

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 September 30, 2022

OR

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

Commission File Number: 001-14625 (Host Hotels & Resorts, Inc.)

0-25087 (Host Hotels & Resorts, L.P.)

HOST HOTELS & RESORTS, INC.
HOST HOTELS & RESORTS, L.P.

(Exact name of registrant as specified in its charter)

Maryland (Host Hotels & Resorts, Inc.)
Delaware (Host Hotels & Resorts, L.P.)
(State or Other Jurisdiction of
Incorporation or Organization)

4747 Bethesda Ave, Suite 1300
Bethesda, Maryland
(Address of Principal Executive Offices)

53-0085950
52-2095412
(I.R.S. Employer
Identification No.)

20814
(Zip Code)

(240) 744-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

	Title of each class	Trading Symbol	Name of Each Exchange on Which Registered
Host Hotels & Resorts, Inc.	Common Stock, \$0.01 par value	HST	The Nasdaq Stock Market LLC
Host Hotels & Resorts, L.P.	None	None	None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Host Hotels & Resorts, Inc.

Yes No

Host Hotels & Resorts, L.P.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Host Hotels & Resorts, Inc.

Yes No

Host Hotels & Resorts, L.P.

Yes No

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

Host Hotels & Resorts, Inc.

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

Host Hotels & Resorts, L.P.

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Host Hotels & Resorts, Inc.

Yes No

Host Hotels & Resorts, L.P.

Yes No

As of November 2, 2022, there were 715,027,761 shares of Host Hotels & Resorts, Inc.'s common stock, \$0.01 par value per share, outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q of Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. Unless stated otherwise or the context requires otherwise, references to “Host Inc.” mean Host Hotels & Resorts, Inc., a Maryland corporation, and references to “Host L.P.” mean Host Hotels & Resorts, L.P., a Delaware limited partnership, and its consolidated subsidiaries, in cases where it is important to distinguish between Host Inc. and Host L.P. We use the terms “we,” “our” or “the company” to refer to Host Inc. and Host L.P. together, unless the context indicates otherwise.

Host Inc. operates as a self-managed and self-administered real estate investment trust (“REIT”). Host Inc. owns properties and conducts operations through Host L.P., of which Host Inc. is the sole general partner and of which it holds approximately 99% of the partnership interests (“OP units”). The remaining OP units are owned by various unaffiliated limited partners. As the sole general partner of Host L.P., Host Inc. has the exclusive and complete responsibility for Host L.P.’s day-to-day management and control. Management operates Host Inc. and Host L.P. as one enterprise. The management of Host Inc. consists of the same persons who direct the management of Host L.P. As general partner with control of Host L.P., Host Inc. consolidates Host L.P. for financial reporting purposes, and Host Inc. does not have significant assets other than its investment in Host L.P. Therefore, the assets and liabilities of Host Inc. and Host L.P. are substantially the same on their respective condensed consolidated financial statements and the disclosures of Host Inc. and Host L.P. also are substantially similar. For these reasons, we believe that the combination into a single report of the quarterly reports on Form 10-Q of Host Inc. and Host L.P. results in benefits to management and investors.

The substantive difference between the filings of Host Inc. and Host L.P. is that Host Inc. is a REIT with public stock, while Host L.P. is a partnership with no publicly traded equity. In the condensed consolidated financial statements, this difference primarily is reflected in the equity (or partners’ capital for Host L.P.) section of the consolidated balance sheets and in the consolidated statements of equity (or partners’ capital for Host L.P.). Apart from the different equity treatment, the condensed consolidated financial statements of Host Inc. and Host L.P. are nearly identical.

This combined Form 10-Q for Host Inc. and Host L.P. includes, for each entity, separate interim financial statements (but combined footnotes), separate reports on disclosure controls and procedures and internal control over financial reporting and separate CEO/CFO certifications. In addition, with respect to any other financial and non-financial disclosure items required by Form 10-Q, any material differences between Host Inc. and Host L.P. are discussed separately herein. For a more detailed discussion of the substantive differences between Host Inc. and Host L.P. and why we believe the combined filing results in benefits to investors, see the discussion in the combined Annual Report on Form 10-K for the year ended December 31, 2021 under the heading “Explanatory Note.”

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HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2022 and December 31, 2021
(in millions, except share and per share amounts)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
	<u>unaudited</u>	
ASSETS		
Property and equipment, net	\$ 9,481	\$ 9,994
Right-of-use assets	558	551
Assets held for sale	—	270
Due from managers	118	113
Advances to and investments in affiliates	138	42
Furniture, fixtures and equipment replacement fund	187	144
Notes receivable	413	—
Other	389	431
Cash and cash equivalents	883	807
Total assets	<u>\$ 12,167</u>	<u>\$ 12,352</u>
LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY		
Debt		
Senior notes	\$ 3,113	\$ 3,109
Credit facility, including the term loans of \$998 and \$997, respectively	993	1,673
Mortgage and other debt	108	109
Total debt	<u>4,214</u>	<u>4,891</u>
Lease liabilities	570	564
Accounts payable and accrued expenses	162	85
Due to managers	74	42
Other	165	198
Total liabilities	<u>5,185</u>	<u>5,780</u>
Redeemable non-controlling interests - Host Hotels & Resorts, L.P.	165	126
Host Hotels & Resorts, Inc. stockholders' equity:		
Common stock, par value \$.01, 1,050 million shares authorized, 714.9 million shares and 714.1 million shares issued and outstanding, respectively	7	7
Additional paid-in capital	7,738	7,702
Accumulated other comprehensive loss	(77)	(76)
Deficit	(856)	(1,192)
Total equity of Host Hotels & Resorts, Inc. stockholders	<u>6,812</u>	<u>6,441</u>
Non-redeemable non-controlling interests—other consolidated partnerships	5	5
Total equity	<u>6,817</u>	<u>6,446</u>
Total liabilities, non-controlling interests and equity	<u>\$ 12,167</u>	<u>\$ 12,352</u>

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Quarter and Year-to-date ended September 30, 2022 and 2021
(unaudited, in millions, except per share amounts)

	<u>Quarter ended September 30,</u>		<u>Year-to-date ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
REVENUES				
Rooms	\$ 746	\$ 557	\$ 2,251	\$ 1,237
Food and beverage	330	191	1,032	405
Other	113	96	361	250
Total revenues	<u>1,189</u>	<u>844</u>	<u>3,644</u>	<u>1,892</u>
EXPENSES				
Rooms	190	150	539	324
Food and beverage	230	146	675	313
Other departmental and support expenses	300	252	873	621
Management fees	48	27	150	59
Other property-level expenses	90	82	252	239
Depreciation and amortization	164	263	498	597
Corporate and other expenses	29	24	77	73
Gain on insurance and business interruption settlements	(10)	(5)	(17)	(5)
Total operating costs and expenses	<u>1,041</u>	<u>939</u>	<u>3,047</u>	<u>2,221</u>
OPERATING PROFIT (LOSS)	<u>148</u>	<u>(95)</u>	<u>597</u>	<u>(329)</u>
Interest income	10	1	17	2
Interest expense	(40)	(43)	(113)	(128)
Other gains	5	2	19	4
Equity in earnings (losses) of affiliates	(1)	2	3	36
INCOME (LOSS) BEFORE INCOME TAXES	<u>122</u>	<u>(133)</u>	<u>523</u>	<u>(415)</u>
Benefit (provision) for income taxes	(6)	13	(29)	81
NET INCOME (LOSS)	<u>116</u>	<u>(120)</u>	<u>494</u>	<u>(334)</u>
Less: Net (income) loss attributable to non-controlling interests	(2)	1	(8)	3
NET INCOME (LOSS) ATTRIBUTABLE TO HOST HOTELS & RESORTS, INC.	<u>\$ 114</u>	<u>\$ (119)</u>	<u>\$ 486</u>	<u>\$ (331)</u>
Basic earnings (loss) per common share	<u>\$ 0.16</u>	<u>\$ (0.17)</u>	<u>\$ 0.68</u>	<u>\$ (0.47)</u>
Diluted earnings (loss) per common share	<u>\$ 0.16</u>	<u>\$ (0.17)</u>	<u>\$ 0.68</u>	<u>\$ (0.47)</u>

