other documents to be delivered at Closing by the Purchaser as set forth in Schedule 9.4(b).

“Purchaser’s Knowledge”, or derivations thereof, means the knowledge of Jeffrey Quicksilver, Stephen Sotoloff, Semi Salmi and John Pappas, and those attorneys of Pircher, Nichols and Meeks who have given substantive legal attention to the representation of Purchaser in connection with the transactions contemplated by this Agreement, subject, however, to the attorney-client privilege.

“REOC Side Letter” means the side letter to be executed at Closing by Purchaser as Owner and Marriott as Manager of the Hotels acquired by Purchaser hereunder substantially in the form attached hereto as Exhibit E.

“Representatives” means the officers, employees, agents, accountants, advisors, bankers and other representatives of a Person.

“Sales, Use & Occupancy Tax Audit Liabilities” means any liabilities resulting from audits by any Governmental Authority for sales, use and occupancy taxes arising from the operations of the Hotels located with the United States, regardless of the period in which such liabilities arose. For the avoidance of doubt, Sales, Use & Occupancy Tax Audit Liabilities shall exclude any Transfer Tax liability.

“Schedule” means each of those schedules referenced in, and attached to, this Agreement. Each such Schedule is considered part of this Agreement. All disclosures made on any Schedule are deemed to be made for all Schedules, to the extent that it is apparent or can be reasonably inferred from the nature and contents of the Schedule that such disclosure is applicable to other Schedules.

“Subsidiary” or “Subsidiaries” of any Person means any other Person controlled by such Person, directly or indirectly, through one or more intermediaries.

“Target” means those entities identified as such on Schedule 2.1(a) and 2.1(b), and any Subsidiaries of those entities.

“Target Sale” means the transfer of the Equity Interests of the Targets by CTF in accordance with Section 2.1(a) and 2.1(b).

“Tax or Taxes” shall mean any and all taxes, charges, fees, levies or other assessments, including but not limited to income, gross receipts, excise, real or personal property, sales, withholding, social security, retirement, unemployment, occupation, use, goods and services, service use, license, value added, capital, net worth, payroll, profits, withholding, franchise, registration, transfer and recording taxes, fees and charges, and any other taxes, assessment or similar charges whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest whether paid or received, fines, penalties or additional amounts attributable to, or imposed upon, or with respect to, any such taxes, charges, fees, levies or other assessments.

“Tax Return” shall mean any report, return, document, questionnaire, declaration or other information or filing required to be supplied to any Taxing Authority with respect to Taxes, including information returns, any documents with respect to or accompanying payments of estimated Taxes, any claim or request for refunds, or any documents with respect to or accompanying requests for the extension of time in which to file any such report, return, document, questionnaire, declaration or other information.

“Taxing Authority” means, with respect to any Tax, the IRS or any other United States or non-United States Governmental Authority that imposes such Tax, including any state, county, local, provincial or foreign government, or any subdivision or taxing agency thereof (including a United States possession).

“Title Company” means First American Title Insurance Company.

“Transfer Tax” means any stamp, registration, real or personal property transfer, sales, use, documentary, notary fee or other similar Tax or charge related to the Fee Sale, Target Sale or the Lease Assignment & Sale.

“Working Capital” means the amount determined in accordance with Marriott’s Accounting Practices to the extent used in the determination of any particular item, being: (a) the sum of all (i) cash in Hotel operating accounts and petty cash, (ii) accounts receivable (net of (xx) all write-offs determined by Marriott made through the end of the



Accounting Period prior to the Closing, and (yy) a reduction equal to 3% of the trailing thirteen Accounting Period average of non-credit card receivables), (iii) inventories of food and beverages and, under certain circumstances, goods for sale at retail (but "inventories" shall in no event include furniture or Miscellaneous Operating Supplies), (iv) prepaid expenses, (v) deposits (whether classified as current or otherwise), (vi) prepaid Taxes and Taxes receivable (excluding any United States federal, state, local, and foreign income taxes, which are addressed in Article 8 of this Agreement), and (vii) Miscellaneous Operating Supplies; minus (b) the sum of all: (1) accounts payable and other current payables, (2) accrued payroll, benefits, and related expenses (including bonuses), (3) accrued operating liabilities, (4) advance and security deposits from customers and others, (5) unearned rental income, (6) Taxes payable excluding any United States federal, state, local, and foreign income taxes (which are addressed in Article 8 of this Agreement), (7) security deposits paid by tenants as to leases of space in the Hotels in effect on the Effective Date, (8) rent from leases of space in the Hotels received on or before the Effective Date, to the extent allocable to any period after the Effective Date (and accordingly, rents paid before the Effective Date for the month in which the Effective Date occurs will be accounted for in this clause (b), based on the number of days in such month after the Effective Date), and (9) one-half of the room revenue of each Hotel acquired by Purchaser at the Closing in respect of the room night that begins on the Effective Date and ends on the day after (it being understood that the revenue for such room shall be for the account of the CTF Selling Entity). Excluded in all cases from the definition of "Working Capital" are (A) deferred Taxes resulting from an accounting convention to reflect timing differences between book and tax accounting, (B) the current and the long-term portion of any Debt and any accrued interest thereon, and (C) Management Fees and Reimbursables, as defined in the CTF Agreement. For the avoidance of doubt, no accruals shall be made to Working Capital with respect to (i) any Sales, Use & Occupancy Tax Audit Liabilities, and (ii) any claims by or liabilities to employees in respect of any employment practices of the Hotels located within the United States (the "Employment Practices Liabilities"). The calculation of "Taxes payable", as part of Working Capital, includes a pro rata share of the property taxes for the tax year in which the Effective Date occurs (as estimated by Marriott), based on the number of days in the tax year on or before the Effective Date, as well as any prior tax year, to the extent that such property taxes allocable to the period on or before the Effective Date have not been paid prior to the Effective Date. Similarly, the calculation of "prepaid Taxes", as part of Working Capital, includes a pro rata share of the property taxes for the tax year in which the Effective Date occurs (as estimated by Marriott), based on the number of days in the tax year after the Effective Date, but only the extent that such property taxes allocable to the period after the Effective Date have been paid prior to the Effective Date.

Section 1.2. Table of Definitions. The following terms have the meanings set forth in the pages set forth below:

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## **ARTICLE 2. THE TRANSACTIONS**

Section 2.1. Transactions. Upon the terms and subject to the conditions of this Agreement, at the Closing:

(a) With respect to the Hotels listed on Schedule 2.1(a), Marriott shall cause CTF to (i) sell, transfer, convey and deliver the Owned Real Property, (ii) sell, transfer, convey and deliver all of the Personal Property and Intellectual Property, and (iii) assign or otherwise transfer and deliver the Permits and Contracts related to such Hotels (for each Hotel, the "Fee Property") to the entity designated by Purchaser and the entity so designated by Purchaser shall purchase and assume the Fee Properties from CTF (the "Fee Sale"); provided, however, at Purchaser's election (to be made no later than May 19, 2005) in lieu of any specific Fee Sale, Marriott shall cause CTF to sell, transfer, convey and deliver all of the Equity Interests of a Target to Purchaser, and Purchaser shall purchase such Equity Interest of the Target from CTF in the same manner as set forth in Schedule 2.1(c) of the CTF Agreement, and such sale shall be deemed a Target Sale (each, an "Alternate Target Sale");

(b) With respect to the Hotels listed on Schedule 2.1(b), Marriott shall, as to the Renaissance Vinoy (to the extent of Marriott's interest) and as to all Hotels on Schedule 2.1(b), cause CTF to (i) assign or otherwise transfer and deliver the Leasehold Interests, (ii) sell, transfer, convey and deliver all of the Personal Property and Intellectual Property, and (iii) assign or otherwise transfer and deliver the Permits and Contracts related to such Hotels (for each Hotel, the "Leasehold Property") to the entity designated by Purchaser and the entity so designated by Purchaser shall assume and purchase the Leasehold Properties from CTF (the "Lease Assignment & Sale");

(c) With respect to the Target listed on Schedule 2.1(b), Marriott shall and shall cause CTF, to sell, transfer, convey and deliver all of the Equity Interests in The Vinoy Club L.C. to the entity designated by Purchaser;

(d) In connection with the Fee Sale and the Lease Assignment & Sale, the entity wholly-owned (directly or indirectly) by Purchaser designated by Purchaser as the "Designee" (as that term is used in the CTF Agreement) of any such Fee Sale or Lease Assignment & Sale, shall assume and pay, discharge, perform or otherwise satisfy from and after the Closing Date (with effect as of the Effective Date) the following liabilities and obligations of the CTF Selling Entity relating to the ownership and operation of the applicable Hotel (the "Assumed Liabilities");

(i) all liabilities referred to in clause (b) of the definition of "Working Capital" to the extent taken into account in the calculation of Working Capital; and

(ii) all liabilities and obligations arising from all Contracts other than Material Contracts not disclosed by CTF or Marriott Material Contracts not disclosed by Marriott, Leases, Permitted Encumbrances and Permits subsequent to the Closing Date (with effect as of the Effective Date); to the extent that a Marriott Material Contract is not disclosed, and notwithstanding any other provision herein or in the CTF Agreement to the contrary, such non-disclosure shall not affect its inclusion as a Deduction under the applicable Hotel Management Agreements and Marriott shall be liable to Purchaser for damages, calculated as (i) the difference, if any, between the costs of Purchaser pursuant to the undisclosed Contract and the costs which Purchaser would have paid under a contract based on then current commercially reasonable terms or the same product or services, and (ii) pre-Closing costs of such undisclosed Contract not otherwise taken into account in the calculation of Working Capital.

provided, however, it is understood and agreed by the parties that neither the Purchaser nor any Designee shall assume any Debt; and further provided that nothing in this Section 2.1(d) shall be construed as limiting the Purchaser's recourse in respect of a representation, warranty or covenant contained in this Agreement in accordance with Article 10. As used and described in this Agreement and in the CTF Agreement, a Designee must be either the Purchaser or a wholly-owned subsidiary of Purchaser.

(e) Marriott shall cause CTF to convey to Purchaser in connection with the Esmeralda Hotel, the trade name and/or trademark "Esmeralda;" provided,

however, the use of the tradename and/or trademark “Esmeralda” shall be subject to the Term, rights and limitations set forth on the Hotel Management Agreement to be executed between Purchaser and/or Purchaser’s Designee and Marriott at Closing.

The transactions set forth in this Section 2.1 are collectively referred to as the “Transaction.”

Section 2.2. Certain Information.

(a) Schedule 2.1(a) sets forth, for each Hotel being transferred through the Fee Sale: (i) the name and location of the Hotel, (ii) the name and jurisdiction of organization of the CTF Selling Entity, (iii) the name and jurisdiction of organization of the Target(s), (iv) the portion of the Unadjusted Purchase Price (the “Preliminary Allocated Price”) allocated to the Fee Property; and (v) the permitted range of the Closing Allocated Price.

(b) Schedule 2.1(b) sets forth, for each Hotel being transferred through the Lease Assignment & Sale: (i) the name and location of the Hotel; (ii) the name and jurisdiction of organization of the CTF Selling Entity; (iii) title, date and parties to the Leases; (iv) the Preliminary Allocated Price allocated to the Leasehold Property; and (v) the permitted range of the Closing Allocated Price.

(c) Schedule 2.1(b) sets forth for the Club Vinoy LC (i) the name of the entity, and (ii) the name and jurisdiction of organization of the entity.

Section 2.3. INTENTIONALLY OMITTED

Section 2.4. Debt. Schedule 2.4 of the CTF Agreement sets forth certain Debt as of the date of this Agreement. Marriott shall cause CTF to take such action, such that, at the Closing, all outstanding Debt shall have been repaid, defeased or otherwise released.

Section 2.5. Intercompany Debt. Marriott shall cause CTF to take such action such that at the Closing, there shall be no Intercompany Debt outstanding in respect of any Target. Accordingly, all currently outstanding Intercompany Debt with respect to each Target shall have been repaid, cancelled, forgiven, contributed to capital or otherwise extinguished (the method of extinguishing such Debt to be selected by CTF) such that no Target shall remain liable for the payment of any principal, interest, fees or penalties on any Intercompany Debt or bear any cost with respect to such extinguishment, and such that neither the Purchaser nor any Designee shall be liable for any Taxes in connection therewith. Marriott shall cause CTF to use Commercially Reasonable Efforts to minimize the liability for Taxes to any Target in connection with canceling the Intercompany Debt.

Section 2.6. Property Improvement Plan Expenditures. Purchaser shall fund a total of \$32,441,000 less, however, the PIP Expenditures of CTF prior to Closing (the “PIP Amount”) for the preliminary Property Improvement Plans for the Hotels, as further described on Schedule 2.6 attached hereto. Each wholly-owned Designee of

Purchaser formed to take title to a Hotel shall either fund the PIP Amount at Closing, or will have the option to fund the PIP Amount as costs are incurred provided that Marriott receives a guaranty of the PIP Amount from the Purchaser, or, at Purchaser's election, from another entity reasonably satisfactory to Marriott. Purchaser may replace a guarantee of the PIP Amount as to any individual Hotel through substitution of a cash escrow sufficient to complete the PIP work.

Section 2.7. INTENTIONALLY OMITTED.

### **ARTICLE 3. PURCHASE PRICE ADJUSTMENTS AND CLOSING**

Section 3.1. Purchase Price. In consideration for the Transaction, the Purchaser shall pay into escrow at the Closing an aggregate purchase price of U.S. \$590,400,000 (the "Unadjusted Purchase Price"), which includes those amounts to be paid to Marriott in its capacity as an owner of an equity interest in Renaissance Vinoy Resort and Golf Club ("Renaissance Vinoy") as shall be adjusted as provided in this Article 3, Section 7.3 and Section 9.2 (the "Adjusted Purchase Price").

Section 3.2. Deposit. Upon execution of this Agreement, Purchaser shall deposit into escrow \$25,000,000 (the "Deposit") with the Title Company. The Deposit will be non-refundable, other than (a) for termination based on a failure of a condition to Purchaser's obligation to consummate the Transaction, or (b) as otherwise expressly provided in this Agreement. If the Transaction is consummated, the Deposit, and interest earned thereon, will be applied against the Purchase Price.

#### Section 3.3. Estimated Working Capital, Capital Expenditure and PIP Expenditure Adjustments.

(a) Section 3.2 of the CTF Agreement contemplates that, and provides a procedure for, CTF and Marriott to determine certain items defined and described therein as the Estimated Total Working Capital, the Estimated North American Capex and the Estimated PIP Expenditures. Marriott and Purchaser shall recalculate the Estimated Total Working Capital (including Seller Working Capital only to the extent the same is both (x) properly allocated to Hotel Working Capital utilizing the definition of Working Capital set forth in this Agreement and, (y) an item that, in Marriott's Ordinary Course of Business, would be accounted for on the Hotel's books and records) utilizing the definition of Working Capital set forth in this Agreement, for all purposes and calculations contemplated in this Section 3.3(a). At Closing, the Unadjusted Purchase Price shall be: (i) increased (or decreased) by the amount by which the Estimated Total Working Capital applicable to the Hotels is more (or less) than \$0; (ii) increased (or decreased) by the amount by which the Estimated North American Capex applicable to the Hotels is more (or less) than the Target North American Capex Amount as set forth on Schedule 3.3(a); and (iii) increased by the amount of the Estimated PIP Expenditures.

(b) At Closing Purchaser shall provide to Marriott for each Hotel an amount equal to the Adjusted Working Capital for such Hotel. Adjusted Working Capital shall mean, for each Hotel, the amounts, if any, by which (i) the Adjusted Estimated

Total Working Capital for such Hotel, is less than (ii) the Initial Required Working Capital for such Hotel. If the Adjusted Estimated Total Working Capital for any Hotel is less than \$0, Purchaser shall fund the amount of such Adjusted Estimated Total Working Capital deficit at Closing and shall also fund the applicable Initial Required Working Capital for such Hotel. If the Adjusted Estimated Total Working Capital for any Hotel is less than \$0 and the Initial Required Working Capital for such Hotel is less than \$0, and if the Adjusted Estimated Total Working Capital is more negative than the Initial Required Working Capital, Purchaser shall fund the amount equal to the difference between the negative Adjusted Estimated Total Working Capital and the Negative Initial Required Working Capital at Closing. Adjusted Estimated Total Working Capital shall mean, for each Hotel, the amount equal to (i) the Estimated Total Working Capital for such Hotel, minus (ii) the value of the Miscellaneous Operating Supplies included in the calculation of the Estimated Total Working Capital for such Hotel. Initial Required Working Capital shall mean, with respect to each Hotel, the amount set forth on Schedule 3.3(b) for such Hotel. Marriott and Purchaser shall recalculate the Estimated Total Working Capital, utilizing the definition of Working Capital set forth in this Agreement for all purposes and calculations contemplated in this Section 3.3(b).

(c) The receivable from the City of Palm Springs, California to the Esmeralda Hotel in connection with the relocation of the 17<sup>th</sup> hole on the Esmeralda Hotel golf course shall be reclassified from Seller's Working Capital to Hotel Working Capital as defined in the CTF Agreement and such item shall be treated as part of Working Capital under this Agreement. The right to such receivable shall be assigned to Purchaser.

#### Section 3.4. Post-Closing Adjustments.

(a) Section 3.3 of the CTF Agreement contemplates that, and provides a procedure for, CTF and Marriott to arrive at certain post-closing adjustments to the Unadjusted Purchase Price as at the Effective Date. Marriott, with the assistance of Purchaser, shall prepare and submit the Closing Statements defined and described in Section 3.3 of the CTF Agreement including information and documentation provided by Purchaser within sufficient time in order for Marriott to comply with the time requirements set forth in Section 3.3 of the CTF Agreement. Upon receipt of the final report from the Accounting Firm as described in Section 3.3(c) of the CTF Agreement, either Marriott shall cause CTF to transfer to Purchaser, or Purchaser shall transfer to CTF, as the case may be, by wire transfer as described in Section 3.3(c) of the CTF Agreement, the difference between the adjustments made to the Unadjusted Purchase Price (pursuant to Section 3.3(a) above) and the amounts set forth in the Closing Statements (as may be adjusted by the Accounting Firm), along with the interest as set forth in Section 3.3(c) of the CTF Agreement. If such adjustments would require Purchaser to pay an amount in excess of \$1,000,000 to CTF, and if Purchaser believes in good faith that at least \$500,000 of such amount would be payable to Purchaser by Marriott pursuant to the provisions of subsection (b) below, and provides Marriott with reasonably detailed support of such assertion, then Marriott shall pay, on behalf of Purchaser, fifty percent (50%) of such disputed amount, subject to reconciliation and further adjustment pursuant to the provision of subsection (b) below.

(b) If Purchaser or Marriott believes that the post-closing adjustments to the Unadjusted Purchase Price made pursuant to subsection (a) above are not consistent with the definition of Working Capital used under this Agreement, such party shall provide notice to the other party of such assertion within thirty (30) days of receipt of the final report described in subsection (a) above (an "Objection Notice"). If either or both parties provide such notice, Marriott and Purchaser shall attempt to recalculate the Unadjusted Purchase Price utilizing the definition of Working Capital set forth in this Agreement. If Marriott and Purchaser are unable to agree upon such recalculation within thirty (30) days of receipt of an Objection Notice, the parties shall provide the Accounting Firm with a copy of this Agreement and instruct the Accounting Firm to make a recalculation of the post-closing adjustments to the Unadjusted Purchase Price based on the definition of Working Capital used in this Agreement and not as that term is defined and used in the CTF Agreement, and to provide the difference, if any, between what Purchaser paid (or received) pursuant to the procedures described in subsection (a) above, and what the Purchaser would have paid (or received) had the definition of Working Capital used in this Agreement been used to calculate the adjustments to the Unadjusted Purchase Price. The costs of the recalculation by the Accounting Firm shall be borne equally by Marriott and Purchaser. If the report of the Accounting Firm determines that Purchaser made an overpayment or received less than should have been received had the definition of Working Capital in this Agreement been used, Marriott shall pay Purchaser the amount of such overpayment or the deficit in the received amount (net of any amounts previously paid by Marriott pursuant to the terms of the last sentence of subsection (a)), or if the Accounting Firm determines that Purchaser made an underpayment or received more than should have been received had the definition of Working Capital in this Agreement been used, Purchaser shall pay Marriott the amount of such underpayment or the excess of such overpayment (plus any amounts previously paid by Marriott pursuant to the terms of the last sentences of subsection (a)).

(c) The final reports contemplated by this Section 3.4, being that described in (a) above if the procedures described in (b) are not used, or that described in subsection (b) if the procedures described in (b) are used) shall be final and binding on the parties for all purposes of this Agreement. Solely for purposes of calculations under the Hotel Management Agreements, it is agreed that accruals or estimates taken into account in connection with the post-closing adjustments to the Unadjusted Purchase Price shall not be taken into account for any purposes under the Hotel Management Agreements (for example, actual bonuses paid in 2006 relating to 2005 performance may be higher or lower than the bonus estimates used to calculate the accrual amounts of such bonuses for purposes of this Agreement). However, payment of amounts relating to pre-closing matters by the manager of the Hotels shall not effect Purchaser's rights hereunder to seek recourse for liabilities and obligations not assumed.

**Section 3.5. Currency of Payments.** Except as otherwise expressly set forth in this Agreement, all payments to or from CTF or any party shall be made in United States dollars. All translations from a foreign currency into United States dollars shall be calculated at the average of the United States dollar closing buy and sell bids for the subject foreign currency on the Effective Date (as quoted by Bloomberg Service for Benchmark Currency Rates or on any successor or substitute page of such service reasonably satisfactory to CTF and the parties at approximately 10:00 a.m., New York City time on any date of determination), regardless of the date actually made.



Section 3.6. Certain Transaction Costs.

(a) Marriott shall cause CTF to be allocated one-half of the Transfer Taxes which would be payable if the Hotels were transferred pursuant to the Target Sale at the Preliminary Allocated Price. Schedule 3.6 sets forth the initial estimate of the Transfer Taxes made by CTF and the parties hereto to be incurred in connection with the Fee Sale, Target Sale and Lease Assignment & Sale as well as the estimated amount thereof to be allocated to CTF and Purchaser. Schedule 3.6 shall be adjusted by CTF and Marriott at the direction of Purchaser from time-to-time until the Closing to reflect calculations made by the Title Company based upon the actual amount of Transfer Taxes due and payable in the applicable jurisdictions as of the Closing Date.

(b) Regardless of Law or convention, it shall be the responsibility of Purchaser to pay or cause to be paid all Transfer Taxes and otherwise complete and file all Tax Returns in connection therewith in a timely manner. Marriott shall, and shall cause CTF to, cooperate with Purchaser as reasonably requested by Purchaser in connection with the preparation and filing of such Tax Returns. The Unadjusted Purchase Price shall be reduced at Closing by the total amount of Transfer Taxes allocated to CTF that are actually paid or payable by Purchaser, and the Preliminary Allocated Price related to each Hotel Interest affected thereby shall be reduced accordingly.

Section 3.7. Structural and Environmental Consultants. Marriott has retained third party consultants (the "Structural and Environmental Consultants") to perform structural and environmental analyses of the Hotels and Marriott has provided Purchaser with copies of all of the reports and work product prepared by the Structural and Environmental Consultants with regard to the Hotels. Marriott shall cause the Structural and Environmental Consultants to provide letters authorizing the Purchaser and its lenders to rely upon the reports, work product, representations and warranties provided by the Structural Environmental Consultants. At Closing, in addition to payment of the Purchase Price, Purchaser shall reimburse Marriott for the cost of all of the work performed by the Structural and Environmental Consultants with respect to the Hotels.

Section 3.8. Purchase Price Allocation.

(a) The parties have agreed upon the amount of the Preliminary Allocated Price for CTF's interest in each of the Hotels, which amounts are set forth on Schedules 2.1(a) and 2.1(b) and which shall include those amounts to be paid to Marriott in its capacity as an owner of an interest in the Renaissance Vinoy and Club Vinoy LC as described on Schedule 2.1(b). By written notice to Marriott given not less than fourteen (14) Business Days prior to the Closing, Purchaser may modify the Preliminary Allocated Price for any such interest other than the Preliminary Allocated Price for Marriott's interest in the Renaissance Vinoy within the range permitted in Schedules 2.1(a) and 2.1(b), as applicable (each such Preliminary Allocated Price as modified is the "Closing

Allocated Price”), provided, however, that the total amount of all Closing Allocated Prices shall at all times equal the Unadjusted Purchase Price, as it may be adjusted pursuant to the terms of this Agreement. The Closing Allocated Price of each property shall be delivered to Marriott by the Purchaser two (2) Business Days prior to Closing, and to the extent such allocations result in a change in the total amount of Transfer Taxes allocated to CTF as set forth on Schedule 3.9 of the CTF Agreement, such difference shall be borne by the Purchaser. In the event of any purchase price adjustment hereunder, Marriott and Purchaser agree to adjust any previously agreed purchase price allocation to reflect such purchase price adjustment and to file subsequent Tax Returns consistent with such agreed allocation.

(b) The Purchaser and Marriott agree that the Closing Allocated Price for each Hotel Interest shall be adjusted to reflect the Adjusted Purchase Price as determined at the Closing. For each Hotel Interest, the purchase of which is treated as an asset purchase for United States federal income tax purposes, the Adjusted Purchase Price, as so adjusted, plus any liabilities attributable to such Hotel Interest that are liabilities for United States tax purposes, shall be allocated for federal income tax purposes among the assets acquired thereby as agreed to by the parties and, if no agreement is reached, as reasonably determined by each of the parties. Subject to the requirements of applicable Law, the Purchaser and Marriott and each of their Affiliates, shall file all Returns, consistent with the Closing Allocated Price adjusted to take into account purchase price adjustments at the Closing and with any other allocation that is agreed in respect of a particular Hotel Interest. In the event of any purchase price adjustment hereunder, Marriott and the Purchaser agree to adjust any previously agreed allocation to reflect such purchase price adjustment and to file Tax Returns consistent with such agreed allocation.

#### Section 3.9. Closing.

(a) The closing of the Transactions shall take place at a closing (the “Closing”) to be held at the offices of Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, at 10:00 A.M., or at such other place or places as CTF, Marriott and Purchaser may agree in writing.

(b) The Closing shall occur on June 17, 2005, provided, however, that if the conditions to Closing of Marriott or Purchaser have not been satisfied as of that date, or upon notice given by Purchaser not later than June 8, 2005, or by Marriott no later than June 11, 2005, then the Closing shall occur not later than June 30, 2005, provided further, however, if all the conditions of both parties to the Closing have been satisfied, except that CTF shall not have received the requisite consent pursuant to the Offer and Solicitation to allow for the release of the liens on the Property securing the Notes, as more fully set forth in Article 4 of the CTF Agreement and as those terms are described and defined in the CTF Agreement, and Marriott exercises its one-time option to postpone the Closing to November 15, 2005 under Section 3.11 of the CTF Agreement, then the Closing hereunder shall also be postponed until November 15, 2005; provided further still, however, if the Closing with respect to any Hotel is delayed in accordance with the terms of this Agreement, the Closing for such Hotel shall occur as soon as practicable following the satisfaction of the conditions to Closing with respect to such Hotel. The day on which a Closing takes place is referred to as the “Closing Date.”

(c) If the Closing does not occur by June 30, 2005, because CTF did not receive the requisite consent as described in Section 3.9(b), and after Purchaser provides written notice to Marriott no later than July 6, 2005 of Purchaser's intention to postpone Closing to November 15, 2005, Marriott elects not to exercise its one-time option to postpone the Closing to November 15, 2005 pursuant to Section 3.11 of the CTF Agreement and Marriott elects instead to terminate the CTF Agreement, then Marriott will refund the Deposit and all interest thereon to Purchaser. In such event if Purchaser is ready, willing and able to close on June 30, 2005, Marriott shall pay to Purchaser, Purchaser's Out of Pocket Costs not to exceed Two Million and No/100 Dollars (\$2,000,000). Failure on the part of Purchaser to notify Marriott on or before July 6, 2005 of its intention to postpone Closing, shall be deemed Purchaser's election not to postpone Closing and to terminate this Agreement in accordance with Article 12 hereof. Purchaser being ready, willing and able to close for the purposes of this Section 3.9 shall mean that Purchaser shall have (i) satisfied the condition to Marriott's obligation to close set forth in Section 9.4(a), (ii) tendered all of Purchaser's Closing Deliveries, and (iii) shall have funding commitments for the payment of the entire Purchase Price such that Purchaser would have been in a position to pay the entire Purchase Price had the Closing occurred on June 30, 2005 and all conditions under this Agreement to Purchaser's obligations had been satisfied. As used herein, "Purchaser's Out of Pocket Costs" means all Purchaser's third party out-of-pocket costs and expenses, including, but not limited to, all travel costs and expenses, all amounts expended by Purchaser for its investigation of the Hotels, including consulting fees and costs and legal fees and costs, all amounts expended by Purchaser, including, but not limited to, legal fees and costs, in the negotiation of this Agreement the CTF Agreement the management agreement with Marriott, and the other documents and instruments in connection with this transaction, and all fees and costs (including costs incurred to lock or cap rates of interest) paid by Purchaser to its lenders and potential lenders, including all amounts expended as liquidated damages to the lenders.

(d) If a Closing occurs after June 17, 2005 with respect to Hotels included in such Closing:

(i) all of the Transactions shall be deemed to be effective as of Marriott's most recently ended Accounting Period prior to the Closing Date (for such Closing, the "Effective Date");

(ii) Purchaser shall pay daily interest on the sum of the Preliminary Allocated Price of the Hotels from and including the Effective Date but not including the Closing Date, at a rate equal to the Closing Interest Rate; and

(iii) with respect to the Hotels Marriott shall cause CTF to pay to Purchaser (to the extent the amount in (i) below exceeds (ii) below), or the Purchaser shall pay to CTF (to the extent the amount in (ii) below exceeds (i) below), as the case may be, account and pay for the difference between (A) all deposits to CTF's bank

accounts arising from Hotel operations from the close of business on the Effective Date through the Closing Date, and (B) all checks issued, wire transfers and other disbursements from CTF's bank accounts arising from Hotel operations from the close of business on the Effective Date through the Closing Date, which would have been disbursed by Marriott under the Marriott/CTF Hotel Management Agreements if the Closing had occurred on the Effective Date (the "Cash True-Up").

(e) On or before a Closing, (i) the Purchaser shall deliver to the Title Company by wire transfer to a bank escrow account specified by the Title Company the amount of the Adjusted Purchase Price for the Hotels included in the Closing less the amount of Deposit and all interest accrued thereon in immediately available funds in United States dollars (such amount to be shown on a settlement memorandum detailing required adjustments to the Unadjusted Purchase Price) and such other sums required to be paid by Purchaser hereunder, including Transfer Taxes and other costs of Closing, (ii) Marriott shall deliver to the Title Company Marriott's Closing Deliveries provided, however, to the extent that any of the Marriott Closing Deliveries include what are described as the Seller Closing Deliveries pursuant to the CTF Agreement, Marriott shall not be in default hereunder for any default by CTF in failing to provide the Seller Closing Deliveries as defined in the CTF Agreement (provided, however, any failure on the part of Marriott to deliver such Seller Closing Deliveries remains a condition to Purchaser's obligation to close as set forth in Section 9.5(b)) and all other documents required by the Purchaser of this Agreement or any Ancillary Agreement to be delivered by Marriott and such other parties as are necessary and appropriate, each such Deliveries and/or document to be executed by Marriott and such other parties as are necessary and appropriate and to be held in escrow by the Title Company, and (iii) the Purchaser shall deliver to the Title Company the Purchaser's Closing Deliveries and all other documents required by the Purchaser of this Agreement or any Ancillary Agreement to be delivered by the Purchaser, each such Deliveries and/or document to be executed by the Designees and to be held in escrow by the Title Company following completion of the matters specified in (e)(i)-(iii) above, and upon the joint written direction of Marriott and Purchaser, the Adjusted Purchase Price and/or documents so held in escrow shall be released from escrow and disbursed and/or distributed to those Persons entitled thereto, including to those Persons required pursuant to all Ancillary Agreements. In addition, Marriott and Purchaser shall cooperate to develop procedures for the flow of funds at each Closing.

**ARTICLE 4. INTENTIONALLY DELETED**

**ARTICLE 5. PASS THROUGH REPRESENTATIONS AND WARRANTIES OF MARRIOTT**

Subject to Section 5.17, Marriott represents and warrants, and to the extent applicable covenants, to the Purchaser, as of the date hereof and as of the Closing Date, that except as disclosed on the Disclosure Schedules set forth herein and in the CTF Agreement:

Section 5.1. Organization, Existence; Records and Actions.

(a) Schedules 2.1(a)-(e) of the CTF Agreement contain, with respect to each CTF Selling Entity and Target, a complete and accurate list of the jurisdiction of formation of such CTF Selling Entity and Target, and any other jurisdictions in which such Target is qualified to do business as a foreign entity. Each CTF Selling Entity and each Target is duly incorporated or formed and organized, validly existing and in good standing under the laws of the jurisdiction in which each was formed, with corporate power (or otherwise, as applicable) and authority to conduct its business as it is now being conducted, to own or use the properties and assets that it purports to own or use. Each Target is duly qualified to do business as a foreign entity and is in good standing under the laws of each jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the business or operations of the Target as presently conducted.

(b) A true and complete copy of the Organizational Documents of each Target, certified by the Secretary or Assistant Secretary of the Target has been delivered to Marriott, and remain in full force and effect.

(c) The minute books of each Target contain accurate and complete records of all meetings held, and actions taken by, the board of directors or other governing body, any committees of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders of such Target.

(d) At the Closing, all of the books of account, minute books, equity interest record books, and other records of a Target (including correspondence related to the Leases) will be in the possession of such Target. As soon as reasonably practicable, but in no event more than twenty (20) days following the Closing, CTF shall physically deliver all such corporate minute books and other corporate records to Marriott, and no more than sixty (60) days following the Closing, CTF shall physically deliver all other such books and records to Marriott.

Section 5.2. Authority, Approval and Enforceability. The execution, delivery and performance by CTF and the CTF Selling Entities of the CTF Agreement and the CTF Ancillary Agreements, as applicable is within the corporate power (or otherwise, as applicable) of CTF and the CTF Selling Entities and has been duly and validly authorized by CTF and the CTF Selling Entities, and no other corporate proceedings (or otherwise, as applicable) on the part of CTF and the CTF Selling Entities are necessary to authorize the CTF Agreement, the CTF Ancillary Agreements, or the transactions contemplated hereby and thereby. The CTF Agreement has been, and the CTF Ancillary Agreements upon their execution at the Closing will be, validly executed and delivered by CTF and the CTF Selling Entities, and is or will be a valid and binding obligation of CTF and the CTF Selling Entities enforceable against CTF in accordance with its respective terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting the rights of creditors generally, and to the exercise of a court's equitable powers.

Section 5.3. Capitalization.

(a) Except as otherwise set forth on Schedules 2.1(a) and 2.1(c) of the CTF Agreement, the Equity Interests constitute all of the outstanding stock, membership interests or partnership interests of each Target. All of the outstanding Equity Interests of each Target have been duly authorized and are validly issued, fully paid and nonassessable and are owned beneficially and of record by the CTF Selling Entity set forth on Schedules 2.1(a) and 2.1(c) of the CTF Agreement. Except as set forth on Schedules 2.1(a) and 2.1(c) of the CTF Agreement, the CTF Selling Entities will convey all of the outstanding Equity Interests of each Target to Purchaser at the Closing free and clear of any and all Encumbrances.

(b) Except as set forth on Schedules 2.1(a), (c) and (e) of the CTF Agreement, there is no: (i) outstanding subscription, option, call, warrant or right (whether or not currently exercisable or contingent) to acquire any equity interest or security of any Target; (ii) outstanding security, instrument or obligation that is or may become convertible into, or exchangeable for, any equity interest or security of any Target; or (iii) Contract under which any Target is or may become obligated to sell or otherwise issue any equity interest or security.

(c) All outstanding equity or securities of each Target have been issued in compliance with (i) applicable Law and (ii) all requirements set forth in Contracts applicable to the issuance of equity or securities of each Target.

(d) Except as set forth on Schedules 2.1(a) and 2.1(c) of the CTF Agreement, no Target has any Subsidiaries or any direct or indirect ownership interest in any other Person.

(e) No CTF Selling Entity or Target has filed a voluntary petition in bankruptcy or similar petition, nor has any order, judgment or action been taken or suffered by any Interest Holder under any insolvency or bankruptcy law.

Section 5.4. Lines of Business. No Target is engaged in any business and no Target located in the United States has, for the two (2) years prior to the date of this Agreement, engaged in any business other than the ownership and operation of the business of a Hotel and operations incidental thereto. Each Target has conducted its business in all material respects in accordance with its Organizational Documents.

Section 5.5. No Conflicts; Consents. Neither the execution and delivery of the CTF Agreement or the CTF Ancillary Agreements nor the consummation or performance of any of the transactions contemplated hereby or thereby will, directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of the CTF Selling Entities, or any Target, or

(B) any resolution or action adopted by the board of directors or other governing body, any committee of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders of the CTF Selling Entities or Target;

(b) contravene, conflict with, or result in a violation of, or give any Governmental Authority or other Person the right to challenge any transaction contemplated by the CTF Agreement or the CTF Ancillary Agreements;

(c) except as set forth on Schedule 5.5 of the CTF Agreement, give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under, any applicable Law or any Order to which the CTF Selling Entities or any Target, or any material assets owned or used by any Interest Holder, may be subject;

(d) except as set forth on Schedule 5.5 of the CTF Agreement, contravene, conflict with, or result in a material violation of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate, or modify, any material Governmental Authorization that is held in the name of any Target other than Permits in relation to the operations of any Hotel;

(e) except as set forth on Schedules 2.1(a)-(c) or 5.5 of the CTF Agreement, contravene, conflict with, or result in a material violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract or Lease;

(f) result in the imposition or creation of any Encumbrance upon or with respect to the Property; or

(g) except as set forth on Schedules 2.1(a)-(c) or 5.5 of the CTF Agreement, require any Interest Holder to give any notice to, or obtain any Consent from, any Person in connection with the execution and delivery of the CTF Agreement or the consummation or performance of any of the transactions contemplated by the CTF Agreement or the CTF Ancillary Agreements, except with respect to any Permits in relation to the operations of any Hotel, and any antitrust Consents from Governmental Authorities.

#### Section 5.6. Balance Sheets.

(a) Attached as Schedule 5.6 of the CTF Agreement is the consolidating unaudited balance sheet of each Target and its Subsidiaries as at December 31, 2004 (the "Balance Sheet"). With respect to such Target, the Balance Sheet constitutes a compilation prepared by the CTF Selling Entities of (i) the assets and liabilities of each Hotel owned or leased by such Target (excluding the CTF Level Data) (the "Hotel Level Data"); and (ii) the other assets and liabilities, if any, of the Target which either (A) are unrelated to the Hotel or (B) have historically not been accounted for as Hotel Level Data and (C) adjustments made by CTF to the Hotel Level Data (the "CTF

Level Data”). The Hotel Level Data is maintained by and has been extracted from the financial information supplied by Marriott under the Marriott/CTF Hotel Management Agreements. The CTF Level Data has been compiled from the books and records of each Target maintained by the CTF Selling Entities. The Balance Sheet fairly presents the financial condition of the Target (and its consolidated Subsidiaries as appropriate) as at December 31, 2004 in all material respects in accordance with GAAP, except for any deferred income tax asset or liability and any explanatory footnotes required under GAAP and except to the extent that any Hotel Level Data is not complete and accurate.

(b) There are no liabilities or obligations of any nature (whether known or unknown, absolute, contingent, or otherwise) of any Target (excluding (i) any deferred tax liabilities resulting from an accounting convention to reflect timing differences between book and tax accounting, (ii) liabilities in respect of Sales, Use & Occupancy Tax Audit Liabilities, and (iii) liabilities in respect of employee claims arising out of any Employment Practices Liabilities (clauses (i)-(iii), collectively being the “Excluded Liabilities”)), except for liabilities or obligations reflected on or reserved against in the Balance Sheet with respect to such Target and except to the extent that the Hotel Level Data is not complete and accurate. Since the date of the Balance Sheet through the Closing Date, CTF has not caused and will not permit any Target to suffer or incur any liability except for liabilities (A) pursuant to Contracts which are not Material Contracts; (B) pursuant to executory Material Contracts disclosed on Schedule 5.10 of the CTF Agreement; (C) for capital expenditures provided under Section 2.6 of the CTF Agreement; (D) pursuant to any Lease; (E) that are Intercompany Debt; (F) that are included within Working Capital for such Target; or (G) that constitute Excluded Liabilities.

(c) Except as set forth on Schedule 7.12 of the CTF Agreement, no Target is the guarantor of the obligations of a third party. No Target has contractually indemnified any third party, except in respect of liabilities directly related to the operations of a Target’s Hotel.

(d) Except as set forth on Schedule 2.4 of the CTF Agreement, as of the date of this Agreement, no Target has any Debt.

(e) The CTF Level Data accounting records are maintained by and are in the possession of the CTF Selling Entities.

