

ALLIED HOTEL PROPERTIES INC.
CODE OF BUSINESS CONDUCT AND ETHICS

1. INTRODUCTION

We require high standards of professional and ethical conduct from our employees. Our reputation with our shareholders and prospective investors for honesty and integrity is key to the success of our business. No employee will be permitted to achieve results through violations of laws or regulations, or through unscrupulous dealings.

We intend that the Corporation's business practices will be compatible with the economic and social priorities of each location in which we operate. Although customs vary by country and standards of ethics may vary in different business environments, honesty and integrity must always characterize our business activity. If a law conflicts with a policy in this Code, you must comply with the law; however, if a local custom or policy conflicts with this Code, you must comply with the Code. If you have any questions about these conflicts, you should ask your supervisor how to handle the situation.

This Code reflects our commitment to a culture of honesty, integrity and accountability and outlines the basic principles and policies with which all employees are expected to comply. **Please read this Code carefully.**

In addition to following this Code in all aspects of your business activities, you are expected to seek guidance in any case where there is a question about compliance with both the letter and the spirit of our policies and applicable laws. This Code covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all employees of the Corporation. This Code does not supersede the specific policies and procedures that may be covered in the Corporation's operating manuals or in separate specific policy statements. References in this Code to the "Corporation" means Allied Hotel Properties Inc. or any of its subsidiaries. **Reference to "employees" includes officers and directors.**

Those who violate the standards set forth in this Code will be subject to disciplinary action up to and including dismissal. *If you are in a situation that you believe may violate or lead to a violation of this Code, follow the guidelines described in Section 7 below.*

Your cooperation is necessary to the continued success of our business and the cultivation and maintenance of our reputation as a good corporate citizen.

2. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

Compliance with the letter and spirit of all laws, rules and regulations applicable to our business is critical to our reputation and continued success. All employees must respect and obey the laws of the jurisdictions in which we operate and avoid even the appearance of impropriety. Not all employees are expected to know the details of these laws, but it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel. The Corporation, if necessary, will hold information and training sessions to promote compliance with laws, rules and regulations, including insider trading laws.

3. CONFLICTS OF INTEREST

A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, in any way with the interests of the Corporation. A conflict situation can arise when an employee takes actions or has interests that may make it difficult to perform his or her work for the Corporation objectively and effectively. Conflicts of interest also arise when an employee, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Corporation. Loans to, or guarantees of obligations of, such persons are likely to pose conflicts of interest, as are transactions of any kind between the Corporation and any other organization in which you or any member of your family have an interest.

It is almost always a conflict of interest for an employee to work simultaneously for a competitor, customer or supplier. You are not allowed to work for a competitor as a consultant or director. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on behalf of the Corporation.

Activities that could give rise to conflicts of interest are prohibited unless specifically approved by the Board of Directors or the Audit Committee. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interests should be reported immediately to your supervisor or the Corporation's general legal counsel.

4. CORPORATE OPPORTUNITIES

Employees are prohibited from taking for themselves personally opportunities that arise through the use of corporate property, information or position and from using corporate

property, information or position for personal gain. Employees owe a duty to the Corporation to advance the legitimate interests of the Corporation when the opportunity to do so arises.

5. CONFIDENTIALITY

Employees must maintain the confidentiality of information entrusted to them by the Corporation or that otherwise comes into their possession in the course of their employment, except when disclosure is authorized or legally mandated. Employees may be required to execute a standard form confidentiality agreement upon starting employment and from time to time during the course of employment. The obligation to preserve confidential information continues even after you leave the Corporation.

Confidential information includes all non-public information that may be of use to competitors, or harmful to the Corporation or its customers, if disclosed. It also includes information that suppliers and customers have entrusted to us.

6. PROTECTION AND PROPER USE OF CORPORATION ASSETS

All employees should endeavor to protect the Corporation's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Corporation's profitability. Any suspected incidents of fraud or theft should be immediately reported for investigation.