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Quarter and Year-to-date ended September 30, 2022 and 2021
(unaudited, in millions)

	<u>Quarter ended September 30,</u>		<u>Year-to-date ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
NET INCOME (LOSS)	\$ 116	\$ (120)	\$ 494	\$ (334)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation and other comprehensive income of unconsolidated affiliates	(5)	(5)	(4)	(1)
Change in fair value of derivative instruments	2	1	3	—
OTHER COMPREHENSIVE LOSS, NET OF TAX	(3)	(4)	(1)	(1)
COMPREHENSIVE INCOME (LOSS)	113	(124)	493	(335)
Less: Comprehensive (income) loss attributable to non-controlling interests	(2)	1	(8)	3
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO HOST HOTELS & RESORTS, INC.	<u>\$ 111</u>	<u>\$ (123)</u>	<u>\$ 485</u>	<u>\$ (332)</u>

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Year-to-date ended September 30, 2022 and 2021
(unaudited, in millions)

	Year-to-date ended September 30,	
	2022	2021
OPERATING ACTIVITIES		
Net income (loss)	\$ 494	\$ (334)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:		
Depreciation and amortization	498	597
Amortization of finance costs, discounts and premiums, net	8	7
Stock compensation expense	19	13
Other gains	(19)	(4)
Gain on property insurance settlement	(6)	—
Equity in earnings of affiliates	(3)	(36)
Change in due from/to managers	32	(78)
Distributions from investments in affiliates	23	4
Changes in other assets	7	(99)
Changes in other liabilities	3	8
Net cash provided by operating activities	<u>1,056</u>	<u>78</u>
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	233	8
Proceeds from loan receivable	—	9
Advances to and investments in affiliates	(59)	(9)
Acquisitions	—	(1,217)
Capital expenditures:		
Renewals and replacements	(117)	(92)
Return on investment	(240)	(201)
Property insurance proceeds	11	—
Net cash used in investing activities	<u>(172)</u>	<u>(1,502)</u>
FINANCING ACTIVITIES		
Financing costs	—	(3)
Repayment of credit facility	(683)	—
Mortgage debt and other prepayments and scheduled maturities	(1)	—
Issuance of common stock	1	138
Dividends on common stock	(65)	—
Distributions and payments to non-controlling interests	(2)	—
Other financing activities	(9)	(8)
Net cash provided by (used in) financing activities	<u>(759)</u>	<u>127</u>
Effects of exchange rate changes on cash held	(4)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	121	(1,297)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	953	2,476
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	<u>\$ 1,074</u>	<u>\$ 1,179</u>

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
Year-to-date ended September 30, 2022 and 2021
(unaudited)

Supplemental disclosure of cash flow information (in millions):

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet to the amount shown in the statements of cash flows:

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Cash and cash equivalents	\$ 883	\$ 1,038
Restricted cash (included in other assets)	4	3
Cash included in furniture, fixtures and equipment replacement fund	187	138
Total cash and cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 1,074</u>	<u>\$ 1,179</u>

The following table presents cash paid (received) for the following:

	<u>Year-to-date ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Total interest paid	<u>\$ 100</u>	<u>\$ 115</u>
Income tax refunds received	<u>\$ (7)</u>	<u>\$ (3)</u>

Supplemental schedule of noncash investing and financing activities:

On January 20, 2022, we entered into definitive agreements with Noble Investment Group, LLC, and certain other entities and persons related to Noble Investment Group, LLC, pursuant to which we made an investment in a joint venture with Noble Investment Group. In connection with the investment, Host Hotels & Resorts, L.P. issued approximately 3.2 million OP units valued at approximately \$56 million.

In connection with the sales of the Sheraton Boston Hotel in February 2022 and the Sheraton New York Times Square Hotel in April 2022, we issued bridge loans to the buyers for \$163 million and \$250 million, respectively. The proceeds received from the sales are net of the loans.

In 2021, non-cash consideration for the acquisition of the Four Seasons Resort Orlando at Walt Disney World® Resort included the assumption of hotel-level liabilities of approximately \$24 million, consisting primarily of advance deposits received from guests for future stays, the cash related to which was retained by the seller.

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2022 and December 31, 2021
(in millions)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
	<u>unaudited</u>	
ASSETS		
Property and equipment, net	\$ 9,481	\$ 9,994
Right-of-use assets	558	551
Assets held for sale	—	270
Due from managers	118	113
Advances to and investments in affiliates	138	42
Furniture, fixtures and equipment replacement fund	187	144
Notes receivable	413	—
Other	389	431
Cash and cash equivalents	883	807
Total assets	<u>\$ 12,167</u>	<u>\$ 12,352</u>
LIABILITIES, LIMITED PARTNERSHIP INTERESTS OF THIRD PARTIES AND CAPITAL		
Debt		
Senior notes	\$ 3,113	\$ 3,109
Credit facility, including the term loans of \$998 and \$997, respectively	993	1,673
Mortgage and other debt	108	109
Total debt	<u>4,214</u>	<u>4,891</u>
Lease liabilities	570	564
Accounts payable and accrued expenses	162	85
Due to managers	74	42
Other	165	198
Total liabilities	<u>5,185</u>	<u>5,780</u>
Limited partnership interests of third parties	165	126
Host Hotels & Resorts, L.P. capital:		
General partner	1	1
Limited partner	6,888	6,516
Accumulated other comprehensive loss	(77)	(76)
Total Host Hotels & Resorts, L.P. capital	<u>6,812</u>	<u>6,441</u>
Non-controlling interests—consolidated partnerships	5	5
Total capital	<u>6,817</u>	<u>6,446</u>
Total liabilities, limited partnership interests of third parties and capital	<u>\$ 12,167</u>	<u>\$ 12,352</u>

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Quarter and Year-to-date ended September 30, 2022 and 2021
(unaudited, in millions, except per unit amounts)