Section 5.7. Absence of Certain Changes. Except as set forth on Schedules 2.1(a) and 2.1(c) of the CTF Agreement, since December 31, 2004, no Target has:

(a) sold, transferred, or otherwise disposed of any of its Property except in the Ordinary Course of Business;

(b) forgiven or canceled debts or waived any claims or rights of substantial value other than Intercompany Debt; or

(c) incurred any debt or extended any credit other than in the Ordinary Course of Business, except for Intercompany Debt; or



(d) made any change in any method of accounting or accounting practice or policy.

Section 5.8. Litigation and Related Matters.

(a) Except as set forth in Schedule 5.8 of the CTF Agreement, there is no pending Legal Proceeding that has been commenced by or against any Interest Holder or related to the Property other than routine litigation related to the operations of a Hotel which is covered by insurance, and, to CTF's Knowledge, no Legal Proceeding has been threatened and no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Legal Proceeding. CTF has made available to Marriott copies of all pleadings, correspondence, and other documents relating to each Legal Proceeding set forth in Schedule 5.8 of the CTF Agreement.

(b) Except as set forth in Schedule 5.8 of the CTF Agreement, and with the further exception that, with respect to the operations of any Hotel, the following representations are made to CTF's Knowledge only:

(i) there is no Order to which any Interest Holder, any of the assets owned or used by any Target, is subject;

(ii) no Interest Holder is subject to any Order that relates to the business or Property of any Interest Holder; and

(iii) no officer, director, manager, managing member, trustee, partner, agent, or employee of any Target who is not under the control of Marriott is subject to any Order that prohibits such Person from engaging in or continuing any conduct, activity, or practice relating to the business of any Target.

(c) Except as set forth in Schedule 5.8 of the CTF Agreement and with the further exception that, with respect to the operations of any Hotel the following representations are made to CTF's Knowledge only:

(i) each Target and Interest Holder is in compliance in all material respects with the terms and requirements of each Order to which it is subject;

(ii) no event has occurred or circumstance exists that may constitute or result in (with or without notice or lapse of time) a violation of or failure to comply, in any material respect by an Interest Holder, with the terms or requirements of any Order to which it is subject; and

(iii) no Interest Holder has received any written notice from any Governmental Authority or any other Person regarding any actual, alleged, possible or potential violation of, or failure to comply with the terms and requirements of any Order to which it is subject.

Section 5.9. Compliance with Laws; Governmental Authorizations.

(a) Each Target is presently or, at the Closing shall be, in compliance in all material respects with all Governmental Authorizations necessary for the continued operation of the business of each Target, other than any Permits. Each Interest Holder has complied with, and is not in violation of, any applicable Law affecting such Target, excluding any applicable Law relating to the operations or business of any Hotel.

(b) Except as set forth on Schedule 2.1(a)-(d) of the CTF Agreement, the CTF Selling Entities have not received written notice of any request, application, proceeding, plan, study or effort including any condemnation proceeding, proposed change of zoning or other proposed land use regulation or action, which would have a material adverse effect on any Hotel or on any Permits. The CTF Selling Entities have not received written notice that the present development, improvement, use and operation of any Hotel are not in compliance with or violate any applicable Law or any Permit.

Section 5.10. Contracts and Commitments.

(a) Other than (i) the Contracts set forth on Schedule 5.10 of the CTF Agreement; (ii) the Leases; and (iii) the exceptions noted on any Title Commitments (which shall be governed by Section 9.1 of the CTF Agreement), there are no Material Contracts that will be binding on any Target, the Purchaser, any Designee, the Owned Real Property or the Leased Real Property subsequent to the Closing Date.

(b) (i) Schedule 5.10 of the CTF Agreement sets forth a true and complete list of all Material Contracts, true and complete copies of which have been delivered to Marriott; (ii) the Material Contracts are in full force and effect and no Interest Holder, nor to CTF's Knowledge any other party thereto, is in material default in the performance of any of its obligations thereunder, nor, to CTF's Knowledge, has any event occurred which could give any party thereunder the right to give a notice of default to any other party; (iii) the Material Contracts have not been further modified, supplemented or amended in any material respect; and (iv) all rent, charges or other payments due from any Interest Holder under any Material Contract, as applicable, have either been paid through the date of this Agreement or the Closing Date, as applicable, or provision has been made for the payment thereof as and when the same shall become due and payable.

(c) Except as set forth on Schedule 5.10 of the CTF Agreement, the CTF Selling Entities have no equity or other economic interest in any supplier, landlord or lessee of any Target. Except as set forth on Schedule 5.10 of the CTF Agreement, there are no Contracts between CTF or any Affiliate of CTF, that will be binding on any Target or the Purchaser subsequent to the Closing Date.

(d) To CTF's Knowledge, no Target and no Person on behalf of a Target has made any illegal or unrecorded payments, deposits or similar items.

(e) All Contracts related to PIP Expenditures have been, and those Contracts related to PIP Expenditures after the date hereof will be, delivered to Marriott.

Section 5.11. Hotel Properties.

(a) With the exception of Encumbrances which will be satisfied and discharged at Closing, each Interest Holder, as appropriate, owns the Property free and clear of any Encumbrances as defined in the CTF Agreement.

(b) Except as set forth on Schedule 5.11 of the CTF Agreement, to CTF's Knowledge, since January 1, 2003, no Interest Holder has received written notice by any Governmental Authority of any violation of an Environmental Law or written notice by any Person of any breach by an Interest Holder of its obligations under any Contract for the remediation of any condition at a Hotel under an Environmental Law.

Section 5.12. Intellectual Property. To CTF's Knowledge, Schedule 5.12 of the CTF Agreement sets forth a true and complete list of all tradenames and trademarks owned or used by each Interest Holder with respect to each Hotel property ("Tradenames"). To CTF's Knowledge, there has been no infringement by any Interest Holder on the rights or interests of any third party with respect to the Tradenames, nor any infringement upon any Interest Holder's rights or interests in any of the Tradenames. To CTF's Knowledge, no Interest Holder has received written notice that it is infringing the rights or interests of any third party with respect to the Intellectual Property or that any third party is infringing upon any Interest Holder's rights or interests in any of the Intellectual Property. The CTF Selling Entities and their Affiliates will not retain any rights to the Intellectual Property used in connection with the operation of a Hotel after the Closing.

Section 5.13. Employee Benefits.

(a) With respect to those Targets organized within the United States:

(i) no Interest Holder or ERISA Affiliate thereof has sponsored, maintained and/or contributed to Employee Benefit Plan at any time within the past five (5) years; and

(ii) Except as set forth on Schedule 5.13 of the CTF Agreement, no Target has any employees, except employees under the control of Marriott who are employed in connection with the business and operations of the Hotels.

(b) INTENTIONALLY OMITTED

Section 5.14. Insurance.

(a) Schedule 5.14 of the CTF Agreement lists:

(i) all of the policies of insurance that have been issued covering losses that may have occurred during the past three (3) insurance policy years (including the current year) preceding the date of the CTF Agreement to which any Target or Interest Holder is a party or has been covered excluding any policies placed by the landlords under the Leases, true and complete copies of which have been provided to Marriott;

(ii) a list of the policy numbers and names of insurance carriers for two (2) policy years in addition to those covered by clause (i) above, excluding casualty policies, excluding property and business interruption policies, as well as property terrorism policies, and excluding any policies placed by the landlords under the Leases;

(iii) all pending applications for policies of insurance, true and complete copies of which have been provided to Marriott;

(iv) a schedule of all locations insured under the policies listed in subsection 5.14(a)(i) of the CTF Agreement, and

(v) all surety bonds placed directly by CTF to which any Target is a party or has been covered within the current year, true and complete copies of which have been provided to Marriott.

(b) Schedule 5.14 of the CTF Agreement describes any self-insurance arrangement by or affecting any Target, including any reserves established thereunder.

(c) CTF has previously provided to Marriott by line of coverage, by policy year, for each Interest Holder for each of the three (3) preceding policy years (including the current policy year):

(i) a recent summary of the loss experience under each insurance policy; and

(ii) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

(d) Except as set forth on Schedule 5.14 of the CTF Agreement, all policies to which any Target is a party:

(i) are valid, outstanding, and enforceable;

(ii) will continue in full force and effect until the Closing Date; and

(iii) do not provide for any retrospective premium adjustment or other experience-based liability on the part of any Target.

(e) Within the past twelve (12) months, no Target has received (A) any notice of a material increase in premiums, or (B) any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or that the issuer of any policy is not willing or able to perform its obligations thereunder.

(f) Each Target has paid all premiums due under each policy to which it is a party.

(g) CTF shall be responsible for the payment of all brokers' or insurance service providers' fees relating to insurance that is terminated at or prior to Closing with respect to the Hotels.

Section 5.15. Leases. Schedules 2.1(b) and (c) of the CTF Agreement set forth a complete and accurate list of the Leases, including the dates thereof and all amendments thereto. Except as set forth on Schedule 5.15 of the CTF Agreement, each Lease is in full force and effect and has not been modified, supplemented, or amended in any respect and no default has occurred by the respective tenant and is continuing under the Lease and no event has occurred and is continuing which with the giving of notice or lapse of time or both would constitute a default thereunder on the part of the respective tenant. Furthermore, to CTF'S Knowledge, no default by the respective landlord under each Lease has occurred and is continuing under such Lease and no event has occurred and is continuing which with the giving of notice or lapse of time or both would constitute a default thereunder on the part of such landlord.

Section 5.16. Taxes. Except for Taxes the reporting and payment of which is the responsibility of Marriott pursuant to its management of the Hotel:

(a) Except as set forth on Schedule 5.16 of the CTF Agreement, each Target has duly and timely filed all Tax Returns required to be filed with any Taxing Authority (or has timely and properly filed valid extensions of time with respect to the filing thereof) and CTF or CTF's Affiliates have duly and timely filed each Tax Return required to be filed with any Taxing Authority by CTF or CTF's Affiliates which include or are based upon the assets, operations, ownership or activities of any of the Targets, including any consolidated, combined, unitary, fiscal unity or similar Tax Return which includes or is based upon the assets, operations, ownership or activities of any of the Targets (or CTF or CTF's Affiliates have timely and properly filed valid extensions of time with respect to the filing thereof) and all such Tax Returns were correct and complete in all material respects. The Targets (or CTF or CTF's Affiliates on behalf of the Targets) have paid all Taxes owing with respect to the assets, ownership, operations and activities of the Targets (whether or not shown on any Tax Return).

(b) There are no Liens on any of the assets of any of the Targets that arose in connection with any failure (or alleged failure) to pay any Tax, other than Liens for Taxes not yet due and payable.

(c) Except as set forth in Schedule 5.16 of the CTF Agreement, there are no pending audits, assessments or claims from any Taxing Authority for deficiencies, penalties or interest against any of the Targets or any of their assets, operations or activities. Except as set forth in Schedule 5.16 of the CTF Agreement, there are no pending claims for refund of any Tax of any Target (including refunds of Taxes allocable to the Targets or with respect to consolidated, combined, unitary, fiscal unity or similar Tax Returns).

(d) Except as set forth in Schedule 5.16 of the CTF Agreement, there is no pending investigation or other proceeding by any Taxing Authority for any jurisdiction where any of the Targets does not file Tax Returns with respect to a given Tax that may lead to an assertion by such Tax Authority that any of the Targets is or may be subject to a given Tax in such jurisdiction.

(e) Except as set forth on Schedule 5.16 of the CTF Agreement, none of the Targets has (i) waived any statute of limitations in respect of Taxes or, (ii) agreed to any extension of time with respect to the filing of any Tax Return of any of the Targets (including any Tax Return which includes or is based upon their respective assets, ownership, operations or activities), the payment of any Taxes of any of the companies, or any limitation period regarding the assessment of any such Taxes or (iii) received approval to make or agreed to a change in accounting method or has any application pending with any Taxing Authority requesting permission for any such change.

(f) Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Targets has elected under Treasury Regulation Section 301.7701-3 to be taxed as a corporation for United States Tax purposes. Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Targets has elected under Treasury Regulation Section 301.7701-3 to be taxed as a partnership or disregarded entity for United States Tax purposes.

(g) Except as set forth in Schedule 5.16 of the CTF Agreement, there are no outstanding rulings or determinations of, or requests for rulings or determinations with, any state, local or foreign Taxing Authority expressly addressed to any Target (or to an Affiliate of any Target) that are, or if issued would be, binding upon any Target.

(h) Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Targets is a party to any Tax allocation, Tax reimbursement or Tax sharing agreement.

(i) Except as set forth in Schedule 5.16 of the CTF Agreement, as to each year or period for which the relevant limitation period for assessments has not yet expired as to a given Tax, none of the Targets: (i) has been a member of an affiliated, consolidated, unitary, fiscal unity, combined or similar Tax group which files a consolidated, unitary, fiscal unity, combined or similar Tax Return for purposes of that Tax other than the group of which it currently is a member; or (ii) has any liability for the Taxes of any Person (other than any of the members of the group of which it currently is a member) under Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise.

(j) Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Targets is a party to any joint venture, partnership or other arrangement or contract that could be treated as a partnership for US or Non-US Tax purposes.

(k) No Selling Entity that is selling a United States real property interest is a "foreign person" within the meaning of Code Section 1445 (or, if a Selling

Entity is a disregarded entity for US Tax purposes, the recognized Tax owner of the Selling Entity that is treated as the seller of a real property interest for US Tax purposes is not a “foreign person” within the meaning of Code Section 1445).

(l) Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Selling Entities or the Targets has given a power of attorney to any Person (other than a Tax Matters Partner pursuant to Code Section 6231(a)(7)) on any matters relating to Taxes.

(m) Except as set forth in Schedule 5.16 of the CTF Agreement, each asset with respect to which any Target claims depreciation, amortization or similar expense for Tax purposes is owned for Tax purposes by such Target under applicable Tax Law.

(n) Except as set forth in Schedule 5.16 of the CTF Agreement, no Target will have any taxable income or gain as a result of prior intercompany transactions with Affiliates of the Targets that have been deferred and that will be subject to Tax as a result of the changes in ownership of each of the Targets as contemplated by this Agreement.

(o) Each Target has withheld from each payment made to any of its past and present shareholders, directors, officers, employees and agents the amount of all Taxes and other deductions required to be withheld and has paid or made adequate provision for the payment of such amounts to the proper Taxing Authority.

Section 5.17. Limitations. CTF’s representations, warranties, and to the extent applicable, covenants set forth in Sections 5.4, 5.6(b)-(d), 5.7, 5.9, 5.10, 5.12 and 5.15 of the CTF Agreement are expressly made subject to any action of Marriott or its Representatives or any failure of Marriott or its Representatives to act in circumstances where Marriott is under a legal or contractual duty to act, and in the event of such action or failure to act by Marriott, CTF assumes no responsibility for the accuracy or completeness of such representations and warranties or the performance of such covenants to the extent of such inaccuracy, incompleteness or failure to perform is a result of such action or failure to act by Marriott. In addition, CTF’s representations, warranties, and to the extent applicable, covenants are qualified by reference to any condition identified in the property condition reports that are listed in Schedule 2.6(c) of the CTF Agreement.

#### **ARTICLE 5A. MANAGER REPRESENTATIONS AND WARRANTIES**

Marriott represents and warrants, and to the extent applicable covenants, to the Purchaser, as of the date hereof and as of the Closing Date, that except as disclosed on the Disclosure Schedules set forth herein and in the CTF Agreement.

Section 5.1A Organization, Existence; Records and Actions.

(a) INTENTIONALLY OMITTED

(b) A true and complete copy of the Organizational Documents of each Target, certified by the Secretary or Assistant Secretary of the Target, delivered by CTF to Marriott has been delivered to Purchaser.

(c) INTENTIONALLY OMITTED

(d) As soon as reasonably practicable, but in no event more than sixty-five (65) days following the Closing, Marriott shall physically deliver all corporate minutes and other corporate records that it has received from CTF to Purchaser.

Section 5.2A Authority, Approval and Enforceability. The execution, delivery and performance by Marriott of this Agreement and the Ancillary Agreements, as applicable is within the corporate power (or otherwise, as applicable) of Marriott and has been duly and validly authorized by Marriott, and no other corporate proceedings (or otherwise, as applicable) on the part of Marriott are necessary to authorize this Agreement, the Ancillary Agreements, or the transactions contemplated thereby. This Agreement has been, and the Ancillary Agreements upon their execution at the Closing will be, validly executed and delivered by Marriott, and is or will be a valid and binding obligation of Marriott enforceable against Marriott in accordance with its respective terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting the rights of creditors generally, and to the exercise of a court's equitable powers. Exhibit A is a true and correct copy of the CTF Agreement (including Schedules and Exhibits thereto) as it relates to the Hotels that are the subject of this Agreement. The CTF Agreement shall not be modified or amended with respect to such Hotels. In addition to the restrictions set forth in the preceding sentence, the CTF Agreement and the documents delivered pursuant thereto (including security documents and guarantees) shall not be modified or amended so as to materially adversely affect Purchaser's rights hereunder. Marriott shall cause its counsel, Venable LLP, to deliver to Purchaser a legal opinion, in form and substance satisfactory to Purchaser as to the lawful existence of Marriott and the due execution and delivery of this Agreement by Marriott.

Section 5.3A Capitalization.

(a) INTENTIONALLY OMITTED

(b) INTENTIONALLY OMITTED

(c) INTENTIONALLY OMITTED

(d) INTENTIONALLY OMITTED

(e) INTENTIONALLY OMITTED



(f) Marriott has not filed a voluntary petition in bankruptcy or similar petition, nor has any order, judgment or action been taken or suffered by Marriott under any insolvency or bankruptcy law.

Section 5.4A Lines of Business. Marriott, as manager under the Marriott/CTF Hotel Management Agreements has not taken any action or failed to take any action in circumstances where Marriott is under a legal or contractual duty to act such as to cause any Target to become engaged in any business other than the ownership and operation of the business of a Hotel and operations incidental thereto.

Section 5.5A No Conflicts; Consents. Except as set forth on Schedule 5.5A, neither the execution and delivery of this Agreement or the Ancillary Agreements nor the consummation or performance of any of the transactions contemplated hereby or thereby will, directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of Marriott, or (B) any resolution or action adopted by the board of directors or other governing body, any committee of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders of Marriott;

(b) contravene, conflict with, or result in a violation of, or give any Governmental Authority or other Person the right to challenge any transaction contemplated by this Agreement or the Ancillary Agreements;

(c) give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under, any applicable Law or any Order to which Marriott may be subject;

(d) to Marriott's Knowledge, except as set forth on Schedule 5.5 of the CTF Agreement, contravene, conflict with, or result in a material violation of any Permits in relation to the operations of the Hotel;

(e) except as set forth on Schedule 5.5A, contravene, conflict with, or result in a material violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Marriott Material Contract.

(f) INTENTIONALLY OMITTED

(g) to Marriott's Knowledge, except as set forth on Schedules 2.1(a)-(c) or 5.5 of the CTF Agreement, require Consent from any Person with respect to any Permits in relation to the operations of any Hotel except as set forth below in this subsection (g). Marriott is the holder of the liquor license with respect to each Hotel (other than the Mayflower); each such liquor license is in full force and effect (except as set forth in Schedule 5.5A). Prior to any transfer of such liquor licenses to Purchaser, certain action (including filings with governmental authorities) will be required to be taken in order for the Hotels, after being purchased by Purchaser, to continue to have the

benefit of such liquor licenses. Marriott covenants that all of the Hotels will continue to serve alcoholic beverages before and after the Closing and subject to Purchaser providing all necessary and appropriate information requested by Marriott and executing all necessary petitions or applications requested by Marriott for transfer, Marriott shall cause all liquor licenses with regard to the Hotels not currently held by Marriott to be transferred to the Purchaser or Marriott, as applicable.

Section 5.6A Balance Sheets.

(a) The Hotel Level Data is maintained by Marriott and has been extracted by CTF from the financial information supplied by Marriott to CTF under the Marriott/CTF Hotel Management Agreements, and such Hotel Level Data is complete and accurate.

(b) (c) and (d) The Hotel Level Data is maintained by Marriott and has been extracted by CTF from the financial information supplied by Marriott to CTF under the Marriott/CTF Hotel Management Agreements, and such Hotel Level Data is complete and accurate. Marriott, as Manager under the Marriott/CTF Hotel Management Agreements, has not taken any action or failed to take any action, where Marriott is under a legal or contractual duty to act:

(i) since the date of the Balance Sheet through the Closing Date, to cause any Target to suffer or incur any liability described in Section 5.6(b) of this Agreement;

(ii) to cause any Target to become a guarantor of the obligations of a third party or to contractually indemnify any third party except in respect of liabilities directly related to the operations of a Target's Hotel; or

(iii) to cause any Target to incur any Debt.

(e) INTENTIONALLY OMITTED

Section 5.7A Absence of Certain Changes. The financial results reported in the operating statements prepared by Marriott in its capacity as the manager of the Hotels for the three (3) fiscal years preceding the date hereof and provided to Purchaser by Marriott are fairly presented and are free of material error or omission. Marriott, as Manager under the Marriott/CTF Hotel Management Agreements, has not taken any action or failed to take any action where Marriott is under a legal or contractual duty to act, to cause any Target to take any of the actions prohibited in Section 5.7 of this Agreement. As of the Effective Date to the Closing Date, Marriott has not and will not create by its acts or omissions as manager of the Hotels, any liens, pledges, hypothecations, charges, mortgages, security interests, encumbrances, claims, infringements, interferences, options, rights of first refusal, preemptive rights or community property interests as to the Hotel Interests (collectively, the "Marriott Created Liens") and shall take such action as may be necessary in order to remove any such Marriott Created Lien at or prior to Closing if any such Marriott Created Lien would have been designated as a Purchaser Objection but for the inclusion of such Marriott Created Lien as a Permitted Encumbrance under the terms of the CTF Agreement.

Section 5.8A Litigation and Related Matters.

(a) Marriott has made available to the Purchaser copies of all pleadings, correspondence, and other documents relating to each Legal Proceeding set forth in Schedule 5.8 of the CTF Agreement provided by CTF to Marriott.

(b) Except as set forth in Schedule 5.8 of the CTF Agreement, with respect to the operations of any Hotel, the following representations are made to Marriott's Knowledge only:

(i) there is no Order to which any Interest Holder, any of the assets owned or used by any Interest Holder, is subject;

(ii) no Selling Entity is subject to any Order that relates to the business or Property of any Interest Holder; and

(iii) no officer, director, manager, managing member, trustee, partner, agent, or employee of any Target who is under the control of Marriott is subject to any Order that prohibits such Person from engaging in or continuing any conduct, activity, or practice relating to the business of any Target.

(c) INTENTIONALLY OMITTED

Section 5.9A Compliance with Laws; Governmental Authorizations.

(a) Except as set forth on Schedule 5.9A, Marriott, as Manager under the Marriott/CTF Hotel Management Agreements has not taken any action or failed to take any action in circumstances where Marriott is under a legal or contractual duty to act to cause any Hotel not to be in compliance in all material respects with all Governmental Authorizations necessary for the continued operation of the business of each Hotel nor has Marriott received any written notice that any Hotel is in violation of any applicable Law affecting the operation of such Hotel.

(b) To Marriott's Knowledge, except as set forth on Schedule 5.9A, Marriott has not received written notice of any request, application, proceeding, plan, study or effort, including any condemnation proceeding, proposed change of zoning or other proposed land use regulation or action, which would have a material adverse effect on any Hotel or any Permits. To Marriott's Knowledge, Marriott has not received written notice that the present development, improvement, use and operation of any Hotel are not in compliance with or violate any applicable Law or any Permit.

Section 5.10A Contracts and Commitments. True and complete copies of the Material Contracts delivered to Marriott by CTF have been delivered to Purchaser. True and complete copies of the Marriott Material Contracts have been delivered by Marriott to Purchaser, and a true, complete and correct list of Marriott Material Contracts is set

forth as Schedule 5.10A. Marriott, as manager under the Marriott/CTF Hotel Management Agreements, has not taken any action or failed to take any action in circumstances where Marriott is under a legal or contractual duty to act other than as set forth on Schedule 5.10 of the CTF Agreement:

(a) to create or enter into any contract other than (i) those Contracts set forth on Schedule 5.10A; (ii) contracts entered into in the Ordinary Course of Business; and (iii) Marriott Material Contracts that will be binding upon any Target or the Owned Real Property or the Leased Real Property subsequent to the Closing Date;

(b) to cause any Interest Holder to materially default in the performance of any of its obligations under any Material Contract, or to modify, supplement or amend in any material respect any Material Contract;

(c) INTENTIONALLY OMITTED

(d) to cause any Target to make any illegal or unrecorded payments, deposits or similar items.

(e) All Contracts related to PIP Expenditures as of the date hereof, and those Contracts related to PIP Expenditures after the date hereof, delivered to Marriott have been, or will be, delivered to Purchaser.

Section 5.11A Hotel Properties.

(a) INTENTIONALLY OMITTED

(b) To Marriott's Knowledge, except as set forth on Schedule 5.9A of the CTF Agreement, as of the date hereof, no Interest Holder has received written notice by any Governmental Authority of any violation of an Environmental Law or written notice by any Person of any breach by a Hotel of its obligations under any Contract for the remediation of any condition at a Hotel under an Environmental Law.

Section 5.12A Intellectual Property. Marriott, as manager under the Marriott/CTF Hotel Management Agreement, has not taken any action or failed to take any action in circumstances where Marriott is under a legal or contractual duty to act to cause any infringement by any Interest Holder on the rights or interests of any third party with respect to the Tradenames nor any infringement upon any Interest Holder's rights or interests in any of the Tradenames. To Marriott's knowledge, no Interest Holder has received written notice that it is infringing the rights or interests of any third party with respect to the Intellectual Property or that any third party is infringing upon any Interest Holder's rights or interests in any of the Intellectual Property.

Section 5.13A Employee Benefits.

(a) To Marriott's Knowledge with respect to those Targets organized within the United States, no Hotel has any employees, except employees under the control of Marriott who are employed in connection with the business and operation of the Hotels pursuant to the Marriott/CTF Hotel Management Agreements.

(b) INTENTIONALLY OMITTED

Section 5.14A Insurance. INTENTIONALLY OMITTED

Section 5.15A Leases. Except as set forth on Schedule 5.15 of the CTF Agreement, Marriott, as manager under the Marriott/CTF Hotel Management Agreements, has not taken any action nor failed to act in circumstances where Marriott is under a legal or contractual duty to act:

(a) to modify, supplement or amend any Lease; or

(b) to cause a default by the respective tenant that is continuing under the Lease, or to cause any event to occur and continue, which with the giving of notice or lapse of time, or both, would constitute a default under the Lease on the part of the respective tenant.

Section 5.16A Taxes. Solely as to Taxes the reporting, filing and payment of which are the contractual obligation of Marriott or its Affiliates pursuant to the management of the Hotel under the Marriott/CTF Management Agreements, Marriott represents to the Purchaser:

(a) Marriott or its Affiliates have duly and timely filed each Tax Return contractually required pursuant to the Marriott/CTF Management Agreements to be filed with any Taxing Authority by Marriott or its Affiliates which include or are based upon the assets, operations, ownership or activities of any of the Hotels, including any consolidated, combined, unitary, fiscal unity or similar Tax Return which includes or is based upon the assets, operations, ownership or activities of any of the Hotels (or Marriott or its Affiliates have timely and properly filed valid extensions of time with respect to the filing thereof) and all such Tax Returns were correct and complete in all material respects. Except as set forth on Schedule 5.16A, Marriott or its Affiliates on behalf of the Hotels have paid all Taxes owing with respect to the assets, ownership, operations and activities of the Hotels (whether or not shown on any Tax Return) in accordance with their contractual obligations of the Marriott/CTF Management Agreements.

(b) To Marriott's Knowledge, there are no Liens on any of Hotels or the assets of any of the Hotels that arose in connection with any failure (or alleged failure) by Marriott or its Affiliates to pay, on behalf of the Hotels, any Tax in accordance with the contractual terms of the Marriott/CTF Management Agreements, other than Liens for Taxes not yet due and payable.

(c) Except as set forth in Schedule 5.16 of the CTF Agreement and Schedule 5.16A, to Marriott's Knowledge, there are no pending audits, assessments or claims from any Taxing Authority for deficiencies, penalties or interest against any of the Hotels or any of their assets, operations or activities for Taxes that are the contractual

filing and payment obligation of Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements. Except as set forth in Schedule 5.16 of the CTF Agreement, there are no pending claims for refund of any Tax of any Hotel (including refunds of Taxes allocable to the Hotel or with respect to consolidated, combined, unitary, fiscal unity or similar Tax Returns) related to any Taxes that are the contractual obligation of Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements.

(d) INTENTIONALLY OMITTED.

(e) Except as set forth in Schedule 5.16 of the CTF Agreement, Marriott or its Affiliates have not (i) agreed to any extension of time with respect to the filing of any Tax Return for any of the Hotels contractually required to be filed by Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements (including any Tax Return which includes or is based upon the Hotels' respective assets, ownership, operations or activities), or any limitation period regarding the assessment of any such Taxes or (ii) received approval to make or agreed to a change in accounting method with respect to such Taxes or has any application pending with any Taxing Authority requesting permission for any such change.

(f) INTENTIONALLY OMITTED.

(g) Except as set forth in Schedule 5.16 of the CTF Agreement, to Marriott's Knowledge, there are no outstanding rulings or determinations of, or requests for rulings or determinations with, any state, local or foreign Taxing Authority expressly addressed to any Hotel that are, or if issued would be, binding upon any Hotels with respect to any Taxes that are the contractual obligation of Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements.

(h) INTENTIONALLY OMITTED.

(i) INTENTIONALLY OMITTED.

(j) INTENTIONALLY OMITTED.

(k) INTENTIONALLY OMITTED.

(l) Except as set forth in Schedule 5.16 of the CTF Agreement, none of Marriott or its Affiliates have given a power of attorney to any Person on any matters relating to Taxes that are the contractual obligation of Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements (other than a Tax Matters Partner pursuant to Code Section 6231(a)(7)).

(m) INTENTIONALLY OMITTED.

(n) INTENTIONALLY OMITTED.

(o) To the extent contractually required pursuant to the Marriott/CTF Management Agreements, Marriott or its Affiliates have withheld all Taxes and other deductions required to be withheld and have paid or made adequate provision for the payment of such amounts to the proper Taxing Authority.

**Section 5.17A Inaccuracy of Pass Through Representations.** To Marriott's Knowledge, none of the representations made in Article 5 are inaccurate, false, or misleading in any material respect. The pass through representations, warranties and to the extent applicable covenants made in Article 5 and Article 5A, as to the physical condition and environmental status of the Hotels and the Property are qualified by reference to reports prepared by the Structural and Environmental Consultants listed in Schedule 2.6(c) of the CTF Agreement.

**Section 5.18A Representations and Warranties with respect to Renaissance Vinoy.** As to the representations and warranties set forth in Sections 5.1(a), 5.1(c), 5.2, 5.3, 5.4, 5.5, 5.7, 5.8(c), 5.9, 5.10(a)-(d), 5.11(a), 5.13, 5.14, 5.15 and 5.16 of the CTF Agreement, Marriott, to Marriott's Knowledge, hereby makes those same representations and warranties with respect to Marriott's ownership interest in the Renaissance Vinoy as though Marriott were the CTF Selling Entity of such interest.

## **ARTICLE 6. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

The Purchaser hereby represents and warrants to Marriott as follows:

### **Section 6.1. Organization.**

(a) The Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of Delaware and has all necessary power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. The Purchaser is duly qualified or licensed as a foreign limited liability company to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except, in each case, for any such failures that would not, individually or in the aggregate, reasonably be expected to have a Purchaser Material Adverse Effect.

(b) The Purchaser has heretofore furnished to Marriott a complete and correct certified copy of the Purchaser's certificate of formation. Such articles of organization are in full force and effect. Purchaser shall cause its counsel, Pircher, Nichols and Meeks, to deliver to Marriott a legal opinion in form and substance satisfactory to Marriott as to the existence of Purchaser, and the due execution and delivery of this Agreement and the applicable documents executed and delivered at Closing.

**Section 6.2. Authority.** The Purchaser has full limited liability company power and authority to execute and deliver this Agreement and each of the Ancillary Agreements to which it will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The

execution and delivery by the Purchaser of this Agreement and each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which it will be a party and the consummation by the Purchaser of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary limited liability company action. This Agreement has been, and upon their execution each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which the Purchaser will be a party will have been, duly and validly executed and delivered by the Purchaser. This Agreement constitutes, and upon their execution each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which the Purchaser will be a party will constitute, the legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with its and their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 6.3. No Conflict; Required Filings and Consents.

(a) The execution, delivery and performance by the Purchaser of this Agreement and each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which the Purchaser will be a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not:

(i) conflict with or violate the certificate of formation or operating agreement of the Purchaser;

(ii) conflict with or violate any Law applicable to the Purchaser or by which any property or asset of the Purchaser is bound or affected; or

(iii) conflict with, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, require any consent of any Person pursuant to, or give to others any rights of termination, acceleration or cancellation of, any material contract or agreement to which the Purchaser is a party;

except, in the case of clause (ii) or (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not, individually or in the aggregate, reasonably be expected to have a Purchaser Material Adverse Effect.

(b) The Purchaser is not required to file, seek or obtain any notice, authorization, approval, order, permit or consent of or with any Governmental Authority in connection with the execution, delivery and performance by the Purchaser of this Agreement and each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which it will be party or the consummation of the transactions contemplated hereby or thereby or in order to prevent the termination of any right, privilege, license or qualification of the Purchaser, except where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or in the aggregate, reasonably be expected to have a Purchaser Material Adverse Effect or as may be necessary as a result of any facts or circumstances relating solely to Marriott or any of its Affiliates.



**Section 6.4. Financing.** The Purchaser shall have at the Closing sufficient funds to permit the Purchaser to consummate the transactions contemplated by this Agreement and the Ancillary Agreements and each of the CTF Ancillary Agreements to which Purchaser will be a party. The parties acknowledge and agree that it shall not be a condition to the obligations of the Purchaser to consummate the transactions contemplated hereby that the Purchaser have sufficient funds for payment of the Unadjusted Purchase Price and any post-closing adjustments thereto.

#### **ARTICLE 7. COVENANTS.**

**Section 7.1. Management of the Hotels Prior to the Closing.** Between the date of this Agreement and the Closing Date, except as set forth in this Agreement or in the CTF Agreement, Marriott shall operate and manage the Hotels in accordance with (i) the approved annual operating and Capital Expenditure budgets for each Hotel and (ii) customary and prudent practices for hotels of similar size, quality and standing and otherwise only in conformity with the Marriott/CTF Hotel Management Agreements and the brand standards applicable to the operations of Renaissance hotels. Between the date hereof and Closing, Marriott shall not enter into any new Marriott Material Contracts other than (a) those entered into with third parties (and not Affiliates of Marriott, except as set forth below) consistent with past practices or (b) those entered into with MIDCS as to PIP Amounts at the Hotels, provided that any new PIP work shall be subject to the prior approval of Purchaser (not to be unreasonably withheld, delayed or conditioned). To the extent that Marriott has the right, power or authority to approve any PIP expenditures to be made by CTF, Marriott shall obtain the consent of Purchaser before consenting itself to any such PIP expenditure.

#### **Section 7.2. Conduct of Business of the Targets Prior to the Closing. [INTENTIONALLY DELETED]**

**Section 7.3. Risk of Loss.** The risk of loss or damage to the Owned Real Property or the Leased Real Property, including without limitation, loss or damage resulting from casualty, condemnation, eminent domain and any business interruption therefrom attributable to any acts or occurrences prior to the Closing (a “**Casualty Loss**”) shall be borne by CTF. In the event of a Casualty Loss, the following shall apply:

(a) If the Casualty Loss relates to a Hotel listed on Schedule 7.3(a) of the CTF Agreement (the “Group A Hotels”), and the casualty results in a loss of less than Two Million Dollars (\$2,000,000) as estimated by CTF and the Purchaser, Purchaser will proceed to Closing with respect to such Hotel and at Closing Marriott shall assign, or cause CTF to assign, all insurance proceeds to Purchaser except to the extent such insurance is related to business interruption or extraordinary expenses incurred prior to Closing. If insurance proceeds in respect of such Casualty Loss that are available for the costs of repair and restoration of the Fee Property or the Leasehold Property, as applicable, are estimated to be insufficient to cover such costs, or if the Casualty Loss is

uninsured, the parties will reduce the Preliminary Allocated Price by the amount of the estimated shortfall in insurance proceeds available for such costs. In any case where the Casualty Loss is insured, at Closing the Preliminary Allocated Price shall be reduced by any deductible applicable to the insurance coverage; or

(b) If the Casualty Loss relates to a Hotel listed on Schedule 7.3(b) of the CTF Agreement (the “Group B Hotels”) and the casualty results in a loss of less than the lesser of Five Million Dollars (\$5,000,000) or ten percent (10%) of the Preliminary Allocated Price applicable to the affected Hotel as estimated by CTF and the Purchaser, Purchaser will proceed to Closing with respect to such Hotel and at Closing Marriott shall assign, or cause CTF to assign, all insurance proceeds to Purchaser except to the extent such insurance is related to business interruption or extraordinary expenses incurred prior to Closing. If insurance proceeds in respect of such Casualty Loss that are available for the costs of repair and restoration of the Fee Property or the Leasehold Property, as applicable, are estimated to be insufficient to cover such costs, or if the Casualty Loss is uninsured, the parties will reduce the Preliminary Allocated Price by the amount of the estimated shortfall in insurance proceeds available for such costs. In any case where the Casualty Loss is insured, at Closing the Preliminary Allocated Price shall be reduced by any deductible applicable to the insurance coverage; or

(c) If the Casualty Loss exceeds the amount set forth in Section 7.3(a) or (b), as applicable, Purchaser, at its option, may either:

(i) proceed to Closing with respect to such Hotel and at Closing Marriott shall assign, or cause CTF to assign, all insurance proceeds to Purchaser, except to the extent such insurance is related to business interruption or extraordinary expenses incurred prior to the Closing. If insurance proceeds in respect of such Casualty Loss that are available for the costs of repair and restoration of the Fee Property or the Leasehold Property, as applicable are estimated by the Purchaser to be insufficient to cover such loss, or if the Casualty Loss is uninsured, the parties will reduce the Preliminary Allocated Price by the amount of the estimated shortfall in insurance proceeds available for such costs. In any case where the Casualty Loss is insured, at Closing the Preliminary Allocated Price shall be reduced by any deductible applicable to the insurance coverage; or

(ii) elect not to close with respect to such Hotel (with a reduction in the Unadjusted Purchase Price by the Preliminary Allocated Price for such Hotel) in which event the Deposit as to such Hotel, and the interest earned thereon, will be returned to Purchaser.

(d) In the event of a Casualty Loss, Marriott shall cause CTF to cooperate with Purchaser, to promptly and diligently file and pursue recovery of, all appropriate insurance claims and to the extent of any insurance proceeds recovered, with Purchaser’s consent, apply such proceeds to the restoration of the Property. In the event any lender on a Property damaged by a Casualty Loss exercises any rights with respect to the insurance proceeds, such that they are not available for restoration of the Property or assignment to Purchaser, the Preliminary Allocated Price of the related Hotel shall be

reduced by the amount of the proceeds taken by such lender. Insurance proceeds for business interruption losses shall be applied to such losses and shall not be counted against property casualty losses.

(e) All risk of loss or damage to the Owned Real Property and the Leased Real Property, including without limitation, loss or damage resulting from casualty, condemnation, eminent domain and any business interruption resulting therefrom shall be borne by Purchaser upon the Closing of the Transaction.

(f) Notwithstanding any provision of this Agreement to the contrary, any insurance proceeds received or receivable prior to or at the time of the Closing with respect to a Casualty Loss (except to the extent that such insurance proceeds are related to business interruption or extraordinary expenses incurred prior to the Closing) shall not be included in the determination of Hotel Working Capital or Seller Working Capital for any purpose under this Agreement.

Section 7.4. Covenants Regarding Information.

(a) From the date hereof until the Closing Date, upon reasonable notice, CTF and its Subsidiaries have agreed in the CTF Agreement that they shall (i) afford Marriott and the Purchaser and their respective officers, employees, agents, accountants, lenders, investors, advisors, bankers and other representatives (collectively, "Representatives") reasonable access to the books and records of the Targets and the Selling Entities related to the Targets; (ii) furnish Marriott with such financial, operating and other data and information as Marriott may reasonably request, and which Marriott shall furnish to Purchaser, and (iii) furnish the Representatives usual and customary "management representation letters" to a firm of certified public accountants necessary for completion of an independent audit of the Target (it being understood that with respect to the Hotel Level Data, such letter shall rely on an equivalent letter from the Hotel's manager); provided, however, that any such access or furnishing of information shall be conducted at the Purchaser's expense during normal business hours upon reasonable notice, under the supervision of CTF's personnel, and in such a manner as to not unreasonably interfere with the normal operations of CTF. Notwithstanding anything to the contrary in this Agreement, neither CTF nor any of its Subsidiaries shall be required to disclose any information to the Purchaser or its Representatives if such disclosure would (A) in CTF's sole discretion, jeopardize any attorney-client privilege, or (B) contravene any duty imposed by applicable Laws.