Corporation assets, such as funds, products or computers, may only be used for legitimate business purposes or other purposes approved by management. Corporation assets may never be used for illegal purposes.

The obligation to protect Corporation assets includes proprietary information. Proprietary information includes any information that is not generally known to the public or would be helpful to our competitors. Examples of proprietary information include intellectual property, such as trade secrets, patents, trademarks and copyrights, occupancy and average daily rates, corporate contract rates, future reservation data, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data or reports. Unauthorized use or distribution of this information is a violation of Corporation policy. It may also be illegal and may result in civil and criminal penalties. The obligation to preserve proprietary information continues even after you leave the Corporation.

7. INSIDER TRADING

Employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of the business of the Corporation. All nonpublic information about the Corporation should be considered confidential. To use nonpublic information for personal financial benefit or to “tip” others who might make an investment decision on the basis of this information is not only unethical but also illegal.

8. FAIR DEALING

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information obtained without the owner’s consent or inducing the disclosures of proprietary information or trade secrets by past or present employees of other companies is prohibited. Each employee should endeavor to deal fairly with the Corporation’s customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through illegal conduct, manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

9. DISCRIMINATION AND HARASSMENT

We value the diversity of our employees and are committed to providing equal opportunity in all aspects of employment. Abusive, harassing or offensive conduct is unacceptable, whether verbal, physical or visual. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances. Employees are encouraged to speak out when a co-worker’s conduct makes them uncomfortable, and to report harassment when it occurs.

10. SAFETY AND HEALTH

We are all responsible for maintaining a safe and healthy workplace by following safety and health rules and practices. The Corporation is committed to keeping its workplaces free from hazards. Please report any accidents, injuries, unsafe equipment, practices or conditions immediately to a supervisor or other designated person. Threats or acts of violence or physical intimidation are prohibited.

In order to protect the safety of all employees, employees must report to work in condition to perform their duties and free from the influence of any substance that could prevent

them from conducting work activities safely and effectively. The use of alcohol or illegal drugs in the workplace is prohibited.

11. RECORDKEEPING

Honest and accurate recording and reporting of information is critical to our financial reporting and our ability to make responsible business decisions. The Corporation's accounting records are relied upon to produce reports for the Corporation's management, shareholders, creditors, governmental agencies and others. Our financial statements and the books and records on which they are based must truthfully and accurately reflect all corporate transactions and conform to all legal and accounting requirements and our system of internal controls.

All employees have a responsibility to ensure that the Corporation's records, including accounting records, do not contain any false or intentionally misleading entries. We do not permit intentional misclassification of transactions as to accounts, departments or accounting periods. All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper account and in the proper accounting period.

All Corporation books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect Corporation transactions and must conform to both applicable legal requirements and the system of internal controls of the Corporation. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable laws or regulations.

Business records and communications may become public through legal or regulatory investigations or the media. We should avoid exaggeration, derogatory remarks, legal conclusions or inappropriate characterizations of people and companies. This applies to communications of all kinds, including email and informal notes or interoffice memos. Records should be retained and destroyed in accordance with the Corporation's records storage and retention policy.

12. USE OF E-MAIL AND INTERNET SERVICES

E-Mail systems and Internet services are provided to help us do work. Incidental and occasional personal use is permitted, but never for personal gain or any improper purpose. You may not access, send or download any information that could be insulting or offensive to another person, such as sexually explicit material or jokes, unwelcome propositions, ethnic or

racial slurs, or any other message that could be viewed as harassment. Also remember that “flooding” our systems with junk mail and trivia hampers the ability of our systems to handle legitimate Corporation business and is prohibited.

Employees should not download copyrighted materials, should not copy material that is not licensed to the Corporation and should follow the terms of a licence when using material that is licenced to the Corporation. No changes should be made to licensed materials without the prior consent of the Corporation. In addition, employees are discouraged from downloading games and screensavers as these are common sources of viruses.