	Quarter ended September 30,		Year-to-date ended September 30,	
	2022	2021	2022	2021
REVENUES				
Rooms	\$ 746	\$ 557	\$ 2,251	\$ 1,237
Food and beverage	330	191	1,032	405
Other	113	96	361	250
Total revenues	<u>1,189</u>	<u>844</u>	<u>3,644</u>	<u>1,892</u>
EXPENSES				
Rooms	190	150	539	324
Food and beverage	230	146	675	313
Other departmental and support expenses	300	252	873	621
Management fees	48	27	150	59
Other property-level expenses	90	82	252	239
Depreciation and amortization	164	263	498	597
Corporate and other expenses	29	24	77	73
Gain on insurance and business interruption settlements	(10)	(5)	(17)	(5)
Total operating costs and expenses	<u>1,041</u>	<u>939</u>	<u>3,047</u>	<u>2,221</u>
OPERATING PROFIT (LOSS)	148	(95)	597	(329)
Interest income	10	1	17	2
Interest expense	(40)	(43)	(113)	(128)
Other gains	5	2	19	4
Equity in earnings (losses) of affiliates	(1)	2	3	36
INCOME (LOSS) BEFORE INCOME TAXES	122	(133)	523	(415)
Benefit (provision) for income taxes	(6)	13	(29)	81
NET INCOME (LOSS)	116	(120)	494	(334)
Less: Net income attributable to non-controlling interests	(1)	(1)	(1)	(1)
NET INCOME (LOSS) ATTRIBUTABLE TO HOST HOTELS & RESORTS, L.P.	\$ 115	\$ (121)	\$ 493	\$ (335)
Basic earnings (loss) per common unit	\$ 0.16	\$ (0.17)	\$ 0.69	\$ (0.48)
Diluted earnings (loss) per common unit	\$ 0.16	\$ (0.17)	\$ 0.69	\$ (0.48)

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Quarter and Year-to-date ended September 30, 2022 and 2021
(unaudited, in millions)

	<u>Quarter ended September 30,</u>		<u>Year-to-date ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
NET INCOME (LOSS)	\$ 116	\$ (120)	\$ 494	\$ (334)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation and other comprehensive income of unconsolidated affiliates	(5)	(5)	(4)	(1)
Change in fair value of derivative instruments	2	1	3	—
OTHER COMPREHENSIVE LOSS, NET OF TAX	(3)	(4)	(1)	(1)
COMPREHENSIVE INCOME (LOSS)	113	(124)	493	(335)
Less: Comprehensive income attributable to non-controlling interests	(1)	(1)	(1)	(1)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO HOST HOTELS & RESORTS, L.P.	<u>\$ 112</u>	<u>\$ (125)</u>	<u>\$ 492</u>	<u>\$ (336)</u>

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Year-to-date ended September 30, 2022 and 2021
(unaudited, in millions)

	Year-to-date ended September 30,	
	2022	2021
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Net income (loss)	\$ 494	\$ (334)
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Depreciation and amortization	498	597
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Net cash used in investing activities	<u>(172)</u>	<u>(1,502)</u>
FINANCING ACTIVITIES		
Financing costs	—	(3)
Repayment of credit facility	(683)	—
Mortgage debt and other prepayments and scheduled maturities	(1)	—
Issuance of common OP units	1	138
Distributions on common OP units	(66)	—
Distributions and payments to non-controlling interests	(1)	—
Other financing activities	(9)	(8)
Net cash provided by (used in) financing activities	<u>(759)</u>	<u>127</u>
Effects of exchange rate changes on cash held	(4)	—
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CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	953	2,476
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	<u>\$ 1,074</u>	<u>\$ 1,179</u>

See notes to condensed consolidated financial statements.

HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
Year-to-date ended September 30, 2022 and 2021
(unaudited)

Supplemental disclosure of cash flow information (in millions):

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet to the amount shown in the statements of cash flows:

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The following table presents cash paid (received) for the following:

	<u>Year-to-date ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Total interest paid	<u>\$ 100</u>	<u>\$ 115</u>
Income tax refunds received	<u>\$ (7)</u>	<u>\$ (3)</u>

Supplemental schedule of noncash investing and financing activities:

On January 20, 2022, we entered into definitive agreements with Noble Investment Group, LLC, and certain other entities and persons related to Noble Investment Group, LLC, pursuant to which we made an investment in a joint venture with Noble Investment Group. In connection with the investment, Host Hotels & Resorts, L.P. issued approximately 3.2 million OP units valued at approximately \$56 million.

In connection with the sales of the Sheraton Boston Hotel in February 2022 and the Sheraton New York Times Square Hotel in April 2022, we issued bridge loans to the buyers for \$163 million and \$250 million, respectively. The proceeds received from the sales are net of the loans.

In 2021, non-cash consideration for the acquisition of the Four Seasons Resort Orlando at Walt Disney World® Resort included the assumption of hotel-level liabilities of approximately \$24 million, consisting primarily of advance deposits received from guests for future stays, the cash related to which was retained by the seller.

See notes to condensed consolidated financial statements.

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1. Organization

Description of Business

Host Hotels & Resorts, Inc. operates as a self-managed and self-administered real estate investment trust (“REIT”), with its operations conducted solely through Host Hotels & Resorts, L.P. and its subsidiaries. Host Hotels & Resorts, L.P., a Delaware limited partnership, operates through an umbrella partnership structure, with Host Hotels & Resorts, Inc., a Maryland corporation, as its sole general partner. In the notes to these unaudited condensed consolidated financial statements, we use the terms “we” or “our” to refer to Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. together, unless the context indicates otherwise. We also use the term “Host Inc.” specifically to refer to Host Hotels & Resorts, Inc. and the term “Host L.P.” specifically to refer to Host Hotels & Resorts, L.P. in cases where it is important to distinguish between Host Inc. and Host L.P. As of September 30, 2022, Host Inc. holds approximately 99% of Host L.P.’s partnership interests.

Consolidated Portfolio

As of September 30, 2022, our consolidated portfolio, primarily consisting of luxury and upper upscale hotels, is located in the following countries:

	Hotels
United States	72
Brazil	3
Canada	2
Total	<u>77</u>

2. Summary of Significant Accounting Policies

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made herein are adequate to prevent the information presented from being misleading. However, the financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of September 30, 2022, and the results of our operations for the quarter and year-to-date periods ended September 30, 2022 and 2021, respectively, and cash flows for the year-to-date periods ended September 30, 2022 and 2021, respectively. Interim results are not necessarily indicative of full year performance because of the effect of seasonal variations as well as the impact from the COVID-19 pandemic.

Three of the partnerships in which we own an interest are considered variable interest entities (VIEs) as the general partner maintains control over the decisions that most significantly impact such partnerships. These VIEs include the operating partnership, Host L.P., which is consolidated by Host Inc., of which Host Inc. is the sole general partner and holds approximately 99% of its partnership interests; the consolidated partnership that owns the Houston Airport Marriott at George Bush Intercontinental; and the unconsolidated partnership that owns the Philadelphia Marriott Downtown. Host Inc.’s sole significant asset is its investment in Host L.P. and, consequently, substantially all of Host Inc.’s assets and liabilities consist of the assets and liabilities of Host L.P. All of Host Inc.’s debt is an obligation of Host L.P. and may be repaid only with assets of Host L.P.