(b) CTF has consented to the Purchaser engaging, at the Purchaser's expense, the independent registered public accounting firm that audited, reviewed or otherwise advised CTF regarding the financial statements of any Target to audit such financial statements for periods preceding the Closing Date and to access the audit work papers relating to such prior period. Marriott shall cause CTF to cooperate with Purchaser in responding to Purchaser's reasonable requests for other information relating to such financial statements.

(c) For a period of seven (7) years after the Closing or, if shorter, the applicable period specified in Purchaser's document retention policy, the Purchaser shall or shall cause its designees, as applicable, to (i) retain the books and records relating to the Hotels or the Property relating to periods prior to the Closing, and (ii) afford the Representatives of CTF reasonable access (including the right to make, at the CTF's expense, photocopies), during normal business hours upon reasonable notice, to such books and records wherever located in order to allow CTF to fulfill any pre-existing contractual obligation which is binding upon CTF and disclosed to Purchaser or requirement of any Law or defend any claim (other than a claim by an Indemnified Party), including any litigation (civil, criminal or otherwise), governmental investigation, tax audit or insurance claim.

(d) For a period of seven (7) years after the Closing or, if shorter, the applicable period specified in CTF's document retention policy, with respect to any documents not previously delivered to Marriott, CTF has agreed in the CTF Agreement to (i) retain the books and records relating to the CTF Level Data with respect to the Targets, Hotels, Leased Real Property, Owned Real Property or Personal Property relating to periods prior to the Closing to the extent not delivered to the Purchaser at the Closing, and (ii) afford the Representatives (as defined in Section 7.4(a)) reasonable access (including the right to make, at the Purchaser's expense, photocopies), during normal business hours upon reasonable notice, to such books and records wherever located in order to allow the Purchaser to fulfill any pre-existing contractual obligation or requirement which is binding on Purchaser and disclosed to CTF or requirement of any Law or to defend any claim (other than a claim by an Indemnified Party), including any litigation (civil, criminal or otherwise), governmental investigation, tax or insurance claim.

Section 7.5. Non-Waiver of Attorney-Client Privilege.

(a) The Purchaser agrees that CTF, the CTF Selling Entities, and their respective Affiliates, by virtue of the transfer of the CTF Selling Entities' interest in the Hotels or any other transaction contemplated by this Agreement and the Ancillary Agreements and the CTF Ancillary Agreements, are not surrendering, waiving or transferring any attorney-client, work product, or other applicable privileges that exist with respect to any and all attorney-client relationships that exist between CTF and/or the CTF Selling Entities and the attorneys listed below, including any relationships related to:

(i) any matters arising out or related to the matters listed on Schedule 7.5 of the CTF Agreement;

(ii) any advice provided by Gibson, Dunn & Crutcher LLP or any other law firm retained by CTF in connection with the negotiation of the CTF Agreement and the CTF Ancillary Agreements;

(iii) any other legal advice provided by Gibson Dunn and Crutcher to CTF and the CTF Selling Entities;

(iv) any legal advice provided by Skadden, Arps, Slate Meagher & Flom LLP to CTF and the CTF Selling Entities;

(v) any legal advice provided by Weil Gotshal & Manges LLP; and

(vi) any legal advice provided by Daniel Heininger and Bradley Hornbacher.

(b) The Purchaser further agrees that: (i) CTF and the CTF Selling Entities and their respective Affiliates have received and continue to receive legal representation in various matters from all of the above referenced attorneys, and (ii) the Purchaser shall not be entitled to receive or review any attorney work product, information subject to attorney-client privilege or client files relating to CTF, the CTF Selling Entities, or their respective Affiliates in the possession of any counsel referred above; and (iii) that neither this Agreement, the CTF Agreement, the Purchaser's subsequent ownership of the Hotel Interests, nor any transaction that arises out of or related to this Agreement, the CTF Agreement or the Ancillary Agreements or the CTF Ancillary Agreements shall provide any basis for the Purchaser, its Subsidiaries or any of its Affiliates or their successors or assigns to: (a) except to the extent specifically agreed in the Conflict Waiver Agreement dated November \_\_, 2004 with respect to Gibson, Dunn & Crutcher LLP or any similar agreements concerning law firms retained by CTF in connection with this Agreement, seek to disqualify any of the above referenced counsel's representation of CTF, the CTF Selling Entities or their respective Affiliates in any matter, including any matter adverse to the Purchaser, its Subsidiaries or its Affiliates, whether or not related to the any of the above referenced counsel's prior representation of CTF, the CTF Selling Entities or their respective Affiliates or any of the Hotels that are the subject of this Agreement or the Ancillary Agreements, or (b) claim or assert that any privilege has been waived between CTF, the CTF Selling Entities, and their respective Affiliates and the above-referenced counsel.

Section 7.6. Notification of Certain Matters. Until the Closing, each party hereto shall promptly notify the other party in writing of any fact, change, condition, circumstance or occurrence or nonoccurrence of any event of which it is aware that will or is reasonably likely to result in any of the conditions set forth in Section 9.2 through Section 9.5 of this Agreement or in Section 9.2 through 9.5 of the CTF Agreement becoming incapable of being satisfied.

Section 7.7. Resignations. Marriott will cause CTF to deliver at the Closing the written resignation of all of the directors, managers, general partners and officers of the Targets, effective as of the Closing Date which Marriott shall have delivered to Purchaser.

Section 7.8. Confidentiality. Until the Closing, each of the parties shall, and shall cause its Affiliates and Representatives to keep confidential, disclose only to its Affiliates and Representatives and use only in connection with the transactions contemplated by this Agreement and the Ancillary Agreements, all information and data

obtained by them from the other party or its Affiliates and Representatives relating to such other party in the course of due diligence (collectively, the “Information”), unless disclosure of the information or data is required by applicable Law. Notwithstanding the foregoing, the provisions of this Section 7.8 shall not apply to those portions of any Information that (a) are or become generally available to the public other than as a result of a disclosure by CTF, the other party or its Representatives; (b) become available on a non-confidential basis from a source other than CTF, the other party or its Representatives which to the knowledge of the party receiving such information, is not bound by a confidentiality agreement or other obligation of confidentiality prohibiting such disclosure; (c) were known on a non-confidential basis prior to disclosure by the other party or its Representatives; or (d) are independently developed without reference to the Information in the event that the transactions contemplated hereby are not consummated, each party shall, and shall use its Commercially Reasonable Efforts to cause its Affiliates and Representatives to, promptly return to the other party or destroy all documents (including all copies thereof) containing any such Information.

Section 7.9. Consents and Estoppels.

(a) Each party shall use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable to obtain from any third party all consents necessary to assign the Material Contracts to Purchaser. Notwithstanding the foregoing, if there shall not be assigned to Purchaser any Material Contract or if an attempted assignment thereof without the consent of the other party or parties thereto would constitute a breach thereof or in any way adversely affect the rights of Marriott or CTF and such consent is not obtained, or if an attempted assignment would be ineffective or would affect the rights of Marriott or CTF thereunder so that Purchaser, would not, in fact, receive the benefits thereof, CTF has agreed that in such case, the beneficial interest in and to any such Material Contract shall, to the extent permitted by the relevant Material Contract and by Law, pass to Purchaser, and Marriott shall cause CTF, subject to the provisions of Section 9.2 to: (i) hold all such Material Contracts in trust for the benefit of Purchaser, its successors and assigns from and after the Closing Date (with effect from the Effective Date), (ii) use Commercially Reasonable Efforts to obtain and secure any and all consents and approvals that may be necessary to effect such assignment or assignments of the same; and (iii) make or complete such assignment or assignments as soon as reasonably possible.

(b) Subject to Section 9.2, Purchaser and Marriott shall each use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable to obtain from any third party all consents sufficient to create a valid transfer of the Equity Interests to Purchaser without causing the Purchaser or Marriott to incur additional liabilities or limitation of rights.

(c) Subject to Section 9.2, Purchaser and Marriott shall each use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable to obtain consents from

the applicable lessors or landlords sufficient to create a valid assignment of the Leasehold Interests to the Purchaser without causing Purchaser or Marriott to incur additional liabilities or limitation of rights.

(d) Subject to Section 9.2, the parties agree that they shall use Commercially Reasonable Efforts to obtain an estoppel certificate from the applicable lessors or landlords under the Leases containing the information required by the terms of the Leases or, in the event that no such requirements are set forth therein, in a form reasonably acceptable to the Purchaser and addressed to (i) in the case of a Lease Assignment & Sale, the Purchaser, or (ii) in the case of a Target Sale, CTF (collectively, the "Estoppel Certificates").

Section 7.10. Governmental Consents, Filings and Closing Deliveries. Each party shall use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements as promptly as practicable, including to (i) obtain from Governmental Authorities all consents, approvals, authorizations, qualifications and orders as are necessary for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, (ii) promptly make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement required under any applicable Law, and (iii) on the Closing Date, deliver or cause to be delivered Marriott's Closing Deliveries by Marriott, and the Purchaser's Closing Deliveries by the Purchaser and satisfying the other conditions of Closing set forth in Sections 9.4 and 9.5.

Section 7.11. Public Announcements. The parties shall consult with each other before issuing any press release with respect to this Agreement or the Ancillary Agreements or the CTF Ancillary Agreements or the transactions contemplated hereby or thereby, and neither party nor its Representatives shall criticize, disparage, defame or otherwise make any statement which would reflect negatively on (i) the other party, (ii) any current or former employees, officers, directors, agents or other persons associated with the either party, (iii) any of the services provided by either party or (iv) any of the current or past business practices of either party and/or CTF. Furthermore, the Purchaser specifically agrees that it will not file this Agreement or any Ancillary Agreement with any Governmental Authority unless and until required to do so. The Purchaser also agrees that it will give Marriott and CTF reasonable notice of such filing, and, at the reasonable request of CTF and/or Marriott the Purchaser shall use its Commercially Reasonable Efforts to seek confidential treatment of any provisions herein or therein.

Section 7.12. Marriott Undertaking. As to any claims as to employment matter (including, but not limited to, employee claims of discrimination and wrongful termination, and failure or alleged failure to pay employment taxes and employee withholding taxes) for any period or before the Effective Date with respect to the Hotels, and as to liability that arises from sales, use and occupancy taxes, business license and gross receipts taxes levied by any Governmental Authority with respect to any of the Hotels relating to any period prior to the Purchaser's ownership (collectively, the

“Liability Accruals”), Marriott shall be solely responsible for the payment (with no right of reimbursement from Purchaser or any Designee) of the Liability Accruals and Marriott does hereby agree to indemnify and hold harmless the Purchaser from and against any loss, claim, damage or expense which the Purchaser may suffer, incur or expend arising out of a failure on the part of Marriott to pay the Liability Accruals. In addition, Marriott shall be responsible for the payment (with no right of reimbursement from Purchaser or any Designee) of Marriott’s intercompany payables (including payables from one Marriott related entity to another Marriott related entity) that relate to any period prior to Purchaser’s ownership (collectively, the “Intercompany Payables”), and Marriott does hereby agree to indemnify and hold harmless the Purchaser from and against any loss, claim, damage or expense which Purchaser may suffer, incur or expend arising out of a failure on the part of Marriott to pay the Intercompany Payables.

Section 7.13. Security Deposits in the form of Letters of Credit. Marriott shall cause to be transferred to Purchaser any security deposits with respect to tenant leases of the Hotels which are held in the form of letters of credit (the “SD Letters of Credit”), including the SD Letter of Credit held by Mayflower Hotel Investors, L.P. Notwithstanding the foregoing, if any of the SD Letters of Credit are not transferable, Marriott shall request the tenants obligated under such SD Letters of Credit to cause new letters of credit to be issued in favor of Purchaser in replacement thereof and in the event such a new letter of credit is not issued in favor of Purchaser by Closing, Marriott shall diligently pursue such replacement after Closing.

## **ARTICLE 8. TAX MATTERS.**

### **Section 8.1. Tax Returns.**

(a) Marriott or its Affiliates shall prepare, or shall cause to be prepared, and shall file or cause to be filed, all Tax Returns for any Hotel for taxable years that end on or before the Closing Date (other than those Tax Returns that are the contractual obligation of CTF under the CTF Agreement). Except as required by applicable law, such Tax Returns shall be prepared in a manner that is consistent with past practice.

(b) The Purchaser shall prepare or cause to be prepared and shall file or cause to be filed all other Tax Returns for the Hotels (other than those Tax Returns that are the contractual obligation of CTF under the CTF Agreement). Except as required by applicable law, such Tax Returns shall be prepared in a manner that is consistent with past practice. The Purchaser shall deliver to Marriott a copy of any Tax Returns in respect of which Marriott is required to make a payment pursuant to this Agreement, completed in draft form, at least twenty (20) days before the due date thereof for the review and approval of Marriott, which approval will not be unreasonably withheld or delayed, and a schedule, in reasonable detail, of the amount of payment due to the Purchaser. If Marriott approves such Tax Return, it shall pay the amount owed the Purchaser before the due date of such Tax Return.



**Section 8.2. Marriott's Obligations.** Solely to the extent of (i) any Taxes imposed as a result of the gross negligence or willful misconduct of Marriott; (ii) any Transfer Taxes, and (iii) any Taxes (including real property taxes) taken into account in the definition of Working Capital, Marriott shall be responsible for and pay, and shall indemnify the Purchaser and its Affiliates from, (a) any and all Taxes imposed on any of the Hotels, or for which an owner of a Hotel is liable, for any taxable period ending on or before the Closing Date and the portion through the end of the Closing Date for any taxable period that includes but does not end on the Closing Date (the "Pre-Closing Tax Period"); provided, however, that Marriott shall not be responsible for any Taxes arising out of events outside the ordinary course of business and within the control of the Purchaser occurring on the Closing Date after the Closing, (b) any and all Taxes imposed on any of the Hotels, or for which an owner of a Hotel becomes liable, for any taxable period ending after the Closing Date to the extent that such Taxes result directly from a transaction or an event occurring on or before the Closing Date, (c) any Taxes arising out of a breach of the representations in Section 5.16 or 5.16A or both, and (d) any costs or expenses with respect to Taxes indemnified hereunder. Marriott shall indemnify, defend and hold the Purchaser harmless from, and shall be entitled to any refund of, any and all Taxes that are Marriott's responsibility pursuant to the immediately preceding sentence. Any indemnity payment required to be made by Marriott pursuant to this Section 8.2 shall be made within thirty (30) days of written notice from the Purchaser

**Section 8.3. Purchaser's Obligations.** Except as otherwise provided in Section 8.2, from and after the Effective Date, the Purchaser and its Affiliates shall be solely responsible for the payment or discharge of all Taxes imposed on the any of the Hotels and any costs or expenses with respect to taxes indemnified hereunder. The Purchaser shall indemnify, defend and hold Marriott and its Affiliates harmless from, and shall be entitled to any refund of, any and all Taxes that are the Purchaser's responsibility pursuant to the immediately preceding sentence. Any indemnity payment required to be made by the Purchaser pursuant to this Section 8.3 shall be made within thirty (30) days of written notice from Marriott or any one of its Affiliates.

**Section 8.4. Straddle Period.** In the case of any taxable period that includes (but does not end on) the Effective Date (a "Straddle Period"), the amount of any Taxes based on or measured by income or receipts of a Hotel for the Pre-Closing Tax Period shall be determined based on an interim closing of the books as of the close of business on the Effective Date (and for such purpose, the taxable period of any partnership or other pass-through entity in which the Hotel's owner holds a beneficial interest shall be deemed to terminate at such time) and the amount of other Taxes of a Hotel for a Straddle Period that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Effective Date and the denominator of which is the number of days in such Straddle Period. The benefits of lower tax brackets and other similar benefits shall be apportioned in making the calculation of such allocated portions on the basis of the number of days in the Purchaser's and CTF's holding periods for the taxable period beginning before and ending after the Effective Date.

**Section 8.5. Contests.** For purposes of this Agreement, a “Contest” is any audit, court proceeding or other dispute with respect to any tax matter that affects a Hotel. Unless the Purchaser has previously received written notice from Marriott of the existence of such Contest, the Purchaser shall give written notice to Marriott of the existence of any Contest relating to a tax matter that is Marriott’s responsibility under Section 8.2 within ten (10) days from the receipt by the Purchaser of any written notice of such Contest, but no failure to give such notice shall relieve Marriott of any liability hereunder. Unless Marriott has previously received written notice from the Purchaser of the existence of such Contest, Marriott shall give written notice to the Purchaser of the existence of any Contest for which the Purchaser has responsibility within ten (10) days from the receipt by Marriott of any written notice of such Contest. Marriott shall, at its election, have the right to represent a Hotel’s interests in any Contest relating to a Tax matter arising in a period ending on or before the Closing Date, to employ counsel of its choice at its expense and to control the conduct of such Contest, including settlement or other disposition thereof; provided, however, that the Purchaser shall have the right to consult with Marriott regarding any such Contest that may affect such Hotel for any periods ending after the Closing Date at the Purchaser’s own expense and provided, further, that any settlement or other disposition of any such Contest may only be with the consent of the Purchaser, which consent will not be unreasonably withheld or delayed.

**Section 8.6. Cooperation on Tax Matters.** The Purchaser, on the one hand, and Marriott, on the other, agree, in each case at no cost to the other party, to cooperate with the other and the other’s representatives in a prompt and timely manner in connection with any Contest. Such cooperation shall include, but not be limited to, making available to the other party, during normal business hours, all books, records, Tax Returns, documents, files, other information (including working papers and schedules), officers or employees (without substantial interruption of employment) or other relevant information necessary or useful in connection with any Contest requiring any such books, records and files. The Purchaser, on the one hand, and Marriott, on the other, agree, in each case at no cost to the other party, to cooperate fully in a prompt and timely manner with the other and the other’s representatives, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to Section 8.1 and in connection with any Contest. Such cooperation shall include the retention and (upon the other party’s request) the provision of records and information which are reasonably relevant to any such Tax Return or Contest and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Marriott agrees (i) to retain all books and records with respect to Taxes pertinent to the Hotels relating to any taxable period beginning before the Closing Date until ninety (90) days following the expiration of the period of limitations applicable to the related Tax, (ii) to abide by all record retention agreements entered into with any Tax authority, other than those books and records relating to the Hotels which the Purchaser shall provide to Marriott on or before the Closing Date; and (iii) to give the Purchaser reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the Purchaser so requests, Marriott shall allow the Purchaser to take possession of such books and records. Marriott and the Purchaser further agree, upon request, to use their commercially reasonable efforts to obtain any certificate or other document from any governmental authority as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

**Section 8.7. Price Adjustment.** All amounts paid pursuant to this Agreement by one party to another party (other than interest payments and payments treated as management fees) shall be treated by such parties as an adjustment to the Unadjusted Purchase Price, to the extent appropriate and permitted by law.

**Section 8.8. After-Tax Basis.** All payments due in respect of Non-United States Taxes under this **Article 8** shall be fully adjusted to reflect (i) any net increase in Taxes that the recipient of such payments will experience as a result of receiving such payments, (ii) any net increase in Taxes such recipient will experience as a result of receiving any gross-up payments under this **Section 8.8** and (iii) any net Tax benefits that the recipient will incur as a result of the payment of the indemnified tax.

**Section 8.9. Elections.** Marriott and its Affiliates shall cause CTF to cooperate fully with the Purchaser, to the extent necessary and to the extent reasonably requested by the Purchaser, in connection with the filing of any elections relating to Taxes which become available to the Purchaser or its Affiliates as a result of the transactions described in this Agreement; provided, however, that CTF, Marriott and its Affiliates shall not be obligated to consent to an election if such election would increase the amount of Taxes it is required to pay unless the parties otherwise agree.

**Section 8.10. Survival.** All obligations under this **Article 8** shall survive the Closing hereunder and continue until ninety (90) days following the expiration of the period of limitations applicable to the related Tax. If a Tax claim that is raised by one party during the survival period is disputed by the other party, such claim shall survive until the dispute between the parties is resolved. Notwithstanding any other provision contained in this Agreement, Marriott's liability under this **Article 8** as to Renaissance Vinoy shall be limited to Marriott's percentage equity interest as an owner thereof.

**ARTICLE 9. TITLE COMMITMENT AND SURVEY REVIEW PROCESS; CONDITIONS TO CLOSING.**

**Section 9.1. Title Commitment and Survey Review Process.**

(a) **Title Review Process.** Purchaser and Marriott have each initiated the title review process consisting of, with respect to the Leased Real Property and the Owned Real Property (the "**Real Properties**"), (A) ordering from the Title Company a Uniform Commercial Code financing statement search including a search on any Target and any CTF Selling Entity and a commitment for owner's title insurance, on such policy form as is available in the applicable jurisdiction as selected by Purchaser, and (B) ordering from Bock & Clark Corporation National Surveyors Network ("**Surveyor**") an ALTA survey with such instructions regarding information to be shown and the scope of certification as Purchaser shall determine. The Uniform Commercial Code financing statement search results and the title commitments and surveys obtained by Purchaser, as revised or updated from time to time, are herein referred to as "**Title Materials.**" Copies

of all Title Materials shall be provided to Marriott's and CTF's counsel as and when received, which copies shall not be required to be returned. During the period from the date of this Agreement and ending at 9:00 a.m. EDT, May 6, 2005 (the "Objection Period"), Purchaser shall notify Marriott in writing of those material matters relating to title disclosed to Purchaser in the Title Materials or otherwise disclosed in materials received by Purchaser at least forty-eight (48) hours prior to 9:00 a.m. EDT, May 6, 2005, to which Purchaser objects (including, for example, the size or configuration of any Real Properties which are not acceptable to Purchaser) and that are not Permitted Encumbrances set forth in items (b)-(d) of the definition thereof (collectively, the "Purchaser's Objections"). As to matters relating to title disclosed in the Title Materials or otherwise disclosed in materials received by Purchaser within forty-eight (48) hours prior to 9:00 a.m. EDT, May 6, 2005, Purchaser shall notify Marriott in writing of its Title Objections within forty-eight (48) hours of its receipt of such materials but in no event later than 9:00 a.m. EDT, May 7, 2005. Purchaser shall endeavor to deliver the Purchaser's Objections in a reasonably expeditious manner and on a property-by-property basis commencing no later than the date hereof and thereafter as soon as reasonably practical after the date Purchaser receives the applicable portion of the Title Materials. Purchaser shall not be deemed to waive its right to make Purchaser's Objections even if Purchaser's Objections are not made in a reasonably expeditious manner so long as Purchaser's Objections are made during the Objection Period. At Closing Purchaser shall reimburse Marriott for all costs and expenses incurred or expended by Marriott to the Title Company and/or the Surveyor in connection with obtaining the Title Materials with regard to the Real Properties.

(b) Title Policies. Prior to the expiration of the Objection Period, Purchaser shall obtain from the Title Company, with respect to the Leased Real Property and the Owned Real Property, in all jurisdictions where available, a commitment to insure accompanied by a Pro Forma title policy, in form acceptable to Purchaser (each, a "Pro Forma"). Each Pro Forma shall be written on an ALTA Form B (1970, amended 10/17/70, or if the 1970, amended 10/17/70 form is not available, the 1992 form with no creditors' rights exclusion (except in States or jurisdictions where such form or deletion is not permitted)) or on such similar forms as is available in the applicable jurisdictions, insuring extended owner's title coverage and shall evidence Title Company's commitment, upon compliance with the Title Company's requirements as set forth in the Title Company's commitments to insure (the "Requirements"), to insure title to the Real Property that is the subject of any Pro Forma, subject only to the Permitted Encumbrances. The Pro Forms shall be in form and substance acceptable to Purchaser, and shall include all endorsements reasonably required by Purchaser. Purchaser shall deliver all Pro Forms and Requirements (including the form of any affidavits or certifications required to be executed by CTF in satisfaction of a Requirement) to Marriott's counsel no later than the expiration of the Objection Period.

(c) Title Cure Period. Upon the termination of the Objection Period, except for the Purchaser's Objections if the same are timely raised, the Purchaser shall be deemed to have accepted the form and substance of all matters disclosed in the Title Materials which shall become Permitted Encumbrances for all purposes under the terms of this Agreement and the Ancillary Agreements. Following the Objection Period, and

without any obligation to do so, CTF shall have until May 16, 2005, or by delivery of written notice to Purchaser by CTF or Marriott, until such later date, but not beyond May 23, 2005 (as such date may have been extended, the "Title Cure Period") to elect to cure or elect not to cure any or all matters raised in Purchaser's Objections; provided, however, CTF agrees to have released, by the Closing, any liens securing any Debt. If CTF elects to cure such Title Objections, the cure must be sufficient for the Title Company to remove the applicable Title Objection from the exceptions to title set forth in the applicable Pro Forma.

(d) Termination of Title Cure Period. If, for any reason, CTF is unable or at CTF's sole election, unwilling to take such actions as may be required to cause the matter identified in Purchaser's Objections to be cured or removed so as to convey title to the Real Properties consistent with the Pro Forms, or if CTF objects to any Requirements or any other obligation which it may incur in connection with the issuance of the Pro Forma title policies, Marriott shall cause CTF to give Purchaser notice thereof prior to the expiration of the Title Cure Period; it being understood and agreed that the failure of Marriott or CTF to timely give such notice shall be deemed an election by CTF not to remedy such matters. If CTF shall elect not (or be deemed to elect not) to remove any matter identified in Purchaser's Objections, Purchaser may, in the exercise of its sole discretion either: (i) close the Transaction with respect to the Real Properties subject to the Purchaser's Objections (that CTF will not cure) without abatement of the Unadjusted Purchase Price, in which event: (A) the Purchaser's Objections that CTF will not cure shall be, and be deemed to be, for all purposes, Permitted Encumbrances; (B) the Purchaser shall close the Transactions notwithstanding the existence of any of the Purchaser's Objections that CTF will not cure; and (C) CTF and Marriott shall have no obligation or liability whatsoever after the Closing with respect to the CTF's failure to cause any of the Purchaser's Objections to be eliminated; or (ii) terminate this Agreement by written notice given to Marriott and CTF within four (4) calendar days thereafter, in which event this Agreement shall terminate, the Deposit and all interest accrued thereon shall be returned to Purchaser and neither party hereto shall have any further obligations hereunder other than those obligations expressly stated herein to survive the termination of this Agreement. In the event Purchaser elects to proceed to Closing, the Pro Forms shall be revised to (i) delete those Requirements objected to by CTF and (ii) add Purchaser's Objections that CTF will not cure so that the Pro Forms shall be consistent with the quality of title accepted or deemed accepted by Purchaser pursuant to this Section 9.1(d).

(e) Requirement to Eliminate Purchaser's Objections; Requirement to Remove Liens; Additional Title Matters. It is expressly understood that unless CTF expressly agrees, in the exercise of its sole discretion, to remove a title exception identified in Purchaser's Objections prior to Closing, neither CTF nor Marriott shall be required to bring any action, institute any proceeding, or otherwise incur any costs or expenses in order to attempt to eliminate any of the Purchaser's Objections or to otherwise cause title to the Properties to comport with the terms of this Agreement on the Closing Date; provided, however, that Marriott shall use Commercially Reasonable Efforts to cause CTF to remove (i) any liens that are filed against the Real Properties during the period after the expiration of the Title Cure Period and before the Closing, but

only if they are recorded by CTF or caused by CTF's action or failure to act, and (ii) any liens securing Debt. Should matters relative to title, other than liens the CTF is obligated to remove pursuant to the preceding sentence, be discovered from any update of the Title Materials received by Purchaser or otherwise after the expiration of the Objection Period that were not disclosed in the Title Materials received by Purchaser prior to the expiration of the Objection Period (collectively the "New Title Matters"), Purchaser shall have the right to notify Marriott in writing of any New Title Matters which are not Permitted Encumbrances set forth in (b) – (d) of the definition thereof to which Purchaser objects, provided that Purchaser notifies Marriott of its objection within twenty-four (24) hours after such matter is disclosed to Purchaser. Marriott shall use Commercially Reasonable Efforts to cause CTF to remove any New Title Matters that are filed against any of the Real Properties during the period after the expiration of the Title Cure Period and before Closing but only if they are recorded by CTF or caused by CTF's actions or failure to act in circumstances where CTF is under a legal or contractual duty to act. With respect to all other New Title Matters, Marriott shall cause CTF within five (5) days after receipt of notice of the New Title Matters, to advise Marriott whether CTF will cure such New Title Matters prior to the Closing Date and Marriott will promptly notify Purchaser of CTF's response. Should CTF fail to cure or remove prior to the Closing Date any New Title Matter which is objected to by the Purchaser, and should such New Title Matter materially and adversely impair the value or use of any of the Real Properties to which such objection relates, such failure shall constitute a failure of a condition to Purchaser's obligation to proceed to Closing with respect to such Real Properties affected by such New Title Matters and the Purchaser may, at its election, determine not to close with respect to such Real Properties. All other New Title Matters which are not cured or removed by CTF shall be deemed waived by Purchaser and shall constitute Permitted Encumbrances for all purposes under this Agreement and the Ancillary Agreements. If Purchaser elects not to proceed to close with respect to any Real Properties in accordance with this Section 9.1(e), in such case, the Unadjusted Purchase Price shall be decreased by the Preliminary Allocated Price applicable to any such Real Properties.

(f) Related Fees, Costs and Expenses. All the fees, costs and expenses associated with the Purchaser's procurement, preparation, delivery and review of the Title Materials, the issuance of title policies and any endorsements related thereto shall be for the account of the Purchaser pursuant to Section 13.1 herein.

(g) Marriott Assurance. Marriott covenants and agrees to cooperate with the Purchaser in connection with the Title Materials and the title review process and will cause CTF to provide such affidavits or other documents and information as the Purchaser may reasonably require in order to obtain affirmative endorsements or other assurances available under local practice as the Purchaser may require, including non-imputation endorsements, where applicable, provided, however, that (i) all of the foregoing requirements are commercially reasonable, and (ii) Marriott shall not be obligated to cause CTF to provide any affidavit, certification or indemnification to the Title Company that causes CTF to incur any liability in excess of CTF's liability under the CTF Agreement.

(h) Form of Fee Sale Transfer and Conveyance Documents. Not later than the expiration of the Objection Period, Purchaser shall prepare and forward to Marriott the proposed form of the deeds, bills of sale, assignments, certificates, affidavits and such other instruments and documents (excluding any documents previously provided in connection with the Requirements) (collectively the “Proposed Conveyance Documents”) as may be reasonably necessary in order to consummate the Transactions and facilitate the issuance by the Title Company of the title insurance policies reasonably requested by Purchaser and facilitate the obtaining of other commercially reasonable assurances available under local practice. Marriott and Purchaser shall negotiate in good faith to agree upon the final form of the Proposed Conveyance Documents on or prior to the Closing Date. Purchaser and Marriott acknowledge and agree that the warranty of title set forth in the various deeds and other conveyancing documents shall be in accordance with the commercially reasonable customary practices of the applicable jurisdictions but in all cases sufficient to enable the Title Company to issue the title policies in the forms of the Pro Forms. The warranties of title contained in the various deeds shall not be subject to the provision of Section 10.8(b) of this Agreement. Nothing herein shall be construed as requiring CTF to make any representations, warranties or covenants in the Proposed Conveyance Documents other than those contained in Article 5 and Article 7 of the CTF Agreement.

Section 9.2. Lack of Consent or Estoppels for Certain Hotels.

(a) If any consent required for the assignment of the Leasehold Interest in the Renaissance Chicago Hotel or the Renaissance Vinoy (the “Mandatory Consent Hotel”) is not obtained on or before the Closing Date, in such case:

(i) the Leasehold Interest with respect to the Renaissance Chicago Hotel or the Renaissance Vinoy, as the case may be, shall not be assigned to Purchaser at the Closing;

(ii) The Unadjusted Purchase Price shall be decreased by the amount of the Preliminary Allocated Price for the Renaissance Chicago Hotel or Renaissance Vinoy, as the case may be; and

(iii) from and after the Closing through to December 31, 2005, Marriott and the Purchaser shall use Commercially Reasonable Efforts to obtain and secure consents and approvals that may be necessary to effect the assignment of the Leasehold Interest for the Renaissance Chicago Hotel and the Renaissance Vinoy and make or complete such assignment as soon as reasonably possible, with the payment of additional consideration to CTF in the amount of the Preliminary Allocated Price, it being understood that if such consent is not obtained on or before December 31, 2005, this Agreement as to the Renaissance Chicago Hotel or the Renaissance Vinoy, as applicable, shall terminate and neither party shall have any further obligations or liabilities with regard thereto.

(b) If any Estoppel Certificate satisfying the requirements of Section 7.9(d) is not obtained prior to the Closing Date or if obtained, contains information which is inconsistent with Marriott's representations and warranties set forth herein in Article 5 or 5A, then Purchaser shall elect to either: (i) proceed with Closing with respect to the applicable Hotel or Hotels and waive any right to require the receipt of an Estoppel Certificate and the right to make a claim for indemnification under Article 10 based upon the facts or circumstances disclosed by the applicable Estoppel Certificate, or (ii) elect not to proceed with Closing with respect to the applicable Hotel or Hotels (in which case the Unadjusted Purchase Price shall be decreased by the Preliminary Allocated Price for such Hotel or Hotels) in order to permit Marriott a period of time during which to attempt to obtain an Estoppel Certificate in the form required hereby. In the event that Purchaser elects under clause (ii) above to permit Marriott additional time to obtain an Estoppel Certificate and Marriott fails to deliver an Estoppel Certificate satisfying the requirements of Section 7.9(d) to Purchaser prior to December 31, 2005, then Purchaser shall either (A) elect not to have the Leasehold Interest with respect to the applicable Hotel assigned to Purchaser at the Closing and the Unadjusted Purchase Price shall be decreased by the amount of the Preliminary Allocated Price for the applicable Hotel, or (B) shall proceed to consummate the Transaction with respect to the applicable Hotel and shall retain any rights it may have under the indemnification provisions of Article 10.

Section 9.3. General Conditions. The respective obligations of the Purchaser and Marriott to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may, to the extent permitted by applicable Law, be waived in writing by either party in its sole discretion:

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent), that is then in effect and that enjoins, restrains, makes illegal or otherwise prohibits the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements.

(b) Any waiting period (and any extension thereof) under any antitrust laws applicable to the transactions contemplated by this Agreement and the Ancillary Agreements shall have expired or shall have been terminated. All other material consents of, or registrations, declarations or filings with, any Governmental Authority legally required for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements shall have been obtained or filed or (with respect to liquor licenses) shall be in the process of being obtained and Marriott shall be responsible for the process with respect to liquor licenses such that there will be no interruption in the sale of liquor at the Hotels being purchased by Purchaser.

(c) Closing under the CTF Agreement with respect to the Hotels shall have occurred or shall occur simultaneously with Closing hereunder.



Section 9.4. Conditions to the Obligations of Marriott. The obligations of Marriott to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by Marriott in its sole discretion:

(a) The Purchaser shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing and Marriott shall have received from the Purchaser a certificate to such effect, signed by a duly authorized officer thereof.

(b) Marriott shall have received an executed counterpart of each of the Purchaser's Closing Deliveries as set forth on Schedule 9.4(b), signed by each party thereto other than Marriott.

Section 9.5. Conditions to the Obligations of the Purchaser. The obligations of the Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by the Purchaser in its sole discretion:

(a) There shall not have occurred any of the following:

(i) an event or matter which constitutes a breach of a representation and warranty in Sections 5.2, 5.3(a)-(e), 5.11(a), 5.2A or 5.3A;

(ii) the entry against CTF of an Order which constitutes a breach of a representation and warranty in Section 5.8(b) and, as of the Closing, prevents a Hotel from operating in the Ordinary Course of Business in all material respects; or

(iii) an event or matter, other than a Casualty Loss, that constitutes a breach of any other of CTF's representations, warranties or covenants contained in the CTF Agreement or Marriott's representations, warranties or covenants contained in this Agreement that (A) with respect to any Group A Hotels, or the Hotel Interests related thereto, adversely impacts the value of one or more of such Hotels, or the Hotel Interests related thereto, by more than the Group A Threshold Amount or (B) with respect to any Group B Hotels, or the Hotel Interests related thereto, adversely impacts the value of one or more of such Hotels, or the Hotel Interests related thereto, by more than the Group B Threshold Amount,

provided, however, if Purchaser determines not to proceed with Closing with respect to such Hotel, Purchaser's sole remedy in event of such breach shall be that: (1) Marriott shall not cause CTF to assign, transfer, convey or deliver such Hotel Interest affected by such breach to the Purchaser at the Closing, and (2) the Unadjusted Purchase Price shall be reduced by the Preliminary Allocated Price for such Hotel Interest.

(b) Marriott shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing and the Purchaser shall have received from Marriott a certificate to such effect, signed by a duly authorized officer thereof.

(c) Purchaser shall have received an executed counterpart of each of Marriott's Closing Deliveries as set forth on Schedule 9.5(c), signed by each party thereto other than the Purchaser.

(d) At the Closing, issuance by the Title Company of a title policy identical in all material respects to the Pro Formas for the Real Property related to the Hotel Interests being transferred at the Closing as each such Pro Forma has been modified in accordance with the provisions of Section 9.1(d), subject only to changes required to incorporate a New Title Matter accepted by Purchaser in accordance with Section 9.1(e).

**ARTICLE 10. INDEMNIFICATION.**

**Section 10.1. Pass-Through Representations.**

(a) The representations and warranties set forth in Section 5.1 through Section 5.17 hereof are substantially identical to those certain representations and warranties made by CTF to Marriott in Sections 5.1 through 5.17 of the CTF Agreement (the "Pass Through Representations"). Wherever in this Agreement Marriott has made a covenant to perform, or to cause CTF to perform, an obligation which CTF has undertaken to perform for the benefit of Marriott in the CTF Agreement, such covenants shall be referred to herein as the "Pass Through Covenants". Purchaser acknowledges that Marriott may have no direct or actual knowledge of the facts contained in certain of the Pass Through Representations and except as set forth in Section 5.17A that Marriott is relying exclusively on the correctness of the Pass Through Representations of CTF in making the Pass Through Representations to Purchaser and that Marriott has no independent capability to perform certain covenants of CTF. Purchaser acknowledges and agrees that Marriott's liability to Purchaser for any Breach of the Pass Through Representations or any breach or failure to perform any of the Pass Through Covenants shall be, and shall be limited to, the actual monetary damages or other relief received by Marriott based on the breach of the Pass Through Representations and/or Pass Through Covenants by CTF. Except as set forth in this Section 10.1(a)-(b), Marriott shall have no liability or obligation to Purchaser for any Breach by Marriott of the Pass Through Representations or Pass Through Covenants.

(b) Upon the occurrence of a Breach of the Pass Through Representations and/or Pass Through Covenants and upon Purchaser making a claim against Marriott, Marriott shall exercise any and all rights and remedies available to Marriott under the CTF Agreement or at law or in equity (i) to bring against CTF a claim for indemnification and institute litigation to enforce such claim to the same extent as made by Purchaser against Marriott (but only to, and in the manner permitted by the CTF Agreement and subject to the limitations of Article 10 of the CTF Agreement, which for the avoidance of doubt, exempts Tax matters from any such limitations imposed by Article 10 of the CTF Agreement) (a "Mirror Claim"); and (ii) to seek as damages in the

Mirror Claim, all Losses of the Purchaser arising from the Mirror Claim (but only to in the manner permitted by this Agreement and subject to the limitations of Article 10 as aforesaid). In taking any action against CTF, Purchaser shall have the right to select counsel and to manage any and all claims, actions, causes of action and/or litigation which Marriott may pursue in order to enforce its rights hereunder. Marriott shall cooperate fully with Purchaser in Purchaser's efforts to enforce its right based on a Breach of the Pass Through Representations and/or Pass Through Covenants. Purchaser shall be responsible for, and shall pay all of Purchaser's reasonable expenses which Purchaser may suffer, incur or expend in its efforts to enforce its rights against CTF, including, without limitation, reasonable counsel fees, fees of experts, and court costs and may include such costs as a part of its claim for damages.

Section 10.2. Survival of Representations, Warranties and Indemnities. The representations, warranties and covenants of Marriott and the Purchaser contained in this Agreement shall survive the Closing until April 30, 2007, except as to Section 7.12 which shall survive until the applicable statute of limitations, if longer; provided, however, that the representations and warranties set forth in Sections 5.2, 5.3(a)-(e), 5.2A, 5.3A, 7.4 and 7.11 shall survive indefinitely. Survival of the representations and warranties in Sections 5.16 and 5.16A shall be governed by the provisions of Section 8.9.