Your messages (including voice mail) and computer information are considered the Corporation’s property and you should not have any expectation of privacy. Unless prohibited by law, the Corporation reserves the right to access and disclose this information as necessary for business purposes. Use good judgment, and do not access, send messages or store any information that you would not want to be seen or heard by other individuals.

13. POLITICAL ACTIVITIES AND CONTRIBUTIONS

We respect and support the right of our employees to participate in political activities. However, these activities should not be conducted on Corporation time or involve the use of any Corporation resources such as telephones, computers or supplies. Employees will not be reimbursed for personal political contributions.

We may occasionally express our views on local and national issues that affect our operations. In such cases, Corporation funds and resources may be used, but only when permitted by law and by our strict guidelines. The Corporation may also make limited contributions to political parties or candidates in jurisdictions where it is legal and customary to do so. No employee may make or commit to political contributions on behalf of the Corporation without the approval of senior management.

14. GIFTS AND ENTERTAINMENT

Business gifts and entertainment are customary courtesies designed to build goodwill among business partners. These courtesies include such things as meals and beverages, tickets to sporting or cultural events, discounts not available to the general public, travel, accommodation and other merchandise or services. In some cultures they play an important role in business relationships. However, a problem may arise when such courtesies compromise – or appear to compromise – our ability to make objective and fair business decisions.

Offering or receiving any gift, gratuity or entertainment that might be perceived to unfairly influence a business relationship should be avoided. These guidelines apply at all times, and do not change during traditional gift-giving seasons. No gift or entertainment should ever be offered, given, provided or accepted by any director or employee of the Corporation, or by any family member of a director or employee, unless it (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any applicable laws or regulations. Please discuss with your supervisor any gifts or proposed gifts if you are uncertain whether they are appropriate.

15. WAIVERS OF THIS CODE OF BUSINESS CONDUCT AND ETHICS

Any waiver of this Code with respect to a director or officer of the Corporation may be made only by the Board of Directors or the Audit Committee. Any such waiver will be promptly disclosed to the extent required by applicable laws or stock exchange regulations.

16. REPORTING OF ANY ILLEGAL OR UNETHICAL BEHAVIOR

We have a strong commitment to conduct our business in a lawful and ethical manner. Employees are encouraged to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation and to report violations of laws, rules, regulations or this Code. We prohibit retaliatory action against any employee who, in good faith, reports a possible violation. It is unacceptable to file a report knowing it to be false.

17. COMPLIANCE PROCEDURES

This Code cannot, and is not intended to, address all of the situations you may encounter. There will be occasions where you are confronted by circumstances not covered by policy or procedure and where you must make a judgment as to the appropriate course of action.

Since we cannot anticipate every situation that may arise, it is important for the Corporation to set forth a general way to approach a new question or problem. These are the steps to keep in mind:

- *Make sure you have all of the facts.* In order to reach the right solutions, you must be as fully informed as possible.
- *Ask yourself what you are specifically being asked to do.* This analysis will enable you to focus on the specific issues that are raised and the available

alternatives. Use your judgment and common sense. If something seems unethical or improper, it probably is.

- *Clarify your responsibility and role.* In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and to discuss the problem.
- *Discuss the problem with your supervisor.* This approach is best in most if not all situations. Your supervisor may be more knowledgeable about the issue and will appreciate being brought into the process. It is a supervisor's responsibility to help you to solve problems.
- *Seek help from Corporation resources.* In the rare instance in which it may not be appropriate to discuss an issue with your supervisor, or in which you feel uncomfortable approaching your supervisor, discuss the problem with the Corporation's general legal counsel. If you prefer to write, address your concerns to the Corporation's general legal counsel or the Chief Executive Officer.
- *You may report ethical violations in confidence and without fear of retaliation.* If your situation requires that your identity be kept secret, the Corporation will protect your anonymity. The Corporation does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- *Ask first.* If you are unsure of the proper course of action, seek guidance before you act.

Adopted May 8, 2006.