Notes Receivable

At September 30, 2022, our notes receivable consist of bridge loans issued in connection with hotel sales. In conjunction with our dispositions, we may issue a bridge loan to the purchaser to facilitate the sale. These bridge loans are collateralized by the corresponding sold hotel and in the event of a default of the loan, we would seek to enforce our rights

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against the collateral in accordance with the terms of the loan agreement. The bridge loans are recorded at amortized cost, on an individual asset basis. We recognize interest as it is earned and include accrued interest receivable in other assets on the unaudited condensed consolidated balance sheets. We individually assess our notes receivable for credit losses quarterly and estimate any credit losses based on an analysis of several factors, primarily the value of the hotel collateral, as well as current economic conditions and historical trends.

3. Earnings (Loss) Per Common Share (Unit)

Basic earnings (loss) per common share (unit) is computed by dividing net income (loss) attributable to common stockholders (unitholders) by the weighted average number of shares of Host Inc. common stock or Host L.P. common units outstanding. Diluted earnings (loss) per common share (unit) is computed by dividing net income (loss) attributable to common stockholders (unitholders), as adjusted for potentially dilutive securities, by the weighted average number of shares of Host Inc. common stock or Host L.P. common units outstanding plus other potentially dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans or the Host L.P. common units distributed to Host Inc. to support such granted shares, and other non-controlling interests that have the option to convert their limited partner interests to Host L.P. common units. No effect is shown for any securities that are anti-dilutive. We have 10.1 million Host L.P. common units, which are convertible into 10.4 million Host Inc. common shares, that are not included in Host Inc.'s calculation of earnings (loss) per share as their effect is not dilutive. The calculation of Host Inc. basic and diluted earnings (loss) per common share is shown below (in millions, except per share amounts):

	Quarter ended September 30,		Year-to-date ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 116	\$ (120)	\$ 494	\$ (334)
Less: Net (income) loss attributable to non-controlling interests	(2)	1	(8)	3
Net income (loss) attributable to Host Inc.	<u>\$ 114</u>	<u>\$ (119)</u>	<u>\$ 486</u>	<u>\$ (331)</u>
Basic weighted average shares outstanding	714.9	713.9	714.7	709.0
Assuming distribution of common shares granted under the comprehensive stock plans, less shares assumed purchased at market	2.7	—	2.7	—
Diluted weighted average shares outstanding	<u>717.6</u>	<u>713.9</u>	<u>717.4</u>	<u>709.0</u>
Basic earnings (loss) per common share	<u>\$ 0.16</u>	<u>\$ (0.17)</u>	<u>\$ 0.68</u>	<u>\$ (0.47)</u>
Diluted earnings (loss) per common share	<u>\$ 0.16</u>	<u>\$ (0.17)</u>	<u>\$ 0.68</u>	<u>\$ (0.47)</u>

The calculation of Host L.P. basic and diluted earnings (loss) per unit is shown below (in millions, except per unit amounts):

	Quarter ended September 30,		Year-to-date ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 116	\$ (120)	\$ 494	\$ (334)
Less: Net income attributable to non-controlling interests	(1)	(1)	(1)	(1)
Net income (loss) attributable to Host L.P.	<u>\$ 115</u>	<u>\$ (121)</u>	<u>\$ 493</u>	<u>\$ (335)</u>
Basic weighted average units outstanding	710.0	706.0	709.6	701.3
Assuming distribution of common units granted under the comprehensive stock plans, less units assumed purchased at market	2.7	—	2.7	—
Diluted weighted average units outstanding	<u>712.7</u>	<u>706.0</u>	<u>712.3</u>	<u>701.3</u>
Basic earnings (loss) per common unit	<u>\$ 0.16</u>	<u>\$ (0.17)</u>	<u>\$ 0.69</u>	<u>\$ (0.48)</u>
Diluted earnings (loss) per common unit	<u>\$ 0.16</u>	<u>\$ (0.17)</u>	<u>\$ 0.69</u>	<u>\$ (0.48)</u>

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4. Revenue

Substantially all our operating results represent revenues and expenses generated by property-level operations. Payments are due from customers when services are provided to them. Due to the short-term nature of our contracts and the almost concurrent receipt of payment, we have no material unearned revenue at quarter end. We collect sales, use, occupancy and similar taxes from our customers, which we present on a net basis (excluded from revenues) on our statements of operations.

Disaggregation of Revenues. While we do not consider the following presentation of revenues by location to consist of reportable segments, we have disaggregated hotel revenues by market location. Our revenues also are presented by country in Note 10 – Geographic Information.

By Location. The following table presents hotel revenues for each of the geographic locations in our consolidated hotel portfolio (in millions):

Location	Quarter ended September 30,		Year-to-date ended September 30,	
	2022	2021	2022	2021
Maui/Oahu	\$ 119	\$ 118	\$ 361	\$ 260
San Diego	133	85	338	140
Orlando	96	52	333	97
Florida Gulf Coast	59	49	290	215
Phoenix	62	54	274	171
San Francisco/San Jose	96	44	238	80
New York	81	51	224	87
Washington, D.C. (Central Business District)	67	29	197	72
Miami	42	40	194	152
Jacksonville	29	29	97	72
Los Angeles/Orange County	37	42	97	81
Chicago	43	25	96	38
Houston	27	21	84	53
San Antonio	27	20	83	39
Boston	31	29	79	42
Seattle	33	16	70	23
New Orleans	19	11	68	24
Austin	21	7	67	14
Denver	26	17	62	29
Philadelphia	21	17	57	33
Northern Virginia	18	18	53	37
Atlanta	15	22	45	51
Other	64	39	187	68
Domestic	1,166	835	3,594	1,878
International	23	9	50	14
Total	\$ 1,189	\$ 844	\$ 3,644	\$ 1,892

5. Property and Equipment

Property and equipment consists of the following (in millions):

	September 30, 2022	December 31, 2021
Land and land improvements	\$ 1,961	\$ 2,310
Buildings and leasehold improvements	13,572	13,636
Furniture and equipment	2,242	2,225
Construction in progress	281	278
	18,056	18,449
Less accumulated depreciation and amortization	(8,575)	(8,455)
	\$ 9,481	\$ 9,994

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6. Equity of Host Inc. and Capital of Host L.P.

Equity of Host Inc.

The components of the equity of Host Inc. are as follows (in millions):

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings / (Deficit)	Non-redeemable, non-controlling interests	Total equity	Redeemable, non-controlling interests
Balance, December 31, 2021	\$ 7	\$ 7,702	\$ (76)	\$ (1,192)	\$ 5	\$ 6,446	\$ 126
Net income	—	—	—	486	1	487	7
Issuance of common stock for comprehensive stock plans, net	—	13	—	—	—	13	—
Dividends declared on common stock	—	—	—	(150)	—	(150)	—
Issuance of common OP units	—	—	—	—	—	—	56
Distributions to non-controlling interests	—	—	—	—	(1)	(1)	(2)
Changes in ownership and other	—	23	—	—	—	23	(22)
Other comprehensive loss	—	—	(1)	—	—	(1)	—
Balance, September 30, 2022	<u>\$ 7</u>	<u>\$ 7,738</u>	<u>\$ (77)</u>	<u>\$ (856)</u>	<u>\$ 5</u>	<u>\$ 6,817</u>	<u>\$ 165</u>