Section 10.3. Indemnification by Marriott. Subject to the terms and conditions of this Article 10, Marriott shall save, defend, indemnify and hold harmless the Purchaser (including the Targets and their Subsidiaries) and the respective Representatives, successors and assigns of each of the foregoing (collectively, the "Purchaser Indemnified Parties") from and against any and all losses, damages, liabilities, deficiencies, claims, interest, awards, judgments, penalties, costs and expenses (including reasonable attorneys' fees, costs and other out-of-pocket expenses incurred in investigating, preparing or defending the foregoing) (hereinafter collectively, "Losses"), incurred, sustained or suffered by any of the foregoing to the extent arising out of or resulting from:

(a) any breach of any representation or warranty made by Marriott contained in this Agreement other than the Pass Through Representations set forth in Section 5 of this Agreement and representations made in Section 5.18A;

(b) any breach of any representation or warranty made by Marriott contained in Section 5.18A of this Agreement, provided, however, that Marriott's liability in connection therewith is limited to its proportionate share of any such Loss as the seller of its twenty percent (20%) equity interest therein;

(c) any breach of any covenant or agreement by Marriott (hereinafter the "Marriott Covenants") contained in this Agreement other than a Pass Through Covenant;

(d) any Third Party Claim that arises from an event occurring prior to Closing regarding any Interest Holder other than (i) a liability reflected on the Balance Sheet of such Target to the extent of the amount so reflected, or (ii) any Assumed Liability and any other liability expressly assumed by Purchaser under this Agreement to the extent of the amount so assumed;

(e) any liability for any brokers' or investment banking fees of Marriott or its Affiliates in connection with this Agreement and the transactions contemplated hereby; and

(f) arising other than from Marriott's actions or failure to take actions where required, all obligations, penalties, liabilities and expenses under the Worker Adjustment and Retraining Notification Act of 1988, as amended, or other similar state laws, arising from the Transactions.

Section 10.4. Indemnification by the Purchaser. The Purchaser shall save, defend, indemnify and hold harmless Marriott and its Affiliates and the respective Representatives, successors and assigns of each of the foregoing (collectively, the "Marriott Indemnified Parties") from and against any and all Losses incurred, sustained or suffered by any of the foregoing to the extent arising out of or resulting from:

(a) any breach of any representation or warranty made by the Purchaser contained in this Agreement;

(b) any breach of any covenant or agreement by the Purchaser contained in this Agreement;

(c) any Third Party Claim that arises from an event that occurs after the Closing against any Seller Indemnified Party (as defined in the CTF Agreement) with respect to the operations or ownership of the Hotels or Hotel Interest, except to the extent that such claim or cause of action (i) was caused by a breach of Marriott's obligations and duties as manager under the Hotel Management Agreements or with respect to which Marriott is otherwise responsible pursuant to the terms and conditions of the Hotel Management Agreements (in which event the terms and conditions of the Hotel Management Agreements shall govern); (ii) was made by Marriott or an Affiliate of Marriott against a Seller Indemnified Party, or (iii) would not have arisen if the representations, warranties and covenants of CTF in the CTF Agreement and the representations, warranties and covenants of Marriott in this Agreement were true, accurate and fulfilled.

(d) any Assumed Liabilities; or

(e) any claim for any brokers' or investment banking fees of the Purchaser in connection with this Agreement and the transactions contemplated hereby.

Section 10.5. Procedures.

(a) In order for a Purchaser Indemnified Party or Marriott Indemnified Party (the "Indemnified Party") to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a Loss or a claim or demand made by any Person (other than Marriott and its Affiliates and the Purchaser) against the Indemnified Party, including a Mirror Claim (a "Third Party Claim"), such Indemnified

Party shall deliver notice thereof to the party against whom indemnity is sought (the “Indemnifying Party”) promptly after receipt by such Indemnified Party of written notice of the Third Party Claim, but in no event later than the Claims Deadline, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure to provide as part of the initial written notice of claim, the information set forth in the preceding sentence shall not invalidate the effectiveness of the written notice provided the information is delivered in a reasonable time period thereafter. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article 10 except to the extent that the Indemnifying Party is prejudiced by such failure.

(b) The Indemnifying Party shall have the right, upon written notice to the Indemnified Party within thirty (30) days of receipt of notice from the Indemnified Party of the commencement of such Third Party Claim (except as may be provided to the contrary as to a Mirror Claim, in which case Purchaser shall bear all the costs associated therewith), to assume the defense thereof at the expense of the Indemnifying Party with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the Indemnifying Party assumes the defense of such Third Party Claim, the Indemnified Party shall have the right to employ separate counsel and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party all witnesses, pertinent records, materials and information in the Indemnified Party’s possession or under the Indemnified Party’s control relating thereto as is reasonably required by the Indemnifying Party. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, or offer to compromise, settle or discharge, such Third Party Claim without the Indemnifying Party’s prior written consent unless the Indemnifying Party withdraws from the defense of such Third Party Claim or unless a final judgment from which no appeal may be taken by or on behalf of the Indemnifying Party is entered against the Indemnified Party for such Third Party Claim. If the Indemnifying Party does not assume the defense of any such claims or proceeding pursuant to this Section 10.5 and the Indemnified Party proposes to settle such claims or proceeding prior to a final judgment thereon or to forgo any appeal with respect thereto, then the Indemnified Party shall give the Indemnifying Party prompt written notice thereof and the Indemnifying Party shall have the right to participate in the settlement or assume or reassume the defense of such claims or proceeding. The Indemnifying Party and its counsel shall conduct such defense or settlement in a manner reasonably satisfactory and effective to protect the Indemnified Party fully. The Indemnifying Party and its counsel shall keep the Indemnified Party fully advised as to its conduct of such defense or settlement, and shall not compromise or settle such Third Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld or delayed) unless such settlement or compromise does not subject the Indemnified Party to any monetary liability, includes a complete, unconditional release of the Indemnified Party from all

liability with respect to such Third Party Claim, and does not constitute an acknowledgement or acceptance by the Indemnified Party of fault, culpability, or responsibility of any kind. Notwithstanding the Indemnifying Party's election to defend against or settle the Third Party Claim, the Indemnified Party may, upon written notice to the Indemnifying Party, elect to employ its own counsel and assume control of such defense or settlement if (A) the Indemnifying Party is also a Person against whom the Third Party Claim is made and the Indemnified Person determines in good faith that joint representation would be inappropriate; (B) the Indemnified Party determines in good faith that the Indemnified Party may have available to its one or more defenses or counterclaims that are inconsistent with, different from, or in addition to one or more of those that may be available to the Indemnifying Party with respect to such Third Party Claim; (C) the Indemnifying Party fails to provide reasonable assurance to the Indemnified Party of its financial capacity to defend such Third Party Claim; (D) the Indemnifying Party shall not in fact have employed counsel reasonably satisfactory to the Indemnified Party for the defense or settlement of such Third Party Claim; provided, however, that the assumption of control of the defense or settlement of a Third Party Claim by the Indemnified Party pursuant to this sentence shall not relieve the Indemnifying Party of its obligation to indemnify and hold the Indemnified Party harmless.

(c) In the event any Indemnified Party should have a claim against any Indemnifying Party hereunder that does not involve a Third Party Claim being asserted against or sought to be collected from such Indemnified Party, the Indemnified Party shall deliver notice of such claim to the Indemnifying Party no later than the Claims Deadline, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure to provide as part of the initial written notice of claim, the information set forth in the preceding sentence shall not invalidate the effectiveness of the written notice provided the information is provided subsequently. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article 10 except to the extent that the Indemnifying Party is prejudiced by such failure. The Indemnifying Party shall have thirty (30) days after receipt of notice of any claim pursuant to this Section 10.5(c) to (i) agree to the amount or method of determination set forth in such claim and to pay such amount to such Indemnified Party or (ii) provide the Indemnified Party with notice (a "Dispute Notice") that it disagrees with the amount or method of determination set forth in such claim. If the Indemnifying Party has timely delivered a Dispute Notice, the Indemnifying Party and the Indemnified Party shall, during a period thirty (30) days from the Indemnified Party's receipt of such Dispute Notice, negotiate to achieve resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved as provided in Section 13.10.

#### Section 10.6. Limits on Indemnification.

(a) No claim may be asserted against any party for breach of any representation or warranty contained in this Agreement, unless written notice of such

claim is received by such party describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim on or prior to May 30, 2007 (the "Claim Deadline") in which case such representation, warranty or covenant shall survive as to such claim until such claim has been finally resolved. Notwithstanding the foregoing, there shall be no Claims Deadline applicable to a claim raised with respect to a breach of Sections 5.2, 5.3(a)-(e), 5.2A, 5.3A, 7.4 and 7.11 hereof. In addition, no claim may be asserted against Marriott for breach of any of CTF's or Marriott's representations or warranties to the extent that (i) the Title Materials, or (ii) the reports of the Structural and Environmental Consultants contain information that is inconsistent with such representations or warranties.

(b) Notwithstanding anything to the contrary contained in this Agreement, with respect to each Fee Property, Target or Leasehold Interest: (i) Marriott shall not be liable for any claim for indemnification of \$5,000.00 or less pursuant to Section 10.1(a), 10.1(b), or 10.3 resulting from any single claim or aggregated claims arising out of the same facts, events or circumstances (the "De Minimus Amount"), (ii) Marriott shall not be liable unless and until the aggregate amount of indemnifiable Losses which may be recovered from Marriott on account of all claims equals or exceeds \$50,000 (the "Threshold Amount"), at which time Marriott shall be liable for all such Losses, (iii) the maximum aggregate amount of indemnifiable Losses which may be recovered by Purchaser Indemnified Parties arising out of or relating to the causes set forth in Section 10.3(a), 10.3(b), 10.3(c) or 10.3(d) in relation to any single Fee Property, Target or Leasehold Interest shall equal fifty percent (50%) of the Preliminary Allocated Price in respect of such Fee Property, Target or Leasehold Interest, as the case may be (the "Indemnification Limit"), (iv) no party hereto shall have any liability under any provision of this Agreement for any punitive, consequential, incidental, special or indirect damages, relating to the breach or alleged breach of this Agreement. Notwithstanding the foregoing, (A) the Indemnification Limit applicable to Losses related to a breach of a representation, warranty or covenant under Sections 5.2, 5.3(a)-(e), 5.2A and 5.3A shall be the Preliminary Allocated Price of each Target and (B) the De Minimus Amount and the Threshold Amount shall not be applicable to Losses related to a breach of a representation, warranty or covenant under Section 5.13(b)(iv).

(c) For all purposes of this Article 10, "Losses" shall be net of (i) any insurance (other than any self-insured retention program) or other recoveries paid (subject to Section 10.8) by a third-party to the Indemnified Party or its Affiliates in connection with the facts, events or circumstances giving rise to the right of indemnification and (ii) any net Tax benefit available to such Indemnified Party or its Affiliates arising in connection with the accrual, incurrence or payment of any such Losses (including the net present value of any Tax benefit arising in subsequent taxable years).

(d) The Purchaser and Marriott shall cooperate with each other with respect to resolving any Third Party claim with respect to which one party is obligated to indemnify the other party hereunder, including by making Commercially Reasonable Efforts to mitigate such claim. In the event that the Purchaser or Marriott shall fail to make such Commercially Reasonable Efforts to mitigate or resolve any claim or liability,

then notwithstanding anything else to the contrary contained herein, the other party shall not be required to indemnify any person to the extent of any loss, liability, claim, damage or expense that could reasonably be expected to have been avoided if the Purchaser or Marriott, as the case may be, had made such efforts.

(e) For purposes of this Article 10, “Losses” shall be determined in all cases without regard to any qualification or limitation with respect to “materiality” whether by reference to “in any material respect” or any other use of “material.”

Section 10.7. Tax Matters. Anything in this Article 10 to the contrary notwithstanding, the rights and obligations of the parties with respect to indemnification for any and all Tax matters shall be governed by Article 8.

Section 10.8. Assignment of Claims. If any Purchaser Indemnified Party receives any payment from Marriott in respect of any Losses pursuant to Section 10.3 and the Purchaser Indemnified Party could have recovered all or a part of such Losses from a third party (a “Potential Contributor”) based on the underlying claim asserted against Marriott, the Purchaser Indemnified Party shall assign, on a non-recourse basis and without any representation or warranty, such of its rights to proceed against the Potential Contributor as are necessary to permit Marriott to recover from the Potential Contributor the amount of such payment. Any payment received in respect of such claim shall be distributed, (i) first to the Purchaser Indemnified Party in the amount of any deductible or similar amount required to be paid by the Purchaser Indemnified Party prior to Marriott being required to make any payment to the Purchaser Indemnified Party, (ii) second to Marriott in an amount equal to the aggregate payments made by Marriott to the Purchaser Indemnified Party in respect of such claim, plus costs and expenses incurred in investigating, defending or otherwise incurred in connection with addressing such claim and (iii) the balance, if any, to the Purchaser Indemnified Party.

Section 10.9. Disclaimer of Implied Warranties.

(a) It is the explicit intent and understanding of each party hereto that neither party hereto or its Representatives is making any representation or warranty whatsoever, oral or written, express or implied, as to the accuracy or completeness of any information regarding the Property, except as expressly set forth in this Agreement, and neither party hereto is relying on any statement, representation or warranty, oral or written, express or implied, made by the other party hereto or such other party’s Representatives, except for the representations and warranties expressly set forth in this Agreement and the conveyance documents contemplated hereunder.

(b) Each party hereto hereby agrees and acknowledges that each of the conveyance documents contemplated hereunder and under the CTF Agreement shall explicitly reflect the fact that the Purchaser is purchasing the applicable Owned Real Property or Leased Real Property on an “as is” condition “with all faults” and without any warranties, representations or guaranties of any kind, oral or written, express or implied, concerning the Property from or on behalf of Marriott or CTF, except as may be expressly set forth in the representations and warranties in this Agreement as



contemplated under Section 9.1(g). The Purchaser acknowledges that, except as may be expressly set forth in this Agreement and the conveyance documents contemplated hereunder and under the CTF Agreement, Marriott has not, does not, and will not make any representations, warranties or guaranties, of any kind, oral or written, express or implied, concerning the Property including, without limitation (i) the quality, adequacy, state of repair or physical condition of the Property, (ii) the habitability, merchantability or fitness, suitability or adequacy of the Property or any portion thereof for any particular use or purpose, (iii) the zoning or other legal status of the Property, (iv) the compliance by the Property, or any portion thereof, with any applicable codes, laws, regulations, statutes, ordinances, covenants, conditions or restrictions of any governmental or quasi-governmental entity or of any Person, or (v) the environmental condition of the Property, including its compliance with environmental laws and the presence or non-presence of hazardous substances.

**ARTICLE 11. DEFAULT, REMEDIES.**

Section 11.1. Purchaser's Default. Should Purchaser default on its obligation under this Agreement to purchase (a) the Fee Properties or (b) the Leasehold Properties, and all conditions to Purchaser's obligations were timely satisfied in each case, as applicable, then Marriott shall be entitled to retain the Deposit as liquidated damages and terminate this Agreement (and the retention of the Deposit shall be the sole and exclusive remedy of Marriott for such breach) in which event Purchaser shall have no rights under this Agreement or the CTF Agreement, and Marriott shall have the right, but not the obligation, to close under the CTF Agreement.

Section 11.2. Marriott's Default.

(a) If all other parties, including CTF and the other purchaser of Hotels under contract with Marriott to acquire such Hotels, shall have fully performed their respective obligations under this Agreement and any other applicable Purchase and Sale Agreement with regard to the Hotels including the CTF Agreement, and Marriott shall default hereunder, Purchaser shall be entitled to receive from Marriott as its sole and exclusive remedy (i) a refund of its Deposit and all interest earned thereon, (ii) Purchaser's Out of Pocket Costs, and (iii) a payment in the amount of Five Million Dollars (\$5,000,000).

(b) If Marriott shall default under this Agreement as a result of a default by the other purchaser of any of the Hotels under contract with Marriott pursuant to the CTF Agreement under its applicable Purchase and Sale Agreement, and such default shall not have been caused by a default by CTF under the CTF Agreement, Purchaser shall be entitled to receive from Marriott (i) a refund of its Deposit and (ii) all interest earned thereon and its reasonable Purchaser's Out of Pocket Costs not to exceed Two Million Dollars (\$2,000,000).

(c) If Marriott's default hereunder results from a default by CTF under the CTF Agreement, Marriott shall determine which if any remedy it wishes to pursue against CTF and shall provide to Purchaser notice of such determination. Purchaser shall

have a period of ten (10) days after receipt of Marriott's determination within which to elect to participate in such action or not to so participate. If Purchaser elects not to participate in any such action, this Agreement shall terminate, the Deposit and all interest earned thereon shall be returned to Purchaser, and Purchaser shall not be entitled to any damages. In any event, all decisions as to the pursuit of remedies and the prosecution of any litigation shall be made solely by Marriott. In any action for damages in which Purchaser remains a party, Purchaser shall be entitled to its pro rata share of any damages in fact awarded to, and received by Marriott, less its pro rata share of any costs incurred by Marriott in pursuing such action.

(d) If Marriott defaults under this Agreement, and such default shall not have resulted from a default by CTF under the CTF Agreement, and if thereafter Marriott either acquires one or more of the Hotels under the CTF Agreement or otherwise transfers its right to acquire one or more of the Hotels under the CTF Agreement to a third party, Purchaser shall have the right to specific performance as to this Agreement; provided, however, Purchaser must (i) institute such action for Specific Performance against Marriott within three (3) months from the first date on which Purchaser first learns or discovers that Marriott has so acquired the Hotels under the CTF Agreement or so transferred its rights under the CTF Agreement and (ii) as a closing condition to the purchaser of such Hotels, repay to Marriott a fraction of any sums previously paid by Marriott to Purchaser for out-of-pocket expenses as provided in Sections 11.2(a) and (b) hereof as to the Hotels (other than sums paid by Purchaser to lenders, to the extent such sums are not applied by such lenders to the financing used by Purchaser to purchase the Hotels in such action of specific performance), the numerator of which fraction is the Preliminary Allocated Price of the Hotels being purchased in such action for specific performance and the denominator of which is the Preliminary Allocated Price of all Hotels. In the event that an action for specific performance is not available, Purchaser shall be entitled to a refund of its Deposit and all interest earned thereon and Purchaser's Out of Pocket Costs as liquidated damages.

#### **ARTICLE 12. TERMINATION.**

Section 12.1. Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of the Purchaser and Marriott;

(b) (i) by Marriott, if any of the material conditions set forth in Section 9.3 or 9.4 shall have become incapable of fulfillment prior to the Termination Date] or (ii) by the Purchaser, if any of the conditions set forth in Section 9.3 or Section 9.5 shall have become incapable of fulfillment prior to the Termination Date; provided, however, that the right to terminate this Agreement pursuant to this Section 12.1(b) shall not be available if the failure of the party so requesting termination to fulfill any obligation under this Agreement shall have been the cause of the failure of such condition to be satisfied on or prior to such date;

(c) (1) by either Marriott or the Purchaser if the Closing shall not have occurred by June 30, 2005 unless Closing under the CTF Agreement has been extended by Marriott pursuant to Section 3.11 of the CTF Agreement and Purchaser has elected pursuant to Section 3.9(c) hereof to postpone Closing, in which event Closing hereunder shall be extended until November 15, 2005, or (2) if the Closing shall not have occurred by November 15, 2005, by either Marriott or Purchaser; provided, however, that the right to terminate this Agreement this Section 12.1(c) shall not be available if the failure of the party so requesting termination to fulfill any obligation under this Agreement shall have been the cause of the failure of the Closing to occur on or prior to such date (June 30, 2005 or November 15, 2005, as applicable, (the "Termination Date"); or

(d) by either Marriott or the Purchaser in the event that any Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable; provided, that the party so requesting termination shall have complied with Section 7.10.

The party seeking to terminate this Agreement pursuant to this Section 12.1 (other than Section 12.1(a)) shall give prompt written notice of such termination to the other party.

Section 12.2. Effect of Termination.

(a) In the event of termination of this Agreement as provided in Section 12.1, this Agreement shall forthwith become void, the Deposit and all interest earned thereon shall be returned to Purchaser, and there shall be no liability on the part of either party except (a) for the representations of both parties relating to broker's fees and finder's fees, Section 7.8 relating to confidentiality, Section 7.11 relating to public announcements, Section 12.1 relating to fees and expenses, Section 13.4 relating to notices, Section 13.8 relating to third-party beneficiaries, Section 13.9 relating to governing law, Section 13.10 relating to submission to jurisdiction and this Section 12.2, and (b) that nothing in this Section 12.2 shall relieve either party from liability for any breach of this Agreement or any Ancillary Agreement.

**ARTICLE 13. GENERAL PROVISIONS.**

Section 13.1. Fees and Expenses. Except as otherwise provided herein, all fees and expenses incurred in connection with or related to this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby shall be paid by the party incurring such fees or expenses, whether or not such transactions are consummated. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a breach of this Agreement by the other. All fees, expenses and premiums in connection with any title insurance policies shall be for the account of the Purchaser.

Section 13.2. Amendment and Modification. This Agreement may not be amended, modified or supplemented in any manner, whether by course of conduct or otherwise, except by an instrument in writing signed on behalf of each party and otherwise as expressly set forth herein.

Section 13.3. Waiver. No failure or delay of either party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereunder are cumulative and are not exclusive of any rights or remedies which they would otherwise have hereunder. Any agreement on the part of either party to any such waiver shall be valid only if set forth in a written instrument executed and delivered by a duly authorized officer on behalf of such party.

Section 13.4. Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, or if by facsimile, upon written confirmation of receipt by facsimile, e-mail or otherwise, (b) on the first Business Day following the date of dispatch if delivered by a recognized next-day courier service or (c) on the earlier of confirmed receipt or the fifth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

if to Marriott, to:

Marriott International, Inc.  
10400 Fernwood Road  
Bethesda, MD 20817  
Attention: Michael E. Dearing  
Facsimile:

with copies (which shall not constitute notice, except for matters regarding Section 9.1(a)) to:

Venable LLP  
Two Hopkins Plaza  
Suite 1800  
Baltimore, MD 21201  
Attention: Jan K. Guben, Esq.  
Facsimile: (410) 244-7742

if the Purchaser, to:

WSRH Holdings, LLC  
c/o Walton Street Capital, L.L.C.

900 North Michigan Avenue  
Suite 1900  
Chicago, Illinois 60611  
Attention: Jeffrey S. Quicksilver and  
Luke G. Massar  
Facsimile: 312-915-2881

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

Pircher, Nichols & Meeks  
1925 Century Park East  
Suite 1925  
Los Angeles, California 90067  
Attention: Real Estate Notices (PGN/JLB)  
Facsimile: 310-201-8922

Section 13.5. Interpretation. When a reference is made in this Agreement to an Article, Section, Schedule or Exhibit such reference shall be to an Article, Section, Schedule or Exhibit of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement or in any Exhibit are for convenience of reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All disclosures made on every Schedule to this Agreement shall be deemed made for all Schedules attached to this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall have the meaning as defined in this Agreement. All Schedules and Exhibits attached hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth herein. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation," unless otherwise specified. This Agreement and the Ancillary Agreements shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted. Whenever in this Agreement Marriott undertakes to cause CTF to take any action or to deliver any materials to Purchaser, if Marriott, itself, takes such action or delivers such material to Purchaser, such action or delivery by Marriott shall be deemed full performance as to such action or delivery as is required under this Agreement.

Section 13.6. Restriction on Acquisitions. Purchaser agrees that for one (1) year from termination of this Agreement, without any of the Hotels being purchased hereunder, neither Purchaser nor any persons or entity controlled by Purchaser shall consummate, negotiate, offer, solicit offers, discuss, or arrange, directly or indirectly, the acquisition of any Hotel or Target which is the subject of the purchase and sale described in the CTF Agreement.

Section 13.7. Entire Agreement. This Agreement and the Ancillary Agreements, Exhibits, Schedules and other agreements and instruments delivered in connection herewith constitutes the entire agreement, and supersedes all prior written

agreements, arrangements, communications and understandings and all prior and contemporaneous oral agreements, arrangements, communications and understandings among the parties with respect to the subject matter of this Agreement. Furthermore, to the extent this Agreement or Ancillary Agreements conflict with, or provide for remedies different from, any prior agreements between Marriott and the Purchaser, this Agreement and the Ancillary Agreements shall control. Neither this Agreement nor any Ancillary Agreement shall be deemed to contain or imply any restriction, covenant, representation, warranty, agreement or undertaking of any party with respect to the transactions contemplated hereby or thereby other than those expressly set forth herein or therein or in any document required to be delivered hereunder or thereunder, and none shall be deemed to exist or be inferred with respect to the subject matter hereof.

**Section 13.8. No Third-Party Beneficiaries.** This Agreement shall be binding upon and inure solely to the benefit of each of the parties and their respective successors and assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature under or by reason of this Agreement, except as provided in Article 10.

**Section 13.9. Governing Law.** This Agreement and all disputes or controversies arising out of or relating to this Agreement or the transactions contemplated hereby shall be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to the laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York other than Section 5-1401 of the New York General Obligations Law.

**Section 13.10. Submission to Jurisdiction.** Each of the parties irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement or for recognition and enforcement of any judgment in respect hereof brought by the other party or its successors or assigns may be brought and determined in any New York State or federal court sitting in the Borough of Manhattan in The City of New York (or, if such court lacks subject matter jurisdiction, in any appropriate New York State or federal court), and each of the parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the parties further agrees to accept service of process in any manner permitted by such courts. Each of the parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure lawfully to serve process, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by law, that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts. This Section 13.10 supersedes any dispute resolution clause contained in any agreement between Marriott and the Purchaser.

Section 13.11. Personal Liability. This Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any direct or indirect stockholder of Marriott or the Purchaser or any officer, director, employee, Representative or investor of either party hereto.

Section 13.12. Assignment; Successors. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise, by either party without the prior written consent of the other party, and any such assignment without such prior written consent shall be null and void; provided, however, that Purchaser may assign this Agreement to any of its Affiliates without the prior consent of Marriott and; provided further, that Marriott may assign any of its rights under this Agreement to one or more of its Affiliates without the consent of the Purchaser and; provided still further, that no assignment shall limit the assignor's obligations hereunder. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 13.13. Currency. All references to "dollars" or "\$" or "US\$" in this Agreement or any Ancillary Agreement refer to United States dollars, which, except as explicitly set forth herein, is the currency used for all purposes in this Agreement and any Ancillary Agreement. All references to "€" in this Agreement or any Ancillary Agreement refer to the European Union euro.

Section 13.14. No Brokers. The parties hereto represent and warrant to each other that neither has dealt with any broker or intermediary in connection with the Transaction. Marriott and Purchaser do hereby indemnify and hold harmless the other from and against any claims by any brokers with whom the indemnifying party may have dealt or is alleged to have dealt in connection with the Transaction.

Section 13.15. Severability. Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 13.16. Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

Section 13.17. Facsimile Signature. This Agreement may be executed by facsimile signature and a facsimile signature shall constitute an original for all purposes.

[The remainder of this page is intentionally left blank.]



IN WITNESS WHEREOF, Marriott and the Purchaser have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

MARRIOTT INTERNATIONAL, INC.

By: /s/ M. E. Dearing

Name: Michael E. Dearing

Title: Executive Vice President

WSRH HOLDINGS, L.L.C.,  
a Delaware limited liability company

By: Walton Acquisition REOC Holdings IV, L.L.C.,  
a Delaware limited liability company Managing Member

By: Walton Street Real Estate Fund IV, L.P.,  
a Delaware limited partnership Managing Member

By: Walton Street Managers IV, L.P.,  
a Delaware limited partnership General Partner

By: WSC Managers IV, Inc.,  
a Delaware corporation General Partner

By: /s/ Jeff Quicksilver

---

Name: Jeffrey Quicksilver  
Title: Principal

**PURCHASE AND SALE AGREEMENT  
BY AND BETWEEN**

**MARRIOTT INTERNATIONAL, INC.**

**and**

**SUNSTONE HOTEL INVESTORS, INC.,**

**April 27, 2005**

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## PURCHASE AND SALE AGREEMENT

**THIS PURCHASE AND SALE AGREEMENT** is made as of the 27th day of April, 2005 by and among **MARRIOTT INTERNATIONAL, INC.** ("Marriott"), and **SUNSTONE HOTEL INVESTORS, INC.**, a Maryland corporation, together with rights of assignment to Affiliates (the "Purchaser").

### RECITALS

(A) Pursuant to the terms of a Purchase and Sale Agreement dated April 27, 2005 (the "CTF Agreement"), a copy of which is (as it relates to the Hotels which are the subject of this Agreement) attached hereto as Exhibit A, Marriott is the contract purchaser of certain land, improvements and personal property consisting of hotels in the United States which are currently owned by CTF Holdings Ltd., a British Virgin Islands company and its subsidiaries (collectively, "CTF"), all of which are currently operated and managed by Marriott under the Renaissance brand.

(B) The CTF Agreement grants to Marriott the right to designate persons or entities to which CTF has then agreed it will convey the Hotels as described in the CTF Agreement. The parties hereto intend that Marriott shall designate the Purchaser as a Designee under the CTF Agreement and Marriott shall cause CTF to sell to the Purchaser as a Designee of Marriott, and the Purchaser shall acquire directly from CTF, all of the interests as described in Recital (C) below.

(C) Marriott wishes to cause CTF to transfer all of CTF's interests in six (6) hotels to the Purchaser, through (i) the sale of the land, improvements and personal property comprising two (2) of such hotels, or at the Purchaser's option, the sale of equity interests in entities that have interests in such hotels, (ii) the sale of equity interests in entities that have Leasehold Interests in three (3) hotels or, at Purchaser's option, the assignment of the leasehold interest in such hotels; and (iii) the sale of minority equity interests in Minority Owned Entities that have interests in one (1) hotel, and the Purchaser wishes to acquire such interests.

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

### ARTICLE 1. DEFINITIONS.

Section 1.1 Certain Defined Terms. For purposes of this Agreement:

"Accounting Firm" means BDO Seidman, LLP, or such other accounting firm as CTF and the parties shall agree.

"Accounting Period" means the four (4) week accounting periods having the same beginning and ending dates as Marriott's four (4) week accounting periods, except that an Accounting Period may occasionally contain five (5) weeks when necessary to conform Marriott's accounting system to the calendar.

“Affiliate,” with respect to any specified Person, means any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

“Ancillary Agreements” means the agreements listed on Schedule 1.1(a) and any other Closing instruments or other transfer documents necessary or desirable to effectuate the transactions contemplated hereby, including those required under the Laws of any local jurisdiction, and all other agreements, documents and instruments required to be delivered by any party pursuant to this Agreement, and any other agreements, documents or instruments entered into, at or prior to Closing in connection with this Agreement or the transactions contemplated hereby, including without limitation, the acknowledgement to be signed and delivered by Purchaser as described in Section 12.12(a) of the CTF Agreement and the Intercreditor Claims Side Letter and excluding the Hotel Management Agreements and the Owner Agreements.

“Business Day” means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

“Capital Expenditures” means any expenditure for property, plant, fixtures and furnishings and equipment located at a Hotel as determined to be a capital expenditure under GAAP and the Uniform System of Accounts.

“Closing Interest Rate” means 3 month Libor (as quoted by Bloomberg Service for 3-month Libor or on any successor or substitute page of such service reasonably satisfactory to CTF and the parties at approximately 10:00 a.m., New York City time on any date of determination) plus 150 basis points, calculated on the basis of a 365 day calendar year.

“Code” means the Internal Revenue Code of 1986, as amended through the date hereof, and any Treasury Regulations promulgated thereunder.

“Commercially Reasonable Efforts” means the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to achieve such result expeditiously and on commercially reasonable terms, without the expenditure of funds; provided, however, that in connection with its assumption of any Leasehold Interest, the Purchaser is obligated to provide a party to become the assignee which meets the financial requirements for its acceptance by the landlord set forth in the lease or, if no requirements are specified in the lease, a party that has reasonably sufficient net assets to assure the applicable landlord of its performance under the lease.

“Consent” means any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

“Contract” means any legally binding written or oral agreement, contract, subcontract, lease, understanding, option, warranty, purchase order, license, sublicense, insurance policy, or commitment or undertaking of any nature related to any Hotel or Hotel Interest.

“Control,” including the terms “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, as general partner or managing member, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

“CTF” shall mean CTF Holdings Ltd. and those of its Subsidiaries identified as Selling Entities and listed on Schedule 2.1(a),(b) and (c) of the CTF Agreement.

“CTF Ancillary Agreements” shall mean the agreements listed on Schedule 1.1(a) of the CTF Agreement and any other Closing instruments or other transfer documents necessary or desirable to effectuate the transactions contemplated thereby, including those required under the Laws of any local jurisdiction and all other agreements, documents and instruments required to be delivered by CTF pursuant to the CTF Agreement, and any other agreements, documents or instruments entered into, at, or prior to Closing, in connection with the CTF Agreement or the transactions contemplated thereby.

“CTF Schedules” means those schedules referenced in, and attached to, the CTF Agreement. All disclosures made on any CTF Schedule are deemed to be made for all CTF Schedules, to the extent it is apparent or can be reasonably inferred from the nature and contents of the CTF Schedule that such disclosure is applicable to other CTF Schedules.

“CTF Selling Entity” means CTF and those entities identified as Selling Entities on Schedules 2.1(a)-(e) of the CTF Agreement.

“CTF’s Knowledge” or derivations thereof means the knowledge of any officer or employee of CTF whose name is listed on Schedule 1.1(c) of the CTF Agreement with respect to a particular fact or other matter of which such individual is actually aware.

“Debt” means any debts for borrowed money (including any interest, fees and penalties incurred in connection therewith) outstanding of any Target or that is secured by a lien on any Hotel Interest.

“Employee Benefit Plan” means an “employee benefit plan” as such term is defined in Section 3(3) of ERISA or any other employee benefit plan, program or arrangement, including, any pension, profit sharing, 401(k), deferred compensation, retirement, bonus, incentive, stock option, stock appreciation right, stock purchase or

restricted stock plan, severance or “golden parachute” arrangement, or any other compensation, perquisite, welfare or fringe benefit plan, program or arrangement providing for benefits for, or for the welfare of, any or all of the current or former employees, leased employees, independent contractors, officers, directors, managers, managing members, members, trustees or partners of any of the Targets or the beneficiaries of such persons.

“Encumbrance” means any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, claim, infringement, interference, option, right of first refusal, right of first offer, preemptive right or community property interest (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset); provided, however, that the term Encumbrance shall not be deemed to include (a) Liens for current Property Taxes not yet due and payable or that are being contested in good faith, in each case, and for which adequate accruals have been established on the books of the CTF Selling Entity or Target, as applicable, (b) Liens for assessments or other governmental charges established by statute, regulation, ordinance or other Law or, Liens of landlords, carriers, warehousemen, mechanics or materialmen securing obligations incurred in CTF’s Ordinary Course of Business that are not yet due and payable or due but not delinquent or being contested in good faith, (c) Liens incurred in CTF’s Ordinary Course of Business in connection with workers’ compensation, unemployment insurance and other types of social security or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return of money bonds and similar obligations, (d) purchase money or similar security interests granted in connection with the purchase or capital or operating lease of equipment or supplies used in the operations of a Hotel, and (e) Permitted Encumbrances.

“Environmental Law” means any Law applicable to a Target or in connection with the operation of a Hotel that relates to or otherwise imposes liability or standards of conduct concerning the prevention and control of air, water and ground pollution or otherwise relating to the manufacture, processing, generation, distribution, use, treatment, storage, disposal, cleanup, transport or handling of pollutants.

“Equity Interests” means all CTF’s and/or a CTF Selling Entity’s stock, membership units, partnership interest and other equity interests, as applicable, of a Target.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any corporation or other entity which is treated as a single employer with any of the Targets pursuant to the provisions of section 414(b), (c), (m) or (o) of the Code.

“FF&E” shall have the meaning given to that term under the Hotel Management Agreements.

“FF&E Reserve” shall have the meaning given to that term under the Hotel Management Agreements.

“GAAP” means United States generally accepted accounting principles as in effect on the date hereof.

“Governmental Authority” means any United States or non-United States federal, national, supranational, state, provincial, local or similar government, governmental, regulatory or administrative authority, branch, agency or commission or any court, tribunal, or arbitral or judicial body.

“Governmental Authorization” means any: (a) permit, license, certificate, franchise, permission, variance, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any applicable Law; or (b) right under any Contract with any Governmental Authority.

“Hotel” means each hotel identified on Schedules 2.1(a)-(d) to be transferred pursuant to this Agreement.

“Hotel Interests” means the Fee Properties, Leasehold Properties and Equity Interests being transferred by CTF to the Purchaser in accordance with this Agreement, the Ancillary Agreements, the CTF Agreement and the CTF Ancillary Agreements.

“Hotel Management Agreements” means each of the agreements to be executed at Closing, by Designee, as Owner, and Marriott as Manager, of each of the Hotels (other than Techworld) acquired by Purchaser hereunder substantially in the form attached hereto as Exhibit B.

“Intercompany Debt” means any debts outstanding of any Target to CTF or any of its Affiliates. For the avoidance of doubt, Intercompany Debt does not include the Orlando ODL Note or the Orlando Mortgage Note.

“Intercreditor Claims Side Letter” means the letter to be executed by Marriott WSRH Holdings, LLC and Purchaser hereunder substantially in the form attached hereto as Exhibit C.

“Interest Holder” means any Target or, with respect to the Hotels being transferred pursuant to the Fee Sale or the Lease Agreement and Sale, any CTF Selling Entity that conveys a Hotel Interest at the Closing.

“IRS” means the Internal Revenue Service of the United States.

“Law” means any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or order of any Governmental Authority.

“Leased Real Property” means the real property leased by a CTF Selling Entity or Target in each case, as tenant, together with, to the extent so leased, the Hotel and all other structures, facilities or improvements currently or hereafter located therein or thereon, and all easements, licenses, rights and appurtenances relating to the foregoing.

“Leasehold Interest” means the leasehold interest created under the applicable Leases for the Leased Real Property.

“Leases” means the leases identified on Schedules 2.1(b) and (c).

“Legal Proceeding” means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Authority or any arbitrator or arbitration panel.

“Lien” shall mean a charge against or interest in property to secure payment of a debt or performance of a liability, whether granted voluntarily or involuntarily, including without limitation, any security interest, pledge, mortgage or charge, except for any charge against or interest to secure any purchase money obligation or any operating or capital leases of personal property.

“Marriott’s Accounting Practices” means the primary accounting treatment (including the implicit contractual interpretations underlying such treatment) that Marriott has given a particular issue on the books and records of the Hotels, consistent with past practices, notwithstanding any objection that CTF has previously raised to such practices. For avoidance of doubt, “Marriott’s Accounting Practices” shall not include the rights or position that CTF has reserved or asserted, but rather only the accounting treatment actually implemented by Marriott on the books and records of the Hotels.

“Marriott’s Closing Deliveries” means the Ancillary Agreements and the other documents to be delivered at Closing by Marriott as set forth in Schedule 9.5(c).

“Marriott/CTF Hotel Management Agreements” means each of the agreements, as amended, between CTF or its Subsidiaries and Marriott, providing for the management and operation of the Hotels including (i) the Master Management Agreement dated August 5, 1993, between CTF Hotel Holdings, Inc. and Renaissance Hotel Operating Company, (ii) the HPI Master Management Agreement dated as of June 30, 1995 between Renaissance Hotel Group N.V. and Hotel Property Investments (B.V.I) Ltd., (iii) the Agreement dated April 23, 1999 by and among Marriott International, Inc., Renaissance Hotel Operating Company, Renaissance Hotel Group N.V., CTF Hotel Holdings, Inc., and Hotel Property Investments (B.V.I.), Ltd., and (iv) the Hotel-specific agreements set forth on Schedules 2.1(a)-(c) of the CTF Agreement.

“Marriott’s Knowledge,” or derivations thereof, means in Marriott’s capacity as manager of the Hotels under the Marriott/CTF Hotel Management Agreements, the knowledge of any officer or employee of Marriott whose name is listed on Schedule 1.1(c) and, even if not named on Schedule 1.1(c), each employee of Marriott at each Hotel who holds the position as general manager at such Hotel, and those attorneys of Venable LLP who have given substantive legal attention to the representation of Marriott in connection with the transactions contemplated by this Agreement, subject, however, to the attorney-client privilege.

“Marriott Material Contract” means any Contract relating to any Hotel or Hotel Interest to which Marriott is a party or entered into or administered by Marriott on behalf of CTF other than (a) Contracts entered into in the Ordinary Course of Business being those Contracts involving (i) an annual expense of less than \$50,000 or (ii) a space lease of less than 3,000 square feet, (b) group sales Contracts, or (c) other Hotel Contracts with guests or customers.

“Material Contract” means (a) any Contract that (i) involves an annual expense to an Interest Holder of more than \$100,000 (or more than \$100,000 on an annualized basis) or (ii) is not terminable upon ninety (90) days notice or less with damages or penalties of such termination not exceeding \$10,000, other than (A) those Contracts to which Marriott is a party, (B) those Contracts entered into or administered by Marriott on behalf of CTF, (C) the Leases, and (D) the Debt and (b) any Contract between an Interest Holder and an Affiliate of CTF other than those identified on Schedule 5.10 of the CTF Agreement.

“Minority Owned Entities” means THA I, LLC, a District of Columbia limited liability company and THA II, LLC, a District of Columbia limited liability company. For the avoidance of doubt, the Minority Owned Entities are not Targets.

“Miscellaneous Operating Supplies” means items in unopened packages in the following categories: (i) linen; (ii) china, glass & silver; (iii) miscellaneous serving equipment; (iv) uniforms; and (v) guest supplies. The value of Miscellaneous Operating Supplies for the Hotels shall be conclusively established as (1) the total of the amounts set forth on Schedule 1.1(b)(i) of the CTF Agreement, less (2) the amounts set forth thereon with respect to any Hotels not transferred by CTF to Purchaser at the Closing, plus (3) the amount, if any, by which (a) the expense for Miscellaneous Operating Supplies for the Hotels incurred in the aggregate at the Hotels transferred by CTF at the Closing, from January 1, 2005 to the Effective Date exceeds (b) the total of the amounts set forth on Schedule 1.1(b)(ii) with respect to such transferred Hotels (with the amounts set forth on Schedule 1.1(b)(ii) to be pro rated with respect to Hotels located in the United States if the Effective Date is other than June 17, 2005, and with respect to all other Hotels if the Effective Date is other than June 30, 2005, based in either case on the number of actual days elapsed from January 1, 2005).

“Order” means any: (a) order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, subpoena, writ or



award issued, made, entered, rendered or otherwise put into effect by or under the authority of any court, administrative agency or other Governmental Authority or any arbitrator or arbitration panel; or (b) Contract with any Governmental Authority entered into in connection with any Legal Proceeding.

“Ordinary Course of Business” means such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person.

“Organizational Documents” mean: (a) if a corporation, the articles or certificate of incorporation and the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles of organization and operating agreement; (e) any other charter or similar document adopted or filed in connection with the creation, formation or organization of such entity; (f) the minutes of each meeting or written consents of the board of directors or other governing body, any committee of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders (g) all equity holders’ agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of such entity, or relating to the rights, duties and obligations of the equity holders of such entity; and (h) any amendment or supplement to any of the foregoing.

“Orlando Hotel Management Agreement” means the Marriott/CTF Hotel Management Agreement, dated December 26, 1986 between SWW No. 1 and The CTF Hotel Management Corporation, as amended.

“Orlando Mortgage Note” means the note evidencing a loan and mortgage in the principal amount outstanding of \$54,229,280 as of December 31, 2004, and all related documents, copies of which are attached as Exhibit B to the CTF Agreement.

“Orlando ODL Note” means the note evidencing the loan by CTF Orlando Resort LLC to SWW No. 1 LLC in the outstanding principal amount of \$112,742,758 as of December 31, 2004, a copy of which is attached as Exhibit A to the CTF Agreement.

“Owned Real Property” means the real property owned by a CTF Selling Entity or Target together with the Hotel and all other structures, facilities or improvements currently or hereafter located thereon, and all easements, licenses, rights and appurtenances relating to the foregoing.

“Owner Agreements” means each of the agreements to be executed at Closing by Marriott as manager, the Designee that acquires a Hotel and/or Hotel Interest and Purchaser’s tenant REIT subsidiary pursuant to this Agreement in the form attached hereto as Exhibit D.

“Permits” means, with respect to each Hotel property as applicable, all transferable or assignable permits (including liquor licenses), certificates of occupancy, operating permits, sign permits, development rights and approvals granted by any Governmental Authority or by any private party pursuant to any applicable declaration of covenants or like instrument, instrument, licenses, warranties and guarantees held by each Interest Holder which relate exclusively to each Hotel, as applicable.

“Permitted Encumbrances” means with respect to each Hotel property, (a) all matters shown on or disclosed by the Title Materials which are (i) not objected to by the Purchaser pursuant to Section 9.1 or (ii) are deemed to have been accepted or waived by the Purchaser pursuant to Section 9.1, provided, however, that Permitted Encumbrances shall in no circumstance include Encumbrances arising from any Debt, (b) the Marriott/CTF Hotel Management Agreements (which, other than Techworld will be terminated at Closing), (c) applicable zoning regulations and ordinances and other governmental laws, ordinances and regulations provided the same do not prohibit or impair in any material respect use of each Hotel property as currently operated, (d) the occupancy rights of transient lodging guests as transient lodging guests and (e) liens, pledges, hypothecations, charges, mortgages, security interests, encumbrances, claims, infringements, interferences, options, rights of first refusal, preemptive rights or community property interests created by the acts or omissions of Marriott as manager of the Hotels.

“Person” means an individual, corporation, partnership, limited liability company, limited partnership, syndicate, person, trust, association, organization or other entity, including any Governmental Authority, and including any successor, by merger or otherwise, of any of the foregoing.

“Personal Property” means all fixtures, furnishings, artwork, systems, equipment and items of personal property (other than cash) used in the operation of a Hotel or attached or appurtenant to a Hotel.

“PIP Expenditures” means expenditures of CTF and its Subsidiaries, in respect of the Property Improvement Programs listed on Schedule 3.2(b) of the CTF Agreement.

“Property” means the Leasehold Interests, the Owned Real Property and the Personal Property.

“Property Improvement Plans” shall have the meaning given to that term in Section 2.5 of this Agreement.

“Property Tax” means real estate or personal property taxes, assessments and water or sewer charges.

“Purchaser Material Adverse Effect” means any event, change, circumstance, effect or state of facts that is materially adverse to the ability of the Purchaser to perform its obligations under this Agreement or the Ancillary Agreements to which it will be a party or to consummate the transactions contemplated hereby or thereby.

“Purchaser’s Closing Deliveries” means the Ancillary Agreements and the other documents to be delivered at Closing by the Purchaser as set forth in Schedule 9.4(b).

“Purchaser’s Knowledge”, or derivations thereof, means the knowledge of Gary Stougaard (CFO), Tom Naughton (VP Acquisitions), Bob Alter (CEO), Hunter Oliver (Acquisitions), and those attorneys of Squire, Sanders & Dempsey, L.L.P., who have given substantive legal attention to the representation of Purchaser in connection with the transactions contemplated by this Agreement, subject, however, to the attorney-client privilege.

“Representatives” means the officers, employees, agents, accountants, advisors, bankers and other representatives of a Person.

“Sales, Use & Occupancy Tax Audit Liabilities” means any liabilities resulting from audits by any Governmental Authority for sales, use and occupancy taxes arising from the operations of the Hotels located within the United States, regardless of the period in which such liabilities arose. For the avoidance of doubt, Sales, Use & Occupancy Tax Audit Liabilities shall exclude any Transfer Tax liability.

“Schedules” means each of those schedules referenced in, and attached to, this Agreement. Each such Schedule is considered part of this Agreement.

“Subsidiary” or “Subsidiaries” of any Person means any other Person controlled by such Person, directly or indirectly, through one or more intermediaries.

“Target” means those entities identified as such on Schedule 2.1(c) and any Subsidiaries of those entities.

“Target Sale” means the transfer of the Equity Interests of the Targets by CTF to Purchaser in accordance with Sections 2.1(a) and 2.1(c).

“Tax or Taxes” shall mean any and all taxes, charges, fees, levies or other assessments, including but not limited to income, gross receipts, excise, real or personal property, sales, withholding, social security, retirement, unemployment, occupation, use, goods and services, service use, license, value added, capital, net worth, payroll, profits, withholding, franchise, registration, transfer and recording taxes, fees and charges, and any other taxes, assessment or similar charges whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest whether paid or received, fines, penalties or additional amounts attributable to, or imposed upon, or with respect to, any such taxes, charges, fees, levies or other assessments.

“Tax Return” shall mean any report, return, document, questionnaire, declaration or other information or filing required to be supplied to any Taxing Authority with respect to Taxes, including information returns, any documents with respect to or accompanying payments of estimated Taxes, any claim or request for refunds, or any documents with respect to or accompanying requests for the extension of time in which to file any such report, return, document, questionnaire, declaration or other information.

“Taxing Authority” means, with respect to any Tax, the IRS or any other United States authority that imposes such Tax, including any state, county, local, or any subdivision or taxing agency thereof.

“Title Company” means First American Title Insurance Company.

“Transfer Tax” means any stamp, registration real or personal property transfer, sales, use, documentary notary fee or other similar Tax or charge related to the Fee Sale, Target Sale or the Lease Assignment & Sale.

“Working Capital” means the amount determined in accordance with Marriott’s Accounting Practices, being: (a) the sum of all (i) cash in Hotel operating accounts and petty cash, (ii) accounts receivable (net of (xx) all write-offs determined by Marriott made through the end of Accounting Period prior to the Closing, and (yy) a reduction equal to 3% for the trailing thirteen period average of non-credit card receivables), (iii) inventories of food and beverages and, under certain circumstances, goods for sale at retail (but “inventories” shall in no event include furniture or Miscellaneous Operating Supplies), (iv) prepaid expenses, (v) deposits (whether classified as current or otherwise), (vi) prepaid Taxes and Taxes receivable (excluding any United States federal, state, local, and foreign income taxes, which are addressed in Article 8 of this Agreement), (vii) Miscellaneous Operating Supplies; minus (b) the sum of all: (1) accounts payable and other current payables, (2) accrued payroll, benefits, and related expenses (including bonuses), (3) accrued operating liabilities, (4) advance deposits from customers and others, (5) Taxes payable excluding any United States federal, state, local, and foreign income taxes, (6) security deposits paid by tenants as to leases of space in the Hotels in effect on the Effective Date, (7) rent from leases of space in the Hotels received on or before the Effective Date, to the extent allocable to any period after the Effective Date (and accordingly, rents paid before the Effective Date for the month in which the Effective Date occurs will be accounted for in this clause (b), based on the number of days in such month after the Effective Date), and (8) one-half of the room revenue of each Hotel acquired by Purchaser at the Closing in respect of the room night that begins on the Effective Date and ends on the day after (it being understood that the revenue for such room shall be for the account of the CTF Selling Entity). Excluded in all cases from the definition of “Working Capital” are (A) deferred Taxes resulting from an accounting convention to reflect timing differences between book and tax accounting, (B) the current and the long-term portion of any Debt and any accrued interest thereon, and (C) Management Fees and Reimbursables, as defined in the CTF Agreement. The calculation of “Taxes payable”, as part of Working Capital, includes a pro rata share of the property taxes for the tax year in which the Effective Date occurs (as estimated by Marriott), based on the number of days in the tax year after the

Effective Date, to the extent that such property taxes allocable to the period after the Effective Date have not been paid prior to the Effective Date. Similarly, the calculation of “prepaid Taxes”, as part of Working Capital, includes a pro rata share of the property taxes for the tax year in which the Effective Date occurs (as estimated by Marriott), based on the number of days in the tax year after the Effective Date, but only the extent that such property taxes allocable to the period after the Effective Date have been paid prior to the Effective Date.

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## **ARTICLE 2. THE TRANSACTIONS**

Section 2.1 Transactions. Upon the terms and subject to the conditions of this Agreement, at the Closing:

- (a) With respect to the Hotels listed on Schedule 2.1(a), Marriott shall cause CTF to (i) sell, transfer, convey and deliver the Owned Real Property, (ii) sell,

transfer, convey and deliver all of the Personal Property, and (iii) assign or otherwise transfer and deliver the Permits and Contracts related to such Hotels (for each Hotel, the "Fee Property") to the Purchaser and the Purchaser shall purchase and assume the Fee Properties from CTF (the "Fee Sale"); provided, however, at Purchaser's election (to be made no later than May 3, 2005) in lieu of any specific Fee Sale, Marriott shall cause CTF to sell, transfer, convey and deliver all of the Equity Interests of a Target to Purchaser, and Purchaser shall purchase such Equity Interest of the Target from CTF in the same manner as set forth in Schedule 2.1(c), and such sale shall be deemed a Target Sale (each, an "Alternate Target Sale");

(b) With respect to the Hotels listed on Schedule 2.1(b), Marriott shall cause CTF to (i) assign or otherwise transfer and deliver CTF's Leasehold Interests, (ii) sell, transfer, convey and deliver all of the Personal Property, and (iii) assign or otherwise transfer and deliver the Permits and Contracts related to such Hotels (for each Hotel, the "Leasehold Property") to Purchaser and Purchaser shall assume and purchase the Leasehold Properties from CTF (the "Lease Assignment & Sale");

(c) With respect to the Hotels listed on Schedule 2.1(c), Marriott shall cause CTF to sell, transfer, convey and deliver all of the Equity Interests of the Targets to the Purchaser and the Purchaser shall purchase the Equity Interests of the Targets from CTF; provided, however, with respect to the Hotels identified on Schedule 2.1(c)-1, if the Purchaser has obtained the landlord's consent for CTF to assign the Leasehold Interests for any such Hotel to the Purchaser, then at Purchaser's election (to be made no later than May 3, 2005) in lieu of any specific Target Sale, Marriott shall cause CTF to (i) assign or otherwise transfer and deliver CTF's Leasehold Interests, (ii) sell, transfer, convey and deliver all of the Personal Property, and (iii) assign or otherwise transfer and deliver the Permits and Contracts related to such Hotel in the same manner as set forth in Section 2.1(b) above, and such assignment shall be deemed a Lease Assignment & Sale (each an "Alternate Assignment");

(d) Marriott shall cause CTF to sell, transfer, convey and deliver its equity interests in the Minority Owned Entities to the Purchaser and Purchaser shall purchase the equity interests in the Minority Owned Entities from the CTF;

(e) Marriott shall cause the CTF Subsidiary which is the holder of the Orlando Mortgage Note and the Orlando ODL Note to assign and transfer to the Purchaser the Orlando Mortgage Note and the Orlando ODL Note, free and clear of all Encumbrances and the Purchaser shall assume all obligations thereunder and shall cause The CTF Hotel Management Corporation to assign to Purchaser or terminate, at Marriott's election, the Orlando Hotel Management Agreement; and

(f) In connection with the Fee Sale and the Lease Assignment & Sale, Purchaser and any entity wholly-owned by Purchaser designated by Purchaser as the Designee (as that term is used in the CTF Agreement) of any such Fee Sale or Lease Assignment & Sale, shall, jointly and severally, assume and pay, discharge, perform or otherwise satisfy from and after the Closing Date (with effect as of the Effective Date) the following liabilities and obligations of the CTF Selling Entity relating to the ownership and operation of the applicable Hotel (the "Assumed Liabilities");

(i) all liabilities referred to in clause (b) of the definition of “Working Capital;” and

(ii) all liabilities and obligations arising from all Contracts, Leases, Permitted Encumbrances and Permits subsequent to the Closing Date (with effect as of the Effective Date)

provided, however, it is understood and agreed by the parties that the Purchaser shall not assume any Debt except as explicitly set forth herein, and further provided that nothing in this Section 2.1(f) shall be construed as limiting the Purchaser’s recourse in respect of a representation, warranty or covenant contained in this Agreement in accordance with Article 10. As used and described in this Agreement and in the CTF Agreement, a Designee must be either the Purchaser or a wholly-owned subsidiary of Purchaser.

The transactions set forth in this Section 2.1 are collectively referred to as the “Transaction.”

Section 2.2 Certain Information.

(a) Schedule 2.1(a) sets forth, for each Hotel being transferred through the Fee Sale: (i) the name and location of the Hotel, (ii) the name and jurisdiction of organization of the Target(s), (iii) the name and jurisdiction of organization of the CTF Selling Entity, (iv) the portion of the Unadjusted Purchase Price (the “Preliminary Allocated Price”) allocated to the Fee Property; and (v) the permitted range of the Closing Allocated Price.

(b) Schedule 2.1(b) sets forth, for each Hotel being transferred to the Purchaser through the Lease Assignment & Sale: (i) the name and location of the Hotel; (ii) the name and jurisdiction of organization of the CTF Selling Entity; (iii) title, date and parties to the Lease(s); (iv) the Preliminary Allocated Price allocated to the Leasehold Interests and Personal Property; and (v) the permitted range of the Closing Allocated Price.

(c) Schedule 2.1(c) sets forth, for each Hotel being transferred to the Purchaser through the Target Sale: (i) the name and location of the Hotel; (ii) the name and jurisdiction of organization of the CTF Selling Entity; (iii) the name and jurisdiction of organization of the Target(s); (iv) the nature of the Target’s ownership interest in the Hotel (i.e. fee ownership or leasehold); (v) the percentage interest in the Target(s) being transferred hereunder; (vi) title, date and parties to the Lease(s), if applicable; (vii) the Preliminary Allocated Price allocated to the Target and Leasehold Property; and (viii) the permitted range of the Closing Allocated Price.



(d) Schedule 2.1(d) sets forth for each Minority Owned Entity: (i) the name and jurisdiction of the CTF Selling Entity; (ii) the percentage interest in the equity of the Minority Owned Entity being transferred hereunder; (iii) the Preliminary Allocated Price allocated to the Minority Owned Entity; and (iv) the permitted range of the Closing Allocated Price.

Section 2.3 Debt, Schedule 2.4 of the CTF Agreement sets forth certain Debt as of the date of this Agreement. Marriott shall cause CTF to take such action, such that at the Closing all outstanding Debt shall have been repaid, defeased or otherwise released.

Section 2.4 Intercompany Debt. Marriott shall cause CTF to take such action such that at the Closing there shall be no Intercompany Debt outstanding in respect of any Target. Accordingly, all currently outstanding Intercompany Debt with respect to each Target shall have been repaid, cancelled, forgiven, contributed to capital or otherwise extinguished (the method of extinguishing such Intercompany Debt to be selected by CTF), such that no Target shall remain liable for the payment of any principal, interest, fees or penalties on any Intercompany Debt and such that the Purchaser shall not be liable for any Taxes in connection therewith.

Section 2.5 Property Improvement Plan Expenditures. Purchaser agrees, pursuant to each of the applicable Hotel Management Agreements, to fund a maximum amount equal to \$35,502,000 minus the PIP Expenditures (such amount, the "PIP Amount") towards the immediate renovation and property improvement needs of the Hotels. Marriott shall, provide Purchaser for the Long Beach, Westchester and Orlando Hotels prior to Closing, and for the other Hotels subsequent to Closing, with preliminary Property Improvement Plans for each Hotel, together with estimated pricing thereof, describing all of the renovation and property improvement needs that Marriott considers necessary to meet System Standards (as defined in the Hotel Management Agreements) or otherwise desirable (the "Preliminary PIPs"). Following the delivery of each of the Preliminary PIPs, Purchaser shall work with Marriott to refine and revise the Preliminary PIPs, in both scope and pricing, with the objective of agreeing upon final Property Improvement Plans that will satisfy all System Standards (as well as any other work mutually agreed upon) for a budgeted amount not in excess of the PIP Amount. If the parties are able to agree on such final Property Improvement Plans, they shall be deemed to be the Renovation Plans for all purposes of the Hotel Management Agreements. In the event that, within thirty (30) days following the delivery of the last Preliminary PIP, Purchaser and Marriott are unable to agree on final Property Improvement Plans for the Hotels in an aggregate amount not exceeding the PIP Amount, then Marriott shall determine the scope of the final Property Improvement Plans (which shall be consistent with the Preliminary PIPs and System Standards) provided that the pricing of such scope (as determined by Marriott) shall not be in excess of the PIP Amount. If the costs of the agreed final Property Improvement Plans are less than the PIP Amount, the PIP Amount will be reduced accordingly. In no event shall Purchaser be required to fund amounts in excess of the PIP Amount for the agreed final Property Improvement Plans. Upon completion of the Final PIP (as that term is defined in, and in accordance with, the terms

of the applicable Hotel Management Agreement), such Hotel shall be deemed to comply with the System Standards (as defined in the Hotel Management Agreements) in effect as of the date of completion.

### **ARTICLE 3. PURCHASE PRICE ADJUSTMENTS AND CLOSING**

**Section 3.1 Purchase Price.** In consideration for the Transaction, the Purchaser shall pay into escrow at the Closing an aggregate purchase price of U.S. \$419,470,000 (the "Unadjusted Purchase Price"), as shall be adjusted as provided in this Article 3, Section 7.3 and Section 9.2 (the "Adjusted Purchase Price").

**Section 3.2 Deposit.** Upon execution of this Agreement, Purchaser shall deposit into escrow \$20,000,000 (the "Deposit") with the Title Company. The Deposit will be non-refundable, other than for termination based on a failure of a material condition to Purchaser's obligation to consummate the Transaction. If the Transaction is consummated, the Deposit, and interest earned thereon, will be applied against the Purchase Price; provided, however, if the Buy-Sell Procedures for the Techworld Hotel are invoked in accordance with Schedule 9.2(d) of this Agreement, the Deposit and all interest earned thereon shall be retained by the Title Company to secure Purchaser's obligations pursuant to Schedule 9.2(d).

#### **Section 3.3 Estimated Working Capital, Capital Expenditure and PIP Expenditure Adjustments.**

(a) Section 3.2 of the CTF Agreement contemplates, and provides a procedure for, CTF and Marriott to determine certain items defined and described therein as the Estimated Total Working Capital, the Estimated North American Capex and the Estimated PIP Expenditures. Marriott and Purchaser shall recalculate the Estimated Total Working Capital, utilizing the definition of Working Capital set forth in this Agreement for all purposes and calculations contemplated in this Section 3.3(a). At Closing, the Unadjusted Purchase Price shall be: (i) increased (or decreased) by the amount by which the Estimated Total Working Capital applicable to the Hotels is more (or less) than \$0; (ii) increased (or decreased) by the amount by which the Estimated North American Capex applicable to the Hotels is more (or less) than the Target North American Capex Amount as set forth on Schedule 3.3(a); and (iii) increased by the amount of the Estimated PIP Expenditures.

(b) At Closing Purchaser shall provide to Marriott for each Hotel an amount equal to the Adjusted Working Capital for such Hotel. Adjusted Working Capital shall mean, for each Hotel, the difference, if any, by which (i) the Adjusted Estimated Total Working Capital for such Hotel is less than (ii) the Initial Required Working Capital for such Hotel. If the Adjusted Estimated Total Working Capital for any Hotel is less than \$0, Purchaser shall fund the amount of such Adjusted Estimated Total Working Capital deficit at Closing and shall also fund the applicable Initial Required Working Capital for such Hotel. If the Adjusted Estimated Total Working Capital for any Hotel is less than \$0 and the Initial Required Working Capital for such Hotel is less than \$0,

Purchaser shall fund the amount equal to the difference between the negative Adjusted Estimated Total Working Capital and the negative Initial Required Working Capital at Closing. Adjusted Estimated Total Working Capital shall mean, for each Hotel, the amount equal to (i) the Estimated Total Working Capital for such Hotel, minus (ii) the value of the Miscellaneous Operating Supplies included in the calculation of the Estimated Total Working Capital for such Hotel. Initial Required Working Capital shall mean, with respect to each Hotel, the amount set forth on Schedule 3.3(b) for such Hotel. Marriott and Purchaser shall recalculate the Estimated Total Working Capital utilizing the definition of Working Capital set forth in this Agreement for all purposes and calculations contemplated in this Section 3.2(b).

(c) At Closing, with respect to the Westchester Renaissance only, the Unadjusted Purchase Price shall be further adjusted by a reduction equal to the product of (i) the amount of all trade receivables that are aged 60 days or more, times (ii) 0.85 (the "Aged Receivables"). To make such adjustment, Marriott shall provide a list of such Aged Receivables, with specific identification of same. Subsequent to Closing, the parties agree that to the extent the Aged Receivables are collected, such amounts shall not be included as part of the revenues of the Westchester Renaissance, but rather shall be paid directly to Marriott. The parties agree that the staff of the Westchester Renaissance may be used to collect such receivables, as part of their ordinary course of duties and without prioritization of such receivables over any others. Marriott shall be responsible for tracking payment of the Aged Receivables and shall collect only upon payment of specific Aged Receivables. The foregoing provisions may, at the election of either party, be included in the Hotel Management Agreement for the Westchester Renaissance.

Section 3.4 Post-Closing Adjustments. Section 3.3 of the CTF Agreement contemplates that, and provides a procedure for, CTF and Marriott to arrive at certain post-closing adjustments to the Working Capital. Marriott and Purchaser shall recalculate the Estimated Total Working Capital utilizing the definition of Working Capital set forth in this Agreement for all purposes and calculations contemplated in this Section 3.4. Marriott, with the assistance of Purchaser, shall prepare, and submit, the Closing Statements defined and described in Section 3.3 of the CTF Agreement including information and documentation provided by Purchaser within sufficient time in order for Marriott to comply with the time requirements set forth in Section 3.3 of the CTF Agreement. Upon receipt of the final report from the Accounting Firm as described in Section 3.3(c) of the CTF Agreement, which such report shall be final and binding on the parties hereto, either Marriott shall cause CTF to transfer to Purchaser or Purchaser shall transfer to CTF, as the case may be, by wire transfer as described in Section 3.3(c) of the CTF Agreement, the difference between the adjustments made to the Unadjusted Purchase Price (pursuant to Section 3.3 above) and the amounts set forth in the Closing Statements (as may be adjusted by the Accounting Firm), along with interest as set forth in Section 3.3(c) of the CTF Agreement.

Section 3.5 Certain Transaction Costs.

(a) For the Hotels listed on Schedules 2.1(a) and (c), CTF shall be allocated one-half of the Transfer Taxes which would be payable if such Hotels were transferred pursuant to the Target Sale at the Preliminary Allocated Price. For the Hotels listed on Schedule 2.1(b), CTF shall be allocated one-half of the Transfer Taxes payable pursuant to the Lease Assignment & Sale at the Preliminary Allocated Price. Schedule 3.5 sets forth the parties' initial estimate of the Transfer Taxes to be incurred in connection with the Fee Sale, Target Sale and Lease Assignment & Sale as well as the estimated amount thereof to be allocated to CTF and Purchaser. Schedule 3.5 shall be adjusted by CTF, Marriott and Purchaser from time-to-time until the Closing to reflect any elections made by Marriott under the CTF Agreement and calculations made by the Title Company based upon the actual amount of Transfer Taxes due and payable in the applicable jurisdictions as of the Closing Date.

(b) Regardless of Law or convention, it shall be the responsibility of Purchaser to pay or cause to be paid all Transfer Taxes and otherwise complete and file all Tax Returns in connection therewith in a timely manner. Marriott shall, and shall cause CTF to, cooperate with Purchaser as reasonably requested by Purchaser in connection with the preparation and filing of such Tax Returns. The Unadjusted Purchase Price shall be reduced at Closing by the total amount of Transfer Taxes allocated to CTF that are actually paid or payable by Purchaser, and the Preliminary Allocated Price related to each Hotel Interest affected thereby shall be reduced accordingly.

Section 3.6 Structural and Environmental Consultants. Marriott has retained third party consultants (the "Structural and Environmental Consultants") to perform structural and environmental analyses of the Hotels and Marriott has provided Purchaser with copies of all of the reports and work product prepared by the Structural and Environmental Consultants with regard to the Hotels. Marriott shall cause the Structural and Environmental Consultants to provide letters authorizing the Purchaser to rely upon the reports, work product, representations and warranties provided by the Structural Environmental Consultants. At Closing, in addition to payment of the Purchase Price, Purchaser shall reimburse Marriott for the cost of all of the work performed by the Structural and Environmental Consultants with respect to the Hotels.

Section 3.7 Purchase Price Allocation.

(a) The parties have agreed upon the amount of the Preliminary Allocated Price for CTF's interest in each of the Hotels and Minority Owned Entities, which amounts are set forth on Schedules 2.1(a)-(d). By written notice to Marriott given not less than fourteen (14) Business Days prior to the Closing, Purchaser may modify the Preliminary Allocated Price for any such interest within the range permitted in Schedules 2.1(a)-(d), as applicable (each such Preliminary Allocated Price as modified in the "Closing Allocated Price"), provided, however, that the total amount of all Closing Allocated Prices shall at all times equal the Unadjusted Purchase Price as it may be

adjusted pursuant to the terms of this Agreement. The Closing Allocated Price of each property shall be set forth on Schedules 2.1(a)-(d) which shall be delivered by Purchaser to Marriott two (2) Business Days prior to Closing, provided, however, that to the extent such allocations result in an increase in Transfer Taxes allocated to CTF as set forth on Schedule 3.5 of the CTF Agreement, such difference shall be borne by the Purchaser. In the event of any purchase price adjustment hereunder, Marriott and Purchaser agree to adjust any previously agreed purchase price allocation to reflect such purchase price adjustment and to file subsequent Tax Returns consistent with such agreed allocation.

(b) The Purchaser and Marriott agree that the Closing Allocated Price for each Hotel Interest shall be adjusted to reflect the Adjusted Purchase Price as determined at the Closing. For each Hotel Interest, the purchase of which is treated as an asset purchase for United States federal income tax purposes, the Adjusted Purchase Price, as so adjusted, plus any liabilities attributable to such Hotel Interest that are liabilities for United States tax purposes, shall be allocated for federal income tax purposes among the assets acquired thereby as agreed to by the parties and, if no agreement is reached, as reasonably determined by each of the parties. Subject to the requirements of applicable Law, the Purchaser and Marriott and each of their Affiliates, shall file all Tax Returns, consistent with the Closing Allocated Price adjusted to take into account purchase price adjustments at the Closing and with any other allocation that is agreed in respect of a particular Hotel Interest. In the event of any purchase price adjustment hereunder, Marriott and the Purchaser agree to adjust any previously agreed Purchase Price allocation to reflect such purchase price adjustment and to file Tax Returns consistent with such agreed allocation.

Section 3.8 Closing.

(a) The closing of the Transactions shall take place at a closing (the "Closing") to be held at the offices of Gibson, Dunn & Crutcher LLP, 200 Park Avenue, New York, New York 10166, at 10:00 A.M., or at such other place as CTF, Marriott and Purchaser may agree in writing.

(b) The Closing shall occur on June 17, 2005, provided, however, that if the conditions to Closing of Marriott or Purchaser have not been satisfied as of that date, or upon notice given by Purchaser no later than June 7, 2005, or by Marriott no later than June 8, 2005, then the Closing shall occur not later than June 30, 2005, provided further, however, if all the conditions of both parties to the Closing have been satisfied, except that CTF shall not have received the requisite consent pursuant to the Offer and Solicitation to allow for the release of the liens on the Property securing the Notes, as more fully set forth in Article 4 of the CTF Agreement and as those terms are described and defined in the CTF Agreement, and Marriott exercises its one-time option to postpone the Closing to November 15, 2005 under Section 3.11 of the CTF Agreement, then the Closing hereunder shall also be postponed until November 15, 2005; provided further still, however, if the Closing with respect to any Hotel is delayed in accordance with the terms of this Agreement, the Closing for such Hotel shall occur as soon as practicable following the satisfaction of the conditions to Closing with respect to such Hotel. The day on which a Closing takes place is referred to as the "Closing Date."

(c) If the Closing does not occur by June 30, 2005, because CTF did not receive the requisite consent as described in Section 3.8(b), and after Purchaser provides written notice to Marriott no later than July 6, 2005 of Purchaser's intention to postpone Closing to November 15, 2005, Marriott elects not to exercise its one-time option to postpone the Closing to November 15, 2005 pursuant to Section 3.11 of the CTF Agreement and Marriott elects instead to terminate the CTF Agreement, but Purchaser is ready, willing and able to close on June 30, 2005, then Marriott will refund the Deposit and all interest thereon to Purchaser and pay Purchaser, Purchaser's Out of Pocket Costs not to exceed Two Million and No/100 Dollars (\$2,000,000). Failure on the part of Purchaser to notify Marriott on or before July 6, 2005 of its intention to postpone Closing, shall be deemed Purchaser's election not to postpone Closing and not to terminate this Agreement in accordance with Article 12 hereof. Purchaser being ready, willing and able to close for the purposes of this Section 3.8 shall mean that Purchaser shall have (i) satisfied the condition to Marriott's obligation to close set forth in Section 9.4(a), (ii) tendered all of Purchaser's Closing Deliveries, and (iii) shall have funding commitments for the payment of the entire Purchase Price such that Purchaser would have been in a position to pay the entire Purchase Price had the Closing occurred on June 30, 2005 and all conditions under this Agreement to Purchaser's obligations had been satisfied. As used herein, "Purchaser's Out of Pocket Costs" means all Purchaser's third party out-of-pocket costs and expenses, including, but not limited to, all travel costs and expenses, all amounts expended by Purchaser for its investigation of the Hotels, including consulting fees and costs and legal fees and costs, all amounts expended by Purchaser, including, but not limited to, legal fees and costs, in the negotiation of this Agreement, the CTF Agreement, the management agreement with Marriott, and the other documents and instruments in connection with this Transaction, and all fees and costs (including costs incurred to lock or cap rates of interest) paid by Purchaser to its lenders and potential lenders, including all amounts expended as liquidated damages to the lenders.

(d) If a Closing occurs after June 17, 2005 with respect to Hotels included in such Closing:

(i) all of the Transactions shall be deemed to be effective as of Marriott's most recently ended Accounting Period prior to the Closing Date (for such Closing, the "Effective Date");

(ii) Purchaser shall pay daily interest on the sum of the Preliminary Allocated Price of the Hotels from and including the Effective Date but not including the Closing Date, at a rate equal to the Closing Interest Rate; and

(iii) with respect to the Hotels located in the United States, Marriott shall cause CTF to, or the Purchaser shall, as the case may be, account and pay for the difference between (x) all deposits to CTF's bank accounts arising from Hotel operations from the close of business on the Effective Date through the Closing Date, and (y) all checks issued, wire transfers and other disbursements from CTF's bank accounts

arising from Hotel operations from the close of business on the Effective Date through the Closing Date, which would have been disbursed by Marriott if the Closing had occurred on the Effective Date (the "Cash True-Up").

(e) On or before a Closing, (i) the Purchaser shall deliver to the Title Company by wire transfer to a bank escrow account specified by the Title Company the amount of the Adjusted Purchase Price for the Hotels included in the Closing less the amount of Deposit (unless such Deposit will continue to be held by the Title Company pursuant to Schedule 9.2(d)) and all interest accrued thereon in immediately available funds in United States dollars (such amount to be shown on a settlement memorandum detailing required adjustments to the Unadjusted Purchase Price) and such other sums required to be paid by Purchaser hereunder, including Transfer Taxes and other costs of Closing, (ii) Marriott shall deliver to the Title Company Marriott's Closing Deliveries and all other documents required by the Purchaser of this Agreement or any Ancillary Agreement to be delivered by Marriott and such other parties as are necessary and appropriate, each such Deliveries and/or document to be executed by Marriott and such other parties as are necessary and appropriate and to be held in escrow by the Title Company, and (iii) the Purchaser shall deliver to the Title Company the Purchaser's Closing Deliveries and all other documents required by the Purchaser under this Agreement or any Ancillary Agreement to be delivered by the Purchaser, each such Deliveries and/or document to be executed by the Purchaser and to be held in escrow by the Title Company following completion of the matters specified in (d)(i)-(iii) above, and upon the joint written direction of Marriott and Purchaser, the Adjusted Purchase Price and/or documents so held in escrow shall be released from escrow and disbursed and/or distributed to those Persons entitled thereto, including to those Persons required pursuant to all Ancillary Agreements. In addition, Marriott and Purchaser shall cooperate to develop procedures for the flow of funds at each Closing.

**ARTICLE 4. PARAGON BONDS** [INTENTIONALLY OMITTED]

**ARTICLE 5. PASS THROUGH REPRESENTATIONS AND WARRANTIES OF MARRIOTT**

Subject to Section 5.17, Marriott represents and warrants, and to the extent applicable covenants, to the Purchaser, as of the date hereof and as of the Closing Date, that except as disclosed on the Disclosure Schedules set forth herein and in the CTF Agreement:

Section 5.1 Organization, Existence; Records and Actions.

(a) Schedules 2.1(a)-(e) of the CTF Agreement contain, with respect to each CTF Selling Entity and Target, a complete and accurate list of the jurisdiction of formation of such CTF Selling Entity and Target, and any other jurisdictions in which such Target is qualified to do business as a foreign entity. Each CTF Selling Entity and each Target is duly incorporated or formed and organized, validly existing and in good standing under the laws of the jurisdiction in which each was formed, with corporate power (or otherwise, as applicable) and authority to conduct its business as it is now

being conducted, to own or use the properties and assets that it purports to own or use. Each Target is duly qualified to do business as a foreign entity and is in good standing under the laws of each jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the business or operations of the Target as presently conducted.

(b) A true and complete copy of the Organizational Documents of each Target, certified by the Secretary or Assistant Secretary of the Target has been delivered to Marriott, and remain in full force and effect.

(c) The minute books of each Target contain accurate and complete records of all meetings held, and actions taken by, the board of directors or other governing body, any committees of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders of such Target.

(d) At the Closing, all of the books of account, minute books, equity interest record books, and other records of a Target (including correspondence related to the Leases) will be in the possession of such Target. As soon as reasonably practicable, but in no event more than twenty (20) days following the Closing, CTF shall physically deliver such corporate minute books and other corporate records to Marriott and no more than sixty (60) days following the Closing, CTF shall physically deliver all other such books and records to Marriott.

Section 5.2 Authority, Approval and Enforceability. The execution, delivery and performance by CTF and the CTF Selling Entities of the CTF Agreement and the CTF Ancillary Agreements, as applicable is within the corporate power (or otherwise, as applicable) of CTF and the CTF Selling Entities and has been duly and validly authorized by CTF and the CTF Selling Entities, and no other corporate proceedings (or otherwise, as applicable) on the part of CTF and the CTF Selling Entities are necessary to authorize the CTF Agreement, the CTF Ancillary Agreements, or the transactions contemplated thereby. The CTF Agreement has been, and the CTF Ancillary Agreements upon their execution at the Closing will be, validly executed and delivered by CTF and the CTF Selling Entities, and is or will be a valid and binding obligation of CTF and the CTF Selling Entities enforceable against CTF in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting the rights of creditors generally, and to the exercise of a court's equitable powers.

Section 5.3 Capitalization.

(a) Except as otherwise set forth on Schedules 2.1(a) and (c) of the CTF Agreement, the Equity Interests constitute all of the outstanding stock membership interests or partnership interests of each Target. All of the outstanding Equity Interests of each Target have been duly authorized and are validly issued, fully paid and nonassessable and are owned beneficially and of record by the CTF Selling Entity set



forth on Schedules 2.1(a) and (c) of the CTF Agreement. Except as set forth on Schedules 2.1(a) and (c) of the CTF Agreement, the CTF Selling Entities will convey all of the outstanding Equity Interests of each Target to Marriott at the Closing free and clear of any and all Encumbrances.

(b) The CTF Selling Entities' interest in the Minority Owned Entities represents the percentage interest of each Minority Owned Entity as set forth on Schedule 2.1(e) of the CTF Agreement. The CTF Selling Entities' equity interests in the Minority Owned Entities are owned beneficially and of record by the CTF's Selling Entity set forth on Schedule 2.1(e) of the CTF Agreement, and such CTF's Selling Entity will convey such equity interests in the Minority Owned Entities to Marriott at the Closing free and clear of any and all Encumbrances. The capital accounts of the CTF Selling Entity in each of the Minority Owned Entities as reported to CTF are as set forth on Schedule 2.1(e) of the CTF Agreement as of the date(s) indicated therein. To CTF's Knowledge, there has been no change in such capital accounts since the date indicated other than changes arising from income or losses attributable to the operations of the related Hotels.

(c) Except as set forth on Schedules 2.1(a), (c) and (e) of the CTF Agreement, there is no: (i) outstanding subscription, option, call, warrant or right (whether or not currently exercisable or contingent) to acquire any equity interest or security of any Target or a CTF Selling Entity's interest in a Minority Owned Entity; (ii) outstanding security, instrument or obligation that is or may become convertible into, or exchangeable for, any equity interest or security of any Target; or (iii) Contract under which any Target is or may become obligated to sell or otherwise issue any equity interest or security.

(d) All outstanding equity or securities of each Target have been issued in compliance with (i) applicable Law and (ii) all requirements set forth in Contracts applicable to the issuance of equity or securities of each Target.

(e) Except as set forth on Schedules 2.1(a) and (c) of the CTF Agreement, no Target has any Subsidiaries or any direct or indirect ownership interest in any other Person.

(f) The Orlando ODL Note and the Orlando Mortgage Note are owned by a Subsidiary of CTF and will be conveyed to Marriott at the Closing free and clear of any Encumbrances. The obligor of the Orlando ODL Note or the Orlando Mortgage Note is not in default under the terms thereof.

(g) No CTF Selling Entity or Target has filed a voluntary petition in bankruptcy or similar petition, nor has any order, judgment or action been taken or suffered by any Interest Holder or any Target under any insolvency or bankruptcy law.

Section 5.4 Lines of Business. No Target is engaged in any business and no Target has, for two (2) years prior to the date of this Agreement, engaged in any business other than the ownership and operation of the business of a Hotel and operations incidental thereto. Each Target has conducted its business in all material respects in accordance with its Organizational Documents.

**Section 5.5 No Conflicts; Consents.** Neither the execution and delivery of the CTF Agreement or the CTF Ancillary Agreements nor the consummation or performance of any of the transactions contemplated thereby will, directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of the CTF Selling Entities, or any Target, or (B) any resolution or action adopted by the board of directors or other governing body, any committee of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders of the CTF Selling Entities or Target;

(b) contravene, conflict with, or result in a violation of, or give any Governmental Authority or other Person the right to challenge any transaction contemplated by the CTF Agreement or the CTF Ancillary Agreements;

(c) except as set forth on Schedule 5.5 of the CTF Agreement, give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under, any applicable Law or any Order to which the CTF Selling Entities or any Target, or any material assets owned or used by any Interest Holder, may be subject;

(d) except as set forth on Schedule 5.5 of the CTF Agreement, contravene, conflict with, or result in a material violation of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate, or modify, any material Governmental Authorization that is held in the name of any Target other than Permits in relation to the operations of any Hotel;

(e) except as set forth on Schedules 2.1(a)-(c) or Schedule 5.5 of the CTF Agreement, contravene, conflict with, or result in a material violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Material Contract or Lease;

(f) result in the imposition or creation of any Encumbrance upon or with respect to the Property; or

(g) except as set forth on Schedules 2.1(a)-(c) or Schedule 5.5 of the CTF Agreement, require any Interest Holder to give any notice to, or obtain any Consent from, any Person in connection with the execution and delivery of the CTF Agreement or the consummation or performance of any of the transactions contemplated by the CTF Agreement or the CTF Ancillary Agreements, except with respect to any Permits in relation to the operations of any Hotel, and any antitrust Consents from Governmental Authorities.