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings / (Deficit)	Non-redeemable, non-controlling interests	Total equity	Redeemable, non-controlling interests
Balance, June 30, 2022	\$ 7	\$ 7,729	\$ (74)	\$ (885)	\$ 5	\$ 6,782	\$ 163
Net income	—	—	—	114	1	115	1
Issuance of common stock for comprehensive stock plans, net	—	10	—	—	—	10	—
Dividends declared on common stock	—	—	—	(85)	—	(85)	—
Distributions to non-controlling interests	—	—	—	—	(1)	(1)	(1)
Changes in ownership and other	—	(1)	—	—	—	(1)	2
Other comprehensive loss	—	—	(3)	—	—	(3)	—
Balance, September 30, 2022	<u>\$ 7</u>	<u>\$ 7,738</u>	<u>\$ (77)</u>	<u>\$ (856)</u>	<u>\$ 5</u>	<u>\$ 6,817</u>	<u>\$ 165</u>

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	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings / (Deficit)	Non-redeemable, non-controlling interests	Total equity	Redeemable, non-controlling interests
Balance, December 31, 2020	\$ 7	\$ 7,568	\$ (74)	\$ (1,180)	5	\$ 6,326	\$ 108
Net loss	—	—	—	(331)	—	(331)	(3)
Issuance of common stock for comprehensive stock plans, net	—	8	—	—	—	8	—
Common stock issuances	—	138	—	—	—	138	—
Changes in ownership and other	—	(14)	—	—	—	(14)	14
Other comprehensive loss	—	—	(1)	—	—	(1)	—
Balance, September 30, 2021	<u>\$ 7</u>	<u>\$ 7,700</u>	<u>\$ (75)</u>	<u>\$ (1,511)</u>	<u>5</u>	<u>\$ 6,126</u>	<u>\$ 119</u>

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings / (Deficit)	Non-redeemable, non-controlling interests	Total equity	Redeemable, non-controlling interests
Balance, June 30, 2021	\$ 7	\$ 7,688	\$ (71)	\$ (1,392)	5	\$ 6,237	\$ 125
Net loss	—	—	—	(119)	—	(119)	(1)
Issuance of common stock for comprehensive stock plans, net	—	6	—	—	—	6	—
Changes in ownership and other	—	6	—	—	—	6	(5)
Other comprehensive loss	—	—	(4)	—	—	(4)	—
Balance, September 30, 2021	<u>\$ 7</u>	<u>\$ 7,700</u>	<u>\$ (75)</u>	<u>\$ (1,511)</u>	<u>5</u>	<u>\$ 6,126</u>	<u>\$ 119</u>

Capital of Host L.P.

As of September 30, 2022, Host Inc. is the owner of approximately 99% of Host L.P.'s common OP units. The remaining common OP units are owned by unaffiliated limited partners. Each common OP unit may be redeemed for cash or, at the election of Host Inc., Host Inc. common stock, based on the conversion ratio of 1.021494 shares of Host Inc. common stock for each common OP unit. Under the credit facility, all redemptions must be made with Host Inc. common stock if Host L.P.'s leverage ratio (as calculated under the credit facility) exceeds 7.25x.

In exchange for any shares issued by Host Inc., Host L.P. will issue common OP units to Host Inc. based on the applicable conversion ratio. Additionally, funds used by Host Inc. to pay dividends on its common stock are provided by distributions from Host L.P.

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The components of the Capital of Host L.P. are as follows (in millions):

	General Partner	Limited Partner	Accumulated Other Comprehensive Income (Loss)	Non-controlling interests	Total capital	Limited partnership interests of third parties
Balance, December 31, 2021	\$ 1	\$ 6,516	\$ (76)	\$ 5	\$ 6,446	\$ 126
Net income	—	486	—	1	487	7
Issuance of common OP units to Host Inc. for comprehensive stock plans, net	—	13	—	—	13	—
Distributions declared on common OP units	—	(150)	—	—	(150)	(2)
Issuance of common OP units	—	—	—	—	—	56
Distributions to non-controlling interests	—	—	—	(1)	(1)	—
Changes in ownership and other	—	23	—	—	23	(22)
Other comprehensive loss	—	—	(1)	—	(1)	—
Balance, September 30, 2022	<u>\$ 1</u>	<u>\$ 6,888</u>	<u>\$ (77)</u>	<u>\$ 5</u>	<u>\$ 6,817</u>	<u>\$ 165</u>

	General Partner	Limited Partner	Accumulated Other Comprehensive Income (Loss)	Non-controlling interests	Total capital	Limited partnership interests of third parties
Balance, June 30, 2022	\$ 1	\$ 6,850	\$ (74)	\$ 5	\$ 6,782	\$ 163
Net income	—	114	—	1	115	1
Issuance of common OP units to Host Inc. for comprehensive stock plans, net	—	10	—	—	10	—
Distributions declared on common OP units	—	(85)	—	—	(85)	(1)
Distributions to non-controlling interests	—	—	—	(1)	(1)	—
Changes in ownership and other	—	(1)	—	—	(1)	2
Other comprehensive loss	—	—	(3)	—	(3)	—
Balance, September 30, 2022	<u>\$ 1</u>	<u>\$ 6,888</u>	<u>\$ (77)</u>	<u>\$ 5</u>	<u>\$ 6,817</u>	<u>\$ 165</u>

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	General Partner	Limited Partner	Accumulated Other Comprehensive Income (Loss)	Non-controlling interests	Total capital	Limited partnership interests of third parties
Balance, December 31, 2020	\$ 1	\$ 6,394	\$ (74)	\$ 5	\$ 6,326	\$ 108
Net loss	—	(331)	—	—	(331)	(3)
Issuance of common OP units to Host Inc. for comprehensive stock plans, net	—	8	—	—	8	—
Common OP unit issuances	—	138	—	—	138	—
Changes in ownership and other	—	(14)	—	—	(14)	14
Other comprehensive loss	—	—	(1)	—	(1)	—
Balance, September 30, 2021	<u>\$ 1</u>	<u>\$ 6,195</u>	<u>\$ (75)</u>	<u>\$ 5</u>	<u>\$ 6,126</u>	<u>\$ 119</u>

	General Partner	Limited Partner	Accumulated Other Comprehensive Income (Loss)	Non-controlling interests	Total capital	Limited partnership interests of third parties
Balance, June 30, 2021	\$ 1	\$ 6,302	\$ (71)	\$ 5	\$ 6,237	\$ 125
Net loss	—	(119)	—	—	(119)	(1)
Issuance of common OP units to Host Inc. for comprehensive stock plans, net	—	6	—	—	6	—
Changes in ownership and other	—	6	—	—	6	(5)
Other comprehensive loss	—	—	(4)	—	(4)	—
Balance, September 30, 2021	<u>\$ 1</u>	<u>\$ 6,195</u>	<u>\$ (75)</u>	<u>\$ 5</u>	<u>\$ 6,126</u>	<u>\$ 119</u>

Share Repurchases

On August 3, 2022, Host Inc.'s Board of Directors authorized an increase in our share repurchase program from the existing \$371 million remaining under the prior Board authorization to \$1 billion. There have been no share repurchases year-to-date in 2022. As such, as of September 30, 2022, we have \$1 billion available for repurchase under our common share repurchase program.

Issuance of Common Stock

As of September 30, 2022, there was \$460 million of remaining capacity under the distribution agreement we entered into in 2021 with various investment banks to sell shares of Host Inc. common stock in "at-the-market" offerings. There have been no shares issued year-to-date in 2022.