(h) except as set forth on Schedule 2.1(e) of the CTF Agreement with respect to the Minority Owned Entities, constitute a breach of the Organizational Documents of such Minority Owned Entities or other Contracts related thereto to which the CTF Selling Entities or any Subsidiary of CTF is a party.

#### Section 5.6 Balance Sheets.

(a) Attached as Schedule 5.6 of the CTF Agreement is the consolidating unaudited balance sheet of each Target and its Subsidiaries as at December 31, 2004 (the "Balance Sheet"). With respect to such Target, the Balance Sheet constitutes a compilation prepared by the CTF Selling Entities of (i) the assets and liabilities of each Hotel owned or leased by such Target excluding the CTF Level Data (the "Hotel Level Data"); and (ii) the other assets and liabilities, if any, of the Target which either (A) are unrelated to the Hotel or (B) have historically not been accounted for as Hotel Level Data and (C) adjustments made by CTF to the Hotel Level Data (the "CTF Level Data"). The Hotel Level Data is maintained by and has been extracted from the financial information supplied by Marriott under the Marriott/CTF Hotel Management Agreements. The CTF Level Data has been compiled from the books and records of each Target maintained by the CTF Selling Entities. The Balance Sheet fairly presents the financial condition of the Target (and its consolidated Subsidiaries as appropriate) as at December 31, 2004 in all material respects in accordance with GAAP, except for any deferred income tax asset or liability and any explanatory footnotes required under GAAP and except to the extent that any Hotel Level Data is not complete and accurate.

(b) There are no liabilities or obligations of any nature (whether known or unknown, absolute, contingent, or otherwise) of any Target (excluding any (i) deferred tax liabilities resulting from an accounting convention to reflect timing differences between book and tax accounting, (ii) liabilities in respect of Sales, Use & Occupancy Tax Audit Liabilities, and (iii) liabilities in respect of employee claims arising out of any Employment Practices Liabilities (clauses (i)-(iii), collectively being the "Excluded Liabilities") except for liabilities or obligations reflected on or reserved against in the Balance Sheet with respect to such Target and except to the extent that the Hotel Level Data is not complete and accurate. Since the date of the Balance Sheet through the Closing Date, the CTF Selling Entities have not caused and will not permit any Target to suffer or incur any liability except for liabilities (A) pursuant to Contracts which are not Material Contracts; (B) pursuant to executory Material Contracts disclosed on Schedule 5.10 of the CTF Agreement; (C) for capital expenditures provided under Section 2.6 of the CTF Agreement; (D) pursuant to any Lease; (E) that are Intercompany Debt or (F) that are included within Working Capital for such Target as defined in the CTF Agreement; or (G) that constitute Excluded Liabilities.

(c) Except as set forth on Schedule 7.12 of the CTF Agreement, no Target is the guarantor of the obligations of a third party. No Target has contractually indemnified any third party, except in respect of liabilities directly related to the operations of a Target's Hotel.

(d) Except as set forth on Schedule 2.4 of the CTF Agreement, as of the date of this Agreement, no Target has any Debt.

(e) The CTF Level Data accounting records are maintained by and are in the possession of the CTF Selling Entities.

Section 5.7 Absence of Certain Changes. Except as set forth on Schedules 2.1(a) and 2.1(c) of the CTF Agreement, since December 31, 2004, no Target has:

(a) sold, transferred, or otherwise disposed of any of its Property except in the Ordinary Course of Business;

(b) forgiven or canceled debts or waived any claims or rights of substantial value other than Intercompany Debt; or

(c) incurred any debt or extended any credit other than in the Ordinary Course of Business, except for Intercompany Debt; or

(d) made any change in any method of accounting or accounting practices or policy.

Section 5.8 Litigation and Related Matters.

(a) Except as set forth in Schedule 5.8 of the CTF Agreement, there is no pending Legal Proceeding that has been commenced by or against any Interest Holder or related to the Property other than routine litigation related to the operations of a Hotel which is covered by insurance, and, to CTF's Knowledge, no Legal Proceeding has been threatened and no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such Legal Proceeding. CTF has made available to Marriott copies of all pleadings, correspondence, and other documents relating to each Legal Proceeding set forth in Schedule 5.8 of the CTF Agreement.

(b) Except as set forth in Schedule 5.8 of the CTF Agreement, and with the further exception that, with respect to the operations of any Hotel, the following representations are made to CTF's Knowledge only:

(i) there is no Order to which any Interest Holder, any of the assets owned or used by any Target, is subject;

(ii) no Interest Holder is subject to any Order that relates to the business or Property of any Interest Holder; and

(iii) no officer, director, manager, managing member, trustee, partner, agent, or employee of any Target who is not under the control of Marriott is subject to any Order that prohibits such Person from engaging in or continuing any conduct, activity, or practice relating to the business of any Target.

(c) Except as set forth in Schedule 5.8 of the CTF Agreement and with the further exception that with respect to the operations of any Hotel the following representations are made to CTF's Knowledge only.

(i) each Target and Interest Holder is in compliance in all material respects with the terms and requirements of each Order to which it is subject;

(ii) no event has occurred or circumstance exists that may constitute or result in (with or without notice or lapse of time) a violation of or failure to comply, in any material respect by an Interest Holder, with the terms or requirements of any Order to which it is subject; and

(iii) no Interest Holder has received any written notice from any Governmental Authority or any other Person regarding any actual, alleged, possible or potential violation of, or failure to comply with the terms and requirements of any Order to which it is subject.

Section 5.9 Compliance with Laws; Governmental Authorizations.

(a) Each Target is presently or, at the Closing shall be, in compliance in all material respects with all Governmental Authorizations necessary for the continued operation of the business of each Target, other than any Permits. Each Interest Holder has complied with, and is not in violation of, any applicable Law affecting such Target, excluding any applicable Law relating to the operations or business of any Hotel.

(b) Except as set forth on Schedule 2.1(a)-(d) of the CTF Agreement, the CTF Selling Entities have not received written notice of any request, application, proceeding, plan, study or effort including any condemnation proceeding, proposed change of zoning or other proposed land use regulation or action, which would have a material adverse effect on any Hotel or on any Permits. The CTF Selling Entities have not received written notice that the present development, improvement, use and operation of any Hotel are not in compliance with or violate any applicable Law or any Permit.

Section 5.10 Contracts and Commitments.

(a) Other than (i) the Contracts set forth on Schedule 5.10 of the CTF Agreement; (ii) the Leases; (iii) the exceptions noted on any Title Commitments (which shall be governed by Section 9.1 of the CTF Agreement); and (iv) the Orlando Mortgage Note and the Orlando ODL Note, there are no Material Contracts that will be binding on any Target or the Owned Real Property or the Leased Real Property subsequent to the Closing Date.

(b) (i) Schedule 5.10 of the CTF Agreement sets forth a true and complete list of all Material Contracts, true and complete copies of which have been delivered to Marriott; (ii) the Material Contracts are in full force and effect and no Interest Holder nor to CTF's Knowledge any other party thereto, is in material default in the performance of any of its obligations thereunder, nor, to CTF's Knowledge, has any event occurred which could give any party thereunder the right to give a notice of default

to any other party; (iii) the Material Contracts have not been further modified, supplemented or amended in any material respect; and (iv) all rent, charges or other payments due from any Interest Holder under any Material Contract, as applicable, have either been paid through the date of this Agreement or the Closing Date, as applicable, or provision has been made for the payment thereof as and when the same shall become due and payable.

(c) Except as set forth on Schedule 5.10 of the CTF Agreement, the CTF Selling Entities have no equity or other economic interest in any supplier, landlord or lessee of any Target. Except as set forth on Schedule 5.10 of the CTF Agreement, there are no Contracts between CTF or any Affiliate of CTF, that will be binding on any Target subsequent to the Closing Date.

(d) To CTF's Knowledge, no Target and no Person on behalf of a Target has made any illegal or unrecorded payments, deposits or similar items.

(e) True and complete copies of all agreements and instruments with respect to (i) the Orlando Mortgage Note; and (ii) the Orlando ODL Note have been delivered to Marriott, and such agreements and instruments have not been, and will not be, further modified, supplemented or amended.

(f) All Contracts related to PIP Expenditures have been, and those Contracts related to PIP Expenditures after the date hereof will be, delivered to Marriott.

Section 5.11 Hotel Properties.

(a) With the exception of Encumbrances which will be satisfied and discharged at Closing, each Interest Holder as appropriate owns the Property free and clear of any Encumbrances as defined in the CTF Agreement.

(b) Except as set forth on Schedule 5.11 of the CTF Agreement, to CTF's Knowledge, since January 1, 2003, no Interest Holder has received written notice by any Governmental Authority of any violation of an Environmental Law or written notice by any Person of any breach by an Interest Holder of its obligations under any Contract for the remediation of any condition at a Hotel under an Environmental Law.

Section 5.12 Intellectual Property. INTENTIONALLY OMITTED

Section 5.13 Employee Benefits. With respect to those Targets organized within the United States:

(a) No Interest Holder or an ERISA Affiliate thereof has sponsored, maintained and/or contributed to Employee Benefit Plan at any time within the past five (5) years; and

(b) Except as set forth on Schedule 5.13 of the CTF Agreement, no Target has any employees, except employees under the control of Marriott who are employed in connection with the business and operations of the Hotels.

Section 5.14 Insurance.

(a) Schedule 5.14 of the CTF Agreement lists:

(i) all of the policies of insurance that have been issued covering losses that may have occurred during the past three (3) insurance policy years (including the current year) preceding the date of the CTF Agreement to which any Target or Interest Holder is a party or has been covered excluding any policies placed by the landlords under the Leases, true and complete copies of which have been provided to Marriott;

(ii) a list of the policy numbers and names of insurance carriers for two (2) policy years in addition to those covered by clause (i) above, excluding casualty policies, excluding property and business interruption policies, as well as property terrorism policies and excluding any policies placed by the landlords under the Leases;

(iii) all pending applications for policies of insurance, true and complete copies of which have been provided to Marriott;

(iv) a schedule of all locations insured under the policies listed in subsection 5.14(a)(i) of the CTF Agreement; and

(v) all surety bonds placed directly by CTF to which any Target is a party or has been covered within the current year, true and complete copies of which have been provided to Marriott.

(b) Schedule 5.14 of the CTF Agreement describes any self-insurance arrangement by or affecting any Target, including any reserves established thereunder.

(c) CTF has previously provided to Marriott by line of coverage, by policy year for each Interest Holder, for each of the three (3) preceding policy years (including the current policy year):

(i) a recent summary of the loss experience under each insurance policy; and

(ii) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

(d) Except as set forth on Schedule 5.14 of the CTF Agreement, all policies to which any Target is a party:

(i) are valid, outstanding, and enforceable;

(ii) will continue in full force and effect until the Closing Date; and

(iii) do not provide for any retrospective premium adjustment or other experience-based liability on the part of any Target.

(e) Within the past twelve (12) months, no Target has received (A) any notice of a material increase in premiums, or (B) any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or that the issuer of any policy is not willing or able to perform its obligations thereunder.

(f) Each Target has paid all premiums due under each policy to which it is a party.

(g) CTF shall be responsible for the payment of all brokers' or insurance service providers' fees relating to insurance that is terminated at or prior to Closing with respect to the Hotels.

Section 5.15 Leases, Schedules 2.1(b) and (c) of the CTF Agreement set forth a complete and accurate list of the Leases, including the dates thereof and all amendments thereto. Except as set forth on Schedule 5.15 of the CTF Agreement, each Lease is in full force and effect and has not been modified, supplemented, or amended in any respect and no default has occurred by the respective tenant and is continuing under the Lease and no event has occurred and is continuing which with the giving of notice or lapse of time or both would constitute a default thereunder on the part of the respective tenant. Furthermore, to CTF's Knowledge, no default by the respective landlord under each Lease has occurred and is continuing under such Lease and no event has occurred and is continuing which with the giving of notice or lapse of time or both would constitute a default thereunder on the part of such landlord.

Section 5.16 Taxes. Except for Taxes the reporting and payment of which is the responsibility of Marriott pursuant to its management of the Hotel:

(a) Except as set forth on Schedule 5.16 of the CTF Agreement, each Target has duly and timely filed all Tax Returns required to be filed with any Taxing Authority (or has timely and properly filed valid extensions of time with respect to the filing thereof) and CTF or CTF's Affiliates have duly and timely filed each Tax Return required to be filed with any Taxing Authority by CTF or CTF's Affiliates which include or are based upon the assets, operations, ownership or activities of any of the Targets, including any consolidated, combined, unitary, fiscal unity or similar Tax Return which includes or is based upon the assets, operations, ownership or activities of any of the Targets (or CTF or CTF's Affiliates have timely and properly filed valid extensions of time with respect to the filing thereof) and all such Tax Returns were correct and complete in all material respects. The Targets (or CTF or CTF's Affiliates on behalf of the Targets) have paid all Taxes owing with respect to the assets, ownership, operations and activities of the Targets (whether or not shown on any Tax Return).

(b) There are no Liens on any of the assets of any of the Targets that arose in connection with any failure (or alleged failure) to pay any Tax, other than Liens for Taxes not yet due and payable.



(c) Except as set forth in Schedule 5.16 of the CTF Agreement, there are no pending audits, assessments or claims from any Taxing Authority for deficiencies, penalties or interest against any of the Targets or any of their assets, operations or activities. Except as set forth in Schedule 5.16 of the CTF Agreement, there are no pending claims for refund of any Tax of any Target (including refunds of Taxes allocable to the Targets or with respect to consolidated, combined, unitary, fiscal unity or similar Tax Returns).

(d) Except as set forth in Schedule 5.16 of the CTF Agreement, there is no pending investigation or other proceeding by any Taxing Authority for any jurisdiction where any of the Targets does not file Tax Returns with respect to a given Tax that may lead to an assertion by such Tax Authority that any of the Targets is or may be subject to a given Tax in such jurisdiction.

(e) Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Targets has (i) waived any statute of limitations in respect of income Taxes or, (ii) agreed to any extension of time with respect to the filing of any Tax Return of any of the Targets (including any Tax Return which includes or is based upon their respective assets, ownership, operations or activities), the payment of any Taxes of any of the companies, or any limitation period regarding the assessment of any such Taxes or (iii) received approval to make or agreed to a change in accounting method or has any application pending with any Taxing Authority requesting permission for any such change.

(f) Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Targets has elected under Treasury Regulation Section 301.7701-3 to be taxed as a corporation for United States Tax purposes. Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Targets has elected under Treasury Regulation Section 301.7701-3 to be taxed as a partnership or disregarded entity for United States Tax purposes.

(g) Except as set forth in Schedule 5.16 of the CTF Agreement, there are no outstanding rulings or determinations of, or requests for rulings or determinations with, any state, local or foreign Taxing Authority expressly addressed to any Target (or to an Affiliate of any Target) that are, or if issued would be, binding upon any Target.

(h) Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Targets is a party to any Tax allocation, Tax reimbursement or Tax sharing agreement.

(i) Except as set forth in Schedule 5.16 of the CTF Agreement, as to each year or period for which the relevant limitation period for assessments has not yet expired as to a given Tax, none of the Targets: (I) has been a member of an affiliated, consolidated, unitary, fiscal unity, combined or similar Tax group which files a consolidated, unitary, fiscal unity, combined or similar Tax Return for purposes of that Tax other than the group of which it currently is a member; or (II) has any liability for the Taxes of any Person (other than any of the members of the group of which it currently is a member) under Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise.

(j) Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Targets is a party to any joint venture, partnership or other arrangement or contract that could be treated as a partnership for US or Non-US Tax purposes.

(k) No Selling Entity that is selling a United States real property interest is a “foreign person” within the meaning of Code Section 1445.

(l) Except as set forth in Schedule 5.16 of the CTF Agreement, none of the Selling Entities or the Targets has given a power of attorney to any Person (other than a Tax Matters Partner pursuant to Code Section 6231(a)(7)) on any matters relating to Taxes.

(m) Except as set forth in Schedule 5.16 of the CTF Agreement, each asset with respect to which any Target claims depreciation, amortization or similar expense for Tax purposes is owned for Tax purposes by such Target under applicable Tax Law.

(n) Except as set forth in Schedule 5.16 of the CTF Agreement, no Target will have any taxable income or gain as a result of prior intercompany transactions with Affiliates of the Targets that have been deferred and that will be subject to Tax as a result of the changes in ownership of each of the Targets as contemplated by this Agreement.

(o) Each Target has withheld from each payment made to any of its past and present shareholders, directors, officers, employees and agents the amount of all Taxes and other deductions required to be withheld and has paid or made adequate provision for the payment of such amounts to the proper Taxing Authority.

Section 5.17 Limitations. CTF’s representations, warranties, and to the extent applicable, covenants set forth in Sections 5.4, 5.6(b)-(d), 5.7, 5.9, 5.10, 5.12 and 5.15 of the CTF Agreement are expressly made subject to any action of Marriott or its Representatives or any failure of Marriott or its Representatives to act in circumstances where Marriott is under a legal or contractual duty to act, and in the event of such action or failure to act by Marriott, CTF assumes no responsibility for the accuracy or completeness of such representations and warranties or the performance of such covenants to the extent of such inaccuracy, incompleteness or failure to perform is a result of such action or failure to act by Marriott. In addition, CTF’s representations, warranties, and to the extent applicable, covenants are qualified by reference to any condition identified in the property condition reports that are listed in Schedule 2.6(c) of the CTF Agreement.

**ARTICLE 5A. MANAGER REPRESENTATIONS AND WARRANTIES.** Marriott, in its capacity as manager of the Hotels, represents and warrants, and to the extent applicable covenants, to the Purchaser, as of the date hereof and as of the Closing Date, that except as disclosed on the Disclosure Schedules set forth herein and in the CTF Agreement.

Section 5.1A Organization, Existence; Records and Actions.

(a) INTENTIONALLY OMITTED

(b) A true and complete copy of the Organizational Documents of each Target, certified by the Secretary or Assistant Secretary of the Target, delivered by CTF to Marriott has been delivered to Purchaser.

(c) INTENTIONALLY OMITTED

(d) As soon as reasonably practicable, but in no event more than sixty-five (65) days following the Closing, Marriott shall physically deliver all corporate minutes and other corporate records it has received from CTF to Purchaser.

Section 5.2A Authority, Approval and Enforceability. The execution, delivery and performance by Marriott of this Agreement and the Ancillary Agreements, as applicable is within the corporate power (or otherwise, as applicable) of Marriott and has been duly and validly authorized by Marriott, and no other corporate proceedings (or otherwise, as applicable) on the part of Marriott are necessary to authorize this Agreement, the Ancillary Agreements, or the transactions contemplated thereby. This Agreement has been, and the Ancillary Agreements upon their execution at the Closing will be, validly executed and delivered by Marriott, and is or will be a valid and binding obligation of Marriott enforceable against Marriott in accordance with its respective terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting the rights of creditors generally, and to the exercise of a court's equitable powers. Exhibit A is a true and correct copy of the CTF Agreement (including Schedules and Exhibits thereto) as it relates to the Hotels that are the subject of this Agreement. The CTF Agreement shall not be modified or amended with respect to such Hotels. In addition to the restrictions set forth in the preceding sentence, the CTF Agreement and the documents delivered pursuant thereto (including security documents and guarantees) shall not be modified or amended so as to materially adversely affect Purchaser's rights hereunder. Marriott shall cause its counsel, Venable LLP, to deliver to Purchaser a legal opinion, in form and substance satisfactory to Purchaser as to the lawful existence of Marriott and the due execution and delivery of this Agreement and the applicable documents executed and delivered by Marriott at Closing.

Section 5.3A Capitalization.

(a) INTENTIONALLY OMITTED

(b) INTENTIONALLY OMITTED

(c) INTENTIONALLY OMITTED

(d) INTENTIONALLY OMITTED

(e) INTENTIONALLY OMITTED

(f) INTENTIONALLY OMITTED

(g) INTENTIONALLY OMITTED

(h) Marriott has not filed a voluntary petition in bankruptcy or similar petition, nor has any order, judgment or action been taken or suffered by Marriott under any insolvency or bankruptcy law.

Section 5.4A Lines of Business. Marriott, as manager under the Marriott/CTF Hotel Management Agreements has not taken any action or failed to take any action in circumstances where Marriott is under a legal or contractual duty to act such as to cause any Target to become engaged in any business other than the ownership and operation of the business of a Hotel and operations incidental thereto.

Section 5.5A No Conflicts; Consents. Except as set forth on Schedule 5.5A, neither the execution and delivery of this Agreement or the Ancillary Agreements nor the consummation or performance of any of the transactions contemplated hereby or thereby will, directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of Marriott, or (B) any resolution or action adopted by the board of directors or other governing body, any committee of the board of directors or other governing body, general partners, limited partners, managers or managing members, members, trustees, stockholders or equity holders of Marriott;

(b) contravene, conflict with, or result in a violation of, or give any Governmental Authority or other Person the right to challenge any transaction contemplated by this Agreement or the Ancillary Agreements;

(c) give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under, any applicable Law or any Order to which Marriott may be subject;

(d) to Marriott's Knowledge, except as set forth on Schedule 5.5 of the CTF Agreement, contravene, conflict with, or result in a material violation of any Permits in relation to the operations of the Hotel;

(e) except as set forth on Schedule 5.5A, contravene, conflict with, or result in a material violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Marriott Material Contract.

(f) INTENTIONALLY OMITTED

(g) to Marriott's Knowledge, except as set forth on Schedules 2.1(a)-(c) or Schedule 5.5 of the CTF Agreement, require Consent from any Person in connection with respect to any Permits in relation to the operations of any Hotel except as set forth in the last sentence of this subsection (g). Marriott is the holder of certain liquor licenses with respect to certain Hotels; each such liquor license is in full force and effect (except as set forth on Schedule 5.5A). Prior to any transfer of such liquor license to Purchaser, certain actions (including filings with governmental authorities) will be required to be taken in order for the Hotels, after being purchased by Purchaser to continue to have the benefit of such liquor licenses.

(h) INTENTIONALLY OMITTED

Section 5.6A Balance Sheets.

(a) The Hotel Level Data maintained by Marriott has been extracted by CTF from the financial information supplied by Marriott to CTF under the Marriott/CTF Hotel Management Agreements and such Hotel Level Data maintained by Marriott is complete and accurate.

(b), (c) and (d) Marriott, as manager under the Marriott/CTF Hotel Management Agreements, has not taken any action or failed to take any action, where Marriott is under a legal or contractual duty to act:

(i) since the date of the Balance Sheet through the Closing Date, to cause any Target to suffer or incur any liability described in Section 5.6(b) of this Agreement;

(ii) to cause any Target to become a guarantor of the obligations of a third party or to contractually indemnify any third party except in respect of liabilities directly related to the operations of a Target's Hotel; or

(iii) to cause any Target to incur any Debt.

(e) INTENTIONALLY OMITTED

Section 5.7A Absence of Certain Changes. The financial results reported in the operating statements prepared by Marriott in its capacity as the manager of the Hotels for the three (3) fiscal years preceding the date hereof and provided to Purchaser by Marriott are fairly presented and are free of material error or omission, and include the Marriott Material Contracts. Marriott, as manager under the Marriott/CTF Hotel Management Agreements, has not taken any action or failed to take any action where Marriott is under a legal or contractual duty to act, to cause any Target to take any of the actions prohibited in Section 5.7 of this Agreement. As of the Effective Date to the Closing Date Marriott has not and will not create by its acts or omissions as manager of the Hotels, any liens, pledges, hypothecations, charges, mortgages, security interests, encumbrances, claims, infringements, interferences, options, rights of first refusal, preemptive rights or community property interests with respect to the Hotel Interests.

Section 5.8A Litigation and Related Matters.

(a) Marriott has made available to the Purchaser copies of all pleadings, correspondence, and other documents relating to each Legal Proceeding set forth in Schedule 5.8 of the CTF Agreement provided by CTF to Marriott. To Marriott's Knowledge, Marriott has not received any written notice that any Legal Proceeding has been threatened or an event having occurred or circumstances existing that may give rise to or serve as a basis for the commencement of any such Legal Proceeding with respect to the Hotels, other than the routine Legal Proceedings related to the operations of the Hotel that are covered by insurance or as set forth on Schedule 5.8A.

(b) Except as set forth in Schedule 5.8 of the CTF Agreement, with respect to the operations of any Hotel, the following representations are made to Marriott's Knowledge only:

(i) there is no Order to which any Interest Holder, any of the assets owned or used by any Interest Holder, is subject;

(ii) no Selling Entity is subject to any Order that relates to the business or Property of any Interest Holder; and

(iii) no officer, director, manager, managing member, trustee, partner, agent, or employee of any Target who is under the control of Marriott is subject to any Order that prohibits such Person from engaging in or continuing any conduct, activity, or practice relating to the business of any Target.

(c) INTENTIONALLY OMITTED

Section 5.9A Compliance with Laws; Governmental Authorizations.

(a) Marriott, as manager under the Marriott/CTF Hotel Management Agreements has not taken any action or failed to take any action in circumstances where Marriott is under a legal or contractual duty to act to cause any Hotel not to be in compliance in all material respects with all Governmental Authorizations necessary for the continued operation of the business of each Hotel nor has Marriott received any notice that any Hotel is in violation of any applicable Law affecting the operation of such Hotel except as may have been set forth in the reports of the Structural and Environmental Consultants or as set forth on Schedule 5.9A.

(b) To Marriott's Knowledge, except as set forth on Schedule 5.9A, Marriott has not received written notice of any request, application, proceeding, plan, study or effort, including any condemnation proceeding, proposed change of zoning or other proposed land use regulation or action, which would have a material adverse effect on any Hotel or any Permits. To Marriott's Knowledge, Marriott has not received written

notice that the present development, improvement, use and operation of any Hotel are not in compliance with or violate any applicable Law or any Permit except as may have been set forth in the reports of the Structural and Environmental Consultants.

Section 5.10A Contracts and Commitments. True and complete copies of the Material Contracts delivered to Marriott by CTF have been delivered to Purchaser. Marriott, as manager under the Marriott/CTF Hotel Management Agreements, has not taken any action or failed to take any action in circumstances where Marriott is under a legal or contractual duty to act other than as set forth on Schedule 5.10 of the CTF Agreement:

(a) to create or enter into any contract other than (i) those contracts set forth on Schedule 5.10A, (ii) contracts entered into in the Ordinary Course of Business and (iii) Marriott Material Contracts that will be binding upon any Target or the Owned Real Property or Leased Real Property subsequent to the Closing Date;

(b) to cause any Interest Holder to materially default in the performance of any of its obligations under any Material Contract, nor modify, supplement or amend in any material respect any Material Contract;

(c) INTENTIONALLY OMITTED

(d) to cause any Target to make any illegal or unrecorded payments, deposits or similar items; and

(e) True and complete copies of all agreements and instruments with respect to (i) the Orlando Mortgage Note; and (ii) the Orlando ODL Note that have been delivered to Marriott by CTF have been delivered to Purchaser.

(f) All Contracts related to PIP Expenditures as of the date hereof, and those Contracts related to PIP Expenditures after the date hereof, delivered to Marriott have been, or will be, delivered to Purchaser. At Purchaser's request, Marriott shall use Commercially Reasonable Efforts to provide to the Purchaser on or before the Closing Date as to each Hotel, a summary regarding the status of the work performed under the Property Improvement Plans, including the amount paid for such work, the percentage of completion, material disputes with contractors and the amount remaining to be paid.

Section 5.11A Hotel Properties.

(a) INTENTIONALLY OMITTED

(b) To Marriott's Knowledge, except as set forth on Schedule 5.11 of the CTF Agreement or Schedule 5.9A, as of the date hereof, no Hotel has received written notice by any Governmental Authority of any violation of an Environmental Law or written notice by any Person of any breach by a Hotel of its obligations under any Contract for the remediation of any condition at a Hotel under an Environmental Law.

Section 5.12A Intellectual Property. INTENTIONALLY OMITTED

Section 5.13A Employee Benefits.

(a) To Marriott's Knowledge, except as set forth on Schedule 5.13A, no Hotel has any employees, except employees under the control of Marriott who are employed in connection with the business and operation of the Hotels pursuant to the Marriott/CTF Hotel Management Agreements.

(b) INTENTIONALLY OMITTED

Section 5.14A Insurance. INTENTIONALLY OMITTED

Section 5.15A Leases. Except as set forth on Schedule 5.15 of the CTF Agreement, Marriott, as manager under the Marriott/CTF Hotel Management Agreements, has not taken any action nor failed to act in circumstances where Marriott is under a legal or contractual duty to act:

(a) to modify, supplement or amend any Lease; or

(b) to cause a default by the respective tenant that is continuing under the Lease, or to cause any event to occur and continue, which with the giving of notice or lapse of time or both would constitute a default under the Lease on the part of the respective tenant.

Section 5.16A Taxes. Solely as to Taxes the reporting, filing and payment of which are the contractual obligation of Marriott or its Affiliates pursuant to the management of the Hotel under the Marriott/CTF Management Agreements, Marriott represents to the Purchaser:

(a) Marriott or its Affiliates have duly and timely filed each Tax Return contractually required pursuant to the Marriott/CTF Management Agreements to be filed with any Taxing Authority by Marriott or its Affiliates which include or are based upon the assets, operations, ownership or activities of any of the Hotels, including any consolidated, combined, unitary, fiscal unity or similar Tax Return which includes or is based upon the assets, operations, ownership or activities of any of the Hotels (or Marriott or its Affiliates have timely and properly filed valid extensions of time with respect to the filing thereof) and all such Tax Returns were correct and complete in all material respects. Marriott or its Affiliates on behalf of the Hotels have paid all Taxes owing with respect to the assets, ownership, operations and activities of the Hotels (whether or not shown on any Tax Return) in accordance with their contractual obligations of the Marriott/CTF Management Agreements.

(b) To Marriott's Knowledge there are no Liens on any of Hotels or the assets of any of the Hotels that arose in connection with any failure (or alleged failure) by Marriott or its Affiliates to pay, on behalf of the Hotels, any Tax in accordance with the contractual terms of the Marriott/CTF Management Agreements, other than Liens for Taxes not yet due and payable.



(c) Except as set forth in Schedule 5.16 of the CTF Agreement, to Marriott's Knowledge there are no pending audits, assessments or claims from any Taxing Authority for deficiencies, penalties or interest against any of the Hotels or any of their assets, operations or activities for Taxes that are the contractual filing and payment obligation of Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements. Except as set forth in Schedule 5.16, there are no pending claims for refund of any Tax of any Hotel (including refunds of Taxes allocable to the Hotel or with respect to consolidated, combined, unitary, fiscal unity or similar Tax Returns) related to any Taxes that are the contractual obligation of Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements.

(d) INTENTIONALLY OMITTED

(e) Except as set forth in Schedule 5.16 of the CTF Agreement, Marriott or its Affiliates have not (i) agreed to any extension of time with respect to the filing of any Tax Return for any of the Hotels contractually required to be filed by Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements (including any Tax Return which includes or is based upon the Hotels' respective assets, ownership, operations or activities), or any limitation period regarding the assessment of any such Taxes or (ii) received approval to make or agreed to a change in accounting method with respect to such Taxes or has any application pending with any Taxing Authority requesting permission for any such change.

(f) INTENTIONALLY OMITTED

(g) Except as set forth in Schedule 5.16 of the CTF Agreement, to Marriott's Knowledge there are no outstanding rulings or determinations of, or requests for rulings or determinations with, any state, local or foreign Taxing Authority expressly addressed to any Hotel that are, or if issued would be, binding upon any Hotels with respect to any Taxes that are the contractual obligation of Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements.

(h) INTENTIONALLY OMITTED

(i) INTENTIONALLY OMITTED

(j) INTENTIONALLY OMITTED

(k) INTENTIONALLY OMITTED

(l) Except as set forth in Schedule 5.16 of the CTF Agreement, none of Marriott or its Affiliates have given a power of attorney to any Person on any matters relating to Taxes that are the contractual obligation of Marriott or its Affiliates pursuant to the Marriott/CTF Management Agreements (other than a Tax Matters Partner pursuant to Code Section 6231(a)(7)).

(m) INTENTIONALLY OMITTED

(n) INTENTIONALLY OMITTED

(o) To the extent contractually required pursuant to the Marriott/CTF Management Agreements, Marriott or its Affiliates have withheld all Taxes and other deductions required to be withheld and have paid or made adequate provision for the payment of such amounts to the proper Taxing Authority.

Section 5.17A Inaccuracy of Pass Through Representations. To Marriott's Knowledge, none of the representations made in Article 5 are inaccurate, false, or misleading in any material respect. The pass through representations, warranties and to the extent applicable covenants made in Article 5 and Article 5A, as to the physical condition and environmental status of the Hotels and the Property are qualified by reference to reports prepared by the Structural and Environmental Consultants listed in Schedule 2.6(c) of the CTF Agreement. The pass through representations and warranties and to the extent applicable covenants made in Article 5 and Article 5A, as to financial matters are qualified by reference to the due diligence reports prepared by Deloitte and Touche.

## **ARTICLE 6. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

The Purchaser hereby represents and warrants to Marriott as follows:

### **Section 6.1 Organization.**

(a) The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Maryland and has all necessary corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. The Purchaser is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except, in each case, for any such failures that would not, individually or in the aggregate, reasonably be expected to have a Purchaser Material Adverse Effect.

(b) The Purchaser has heretofore furnished to Marriott a complete and correct copy of the Purchaser's certificate of incorporation and bylaws. Such certificates of incorporation and bylaws are in full force and effect. Purchaser shall cause its counsel to deliver to Marriott a legal opinion in form and substance satisfactory to Marriott as to the existence of Purchaser, and the due execution of this Agreement and the applicable documents executed and delivered by Purchaser at Closing.

Section 6.2 Authority. The Purchaser has full corporate power and authority to execute and deliver this Agreement and each of the Ancillary Agreements to which it will be a party, to perform its obligations hereunder and thereunder and to consummate the

transactions contemplated hereby and thereby. The execution and delivery by the Purchaser of this Agreement each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which it will be a party and the consummation by the Purchaser of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action. This Agreement has been, and upon their execution each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which the Purchaser will be a party will have been, duly and validly executed and delivered by the Purchaser. This Agreement constitutes, and upon their execution each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which the Purchaser will be a party will constitute, the legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with its and their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 6.3 No Conflict; Required Filings and Consents.

(a) The execution, delivery and performance by the Purchaser of this Agreement and each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which the Purchaser will be a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not:

(i) conflict with or violate the certificate of incorporation or bylaws of the Purchaser;

(ii) conflict with or violate any Law applicable to the Purchaser or by which any property or asset of the Purchaser is bound or affected; or

(iii) conflict with, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, require any consent of any Person pursuant to, or give to others any rights of termination, acceleration or cancellation of, any material contract or agreement to which the Purchaser is a party;

except, in the case of clause (ii) or (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not, individually or in the aggregate, reasonably be expected to have a Purchaser Material Adverse Effect.

(b) The Purchaser is not required to file, seek or obtain any notice, authorization, approval, order, permit or consent of or with any Governmental Authority in connection with the execution, delivery and performance by the Purchaser of this Agreement each of the Ancillary Agreements and each of the CTF Ancillary Agreements to which it will be party or the consummation of the transactions contemplated hereby or thereby or in order to prevent the termination of any right, privilege, license or qualification of the Purchaser, except where failure to obtain such consent, approval, authorization or action, or to make such filing or notification, would not, individually or

in the aggregate, reasonably be expected to have a Purchaser Material Adverse Effect or (iv) as may be necessary as a result of any facts or circumstances relating solely to Marriott or any of its Affiliates.

**Section 6.4 Financing.** The Purchaser has, and shall have at the Closing, sufficient funds to permit the Purchaser to consummate the transactions contemplated by this Agreement and the Ancillary Agreements and each of the CTF Ancillary Agreements to which Purchaser will be a party. The parties acknowledge and agree that it shall not be a condition to the obligations of the Purchaser to consummate the transactions contemplated hereby that the Purchaser have sufficient funds for payment of the Purchase Price and any adjustments thereto.

#### **ARTICLE 7. COVENANTS.**

**Section 7.1 Management of the Hotels Prior to the Closing.** Between the date of this Agreement and the Closing Date, except as set forth in this Agreement or in the CTF Agreement, Marriott shall operate and manage the Hotels in accordance with (i) the approved annual operating and Capital Expenditure budgets for each Hotel, (ii) customary and prudent practices for hotels of similar size, quality and standing and otherwise only in conformity with the Marriott/CTF Hotel Management Agreements and the brand standards applicable to the operations of a Renaissance Hotel.

#### **Section 7.2 Conduct of Business of the Targets Prior to the Closing.** INTENTIONALLY OMITTED

**Section 7.3 Risk of Loss.** The risk of loss or damage to the Owned Real Property or the Leased Real Property, including without limitation, loss or damage resulting from casualty, condemnation, eminent domain and any business interruption therefrom attributable to any acts or occurrences prior to the Closing (a “Casualty Loss”) shall be borne by CTF. In the event of a Casualty Loss, the following shall apply:

(a) If the Casualty Loss relates to a Hotel listed on Schedule 7.3(a) of the CTF Agreement (the “Group A Hotels”, and the casualty results in a loss of less than \$2,000,000 (the “Group A Threshold Amount”) as estimated by CTF and the Purchaser, Purchaser will proceed to Closing with respect to such Hotel and at Closing Marriott shall assign, or cause CTF to assign, all insurance proceeds to Purchaser except to the extent such insurance is related to business interruption or extraordinary expenses incurred prior to Closing. If insurance proceeds in respect of such Casualty Loss that are available for the costs of repair and restoration of the Fee Property or the Leasehold Property, as applicable, are estimated to be insufficient to cover such costs, or if the Casualty Loss is uninsured, the parties will reduce the Preliminary Allocated Price by the amount of the estimated shortfall in insurance proceeds available for such costs. In any case where the Casualty Loss is insured, at Closing the Preliminary Allocated Price shall be reduced by any deductible applicable to the insurance coverage; or

(b) If the Casualty Loss relates to a Hotel listed on Schedule 7.3(b) of the CTF Agreement (the “Group B Hotels”), and the casualty results in a loss of less than the lesser of \$5,000,000 or 10% of the Preliminary Allocated Price applicable to the affected Hotel (the “Group B Threshold Amount”) as estimated by CTF and the Purchaser, Purchaser will proceed to Closing with respect to such Hotel and at Closing Marriott shall assign, or cause CTF to assign, all insurance proceeds to Purchaser except to the extent such insurance is related to business interruption or extraordinary expenses incurred prior to Closing. If insurance proceeds in respect of such Casualty Loss that are available for the costs of repair and restoration of the Fee Property or the Leasehold Property, as applicable, are estimated to be insufficient to cover such loss, or if the Casualty Loss is uninsured, the parties will reduce the Preliminary Allocated Price by the amount of the estimated shortfall in insurance proceeds available for such costs. In any case where the Casualty Loss is insured, at Closing the Preliminary Allocated Price shall be reduced by any deductible applicable to the insurance coverage; or

(c) If the Casualty Loss exceeds the Group A Threshold Amount or the Group B Threshold Amount, as applicable, Purchaser, at its option, may either:

(i) proceed to Closing with respect to such Hotel and at Closing Marriott shall assign, or cause CTF to assign, all insurance proceeds to Purchaser except to the extent that such insurance is related to business interruption or extraordinary expenses incurred prior to Closing. If insurance proceeds in respect of such Casualty Loss that are available for the costs of repair and restoration of the Fee Property or the Leasehold Property, as applicable, are estimated by the Purchaser to be insufficient to cover the Casualty Loss, or if the Casualty Loss is uninsured, the parties will reduce the Preliminary Allocated Price by the amount of the estimated shortfall in insurance proceeds available for such costs. In any case where the Casualty Loss is insured, at Closing the Preliminary Allocated Price shall be reduced by any deductible applicable to the insurance coverage; or

(ii) elect not to close with respect to such Hotel at Closing (with a reduction in the Unadjusted Purchase Price by the Preliminary Allocated Price for such Hotel).

(d) In the event of a Casualty Loss affecting the Renaissance Techworld Hotel in excess of \$5,000,000, Purchaser, at its election, shall either (i) eliminate the equity interest in such Minority Owned Entity in such Hotel from the Transaction and the Unadjusted Purchase Price shall be reduced by the Preliminary Allocated Purchase Price of such Hotel; or (ii) elect to proceed to Closing in connection with such equity interest in the Minority Owned Entity in such Hotel pursuant to the terms of this Agreement.