Dividends/Distributions

On August 3, 2022, Host Inc.'s Board of Directors announced a regular quarterly cash dividend of \$0.12 per share on Host Inc.'s common stock. The dividend was paid on October 17, 2022 to stockholders of record as of September 30, 2022. Accordingly, Host L.P. made a distribution of \$0.12257928 per unit on its common OP units based on the current conversion ratio.

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7. Dispositions

During the third quarter, we sold the Chicago Marriott Suites Downers Grove for \$16 million, including \$2 million of furniture fixtures & equipment ("FF&E") funds retained by us. We recorded a gain on sale of \$4 million during the third quarter. The gain on sale is included in other gains on the unaudited condensed consolidated statement of operations.

8. Acquisitions

Subsequent to quarter end, we acquired the 125-room Four Seasons Resort and Residences Jackson Hole for a total purchase price of \$315 million.

9. Fair Value Measurements

We did not elect the fair value measurement option for any of our financial assets or liabilities. The fair values of notes receivable, secured debt and our credit facility are determined based on the expected future payments discounted at risk-adjusted rates. Our senior notes are valued based on quoted market prices. The fair values of financial instruments not included in this table are estimated to be equal to their carrying amounts.

The fair value of certain financial assets and financial liabilities is shown below (in millions):

	September 30, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Notes receivable (Level 2)	\$ 413	\$ 399	\$ —	\$ —
Financial liabilities				
Senior notes (Level 1)	3,113	2,703	3,109	3,255
Credit facility (Level 2)	993	1,000	1,673	1,683
Mortgage debt (Level 2)	102	96	104	105

10. Geographic Information

We consider each one of our hotels to be an operating segment, as we allocate resources and assess operating performance based on individual hotels. All of our hotels meet the aggregation criteria for segment reporting and our other real estate investment activities (primarily our retail spaces and office buildings) are immaterial. As such, we report one segment: hotel ownership. Our consolidated foreign operations consist of hotels in two countries as of September 30, 2022. There were no intersegment sales during the periods presented.

The following table presents total revenues and property and equipment, net, for each of the geographical areas in which we operate (in millions):

	Total Revenues				Property and Equipment, net	
	Quarter ended September 30,		Year-to-date ended September 30,		September 30,	December 31,
	2022	2021	2022	2021	2022	2021
United States	\$ 1,166	\$ 835	\$ 3,594	\$ 1,878	\$ 9,412	\$ 9,919
Brazil	5	3	12	5	31	30
Canada	18	6	38	9	38	45
Total	<u>\$ 1,189</u>	<u>\$ 844</u>	<u>\$ 3,644</u>	<u>\$ 1,892</u>	<u>\$ 9,481</u>	<u>\$ 9,994</u>

11. Non-controlling Interests

Host Inc.'s treatment of the non-controlling interests of Host L.P.: Host Inc. adjusts the amount of the non-controlling interests of Host L.P. each period so that the amount presented equals the greater of its carrying amount based on accumulated historical cost or its redemption value. The historical cost is based on the proportional relationship between the historical cost of equity held by our common stockholders relative to that of the common unitholders of Host L.P. The redemption value is based on the amount of cash or Host Inc. common stock, at our option, that would be paid to the non-controlling interests of Host L.P. if it were terminated. Therefore, the redemption value of the common OP units is equivalent to the number of common shares that would be issued upon conversion of the common OP units held by third parties valued at the market price of Host Inc. common stock at the balance sheet date. One common OP unit may be exchanged for 1.021494 shares of Host Inc. common stock. Redeemable non-controlling interests of Host L.P. are classified in the mezzanine section of our balance sheets as they do not meet the requirements for equity classification because the redemption feature requires the delivery of registered shares.

The table below details the historical cost and redemption values for the non-controlling interests of Host L.P.:

	September 30, 2022	December 31, 2021
Common OP units outstanding (millions)	10.1	7.1
Market price per Host Inc. common share	\$ 15.88	\$ 17.39
Shares issuable upon conversion of one common OP unit	1.021494	1.021494
Redemption value (millions)	\$ 165	\$ 126
Historical cost (millions)	100	66
Book value (millions) ⁽¹⁾	165	126

(1) The book value recorded is equal to the greater of redemption value or historical cost.

Other Consolidated Partnerships. As of September 30, 2022, we consolidate two majority-owned partnerships that have third-party, non-controlling ownership interests. The third-party limited partner interests are included in non-redeemable non-controlling interests — other consolidated partnerships on the balance sheets and totaled \$5 million as of both September 30, 2022 and December 31, 2021.

12. Contingencies

While the majority of our hotels in Florida were affected by Hurricane Ian, which made landfall on September 28, 2022, the most significant damage sustained during the storm occurred at The Ritz-Carlton, Naples and Hyatt Regency Coconut Point Resort and Spa. Due to evacuation mandates and/or loss of commercial power, five of our properties in Florida were temporarily closed, three of which fully reopened within days, while The Ritz-Carlton, Naples and Hyatt Regency Coconut Point Resort and Spa remain closed. The Hyatt Regency Coconut Point sustained extensive damage to the grounds, pools/waterpark, and poolside food and beverage ("F&B") outlets, including damage from flooding; but remained open to first responders. Commercial power has been restored, remediation efforts are underway, and the hotel is expected to reopen to guests in mid-November, as a phased reopening, with the waterpark reopening during the second quarter of 2023. The Ritz-Carlton, Naples sustained more significant damage due to storm surge, which breached the beach dune and flooded the lowest level of the hotel. The Ritz-Carlton, Naples is expected to remain closed for the remainder of the year and into 2023, with a phased reopening strategy being evaluated. Limited property damage was reported at the other Florida properties within our consolidated portfolio.

We are still evaluating the scope of property damage and business interruption loss at our Florida properties. While we expect our insurance coverage to sufficiently cover the property damage to the hotels and the near-term loss of business in excess of our \$15 million insurance deductible, there could be losses that are not covered. Due to the proximity of Hurricane Ian to quarter end and on-going investigation into re-construction requirements, we are unable to estimate the total loss at this time. We will record an insurance receivable based on the anticipated insurance proceeds, not to exceed the expected loss, when the loss can be reliably estimated. We anticipate the insurance proceeds, net of the deductible, will exceed the book value of the assets that will be written off.

13. Legal Proceedings

We are involved in various legal proceedings in the ordinary course of business regarding the operation of our hotels and company matters. To the extent not covered by insurance, these legal proceedings generally fall into the following broad categories: disputes involving hotel-level contracts, employment litigation, compliance with laws such as the Americans with Disabilities Act, tax disputes and other general matters. Under our management agreements, our

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(Unaudited)

operators have broad latitude to resolve individual hotel-level claims for amounts generally less than \$150,000. However, for matters exceeding such threshold, our operators may not settle claims without our consent.

Based on our analysis of legal proceedings with which we are involved or of which we currently are aware and our experience in resolving similar claims in the past, we have recorded immaterial accruals as of September 30, 2022 related to such claims. We have estimated that, in the aggregate, our losses related to these proceedings will not be material. We are not aware of any matters with a reasonably possible unfavorable outcome for which disclosure of a loss contingency is required. No assurances can be given as to the outcome of any pending legal proceedings.