(e) In the event of a Casualty Loss, Marriott shall cause CTF, in cooperation with Purchaser, to promptly and diligently file and pursue recovery of, all appropriate insurance claims and to the extent of any insurance proceeds recovered, with Purchaser’s consent, apply such proceeds to the restoration of the Property. In the event

any lender on a Property damaged by a Casualty Loss exercises any rights with respect to the insurance proceeds, such that they are not available for restoration of the Property or assignment to Purchaser, the Preliminary Allocated Price of the related Hotel shall be reduced by the amount of the proceeds taken by such lender. Insurance proceeds for business interruption losses shall be applied to such losses and shall not be counted against property casualty losses.

(f) All risk of loss or damage to the Owned Real Property and the Leased Real Property, including without limitation, loss or damage resulting from casualty, condemnation, eminent domain and any business interruption resulting therefrom shall be borne by Purchaser upon the Closing of the Transaction.

Section 7.4 Covenants Regarding Information.

(a) From the date hereof until the Closing Date, upon reasonable notice, CTF and its Subsidiaries have agreed in the CTF Agreement that they shall (i) afford Marriott and the Purchaser and their Representatives reasonable access to the books and records of the Targets and the Selling Entities related to the Targets; (ii) furnish Marriott with such financial, operating and other data and information as Marriott may reasonably request, and which Marriott shall furnish to Purchaser, and (iii) furnish the Representatives usual and customary "management representation letters" to a firm of certified public accountants necessary for completion of an independent audit of the Target (it being understood that with respect to the Hotel Level Data, such letter shall rely on an equivalent letter from the Hotel's manager); provided, however, that any such access or furnishing of information shall be conducted at the Purchaser's expense during normal business hours upon reasonable notice, under the supervision of CTF's personnel, and in such a manner as to not unreasonably interfere with the normal operations of CTF. Marriott shall promptly request from CTF and diligently seek to obtain, subject to the terms and conditions of the CTF Agreement, such information from CTF as the Purchaser may reasonably request and that Marriott is entitled to obtain from CTF under the CTF Agreement. Notwithstanding anything to the contrary in this Agreement, neither CTF nor any of its Subsidiaries shall be required to disclose any information to the Purchaser or its Representatives if such disclosure would (A) in CTF's sole discretion jeopardize any attorney-client privilege or any work-product privilege, or (B) contravene any duty imposed by applicable Laws.

(b) CTF has consented to the Purchaser engaging, at the Purchaser's expense, the independent registered public accounting firm that audited, reviewed or otherwise advised CTF regarding the financial statements of any Target to audit such financial statements for periods preceding the Closing Date and to access the audit work papers relating to such prior period. Marriott shall cause CTF to cooperate with Purchaser in responding to Purchaser's reasonable requests for other information relating to such financial statements.

(c) For a period of seven (7) years after the Closing or, if shorter, the applicable period specified in Purchaser's document retention policy, the Purchaser shall

(i) retain the books and records relating to the Targets, Hotels, Leased Real Property or Owned Real Property relating to periods prior to the Closing, and (ii) afford the Representatives of CTF reasonable access (including the right to make, at the CTF's expense, photocopies), during normal business hours upon reasonable notice, to such books and records wherever located in order to allow CTF to fulfill any pre-existing contractual obligation which is binding upon CTF and disclosed to Purchaser or requirement of any Law or defend any claim (other than a claim by an Indemnified Party), including any litigation (civil, criminal or otherwise), governmental investigation, tax audit or insurance claim.

(d) For a period of seven (7) years after the Closing or, if shorter, the applicable period specified in CTF's document retention policy, with respect to any documents not previously delivered to Marriott, CTF has agreed in the CTF Agreement to (i) retain the books and records relating to the CTF Level Data with respect to the Targets, Hotels, Leased Real Property or Owned Real Property or Personal Property relating to periods prior to the Closing to the extent not delivered to the Purchaser at the Closing, and (ii) afford the Representatives reasonable access (including the right to make, at the Purchaser's expense, photocopies), during normal business hours upon reasonable notice, to such books and records wherever located in order to allow the Purchaser to fulfill any pre-existing contractual obligation or requirement which is binding on Purchaser and disclosed to CTF or requirement of any Law or to defend any claim (other than a claim by an Indemnified Party), including any litigation (civil, criminal or otherwise), governmental investigation, tax or insurance claim.

Section 7.5 Non-Waiver of Attorney-Client Privilege.

(a) The Purchaser agrees that CTF, the CTF Selling Entities, and their respective Affiliates, by virtue of the transfer of the CTF Selling Entities' interest in the Hotels or any other transaction contemplated by this Agreement and the Ancillary Agreements and the CTF Ancillary Agreements, are not surrendering, waiving or transferring any attorney-client, work product, or other applicable privileges that exist with respect to any and all attorney-client relationships that exist between CTF and/or the CTF Selling Entities and the attorneys listed below, including any relationships related to:

(i) any matters arising out or related to the matters listed on Schedule 7.5 of the CTF Agreement;

(ii) any advice provided by Gibson, Dunn & Crutcher LLP or any other law firm retained by CTF in connection with the negotiation of the CTF Agreement and the CTF Ancillary Agreements;

(iii) any other legal advice provided by Gibson Dunn & Crutcher LLP to CTF and the CTF Selling Entities;

(iv) any legal advice provided by Skadden, Arps, Slate Meagher & Flom LLP to CTF and the CTF Selling Entities;

(v) any legal advice provided by Weil Gotshal & Manges LLP; and

(vi) any legal advice provided by Daniel Heininger and Bradley Hornbacher.

(b) The Purchaser further agrees that: (i) CTF and the CTF Selling Entities and their respective Affiliates have received and continue to receive legal representation in various matters from all of the above referenced attorneys, and (ii) the Purchaser shall not be entitled to receive or review any attorney work product, information subject to attorney-client privilege or client files relating to CTF, the CTF Selling Entities, or their respective Affiliates in the possession of any counsel referenced above; and (iii) that neither this Agreement, the CTF Agreement, the Purchaser's subsequent ownership of the Hotel Interests or the Minority Owned Interests, nor any transaction that arises out of or related to this Agreement, the Ancillary Agreements or the CTF Ancillary Agreements shall provide any basis for the Purchaser, its Subsidiaries or any of its Affiliates or their successors or assigns to: (A) except to the extent specifically agreed in the Conflict Waiver Agreement dated November 24, 2004 with respect to Gibson, Dunn & Crutcher LLP or any similar agreements concerning law firms retained by CTF in connection with this Agreement, seek to disqualify any of the above referenced counsel's representation or CTF, the CTF Selling Entities or their respective Affiliates in any matter, including any matter adverse to the Purchaser, its Subsidiaries or its Affiliates, whether or not related to the any of the above referenced counsel's prior representation of CTF, the CTF Selling Entities or their respective Affiliates or any of the Hotels that are the subject of this Agreement or the Ancillary Agreements, or (B) claim or assert that any privilege has been waived between CTF, the CTF Selling Entities, and their respective Affiliates and the above-referenced counsel.

Section 7.6 Notification of Certain Matters. Until the Closing, each party hereto shall promptly notify the other party in writing of any fact, change, condition, circumstance or occurrence or nonoccurrence of any event of which it is aware that will or is reasonably likely to result in any of the conditions set forth in Sections 9.2 through 9.4 of this Agreement or in Sections 9.3 through 9.5 of the CTF Agreement becoming incapable of being satisfied.

Section 7.7 Resignations. Marriott will cause CTF to deliver at the Closing the written resignation of all of the directors, managers, general partners and officers of the Targets, effective as of the Closing Date which CTF shall have delivered to Marriott.

Section 7.8 Confidentiality. Until the Closing, each of the parties shall, and shall cause its Affiliates and Representatives to keep confidential, disclose only to its Affiliates and Representatives and use only in connection with the transactions contemplated by this Agreement and the Ancillary Agreements, all information and data



obtained by them from the other party or its Affiliates and Representatives relating to such other party in the course of due diligence (collectively, the “Information”), unless disclosure of the Information or data is required by applicable Law. Notwithstanding the foregoing, the provisions of this Section 7.8 shall not apply to those portions of any Information which (a) are or become generally available to the public other than as a result of a disclosure by the other party or its Representatives or CTF; (b) become available on a non-confidential basis from a source other than the other party or its Representatives or CTF which to the knowledge of the party receiving such information, is not bound by a confidentiality agreement or other obligation of confidentiality prohibiting such disclosure; (c) were known on a non-confidential basis prior to disclosure by the other party or its Representatives or CTF; or (d) are independently developed without reference to the Information in the event that the transactions contemplated hereby are not consummated, each party shall, and shall use its Commercially Reasonable Efforts to cause its Affiliates and Representatives to, promptly return to the other party or destroy all documents (including all copies thereof) containing any such Information.

Section 7.9 Consents and Estoppels.

(a) Each party shall use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable to obtain from any third party all consents necessary to assign the Material Contracts and the Marriott Material Contracts to the Purchaser. Notwithstanding the foregoing, if there shall not be assigned to the Purchaser any Material Contract or Marriott Material Contract or if an attempted assignment thereof without the consent of the other party or parties thereto would constitute a breach thereof or in any way adversely affect the rights of the parties thereunder and such consent is not obtained, or if an attempted assignment would be ineffective or would affect the rights of the parties thereunder so that the Purchaser would not, in fact, receive the benefits thereof, CTF has agreed in the CTF Agreement that in such case, the beneficial interest in and to any such Material Contract shall, to the extent permitted by the relevant Material Contract and by Law, passed to the Purchaser and Marriott shall cause CTF to: (i) hold all such Material Contracts and Marriott Material Contracts in trust for the benefit of the Purchaser, its successors or assigns, from and after the Closing Date with effect from the Effective Date, (ii) use Commercially Reasonable Efforts to obtain and secure any and all consents and approvals that may be necessary to effect such assignment or assignments of the same and (iii) make or complete such assignment or assignments as soon as reasonably possible.

(b) Subject to Section 9.2, the Purchaser shall use Commercially Reasonable Efforts with the reasonable cooperation of Marriott to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable to obtain from any third party all consents sufficient to create a valid transfer of the Equity Interests and the CTF Selling Entities’ interest in the Minority Owned Entities to the Purchaser without causing the Purchaser to incur additional liabilities or limitation of rights as assignee of the Equity Interests in the Minority Owned Entities.

(c) Subject to Section 9.2, the Purchaser shall use Commercially Reasonable Efforts with the reasonable cooperation of Marriott to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable to obtain consents from the applicable lessors or landlords sufficient to create a valid to the assignment of the Leasehold Interests to the Purchaser without causing the Purchaser to incur additional liabilities or limitation of rights as assignee of the Leasehold Interests.

(d) Subject to Section 9.2, the parties agree that they shall use Commercially Reasonable Efforts to obtain an estoppel certificate from the applicable lessors or landlords under the Leases containing the information required by the terms of the Leases or, in the event that no such requirements are set forth therein, in a form reasonably acceptable to the Purchaser and addressed to (i) in the case of a Lease Assignment & Sale, the Purchaser, or (ii) in the case of a Target Sale, Target (collectively, the "Estoppel Certificates").

Section 7.10 Governmental Consents and Filings. Each party shall use Commercially Reasonable Efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the transactions contemplated by this Agreement the Ancillary Agreements and the CTF Ancillary Agreements as promptly as practicable, including to (i) obtain from Governmental Authorities all consents, approvals, authorizations, qualifications and orders as are necessary for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, and (ii) promptly make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement required under any applicable Law.

Section 7.11 Public Announcements. The parties shall consult with each other before issuing any press release with respect to this Agreement the Ancillary Agreements or the CTF Ancillary Agreements or the transactions contemplated hereby or thereby, and neither party nor its Representatives shall criticize, disparage, defame or otherwise make any statement which would reflect negatively on (i) the other party, (ii) any current or former employees, officers, directors, agents or other persons associated with the either party, (iii) any of the services provided by either party or (iv) any of the current or past business practices of either party and/or CTF. Furthermore, the Purchaser specifically agrees that it will not file this Agreement or any Ancillary Agreement with any Governmental Authority unless and until required to do so. The Purchaser also agrees that it will give Marriott and CTF reasonable notice of such filing, and, at the reasonable request of CTF and/or Marriott the Purchaser shall use its Commercially Reasonable Efforts to seek confidential treatment of any provisions herein or therein.

Section 7.12 Marriott Undertaking. To the extent liability accruals are necessary as a result of employment practices liability insurance claims or from audits of sales, use and occupancy taxes levied by any Governmental Authority with respect to any of the Hotels that arise post-Closing but relate to the period prior to the Purchaser's

ownership (collectively, the "Liability Accruals"), Marriott shall be solely responsible for the payment of the Liability Accruals and Marriott does hereby agree to indemnify and hold harmless the Purchaser from and against any loss, claim, damage or expense which the Purchaser may suffer, incur or expend arising out of a failure on the part of Marriott to pay the Liability Accruals.

Section 7.13 UST Removal at Westchester Property. A portion of the North American Capex Amount, consisting of \$500,000 (the "Base Amount") has been allocated to perform and complete the removal and replacement of two (2) petroleum underground storage tanks ("USTs") at the Renaissance Westchester property. Marriott hereby agrees that it will use Commercially Reasonable Efforts to cause CTF to complete, prior to Closing, the closure in accordance with applicable federal and New York laws relating to petroleum USTs, including tank removal, release reporting, release investigation, and any corrective remediation action. Completion of such work shall be evidenced by a No Further Action Letter from the New York Department of Environmental Conservation (the "Certification"). If, by Closing, the Certification has not been obtained, then Marriott will, subsequent to Closing, take such actions as are necessary to complete the replacement of the USTs, and perform such remediation work as is required to obtain the Certification (all such work, from the beginning of the UST tank removal process through Certification, is referred to as the "UST Work"). To the extent the cost of the UST Work exceeds the Base Amount, Marriott agrees that it shall be responsible for all such costs, and agrees to indemnify and hold Purchaser and Purchaser's lender harmless from and against all costs, expense and liabilities suffered or incurred by Purchaser in connection with the UST Work over and above such Base Amount, including, without limitation, any continuing costs of monitoring or testing that may be required in connection with UST Work. Purchaser agrees that the Base Amount shall be included in the calculation of the Target North American Capex Amount.

## **ARTICLE 8. TAX MATTERS.**

### **Section 8.1 Tax Returns.**

(a) Marriott or its Affiliates shall prepare, or shall cause to be prepared, and shall file or cause to be filed, all Tax Returns for any Hotel for taxable years that end on or before the Closing Date (other than those Tax Returns that are the contractual obligation of CTF under the CTF Agreement). Except as required by applicable law, such Tax Returns shall be prepared in a manner that is consistent with past practice.

(b) The Purchaser shall prepare or cause to be prepared and shall file or cause to be filed all other Tax Returns for the Hotels (other than those Tax Returns that are the contractual obligation of CTF under the CTF Agreement). Except as required by applicable law, such Tax Returns shall be prepared in a manner that is consistent with past practice. The Purchaser shall deliver to Marriott a copy of any Tax Returns in respect of which Marriott is required to make a payment pursuant to this Agreement, completed in draft form, at least 20 days before the due date thereof for the review and approval of Marriott, which approval will not be unreasonably withheld or delayed, and a schedule, in reasonable detail, of the amount of payment due to the Purchaser. If Marriott approves such Tax Return, it shall pay the amount owed the Purchaser before the due date of such Tax Return.

**Section 8.2 Marriott's Obligations.** Solely to the extent of (i) any Taxes imposed as a result of the gross negligence or willful misconduct of Marriott; (ii) any Transfer Taxes allocated between the parties under the terms of this Agreement, and (iii) any Taxes (including real property taxes) taken into account in the definition of Working Capital, Marriott shall be responsible for and pay, and shall indemnify the Purchaser and its Affiliates from, (a) any and all Taxes imposed on any of the Hotels, or for which an owner of a Hotel is liable, for any taxable period ending on or before the Closing Date and the portion through the end of the Closing Date for any taxable period that includes but does not end on the Closing Date (the "Pre-Closing Tax Period"); provided, however, that Marriott shall not be responsible for any Taxes arising out of events outside the ordinary course of business and within the control of the Purchaser occurring on the Closing Date after the Closing, (b) any and all Taxes imposed on any of the Hotels, or for which an owner of a Hotel becomes liable, for any taxable period ending after the Closing Date to the extent that such Taxes result directly from a transaction or an event occurring on or before the Closing Date, (c) any Taxes arising out of a breach of the representations in Section 5.16 and (d) any costs or expenses with respect to Taxes indemnified hereunder. Marriott shall indemnify, defend and hold the Purchaser harmless from, and shall be entitled to any refund of, any and all Taxes that are Marriott's responsibility pursuant to the immediately preceding sentence. Any indemnity payment required to be made by Marriott pursuant to this Section 8.2 shall be made within 30 days of written notice from the Purchaser.

**Section 8.3 Purchaser's Obligations.** Except as otherwise provided in Section 8.2, from and after the Effective Date, the Purchaser and its Affiliates shall be solely responsible for the payment or discharge of all Taxes imposed on the any of the Hotels and any costs or expenses with respect to taxes indemnified hereunder. The Purchaser shall indemnify, defend and hold Marriott and its Affiliates harmless from, and shall be entitled to any refund of, any and all Taxes that are the Purchaser's responsibility pursuant to the immediately preceding sentence. Any indemnity payment required to be made by the Purchaser pursuant to this Section 8.3 shall be made within 30 days of written notice from Marriott or any one of its Affiliates.

**Section 8.4 Straddle Period.** In the case of any taxable period that includes (but does not end on) the Effective Date (a "Straddle Period"), the amount of any Taxes based on or measured by income or receipts of a Hotel for the Pre-Closing Tax Period shall be determined based on an interim closing of the books as of the close of business on the Effective Date (and for such purpose, the taxable period of any partnership or other pass-through entity in which the Hotel's owner holds a beneficial interest shall be deemed to terminate at such time) and the amount of other Taxes of a Hotel for a Straddle Period that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Effective Date and the denominator of which is the number of days in such Straddle Period. The benefits of lower tax brackets and other similar benefits shall be apportioned in making the

calculation of such allocated portions on the basis of the number of days in the Purchaser's and Marriott's holding periods for the taxable period beginning before and ending after the Effective Date.

Section 8.5 Contests. For purposes of this Agreement, a "Contest" is any audit, court proceeding or other dispute with respect to any tax matter that affects a Hotel. Unless the Purchaser has previously received written notice from Marriott of the existence of such Contest, the Purchaser shall give written notice to Marriott of the existence of any Contest relating to a tax matter that is Marriott's responsibility under Section 8.2 within ten (10) days from the receipt by the Purchaser of any written notice of such Contest, but no failure to give such notice shall relieve Marriott of any liability hereunder. Unless Marriott has previously received written notice from the Purchaser of the existence of such Contest, Marriott shall give written notice to the Purchaser of the existence of any Contest for which the Purchaser has responsibility within ten (10) days from the receipt by Marriott of any written notice of such Contest. Marriott shall, at its election, have the right to represent a Hotel's interests in any Contest relating to a Tax matter arising in a period ending on or before the Effective Date, to employ counsel of its choice at its expense and to control the conduct of such Contest, including settlement or other disposition thereof; provided, however, that the Purchaser shall have the right to consult with Marriott regarding any such Contest that may affect such Hotel for any periods ending after the Effective Date at the Purchaser's own expense and provided, further, that any settlement or other disposition of any such Contest may only be with the consent of the Purchaser, which consent will not be unreasonably withheld or delayed.

Section 8.6 Cooperation on Tax Matters. The Purchaser, on the one hand, and Marriott, on the other, agree, in each case at no cost to the other party, to cooperate with the other and the other's Representatives in a prompt and timely manner in connection with any Contest. Such cooperation shall include, but not be limited to, making available to the other party, during normal business hours, all books, records, Tax Returns, documents, files, other information (including working papers and schedules), officers or employees (without substantial interruption of employment) or other relevant information necessary or useful in connection with any Contest requiring any such books, records and files. The Purchaser, on the one hand, and Marriott, on the other, agree, in each case at no cost to the other party, to cooperate fully in a prompt and timely manner with the other and the other's Representatives, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to Section 8.1 and in connection with any Contest. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such Tax Return or Contest and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Marriott agrees (i) to retain all books and records with respect to Taxes pertinent to the Hotels relating to any taxable period beginning before the Closing Date until 90 days following the expiration of the period of limitations applicable to the related Tax, (ii) to abide by all record retention agreements entered into with any Tax authority, other than those books and records relating to the Hotels which the Purchaser shall provide to Marriott on or before the Closing Date; and (iii) to give the Purchaser reasonable written notice prior to transferring, destroying or discarding any

such books and records and, if the Purchaser so requests, Marriott shall allow the Purchaser to take possession of such books and records. Marriott and the Purchaser further agree, upon request, to use their commercially reasonable efforts to obtain any certificate or other document from any governmental authority as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

Section 8.7 Price Adjustment. All amounts paid pursuant to this Agreement by one party to another party (other than interest payments) shall be treated by such parties as an adjustment to the Purchase Price, to the extent appropriate and permitted by law.

Section 8.8 After-Tax Basis. All payments due in respect of Non-United States Taxes under this Article 8 shall be fully adjusted to reflect (i) any net increase in Taxes that the recipient of such payments will experience as a result of receiving such payments, (ii) any net increase in Taxes such recipient will experience as a result of receiving any gross-up payments under this Section 8.8 and (iii) any net Tax benefits that the recipient will incur as a result of the payment of the indemnified tax.

Section 8.9 Elections. Marriott and its Affiliates shall cooperate fully with the Purchaser, to the extent necessary and to the extent reasonably requested by the Purchaser, in connection with the filing of any elections relating to Taxes which become available to the Purchaser or its Affiliates as a result of the transactions described in this Agreement; provided, however, that Marriott and its Affiliates shall not be obligated to consent to an election if such election would increase the amount of Taxes it is required to pay unless the parties otherwise agree.

Section 8.10 Survival. All obligations under this Article 8 shall survive the Closing hereunder and continue until 90 days following the expiration of the period of limitations applicable to the related Tax. If a Tax claim that is raised by one party during the survival period is disputed by the other party, such claim shall survive the dispute between the parties is resolved.

## **ARTICLE 9. TITLE COMMITMENT AND SURVEY REVIEW PROCESS; CONDITIONS TO CLOSING.**

### **Section 9.1 Title Commitment and Survey Review Process.**

(a) Title Review Process. Purchaser and Marriott have each initiated the title review process consisting of, with respect to the Leased Real Property, the Owned Real Property and the real property owned by any Minority Owned Entity located in the United States (the "Real Properties"), (A) ordering from the Title Company a Uniform Commercial Code financing statement search including a search on any Target and a commitment for owner's title insurance, on such policy form as is available in the applicable jurisdiction as selected by Purchaser, and (B) ordering from Bock & Clark Corporation National Surveyors Network ("Surveyor") an ALTA survey with such instructions regarding information to be shown and the scope of certification as Purchaser shall determine. The Uniform Commercial Code financing statement search results and

the title commitments and surveys obtained by Purchaser, as revised or updated from time to time, are herein referred to as "Title Materials." Copies of all Title Materials shall be provided to Marriott's counsel as and when received, which copies shall not be required to be returned. During the period from the date of this Agreement and ending at 11:59 pm May 3, 2005 (the "Objection Period"), Purchaser shall notify Marriott in writing of those matters relating to title disclosed to Purchaser in the Title Materials or otherwise disclosed in materials received by Purchaser at least forty-eight (48) hours prior to 11:59 pm, May 3, 2005 to which Purchaser objects (including, for example, the size or configuration of any Real Properties which are not acceptable to Purchaser), and that are not Permitted Encumbrances set forth in items (b)-(e) of the definition thereof (collectively, the "Purchaser's Objections"). As to matters relating to title disclosed in the Title Materials or otherwise disclosed in materials received by Purchaser within forty-eight (48) hours prior to 11:59 pm, May 3, 2005, Purchaser shall notify Marriott in writing of its Title Objections within forty-eight (48) hours of its receipt of such materials, but in no event later than 11:59 pm, May 5, 2005. Purchaser shall endeavor to deliver the Purchaser's Objections in a reasonably expeditious manner and on a property-by-property basis commencing no later than the date hereof and thereafter as soon as reasonably practical after the date Purchaser receives the applicable portion of the Title Materials. Purchaser shall not be deemed to waive its right to make Purchaser's Objections even if Purchaser's Objections are not made in a reasonably expeditious manner so long as Purchaser's Objections are made during the Objection Period. At Closing Purchaser shall reimburse Marriott for all costs and expenses incurred or expended by Marriott to the Title Company and/or Surveyor in connection with obtaining the Title Materials with regard to the Real Properties.

(b) Title Policies. Prior to the expiration of the Objection Period, Purchaser shall obtain from the Title Company, with respect to the Leased Real Property and the Owned Real Property, in all jurisdictions where available, a commitment to insure accompanied by a Pro Forma title policy, in form acceptable to Purchaser (each, a "Pro Forma"). Each Pro Forma shall be written on an ALTA Form B (1970, amended 10/17/70, or if the 1970, amended 10/17/70 form is not available, the 1992 form with no creditors' rights exclusion (except in States or jurisdictions where such form or deletion is not permitted)) or on such similar form as is available in the applicable jurisdiction, insuring extended owner's title coverage and shall evidence Title Company commitment, upon compliance with the Title Company's requirements as set forth in the Title Company's commitments to insure (the "Requirements"), to insure title to the Real Property that is the subject of any Pro Forma, subject only to the Permitted Encumbrances. The Pro Forms shall be in form and substance acceptable to Purchaser, and shall include all endorsements reasonably required by Purchaser. Purchaser shall deliver all Pro Forms and Requirements (including the form of any affidavits or certifications required to be executed by Marriott or CTF in satisfaction of a Requirement) to Marriott's counsel no later than the expiration of the Objection Period.

(c) Title Cure Period. Upon the termination of the Objection Period, except for the Purchaser's Objections if the same are timely raised, the Purchaser shall be deemed to have accepted the form and substance of all matters disclosed in the Title

Materials which shall become Permitted Encumbrances for all purposes under the terms of this Agreement and the Ancillary Agreements. Following the Objection Period, and without any obligation to do so, Marriott shall have until May 16, 2005, or by delivery of written notice to Purchaser by Marriott, until such later date, but not beyond May 23, 2005 (as such date may have been extended, the "Title Cure Period") to cause CTF to elect to cure or elect not to cure any or all matters raised in Purchaser's objections; provided, however, CTF agrees to have released by Closing the liens securing any Debt that is not to be assumed by Marriott or Purchaser pursuant to the terms of the CTF Agreement or this Agreement, as applicable. If CTF elects to cure such Title Objections, the cure must be sufficient for the Title Company to remove the applicable Title Objection from the exceptions to title set forth in the applicable Pro Forma.

(d) Termination of Title Cure Period. If, for any reason, CTF is unable or at CTF's sole election, unwilling to take such actions as may be required to cause the matter identified in Purchaser's Objections to be cured or removed so as to convey title to the Real Properties consistent with the Pro Formas, or if CTF objects to any Requirement or any other obligation which it may incur in connection with the issuance of the Pro Forma title policies, Marriott shall give Purchaser notice thereof prior to the expiration of the Title Cure Period; it being understood and agreed that the failure of Marriott to timely give such notice shall be deemed an election by CTF not to remedy such matters. If CTF shall elect not (or be deemed to elect not) to remove any matter identified in Purchaser's Objections, Purchaser may, in the exercise of its sole discretion either: (i) close the Transaction with respect to the Real Properties subject to the Purchaser's Objections (that CTF will not cure) without abatement of the Unadjusted Purchase Price, in which event: (A) the Purchaser's Objections that CTF will not cure shall be, and be deemed to be, for all purposes, Permitted Encumbrances; (B) the Purchaser shall close the Transactions notwithstanding the existence of any of the Purchaser's Objections that CTF will not cure; and (C) neither CTF nor Marriott shall have any obligation or liability whatsoever after the Closing with respect to CTF's failure to cause any of the Purchaser's Objections to be eliminated; or (ii) terminate this Agreement by written notice given to Marriott within four (4) calendar days after expiration of the Title Cure Period, in which event this Agreement shall terminate, the Deposit and all interest accrued thereon shall be returned to Purchaser and neither party hereto shall have any further obligations thereunder other than those obligations expressly stated herein to survive the termination of this Agreement. In the event Purchaser elects to proceed to Closing, the Pro Formas shall be revised to (1) delete those Requirements objected to by CTF and (2) add Purchaser's Objections that CTF will not cure so that the Pro Formas shall be consistent with the quality of title accepted or deemed accepted by the Purchaser pursuant to this Section 9.1(d).

(e) Requirement to Eliminate Purchaser's Objections; Requirement to Remove Liens' Additional Title Matters. It is expressly understood that unless CTF expressly agrees, in the exercise of its sole discretion, to cure or remove a matter identified in the Purchaser's Objections prior to Closing, neither CTF nor Marriott shall be required to bring any action, institute any proceeding, or otherwise incur any costs or expenses in order to attempt to eliminate any of the Purchaser's Objections or to



otherwise cause title to the Real Properties to comport with the terms of this Agreement on the Closing Date; provided, however, that Marriott shall use Commercially Reasonable Efforts to cause CTF to remove (i) any liens that are filed against the Real Properties during the period after the expiration of the Title Cure Period and before Closing but only if they are recorded by CTF or caused by CTF's actions or failure to act; and (ii) any liens securing Debt not assumed by the Purchaser pursuant to this Agreement or under the terms of the CTF Agreement. Should matters relative to title, other than liens CTF is obligated to remove pursuant to the preceding sentence, be discovered from any update of the Title Materials received by Purchaser or otherwise after the expiration of the Objection Period that were not disclosed in the Title Materials received by the Purchaser prior to the expiration of the Objection Period (collectively, the "New Title Matters"), the Purchaser shall have the right to notify Marriott in writing of any new Title Matters which are not Permitted Encumbrances set forth in items (b)-(e) of the definition thereof to which the Purchaser objects provided that Purchaser notifies Marriott in writing of its objection within twenty-four (24) hours after such matter is disclosed to Purchaser. Marriott shall use Commercially Reasonable Efforts to cause CTF to remove any New Title Matters that are filed against any of the Real Properties during the period after the expiration of the Title Cure Period and before Closing but only if they are recorded by CTF or caused by CTF's actions or failure to act. With respect to all other new Title Matters, Marriott shall use Commercially Reasonable Efforts to cause CTF within five (5) days after receipt of notice of the New Title Matters, to advise Marriott whether CTF will cure such New Title Matters prior to the Closing Date and Marriott will promptly notify Purchaser of CTF's response. Should CTF fail to cure or remove prior to the Closing Date any New Title Matter which is objected to by Purchaser, and should such New Title Matter materially and adversely impair the value or use of any of the Real Properties to which such objection relates, such failure shall constitute a failure of a condition to Purchaser's obligation to proceed to Closing with respect to the Real Properties affected by such New Title Matters, and Purchaser may, at its election, determine not to close with respect to such Real Properties. All other New Title Matters which are not cured or removed by CTF shall be deemed waived by the Purchaser and shall constitute Permitted Encumbrances for all purposes under this Agreement and the Ancillary Agreements. If the Purchaser elects not to close with respect to any Real Properties in accordance with Section 9.1(e), in such case, the Unadjusted Purchase Price shall be decreased by the Preliminary Allocated Price applicable to any such Real Properties.

(f) Related Fees, Cost and Expenses. All the fees, costs and expenses associated with the Purchaser's procurement, preparation, delivery and review of the Title Materials, the issuance of title policies and any endorsements related thereto shall be for the account of the Purchaser pursuant to Section 13.1 herein.

(g) Marriott Assurance. Marriott covenants and agrees to cooperate with the Purchaser in connection with the Title Materials and the title review process and will cause CTF to provide such affidavits or other documents and information as Purchaser may reasonably require in order to obtain affirmative endorsements or other assurances available under local practice as the Purchaser may require, including non-imputation

endorsements, where applicable, provided, however, that (i) all of the foregoing requirements are commercially reasonable, (ii) Marriott shall not be obligated to cause CTF to provide any affidavit, certification or indemnification to the Title Company that causes CTF to incur any liability in excess of CTF's liability under the CTF Agreement, and (iii) Marriott shall not be obligated to cause CTF to provide any affidavit, certification or indemnification with respect to the Minority Owned Entities.

(h) Form of Fee Sale Transfer and Conveyance Documents. Seven (7) days prior to the expiration of the Objection Period, Purchaser shall forward to Marriott the proposed form of the deeds, bills of sale, assignments, certificates, affidavits and such other instruments and documents (excluding any documents previously provided in connection with the Requirements) (collectively, "Proposed Conveyance Documents") as may be reasonably necessary in order to consummate the Transactions and facilitate the issuance by the Title Company of the title insurance policies reasonably requested by Purchaser and facilitate the obtaining of other commercially reasonable assurances available under local practice. Marriott and Purchaser shall negotiate in good faith to agree upon the final form of the Proposed Conveyance Documents on or prior to the Closing Date. Purchaser and Marriott acknowledge and agree that the warranty of title set forth in the various deeds and other conveyancing documents shall be in accordance with the commercially reasonable customary practices of the applicable jurisdictions but in all cases sufficient to enable the Title Company to issue the title policies in the forms of the Pro Forms. The warranties of title contained in the various deeds shall not be subject to the provision of Section 10.8(b) of this Agreement. Nothing herein shall be construed as requiring Marriott to cause CTF to make any representations, warranties or covenants in the Proposed Conveyance Documents other than those contained in Article 5 and Article 7 of the CTF Agreement.

Section 9.2 Lack of Consents or Estoppels for Certain Leasehold Interests.

(a) Matters concerning the consents for the Transfer of the interests in the Minority Owned Entities are addressed in Schedule 9.2(d).

(b) If any Estoppel Certificate satisfying the requirements of Section 7.9(d) is not obtained prior to the Closing Date or if obtained, contains information which is inconsistent with Marriott's representations and warranties set forth herein in Article 5 and 5A, then Purchaser shall elect to either: (i) proceed with Closing with respect to the applicable Hotel or Hotels and waive any right to require the receipt of an Estoppel Certificate and the right to make a claim for indemnification under Article 10 based upon the facts or circumstances disclosed by the applicable Estoppel Certificate, or (ii) elect not to proceed with Closing with respect to the applicable Hotel or Hotels (in which case the Unadjusted Purchase Price shall be decreased by the Preliminary Allocated Price for such Hotel or Hotels) in order to permit Marriott a period of time during which to attempt to obtain an Estoppel Certificate in the form required hereby. In the event that Purchaser elects under clause (ii) above to permit Marriott additional time to obtain an Estoppel Certificate and Marriott fails to deliver an Estoppel Certificate satisfying the requirements of Section 7.9(e) to Purchaser prior to December 31, 2005, then Purchaser

shall either (A) elect not to proceed to Closing with respect to the applicable Hotel or Hotels or (B) shall proceed to consummate the Transaction with respect to the applicable Hotel and shall retain any rights it may have under the indemnification provisions of Article 10.

Section 9.3 General Conditions. The respective obligations of the Purchaser and Marriott to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may, to the extent permitted by applicable Law, be waived in writing by either party in its sole discretion (provided, that such waiver shall only be effective as to the obligations of such party):

(a) No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent), that is then in effect and that enjoins, restrains, makes illegal or otherwise prohibits the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements.

(b) Any waiting period (and any extension thereof) under any antitrust laws applicable to the transactions contemplated by this Agreement and the Ancillary Agreements shall have expired or shall have been terminated. All other material consents of, or registrations, declarations or filings with, any Governmental Authority legally required for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements shall have been obtained or filed or (with respect to liquor licenses) shall be in the process of being obtained and Marriott shall be responsible for the process with respect to liquor licenses such that there will be no interruption in the sale of liquor at the Hotels being purchased by Purchaser.

(c) Closing under the CTF Agreement with respect to the Hotels shall have occurred or shall occur simultaneously with Closing hereunder.

Section 9.4 Conditions to the Obligations of Marriott. The obligations of Marriott to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by Marriott in its sole discretion:

(a) The Purchaser shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing and Marriott shall have received from the Purchaser a certificate to such effect, signed by a duly authorized officer thereof.

(b) Marriott shall have received an executed counterpart of each of the Purchaser's Closing Deliveries, signed by each party thereto other than Marriott.

(c) At Closing, issuance by the Title Company of a title policy identical to the Pro Forma for each of the Properties which is a part of the Transaction as

each such Pro Forma has been modified in accordance with the provisions of Section 9.1(d), subject only to changes required to incorporate a New Title Matter accepted by Purchaser in accordance with Section 9.1(e).

Section 9.5 Conditions to the Obligations of the Purchaser. The obligations of the Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may be waived in writing by the Purchaser in its sole discretion:

(a) There shall not have occurred any of the following:

(i) an event or matter which constitutes a breach of a representation and warranty in Sections 5.2, 5.3(a)-(e) or 5.11(a);

(ii) the entry against CTF of an Order which constitutes a breach of a representation and warranty in Section 5.8(b) and, as of the Closing, prevents a Hotel from operating in the Ordinary Course of Business in all material respects; or

(iii) an event or matter, other than a Casualty Loss, that constitutes a breach of any other of CTF's representations, warranties or covenants contained in the CTF Agreement that (A) with respect to any Group A Hotels, or the Hotel Interests related thereto, adversely impacts the value of one or more of such Hotels, or the Hotel Interests related thereto, by more than the Group A Threshold Amount or (B) with respect to any Group B Hotels, or the Hotel Interests related thereto, adversely impacts the value of one or more of such Hotels, or the Hotel Interests related thereto, by more than the Group B Threshold Amount, provided, however, if Purchaser determines not to proceed to Closing with respect to such Hotel, Purchaser's sole remedy in event of such event or breach shall be that: (1) Marriott shall not cause CTF to assign, transfer, convey or deliver such Hotel Interest affected by such event or breach to the Purchaser at the Closing, and (2) the Unadjusted Purchase Price shall be reduced by the Preliminary Allocated Price for such Hotel Interest.

(b) Marriott shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing and the Purchaser shall have received from Marriott a certificate to such effect, signed by a duly authorized officer thereof.

(c) The Purchaser shall have received an executed counterpart of each of Marriott's Closing Deliveries, signed by each party thereto other than the Purchaser.

(d) At the Closing, issuance by the Title Company of a title policy identical in all material respects to the Pro Formas for the Real Property related to the Hotel Interests being transferred at the Closing as each such Pro Forma has been modified in accordance with the provisions of Section 9.1(d) subject only to changes required to incorporate a New Title Matter accepted by Purchaser in accordance with Section 9.1(e).

**ARTICLE 10. INDEMNIFICATION.**

**Section 10.1 Pass-Through Representations.**

(a) The representations and warranties set forth in Section 4.1 through 4.17 hereof are substantially identical to those certain representations and warranties made by CTF to Marriott in Sections 5.1 through 5.17 of the CTF Agreement (the "Pass Through Representations"). Purchaser acknowledges that Marriott may have no direct or actual knowledge of the facts contained in certain of the Pass Through Representations and that except as set forth in Section 5.18A, Marriott is relying exclusively on the correctness of the Pass Through Representations of CTF in making the Pass Through Representations to Purchaser. Purchaser acknowledges and agrees that Marriott's liability to Purchaser for any Breach of the Pass Through Representations shall be limited to the actual monetary damages or other relief received by Marriott based on the breach of the Pass Through Representations by CTF. Except as set forth in this Section 10.1(a)-10.1(b), Marriott shall have no liability or obligation to Purchaser for any Breach by Marriott of the Pass Through Representations.

(b) Upon the occurrence of a Breach of the Pass Through Representations and upon Purchaser making a claim against Marriott, Marriott shall exercise any and all rights and remedies available to Marriott under the CTF Agreement or at law or in equity (i) to bring against CTF a claim for indemnification and institute litigation to enforce such claim to the same extent as made by Purchaser against Marriott (but only to, and in the manner permitted by the CTF Agreement and subject to the limitations of Article 10 of the CTF Agreement, which for the avoidance of doubt, exempts Tax matters from any such limitations imposed by Article 10 of the CTF Agreement) (a "Mirror Claim"); and (ii) to seek as damages in the Mirror Claim, all Losses of the Purchaser arising from the Mirror Claim (but only to in the manner permitted by this Agreement and subject to the limitations of Article 10 as aforesaid). In taking any action against CTF, Purchaser shall have the right to select counsel and to manage any and all claims, actions, causes of action and/or litigation which Marriott may pursue in order to enforce its rights hereunder. Marriott shall cooperate fully with Purchaser in Purchaser's efforts to enforce its right based on a Breach of the Pass Through Representations. Purchaser shall be responsible for, and shall pay all of Purchaser's reasonable expenses which Purchaser may suffer, incur or expend in its efforts to enforce its rights against CTF, including, without limitation, reasonable counsel fees, fees of experts, and court costs and may include such costs as a part of its claim for damages.

Section 10.2 Survival of Representations, Warranties and Indemnities. The representations, warranties and covenants of Marriott and the Purchaser contained in this Agreement shall survive the Closing until April 30, 2007, provided, however, that the representations and warranties set forth in Sections 5.2, 5.3(a)-(e), 7.4 and 7.11 shall survive indefinitely. Survival of the representations and warranties in Sections 5.16 and 5.16A shall be governed by the provisions of Section 8.9.