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

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this report. Host Inc. operates as a self-managed and self-administered REIT. Host Inc. is the sole general partner of Host L.P. and holds approximately 99% of its partnership interests. Host L.P. is a limited partnership operating through an umbrella partnership structure. The remaining common OP units are owned by various unaffiliated limited partners.

Forward-Looking Statements

In this quarterly report on Form 10-Q, we make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by their use of terms and phrases such as “anticipate,” “believe,” “could,” “expect,” “may,” “intend,” “predict,” “project,” “plan,” “will,” “estimate” and other similar terms and phrases, including references to assumptions and forecasts of future results. Forward-looking statements are based on management’s current expectations and assumptions and are not guarantees of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results to differ materially from those anticipated at the time the forward-looking statements are made.

The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- the duration and scope of the COVID-19 pandemic and its short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence; actions governments, businesses and individuals take in response to the pandemic, including limiting travel; the ability of our hotel managers to operate hotels in a way that facilitates social distancing, implement enhanced cleaning protocols and other COVID-19 pandemic mitigation practices; and general economic uncertainty in U.S. markets where we own hotels and the potential for low levels of economic growth in these markets;
- the effect on lodging demand of (i) changes in national and local economic and business conditions, including concerns about U.S. economic growth, an economic recession in the United States or globally, the current high level of inflation, rising interest rates, global economic prospects, consumer confidence and the value of the U.S. dollar, and (ii) factors that may shape public perception of travel to a particular location, such as natural disasters, weather events (including the impact of Hurricane Ian), pandemics and outbreaks of contagious diseases, such as the COVID-19 pandemic, and the occurrence or potential occurrence of terrorist attacks, all of which will affect occupancy rates at our hotels and the demand for hotel products and services;
- the impact of geopolitical developments outside the United States, such as conflicts in Eastern Europe and the Middle East, the pace of economic growth in Europe, the effects of the United Kingdom’s withdrawal from the European Union, or trade tensions and tariffs between the United States and its trading partners such as China, all of which could affect global travel and lodging demand within the United States;
- volatility in global financial and credit markets, and the impact of budget deficits and pending and future U.S. governmental action to address such deficits through reductions in spending and similar austerity measures, as well as the impact of potential U.S. government shutdowns, which could materially adversely affect U.S. and global economic conditions, business activity, credit availability, borrowing costs, and lodging demand;
- operating risks associated with the hotel business, including the effect of labor stoppages or strikes, increasing operating or labor costs or changes in workplace rules that affect labor costs, and risks relating to the response to the COVID-19 pandemic by our hotel managers, such as increased hotel costs for cleaning protocols and severance and furlough payments to hotel employees;
- the effect of rating agency downgrades of our debt securities or on the cost and availability of new debt financings;
- the reduction in our operating flexibility and the limitation on our ability to incur debt, pay dividends and make distributions resulting from restrictive covenants in our debt agreements and other risks associated with the amount of our indebtedness or related to restrictive covenants in our debt agreements, including the risk that a default could occur as a result of a decline in operations due to the COVID-19 pandemic;
- our ability to maintain our hotels in a first-class manner, including meeting capital expenditures requirements, and the effect of renovations, including temporary closures, on our hotel occupancy and financial results;
- the ability of our hotels to compete effectively against other lodging businesses in the highly competitive markets in which we operate in terms of access, location, quality of accommodations and room rate structures;

- our ability to acquire or develop additional hotels and the risk that potential acquisitions or developments may not perform in accordance with our expectations;
- the ability to complete hotel renovations on schedule and on, or under, budget and the potential for increased costs and construction delays due to shortages of supplies as a result of supply chain disruptions;
- relationships with property managers and joint venture partners and our ability to realize the expected benefits of our joint ventures and other strategic relationships;
- risks associated with a single manager, Marriott International, managing a significant percentage of our hotels;
- changes in the desirability of the geographic regions of the hotels in our portfolio or in the travel patterns of hotel customers;
- the ability of third-party internet and other travel intermediaries to attract and retain customers;
- our ability to recover fully under our existing insurance policies for terrorist acts and natural disasters and our ability to maintain adequate or full replacement cost “all-risk” property insurance policies on our hotels on commercially reasonable terms;
- the effect of a data breach or significant disruption of hotel operator information technology networks as a result of cyber attacks;
- the effects of tax legislative action and other changes in laws and regulations, or the interpretation thereof, including the need for compliance with new environmental and safety requirements;
- the ability of Host Inc. and each of the REITs acquired, established or to be established by Host Inc. to continue to satisfy complex rules in order to qualify as REITs for U.S. federal income tax purposes and Host Inc.’s and Host L.P.’s ability and the ability of our subsidiaries, and similar entities to be acquired or established by us, to operate effectively within the limitations imposed by these rules; and
- risks associated with our ability to execute our dividend policy, including factors such as the need to preserve cash and financial flexibility in response to the COVID-19 pandemic, investment activity, operating results and the economic outlook, any or all of which may influence the decision of our board of directors as to whether to pay future dividends at levels previously disclosed or to use available cash to pay special dividends.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions, including those risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2021 and in other filings with the Securities and Exchange Commission (“SEC”). Although we believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material.

Operating Results and Outlook

Operating Results

The following table reflects certain line items from our unaudited condensed consolidated statements of operations and significant operating statistics (in millions, except per share and hotel statistics):

Historical Income Statement Data:

	Quarter ended September 30,			Year-to-date ended September 30,		
	2022	2021	Change	2022	2021	Change
Total revenues	\$ 1,189	\$ 844	40.9%	\$ 3,644	\$ 1,892	92.6%
Net income (loss)	116	(120)	N/M	494	(334)	N/M
Operating profit (loss)	148	(95)	N/M	597	(329)	N/M
Operating profit (loss) margin under GAAP	12.4%	(11.3)%	N/M	16.4%	(17.4)%	N/M
EBITDA ⁽¹⁾	\$ 328	\$ 179	83.2%	\$ 1,140	\$ 295	286.4%
Adjusted EBITDA ⁽¹⁾	328	177	85.3%	1,134	290	291.0%
Basic and diluted earnings (loss) per common share	0.16	(0.17)	N/M	0.68	(0.47)	N/M
NAREIT FFO per diluted share ⁽¹⁾	0.38	0.20	90.0%	1.35	0.33	309.1%
Adjusted FFO per diluted share ⁽¹⁾	0.38	0.20	90.0%	1.35	0.33	309.1%

All Owned Hotel Data:

	Quarter ended September 30,			Year-to-date ended September 30,		
	2022	2021	Change	2022	2021	Change
All Owned Hotel revenues ⁽¹⁾	\$ 1,187	\$ 798	48.7%	\$ 3,609	\$ 1,884	91.6%
All Owned Hotel EBITDA ⁽¹⁾	341	198	72.2%	1,179	398	196.2%
All Owned Hotel EBITDA margin ⁽¹⁾	28.7%	24.9%	380 bps	32.7%	21.1%	1,160 bps
Change in All Owned Hotel Total RevPAR ⁽¹⁾	48.1%			90.5%		
Change in All Owned Hotel RevPAR ⁽¹⁾	42.0%			81.5%		

(1) EBITDA⁽¹⁾, Adjusted EBITDA⁽¹⁾, NAREIT FFO per diluted share and Adjusted FFO per diluted share and All Owned Hotel operating results (including hotel revenues and hotel EBITDA and margins) are non-GAAP financial measures within the meaning of the rules of the SEC. All Owned Hotel results exclude the operations of hotels sold or held-for-sale as of September 30, 2022. See "Non-GAAP Financial Measures" and "All Owned Hotel Operating Statistics and Results" for more information on these measures, including why we believe these supplemental measures are useful, reconciliations to the most directly comparable GAAP measure, and the limitations on the use of these supplemental measures. Additionally, All Owned Hotel results and statistics include adjustments for dispositions and acquisitions. See Hotel RevPAR Overview for results of the portfolio based on our ownership period, without these adjustments.