Section 10.3 Indemnification by Marriott. Subject to the terms and conditions of this Article 10, Marriott shall save, defend, indemnify and hold harmless the Purchaser (including the Targets and their Subsidiaries) and the respective Representatives, successors and assigns of each of the foregoing (collectively, the "Purchaser Indemnified Parties") from and against any and all losses, damages, liabilities, deficiencies, claims, interest, awards, judgments, penalties, costs and expenses (including reasonable attorneys' fees, costs and other out-of-pocket expenses incurred in investigating, preparing or defending the foregoing) (hereinafter collectively, "Losses"), incurred, sustained or suffered by any of the foregoing to the extent arising out of or resulting from:

(a) any breach of any material representation or warranty made by Marriott contained in this Agreement other than the Pass Through Representations set forth in Section 5 of this Agreement;

(b) any breach of any material covenant or agreement by Marriott (hereinafter the "Marriott Covenants") contained in this Agreement other than a covenant by Marriott to cause CTF to perform in any stated manner;

(c) any Third Party Claim that arises from an event that occurs prior to Closing regarding any Interest Holder other than (i) a liability reflected on the Balance Sheet of such Target to the extent of the amount so reflected, or (ii) any Assumed Liability and any other liability expressly assumed by Purchaser under this Agreement to the extent of the amount so assumed;

(d) any liability for any brokers' or investment banking fees of Marriott or its Affiliates in connection with this Agreement and the transactions contemplated hereby; and

(e) Marriott's actions or failure to take actions where required, all obligations, penalties, liabilities and expenses under the Worker Adjustment and Retraining Notification Act of 1988, as amended, or other similar state laws, arising from the Transactions,

Section 10.4 Indemnification by the Purchaser. The Purchaser shall save, defend, indemnify and hold harmless Marriott and its Affiliates and the respective Representatives, successors and assigns of each of the foregoing (collectively, the "Marriott Indemnified Parties") from and against any and all Losses incurred, sustained or suffered by any of the foregoing to the extent arising out of or resulting from:

(a) any breach of any representation or warranty made by the Purchaser contained in this Agreement;

(b) any breach of any covenant or agreement by the Purchaser contained in this Agreement;

(c) any Third Party Claim which arises from an event that occurs after the Closing against any Marriott Indemnified Party with respect to the operations or ownership of the Hotels or Hotel Interests except to the extent that such claim was caused by a breach of Marriott's obligations and duties as manager under the Hotel Management Agreements or with respect to which Marriott is otherwise responsible pursuant to the terms and conditions of the Hotel Management Agreements (in which event the terms and conditions of the Hotel Management Agreements shall govern);

(d) any Assumed Liabilities;

(e) any claim for any brokers' or investment banking fees of the Purchaser in connection with this Agreement and the transactions contemplated hereby; and

(f) arising other than from CTF's actions or failure to take actions where required, all obligations, penalties, liabilities and expenses under the Worker Adjustment and Retraining Notification Act of 1988, as amended, or other similar laws arising from the Transactions.

Section 10.5 Procedures.

(a) In order for a Purchaser Indemnified Party or Marriott Indemnified Party (the "Indemnified Party") to be entitled to any indemnification provided for under this Agreement in respect of, arising out of or involving a Loss or a claim or demand made by any Person other than Marriott and its Affiliates and the Purchaser against the Indemnified Party, including a Mirror Claim (a "Third Party Claim"), such Indemnified Party shall deliver notice thereof to the party against whom indemnity is sought (the "Indemnifying Party") promptly after receipt by such Indemnified Party of written notice of the Third Party Claim, but in no event later than the Claims Deadline, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure to provide as part of the initial written notice of claim, the information set forth in the preceding sentence shall not invalidate the effectiveness of the written notice provided the information is delivered in a reasonable time period thereafter. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article 10 except to the extent that the Indemnifying Party is prejudiced by such failure.

(b) The Indemnifying Party shall have the right, upon written notice to the Indemnified Party within thirty (30) days of receipt of notice from the Indemnified Party of the commencement of such Third Party Claim except as may be provided to the contrary as to a Mirror Claim in which case Purchaser shall bear all of the costs associated therewith, to assume the defense thereof at the expense of the Indemnifying

Party with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. If the Indemnifying Party assumes the defense of such Third Party Claim, the Indemnified Party shall have the right to employ separate counsel and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. If the Indemnifying Party assumes the defense of any Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, or offer to compromise, settle or discharge, such Third Party Claim without the Indemnifying Party's prior written consent unless the Indemnifying Party withdraws from the defense of such Third Party Claim or unless a final judgment from which no appeal may be taken by or on behalf of the Indemnifying Party is entered against the Indemnified Party for such Third Party Claim. If the Indemnifying Party does not assume the defense of any such claims or proceeding pursuant to this Section 10.5 and the Indemnified Party proposes to settle such claims or proceeding prior to a final judgment thereon or to forgo any appeal with respect thereto, then the Indemnified Party shall give the Indemnifying Party prompt written notice thereof and the Indemnifying Party shall have the right to participate in the settlement or assume or reassume the defense of such claims or proceeding. The Indemnifying Party and its counsel shall conduct such defense or settlement in a manner reasonably satisfactory and effective to protect the Indemnified Party fully. The Indemnifying Party and its counsel shall keep the Indemnified Party fully advised as to its conduct of such defense or settlement, and shall not compromise or settle such Third Party Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld or delayed) unless such settlement or compromise does not subject the Indemnified Party to any monetary liability, includes a complete, unconditional release of the Indemnified Party from all liability with respect to such Third Party Claim, and does not constitute an acknowledgement or acceptance by the Indemnified Party of fault, culpability, or responsibility of any kind. Notwithstanding the Indemnifying Party's election to defend against or settle the Third Party Claim, the Indemnified Party may, upon written notice to the Indemnifying Party, elect to employ its own counsel and assume control of such defense or settlement if (A) the Indemnifying Party is also a Person against whom the Third Party Claim is made and the Indemnified Person determines in good faith that joint representation would be inappropriate; (B) the Indemnified Party determines in good faith that the Indemnified Party may have available to its one or more defenses or counterclaims that are inconsistent with, different from, or in addition to one or more of those that may be available to the Indemnifying Party with respect to such Third Party Claim; (C) the Indemnifying Party fails to provide reasonable assurance to the Indemnified Party of its financial capacity to defend such Third Party Action; (D) the Indemnifying Party shall not in fact have employed counsel reasonably satisfactory to the Indemnified Party for the defense or settlement of such Third Party Action; provided, however, that the assumption of control of the defense or settlement of a Third Party Action by the Indemnified Party pursuant to this sentence shall not relieve the Indemnifying Party of its obligation to indemnify and hold the Indemnified Party harmless.



(c) In the event any Indemnified Party should have a claim against any Indemnifying Party hereunder that does not involve a Third Party Claim being asserted against or sought to be collected from such Indemnified Party, the Indemnified Party shall deliver notice of such claim to the Indemnifying Party no later than the Claims Deadline, describing in reasonable detail the facts giving rise to any claim for indemnification hereunder, the amount or method of computation of the amount of such claim (if known) and such other information with respect thereto as the Indemnifying Party may reasonably request. The failure to provide as part of the initial written notice of claim, the information set forth in the preceding sentence shall not invalidate the effectiveness of the written notice provided the information is provided in a reasonable time period thereafter. The failure to provide such notice, however, shall not release the Indemnifying Party from any of its obligations under this Article 10 except to the extent that the Indemnifying Party is prejudiced by such failure. The Indemnifying Party shall have thirty (30) days after receipt of notice of any claim pursuant to this Section 10.5(c) to (i) agree to the amount or method of determination set forth in such claim and to pay such amount to such Indemnified Party or (ii) provide the Indemnified Party with notice (a "Dispute Notice") that it disagrees with the amount or method of determination set forth in such claim. If the Indemnifying Party has timely delivered a Dispute Notice, the Indemnifying Party and the Indemnified Party shall, during a period 30 days from the Indemnified Party's receipt of such Dispute Notice, negotiate to achieve resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved as provided in Section 12.9.

Section 10.6 Limits on Indemnification.

(a) No claim may be asserted against any party for breach of any representation or warranty contained in this Agreement unless written notice of such claim is received by such party describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim on or prior to May 30, 2007 (the "Claim Deadline") in which case such representation, warranty or covenant shall survive as to such claim until such claim has been finally resolved. Notwithstanding the foregoing, there shall be no Claims Deadline applicable to a claim raised with respect to a breach of Sections 5.2, 5.3(a)-(e), 7.4 and 7.11 hereof. In addition, no claim may be asserted against Marriott for breach of any of CTF's or Marriott's representations or warranties to the extent that the Title Materials contain information that is inconsistent with such representations or warranties.

(b) Notwithstanding anything to the contrary contained in this Agreement with respect to each Fee Property, Target, Leasehold Interest in a Minority Owned Entity: (i) Marriott shall not be liable for any claim for indemnification of \$5,000 or less pursuant to Sections 10.1(a), 10.1(b), or 10.3 resulting from any single claim or aggregated claims arising out of the same facts, events or circumstances (the "De Minimus Amount"), (ii) Marriott shall not be liable unless and until the aggregate amount of indemnifiable Losses which may be recovered from Marriott on account of all claims

equals or exceeds \$50,000 (the "Threshold Amount"), at which time Marriott shall be liable for all such Losses, (iii) the maximum aggregate amount of indemnifiable Losses which may be recovered by Purchaser Indemnified Parties arising out of or relating to the causes set forth in Sections 10.3(a), 10.3(b) or 10.3(c) in relation to any single Fee Property, Target, Leasehold Interest or in a Minority Owned Entity shall equal fifty percent (50%) of the Preliminary Allocated Price in respect of such Fee Property, Target, Leasehold Interest or in such a Minority Owned Entity, as the case may be (the "Indemnification Limit"); and (iv) no party hereto shall have any liability under any provision of this Agreement for any punitive, consequential, incidental, special or indirect damages relating to the breach or alleged breach of this Agreement or the Ancillary Agreements. Notwithstanding the foregoing, the Indemnification Limit applicable to Losses related to a breach of a representation, warranty or covenant under Sections 5.2 and 5.3(a)-(e) shall be the Preliminary Allocated Price of each Target.

(c) For all purposes of this Article 10, "Losses" shall be net of (i) any insurance (other than any self-insured retention program) or other recoveries paid (subject to Section 10.8 by a third party to the Indemnified Party or its Affiliates in connection with the facts, events or circumstances giving rise to the right of indemnification and (ii) any net Tax benefit available to such Indemnified Party or its Affiliates arising in connection with the accrual, incurrence or payment of any such Losses (including the net present value of any Tax benefit arising in subsequent taxable years).

(d) The Purchaser and Marriott shall cooperate with each other with respect to resolving any Third Party claim with respect to which one party is obligated to indemnify the other party hereunder, including by making Commercially Reasonable Efforts to mitigate such claim. In the event that the Purchaser or Marriott shall fail to make such Commercially Reasonable Efforts to mitigate or resolve any claim or liability, then notwithstanding anything else to the contrary contained herein, the other party shall not be required to indemnify any person to the extent of any loss, liability, claim, damage or expense that could reasonably be expected to have been avoided if the Purchaser or Marriott, as the case may be, had made such efforts.

(e) For purposes of this Article 10, "Losses" shall be determined in all cases without regard to any qualification or limitation with respect to "materiality" whether by reference to "in any material respect" or any other use of "material."

Section 10.7 Tax Matters. Anything in this Article 10 to the contrary notwithstanding, the rights and obligations of the parties with respect to indemnification for any and all Tax matters shall be governed by Article 8.

Section 10.8 Assignment of Claims. If any Purchaser Indemnified Party receives any payment from Marriott in respect of any Losses pursuant to Section 10.3 and the Purchaser Indemnified Party could have recovered all or a part of such Losses from a third party (a "Potential Contributor") based on the underlying claim asserted against Marriott, the Purchaser Indemnified Party shall assign, on a non-recourse basis and without any representation or warranty, such of its rights to proceed against the Potential

Contributor as are necessary to permit Marriott to recover from the Potential Contributor the amount of such payment. Any payment received in respect of such claim shall be distributed, (i) first to the Purchaser Indemnified Party in the amount of any deductible or similar amount required to be paid by the Purchaser Indemnified Party prior to Marriott being required to make any payment to the Purchaser Indemnified Party, (ii) second to Marriott in an amount equal to the aggregate payments made by Marriott to the Purchaser Indemnified Party in respect of such claim, plus costs and expenses incurred in investigating, defending or otherwise incurred in connection with addressing such claim and (iii) the balance, if any, to the Purchaser Indemnified Party.

Section 10.9 Disclaimer of Implied Warranties.

(a) It is the explicit intent and understanding of each party hereto that neither party hereto nor its Representatives is making any representation or warranty whatsoever, oral or written, express or implied, as to the accuracy or completeness of any information regarding the Property, except as expressly set forth in this Agreement, and neither party hereto is relying on any statement, representation or warranty, oral or written, express or implied, made by the other party hereto or such other party's Representatives, except for the representations and warranties expressly set forth in this Agreement.

(b) Each party hereto hereby agrees and acknowledges that with the exception of the various deeds which will be placed of record in the applicable real property records each of the conveyance documents contemplated hereunder and under the CTF Agreement to consummate the Transaction shall explicitly reflect the fact that the Purchaser is purchasing the applicable Owned Real Property or Leased Real Property on an "as is" condition "with all faults" and without any warranties, representations or guaranties of any kind, oral or written, express or implied, concerning the Property from or on behalf of Marriott or CTF, except as may be expressly set forth in the representations and warranties in this Agreement as contemplated under Section 9.1(g). The Purchaser acknowledges that, except as may be expressly set forth in this Agreement and the conveyance documents contemplated hereunder and under the CTF Agreement, Marriott has not, does not, and will not make any representations, warranties or guaranties, of any kind, oral or written, express or implied, concerning the Property including, without limitation (i) the quality, adequacy, state of repair or physical condition of the Property, (ii) the habitability, merchantability or fitness, suitability or adequacy of the Property or any portion thereof for any particular use or purpose, (iii) the zoning or other legal status of the Property, (iv) the compliance by the Property, or any portion thereof, with any applicable codes, laws, regulations, statutes, ordinances, covenants, conditions or restrictions of any governmental or quasi-governmental entity or of any Person, or (v) the environmental condition of the Property, including its compliance with environmental laws and the presence or non-presence of hazardous substances. At the Closing Purchaser shall execute and deliver a certificate to and for the benefit of CTF and Marriott reflecting its acknowledgement of the foregoing provisions.

**ARTICLE 11. DEFAULT, REMEDIES.**

**Section 11.1 Purchaser's Default.** Should Purchaser default under this Agreement prior to Closing, Marriott shall be entitled (i) to retain the Deposit, and (ii) to collect the sum of \$5 million from Purchaser (which shall become due and payable upon such default), collectively as liquidated damages and terminate this Agreement (and the retention of the Deposit and such \$5 million shall be the sole and exclusive remedy of Marriott for such default) in which event Purchaser shall have no rights under this Agreement or the CTF Agreement, and Marriott shall have the right, but not the obligation, to close under the CTF Agreement. Following Closing, in the event the Deposit is retained by the Title Company pursuant to the provisions of Schedule 9.2(d)), the provisions of subsection (ii) above shall have no further force or effect.

**Section 11.2 Marriott's Default.**

(a) If all other parties, including CTF and the other purchaser of Hotels under contract with Marriott to acquire such hotels, shall have fully performed their respective obligations under this Agreement and any other applicable Purchase and Sale Agreement with regard to the Hotels including the CTF Agreement, and Marriott shall default hereunder, Purchaser shall be entitled to receive from Marriott as its sole and exclusive remedy (i) a refund of its Deposit and all interest earned thereon, (ii) Purchaser's Out of Pocket Costs, and (iii) a payment in the amount of Five Million Dollars (\$5,000,000).

(b) If Marriott shall default under this Agreement as a result of a default by the other purchaser of any of the hotels under contract with Marriott pursuant to the CTF Agreement under its applicable Purchase and Sale Agreement, and such default shall not have been caused by a default by CTF under the CTF Agreement, Purchaser shall be entitled to receive from Marriott (i) a refund of its Deposit and all interest earned thereon and its reasonable Purchaser's Out of Pocket Costs not to exceed Two Million Dollars (\$2,000,000).

(c) If Marriott's default hereunder results from a default by CTF under the CTF Agreement, Marriott shall determine which if any remedy it wishes to pursue against CTF and shall provide to Purchaser notice of such determination. Purchaser shall have a period of ten (10) days after receipt of Marriott's determination within which to elect to participate in such action or not to so participate. If Purchaser elects to participate with Marriott in any such litigation, Purchaser shall be entitled to its pro rata share of damages in fact awarded to, and received by Marriott, and if such litigation shall include an action for specific performance, Purchaser shall be entitled to acquire, pursuant to this Agreement and any of such order, judgment or decree of the applicable court, the Hotels which are the subject of this Agreement. For the purposes of this Section 11.2(c), the pro rata share of damages (less all costs incurred by Marriott and Purchaser in pursuing such action shall be determined based on the Unadjusted Purchase Price for the Hotels which are the subject of this Agreement as compared with the Unadjusted Purchase Price under the CTF Agreement, unless any such damages as contemplated in this Section 11.2(c) shall be awarded based on specific damage to a

particular Hotel, in which event the damages awarded and paid shall belong to the party taking title to such Hotel. If Purchaser elects not to participate in any such action, this Agreement shall terminate and neither party shall have any further liability or obligation to the other under this Agreement. In any event, all decisions as to the pursuit of remedies and the prosecution of any litigation shall be made solely by Marriott.

(d) If Marriott defaults under this Agreement, and such default shall not have resulted from a default by CTF under the CTF Agreement, and if thereafter Marriott either acquires the Hotels under the CTF Agreement or otherwise transfers its right to acquire the Hotels under the CTF Agreement to a third party, Purchaser shall have the right to specific performance as to this Agreement; provided, however, Purchaser must (i) institute such action for Specific Performance against Marriott within three (3) months from the first date on which Purchaser first learns or discovers that Marriott has so acquired the Hotels under the CTF Agreement or so transferred its rights under the CTF Agreement and (ii) as a closing condition to the Purchaser of such Hotels, repay to Marriott any sums previously paid by Marriott to Purchaser for out-of-pocket expenses as provided in Sections 11.2(a) and 11.2(b) hereof less however Purchaser's costs in pursuing such action for specific performance against Marriott. In the event that an action for specific performance is not available, Purchaser shall be entitled to a refund of its Deposit and its reasonable third party out-of-pocket expenses not to exceed \$2,000,000 as liquidated damages.

#### **ARTICLE 12. TERMINATION.**

**Section 12.1 Termination.** This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written consent of the Purchaser and Marriott;

(b) (i) by Marriott, if any of the material conditions set forth in Section 9.3 or Section 9.4 shall have become incapable of fulfillment prior to the Termination Date or (ii) by the Purchaser, if any of the conditions set forth in Section 9.3 or Section 9.5 shall have become incapable of fulfillment prior to the Termination Date; provided, however, that the right to terminate this Agreement pursuant to this Section 12.1(b) shall not be available if the failure of the party so requesting termination to fulfill any obligation under this Agreement shall have been the cause of the failure of such condition to be satisfied on or prior to such date;

(c) (1) by either Marriott or the Purchaser if the Closing shall not have occurred by June 30, 2005 unless Closing under the CTF Agreement has been extended by Marriott pursuant to Section 3.11 of the CTF Agreement and Purchaser has elected pursuant to Section 3.8(c) hereof to postpone Closing, in which event Closing hereunder shall be extended until November 15, 2005, or (2) if the Closing shall not have occurred by November 15, 2005, by either Marriott or Purchaser; provided, however, that the right to terminate this Agreement under this Section 12.1(c) shall not be available if the failure of the party so requesting termination to fulfill any obligation under this Agreement shall have been the cause of the failure of the Closing to occur on or prior to such date (June 30, 2005 or November 15, 2005, as applicable, (the "Termination Date")); or

(d) by either Marriott or the Purchaser in the event that any Governmental Authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and non-appealable; provided, that the party so requesting termination shall have complied with Section 7.10.

The party seeking to terminate this Agreement pursuant to this Section 12.1 (other than Section 12.1(a)) shall give prompt written notice of such termination to the other party.

Section 12.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 12.1, this Agreement shall forthwith become void the Deposit shall be returned to Purchaser and there shall be no liability on the part of either party except (a) for the representations of both parties relating to broker's fees and finder's fees, Section 7.8 relating to confidentiality, Section 7.11 relating to public announcements, Section 13.1 relating to fees and expenses, Section 13.4 relating to notices, Section 13.8 relating to third-party beneficiaries, Section 13.9 relating to governing law, Section 13.10 relating to submission to jurisdiction and this Section 12.2 and (b) that nothing in this Section 12.2 shall relieve either party from liability for any breach of this Agreement or any Ancillary Agreement.

### **ARTICLE 13. GENERAL PROVISIONS.**

Section 13.1 Fees and Expenses. Except as otherwise provided herein, all fees and expenses incurred in connection with or related to this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby shall be paid by the party incurring such fees or expenses, whether or not such transactions are consummated. In the event of termination of this Agreement, the obligation of each party to pay its own expenses will be subject to any rights of such party arising from a breach of this Agreement by the other. All fees, expenses and premiums in connection with the procurement of any Title Materials and other related fees, expenses and premiums pursuant to Section 9.1(e) herein shall be for the account of the Purchaser.

Section 13.2 Amendment and Modification. This Agreement may not be amended, modified or supplemented in any manner, whether by course of conduct or otherwise, except by an instrument in writing signed on behalf of each party and otherwise as expressly set forth herein.

Section 13.3 Waiver. No failure or delay of either party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereunder are cumulative and are not exclusive of any rights or remedies

which they would otherwise have hereunder. Any agreement on the part of either party to any such waiver shall be valid only if set forth in a written instrument executed and delivered by a duly authorized officer on behalf of such party.

Section 13.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, or if by facsimile, upon written confirmation of receipt by facsimile, e-mail or otherwise, (b) on the first Business Day following the date of dispatch if delivered by a recognized next-day courier service or (c) on the earlier of confirmed receipt or the fifth Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered to the addresses set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

if to Marriott, to:

Marriott International, Inc.  
10400 Fernwood Road  
Bethesda, MD 20817

Attention: Michael E. Dearing and Jeffrey Holdaway  
Facsimile: 301-380-6727

with copies (which shall not constitute notice) to:

Venable LLP  
1800 Mercantile Bank and Trust Building  
2 Hopkins Plaza  
Baltimore, MD 21201

Attention: Jan K. Guben  
Facsimile: 410-244-7742

if the Purchaser, to:

Sunstone Hotel Investors, Inc.  
903 Calle Amanecer, Suite 100  
San Clemente, CA 92673

Attention: Gary A. Stougaard  
Facsimile: 949-369-4110

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

Squire, Sanders & Dempsey, L.L.P.  
Two Renaissance Square  
40 North Central Avenue, Suite 2700  
Phoenix, AZ 85004

Attention: Richard F. Ross  
Facsimile: 602-253-8129

Section 13.5 Interpretation. When a reference is made in this Agreement to an Article, Section, Schedule or Exhibit such reference shall be to an Article, Section, Schedule or Exhibit of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement or in any Exhibit are for convenience of reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All disclosures made on every Schedule to this Agreement shall be deemed made for all Schedules attached to this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall have the meaning as defined in this Agreement. All Schedules and Exhibits attached hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth herein. The word "including" and words of similar import when used in this Agreement will mean "including, without limitation," unless otherwise specified. This Agreement and the Ancillary Agreements shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted. Whenever in this Agreement Marriott undertakes to cause CTF to take action or to deliver any material to Purchaser, the taking of such action or delivery by Marriott shall be deemed full performance as to such action or delivery as is required under this Agreement.

Section 13.6 Restriction on Acquisitions. Purchaser agrees that for one (1) year from termination of this Agreement neither Purchaser nor any persons or entity controlled by Purchaser shall consummate, negotiate, offer, solicit offers, discuss, or arrange, directly or indirectly, the acquisition of any hotel which is the subject of the purchase and sale described in the CTF Agreement; provided, however, Purchaser may discuss and negotiate with the current partner of Techworld for the acquisition of his interest in Techworld, and with him, the acquisition of the CTF interest in Techworld.

Section 13.7 Entire Agreement. This Agreement and the Ancillary Agreements, Exhibits, Schedules and other agreements and instruments delivered in connection herewith constitute the entire agreement, and supersede all prior written agreements, arrangements, communications and understandings and all prior and contemporaneous oral agreements, arrangements, communications and understandings among the parties with respect to the subject matter of this Agreement. Furthermore, to the extent this Agreement or Ancillary Agreements conflict with, or provide for remedies different from, any prior agreements between Marriott and the Purchaser, this Agreement and the Ancillary Agreements shall control. Neither this Agreement nor any Ancillary Agreement shall be deemed to contain or imply any restriction, covenant, representation,



warranty, agreement or undertaking of any party with respect to the transactions contemplated hereby or thereby other than those expressly set forth herein or therein or in any document required to be delivered hereunder or thereunder, and none shall be deemed to exist or be inferred with respect to the subject matter hereof.

Section 13.8 No Third-Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of each of the parties and their respective successors and assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person including without limitation, CTF, any legal or equitable right, benefit or remedy of any nature under or by reason of this Agreement, except as provided in Article 10.

Section 13.9 Governing Law. This Agreement and all disputes or controversies arising out of or relating to this Agreement or the transactions contemplated hereby shall be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to the laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York other than Section 5-1401 of the New York General Obligations Law.

Section 13.10 Submission to Jurisdiction. Each of the parties irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement or for recognition and enforcement of any judgment in respect hereof brought by the other party or its successors or assigns may be brought and determined in any New York State or federal court sitting in the Borough of Manhattan in The City of New York (or, if such court lacks subject matter jurisdiction, in any appropriate New York State or federal court), and each of the parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the parties further agrees to accept service of process in any manner permitted by such courts. Each of the parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, (a) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure lawfully to serve process, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by law, that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper or (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

Section 13.11 Personal Liability. This Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any direct or indirect stockholder of Marriott or the Purchaser or any officer, director, employee, Representative or investor of either party hereto.

Section 13.12 Assignment; Successors. Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise, by either party without the prior written consent of the other party, and any such assignment without such prior written consent shall be null and void; provided, however, that Purchaser may assign this Agreement to any of its Affiliates without the prior consent of Marriott and; provided further, that Marriott may assign any of its rights under this Agreement to one or more of its Affiliates without the consent of the Purchaser and; provided still further, that no assignment shall limit the assignor's obligations hereunder. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 13.13 No Brokers. The parties hereto represent and warrant to each other that neither has dealt with any broker or intermediary in connection with the Transaction. Marriott and Purchaser do hereby indemnify and hold harmless the other from and against any claims by any brokers with whom the indemnifying party may have dealt or is alleged to have dealt in connection with the Transaction.

Section 13.14 Severability. Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 13.15 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

Section 13.16 Facsimile Signature. This Agreement may be executed by facsimile signature and a facsimile signature shall constitute an original for all purposes.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, Marriott and the Purchaser have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

MARRIOTT INTERNATIONAL, INC.

By: /s/ M. E. Dearing

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Name: MICHAEL E. DEARING

Title: Executive Vice President

SUNSTONE HOTEL INVESTORS, INC.

By: /s/ Robert A. Alter

---

Name: ROBERT A. ALTER

Title: Chief Executive Officer

**THIRD AMENDMENT AGREEMENT**  
**Synthetic American Fuel Enterprises I, LLC**

This Third Amendment Agreement ("Third Amendment") is made and entered into as of April 28, 2005, by and among Synthetic American Fuel Enterprises Holdings, Inc. ("Holdings"), Marriott Hotel Services, Inc. ("MHSI") and Serratus LLC ("Buyer").

WITNESSETH:

WHEREAS, Holdings, MHSI and Buyer entered into an Amended and Restated Limited Liability Company Agreement of Synthetic American Fuel Enterprises I, LLC (the "Company") dated as of January 28, 2003, as amended by Amendment Agreement dated as of June 20, 2003 and Second Amendment Agreement dated as of October 6, 2004 (the "LLC Agreement"); and

WHEREAS, the parties desire to amend the LLC Agreement as provided herein;

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

**Section 1 Amendment to Section 10.5.** Section 10.5 of the LLC Agreement is hereby amended by deleting the words "120 days" in clause (a) of the proviso at the end thereof and inserting the words "160 days" in lieu thereof.

**Section 2 Miscellaneous.** This Third Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Third Amendment shall be governed by and construed under the laws of the State of New York applicable to contracts executed and performed therein. The LLC Agreement (including the Exhibits and Schedules thereto), as amended by this Third Amendment, constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof. This Third Amendment may not be changed or modified orally but only by an instrument in writing signed by all the parties, which states that it is an amendment to this Third Amendment. This Third Amendment may be executed in any number of counterparts (including by facsimile), each of which shall for all purposes be and be deemed to be an original, and all of which shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each party hereto has caused this Third Amendment to be signed on its behalf as of the date first above written.

**SYNTHETIC AMERICAN FUEL  
ENTERPRISES HOLDINGS, INC.**

By: /s/ Kathleen K. Oberg

\_\_\_\_\_  
Name: Kathleen K. Oberg  
Title: President

**MARRIOTT HOTEL SERVICES, INC.**

By: /s/ Kathleen K. Oberg

\_\_\_\_\_  
Name: Kathleen K. Oberg  
Title: Vice President

**SERRATUS LLC**

By: /s/

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Title:

**FOURTH AMENDMENT AGREEMENT**

**Synthetic American Fuel Enterprises II, LLC**

This Fourth Amendment Agreement ("Fourth Amendment") is made and entered into as of April 29, 2005, by and among Synthetic American Fuel Enterprises Holdings, Inc. ("Holdings"), Marriott Hotel Services, Inc. ("MHSI") and Serratus LLC ("Buyer").

**WITNESSETH:**

WHEREAS, Holdings, MHSI and Buyer entered into an Agreement for Purchase of Membership Interest in Synthetic American Fuel Enterprises II, LLC (the "Company") dated as of January 28, 2003, as amended by Amendment Agreement dated as of June 20, 2003 and Third Amendment Agreement dated as of October 6, 2004 (the "Purchase Agreement");

WHEREAS, Holdings, MHSI and Buyer entered into an Amended and Restated Limited Liability Company Agreement of the Company dated as of January 28, 2003, as amended by Amendment Agreement dated as of June 20, 2003, Second Amendment Agreement dated as of September 3, 2004, and Third Amendment Agreement dated as of October 6, 2004 (the "LLC Agreement"); and

WHEREAS, the parties desire to amend the LLC Agreement and the Purchase Agreement as provided herein;

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

**ARTICLE I  
AMENDMENTS TO LLC AGREEMENT**

**Section 1.1 Amended Definition.** The definition of "Sharing Ratio" in Section 1.1 of the LLC Agreement is hereby deleted in its entirety and replaced with the following:

"Sharing Ratio" means (i) for the period from the Closing Date through December 31, 2003, 8.9% for MHSI, 1.1% for Holdings, and 90.0% for Buyer; (ii) for the period from October 1, 2004 through December 31, 2004, 90.44% for MHSI, 1.1% for Holdings, and 8.46% for Buyer; (iii) for the period from January 1, 2005 through May 31, 2005, 97.9% for MHSI, 1.1% for Holdings, and 1.0% for Buyer; and (iv) for all other periods, 48.8% for MHSI, 1.1% for Holdings and 50.1% for Buyer; provided, however, that if in any Quarter, the Administrative Member proposes to produce less than 1,350,000 tons of synthetic fuel, then the Members shall discuss in good faith an appropriate change in the Sharing Ratio for that Quarter.

**Section 1.2 Amendments to Section 10.8(a).**

(a) Section 10.8(a) of the LLC Agreement is deleted in its entirety and replaced with the following:

“(a) (i) Upon the occurrence of a Tax Event (other than a Tax Event described in the last sentence of the definition of “Tax Event”), (ii) upon the exercise by Buyer of its right to defer payments for low volume pursuant to Section 2.6 of the Purchase Agreement for the fourth time (the “Fourth Deferral”), (iii) in the event there has not been a Successful Resolution by the close of business on March 31, 2005, or (iv) upon the occurrence of a Tax Event described in the last sentence of the definition of “Tax Event,” Buyer shall have the option, exercisable by delivery of written notice thereof to the Company within 60 days of such Tax Event or Fourth Deferral, in the case of an exercise pursuant to clauses (i), (ii) or (iv), or on or prior to June 30, 2005, in the case of an exercise pursuant to clause (iii), to require the Company to redeem its Membership Interest, in whole but not in part, such redemption to be effective (A) on the later of (x) the 60th day after the occurrence of such Tax Event or Fourth Deferral or (y) the tenth day following receipt of the written notice from Buyer in relation thereto, in the case of an exercise pursuant to clauses (i) or (ii), (B) as of the first day of the calendar month in which the written notice from Buyer is received, in the case of an exercise pursuant to clause (iii), or (C) on the tenth day following receipt of the written notice from Buyer in the case of an exercise pursuant to clause (iv); provided, however, that any redemption hereunder shall be subject to the expiration of any waiting period, if applicable, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, but once such waiting period expires, shall have effect from the date specified in clause (A), (B) or (C), as applicable.”

(b) Section 10.8(c) of the LLC Agreement is hereby amended by deleting the proviso at the end of clause (viii) thereof in its entirety and replacing it with the following:

“; provided, however, that if Buyer exercises the option in paragraph (a) above pursuant to clause (iii) thereof, Buyer shall pay Holdings an amount equal to the sum of (A) the Annual Adjustment Amount for the Fiscal Year ended November 30, 2004, (B) the Applicable Percentage of the excess of (x) the Estimated Tax Credits with respect to the Quarter ended February 28, 2005, recomputed using the revised inflation adjustment factor applicable to the immediately preceding Fiscal Year published by the IRS pursuant to Section 29(d)(2) of the Code, over (y) the Estimated Tax Credits actually used in calculating the Variable Deferred Payment paid by Buyer with respect to Quarter ended February 28, 2005, and (C) the excess, if any, of (x) the Applicable Percentage of the Estimated Tax Credits with respect to the period from March 1, 2005 through the last day of the calendar month preceding the month in which Buyer exercises such option (the “Final Period”), over (y) the sum of (I) the payments of

Purchase Price under the Purchase Agreement, if any, made by Buyer in respect of such Final Period and (II) the capital contributions, if any, made by Buyer, or by Buyer Parent on its behalf, to the Company in respect of such Final Period pursuant to Section 4.1, in lieu of any accrued obligations and liabilities to make any capital contributions to the Company and any further payments of the Purchase Price under the Purchase Agreement for such Final Period”

**Section 1.3 Effect on Capital Accounts.** The parties understand and agree that their Capital Accounts as of the date hereof shall not be adjusted as a result of the preceding amendments to the LLC Agreement, since these amendments merely alter the allocation of income and losses among the Members after the date hereof.

## **ARTICLE II AMENDMENTS TO PURCHASE AGREEMENT**

**Section 2.1 Amended Definition.** The following definition in Annex I to the Purchase Agreement is hereby deleted in its entirety and replaced with the following:

“**Amended LLC Agreement**” means the Amended and Restated Limited Liability Company Agreement of the Operating Company, dated as of January 28, 2003, by and among Seller, MHSI and Buyer in the form attached as Exhibit I, as amended by the Amendment Agreement, the Second Amendment Agreement dated as of September 3, 2004 by and among Seller, MHSI and Buyer, the Third Amendment Agreement dated as of October 6, 2004, by and among Seller, MHSI and Buyer, and the Fourth Amendment Agreement dated as of April 29, 2005, by and among Seller, MHSI and Buyer.

**Section 2.2 Amended Schedule 2.4.** Schedule 2.4 (Fixed Deferred Payment Schedule) to the Purchase Agreement is hereby deleted in its entirety and replaced with Schedule 2.4 attached hereto.

## **ARTICLE III MISCELLANEOUS**

This Fourth Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Fourth Amendment shall be governed by and construed under the laws of the State of New York applicable to contracts executed and performed therein. The Purchase Agreement and the LLC Agreement (including the Exhibits and Schedules thereto), as amended by this Fourth Amendment, constitute the entire agreement of the parties hereto with respect to the subject matter hereof and thereof. This Fourth Amendment may not be changed or modified orally but only by an instrument in writing signed by all the parties, which states that it is an amendment to this Fourth Amendment. This Fourth Amendment may be executed in any number of counterparts (including by facsimile), each of which shall for all purposes be and be deemed to be an original, and all of which shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]



IN WITNESS WHEREOF, each party hereto has caused this Fourth Amendment to be signed on its behalf as of the date first above written.

**SYNTHETIC AMERICAN FUEL  
ENTERPRISES HOLDINGS, INC.**

By: /s/ Kathleen K. Oberg

\_\_\_\_\_

Name: Kathleen K. Oberg  
Title: President

**MARRIOTT HOTEL SERVICES, INC.**

By: /s/ Kathleen K. Oberg

\_\_\_\_\_

Name: Kathleen K. Oberg  
Title: Vice President

**SERRATUS LLC**

By: /s/

\_\_\_\_\_

Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

**Schedule 2.4****Fixed Deferred Payment Schedule (SYN II)**

<b>Period Beginning</b>	<b>Period Ending</b>	<b>Payment Date</b>	<b>Payment</b>
6/1/2003	8/31/2003	9/20/2003	\$ 10,654,000
9/1/2003	11/30/2003	12/20/2003	14,782,000
12/1/2003	2/29/2004	3/20/2004	8,447,000
3/1/2004	5/31/2004	6/20/2004	7,157,000
6/1/2004	8/31/2004	9/20/2004	7,838,000
9/1/2004	11/30/2004	12/20/2004	2,870,000
12/1/2004	2/28/2005	3/20/2005	0
3/1/2005	5/31/2005	6/20/2005	0
6/1/2005	8/31/2005	9/20/2005	9,552,000
9/1/2005	11/30/2005	12/20/2005	9,552,000
12/1/2005	2/28/2006	3/20/2006	8,186,000
3/1/2006	5/31/2006	6/20/2006	8,936,000
6/1/2006	8/31/2006	9/20/2006	9,653,000
9/1/2006	11/30/2006	12/20/2006	9,653,000
12/1/2006	2/28/2007	3/20/2007	8,241,000
3/1/2007	5/31/2007	6/20/2007	8,972,000
6/1/2007	8/31/2007	9/20/2007	9,691,000
9/1/2007	11/30/2007	12/20/2007	9,691,000
12/1/2007	12/31/2007	1/20/2008	4,108,000

**MARRIOTT INTERNATIONAL, INC.**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	Twenty-Four Weeks Ended	
	June 17, 2005	June 18, 2004
(\$ in millions, except ratio)		
Income before income taxes and minority interest <sup>(1)</sup>	\$ 254	\$ 311
(Income) loss related to equity method investees	(1)	29
	<u>253</u>	<u>340</u>
Add/(deduct):		
Fixed charges	94	91
Interest capitalized	(11)	(7)
Distributed income of equity method investees	16	2
Minority interest in pre-tax loss	14	14
Earnings available for fixed charges	<u>\$ 366</u>	<u>\$ 440</u>
Fixed charges:		
Interest expensed and capitalized <sup>(2)</sup>	\$ 56	\$ 53
Estimate of interest within rent expense	38	38
Total fixed charges	<u>\$ 94</u>	<u>\$ 91</u>
Ratio of earnings to fixed charges	3.9	4.8

<sup>(1)</sup> Reflected in income before income taxes and minority interest are the following items associated with the synthetic fuel operation: an operating loss of \$81 million, and net earn-out payments made of \$1 million for the twenty-four weeks ended June 17, 2005; and equity in losses of \$28 million, an operating loss of \$30 million, and net earn-out payments received of \$9 million for the twenty-four weeks ended June 18, 2004.

<sup>(2)</sup> "Interest expensed and capitalized" includes amortized premiums, discounts and capitalized expenses related to indebtedness.

Exhibit 12

**Certification of Chief Executive Officer  
Pursuant to Rule 13a-14(a)**

I, J.W. Marriott, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marriott International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 22, 2005

/s/ J.W. Marriott, Jr.

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J.W. Marriott, Jr.  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

Exhibit 31.1

**Certification of Chief Financial Officer  
Pursuant to Rule 13a-14(a)**

I, Arne M. Sorenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marriott International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

July 22, 2005

/s/ Arne M. Sorenson

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Arne M. Sorenson  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Exhibit 31.2

**Certification**  
**Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002**  
**(18 U.S.C. Section 1350(a) and (b))**

I, J.W. Marriott, Jr., Chairman of the Board and Chief Executive Officer of Marriott International, Inc. (the "Company") certify that:

- (1) the quarterly report on Form 10-Q of the Company for the period ended June 17, 2005 (the "Quarterly Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 22, 2005

/s/ J.W. Marriott, Jr.

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J.W. Marriott, Jr.  
Chairman of the Board  
and Chief Executive Officer  
(Principal Executive Officer)

I, Arne M. Sorenson, Executive Vice President and Chief Financial Officer of Marriott International, Inc. (the "Company") certify that:

- (1) the quarterly report on Form 10-Q of the Company for the period ended June 17, 2005 (the "Quarterly Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 22, 2005

/s/ Arne M. Sorenson

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Arne M. Sorenson  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Exhibit 32