N/M = Not meaningful.

Operations

Total revenues increased \$345 million, or 40.9%, and \$1,752 million, or 92.6%, as compared to the third quarter of 2021 and year-to-date 2021, respectively, due to strong leisure demand at our resort hotels and the continued recovery of business transient and group travel. All Owned Hotel RevPAR and Total RevPAR for the third quarter increased 42.0% and 48.1%, respectively, compared to the third quarter of 2021 due to both rate and occupancy growth. Year-to-date, All Owned Hotel RevPAR and Total RevPAR has increased 81.5% and 90.5%, respectively, compared to 2021. All Owned Hotel Total RevPAR for the quarter and year-to-date 2022 benefited from strong F&B growth, which exceeded 2019 levels in the third quarter for the first time since the onset of the pandemic.

Operations at most of our hotels in Florida were affected by Hurricane Ian in September 2022. Due to evacuation mandates and loss of commercial power, we estimate that RevPAR was negatively impacted by approximately 40 basis points during the third quarter.

Leisure demand continues to drive strong results at resort properties and, at the same time, the recovery at our urban properties continued in the third quarter. As a result, Total RevPAR in the quarter for all markets exceeded 2021 levels and the portfolio as a whole exceeded the third quarter 2019 pre-pandemic levels. All Owned Hotel Total RevPAR in our Jacksonville, Orlando and Phoenix markets increased 36.9%, 35.6% and 29.4%, respectively, compared to 2019, due to continued strength at our leisure properties. While our hotels in San Francisco/San Jose and Washington, D.C., two of our larger markets by room count, experienced

All Owned Hotel Total RevPAR declines of 19.1% and 12.1%, respectively, compared to third quarter 2019, this is an improvement from declines of 26.5% and 15.0%, respectively, in the second quarter compared to 2019. All Owned Hotel Total RevPAR in our San Diego market, which primarily consists of convention-type hotels, increased 18.2% compared to the third quarter of 2019 driven by improvements in group business during the quarter. All Owned Hotel Total RevPAR performance was lowest for our Boston market, with a decline of 26.2% compared to 2019.

Our third quarter 2022 results improved when compared to 2021 as follows:

- Net income increased \$236 million for the quarter and \$828 million year-to-date;
- Diluted earnings per share increased \$0.33 for the quarter and \$1.15 year-to-date;
- Adjusted EBITDA_{re} increased \$151 million for the quarter and \$844 million year-to-date; and
- Adjusted FFO per diluted share increased \$0.18 for the quarter and \$1.02 year-to-date.

For the third quarter of 2022, operating profit margin under GAAP was 12.4% and All Owned Hotel EBITDA margin was 28.7%, both exceeding the third quarter 2019 pre-pandemic levels. Along with the strong improvements in rates, our hotel margins also have benefited from the implementation of portfolio-wide cost reductions, resulting in a reduction of All Owned Hotel operating costs across the portfolio by approximately 7% year-to-date 2022, compared to year-to-date 2019. However, for the third quarter, operating costs exceeded 2019 levels for the first time since the start of the pandemic as hotels continue to transition to more normalized levels of operations. Specifically, in the third quarter, hotels were able to increase staffing to levels more in-line with expectations based on current hotel demand.

Outlook

We have experienced a significant improvement in revenues and earnings through the third quarter of 2022. However, current macroeconomic headwinds and concerns surrounding the potential for an economic slowdown are now competing with an accelerating lodging recovery. Further improvement in operations will be dependent on our ability to maintain high-rated business in our resort markets, the continued improvement of group, business transient and international inbound travel. Blue Chip Economic Indicators consensus currently estimates an increase in real U.S. GDP of 1.6% for 2022, while business investment is anticipated to increase 3.7%. However, persistently high inflation, including energy prices, and geopolitical uncertainty have led to increased risks during the year and elevated concerns surrounding the Federal Reserve's ability to execute a soft landing for economic growth. The range of potential outcomes on the economy and the lodging industry specifically remains exceptionally wide, reflecting varying analyst assumptions surrounding the impact of inflation, supply chain disruptions, labor shortages in key industries, geopolitical conflicts, interest rate expectations and the unpredictability of new COVID-19 variants.

Hotel supply growth is anticipated to remain below the long-term historical average in 2022, as supply chain challenges have resulted in project delays across the U.S. We anticipate that many of these projects will continue to be delayed or cancelled, while the new project pipeline will remain suppressed until supply chain issues and other macroeconomic concerns abate. While the pandemic had an outsized impact on our industry, particularly in luxury and upper upscale hotels in top U.S. markets, where a majority of our hotels are located, leisure travel continues to outperform expectations due to pent-up demand, high personal savings and waning virus fears. We also have seen a significant acceleration in group and business transient demand to date in 2022, leading to improving trends in our urban markets.

Despite strong results through the first three quarters of the year, significant uncertainties remain related to broader macroeconomic trends, recession and inflation concerns and the impact of new virus variants. We believe that the continued strength of the lodging industry is highly dependent on the broader overall economy, consumer confidence and the continued improvement of corporate, group and international travel now that leisure demand is exceeding pre-pandemic levels in many markets. Accordingly, we believe that operations in specific markets and asset types will continue to be uneven.

Operations at the majority of our hotels in Florida were affected by Hurricane Ian in September 2022 with the most significant damage sustained during the storm occurring at The Ritz Carlton, Naples and Hyatt Regency Coconut Point Resort and Spa. Due to evacuation mandates and/or loss of commercial power, five of our properties were closed for a limited period of time; however, three have since fully reopened. We are still evaluating the complete property and business interruption impacts of Hurricane Ian. We expect the Hyatt Regency Coconut Point Resort and Spa to reopen to guests in mid-November, as a phased reopening, with the waterpark reopening during the second quarter of 2023, while The Ritz Carlton, Naples is expected to remain closed for the remainder of 2022 and into 2023. As a result, Hurricane Ian will continue to impact our fourth quarter 2022 operations as well as our 2023 operations.

Based on these trends, we expect full year RevPAR of between \$193 and \$195, representing an increase from 2021 of 63.7% to 65.4%, respectively, and a decrease from 2019 of 3.75% to 2.75%, respectively. We anticipate that the impact of Hurricane Ian will reduce full year RevPAR by 70 basis points.

As noted above, the current outlook for the lodging industry remains highly uncertain. There can be no assurances as to the continued recovery in lodging demand for any number of reasons, including, but not limited to, slower than anticipated return of group and business travel or deteriorating macroeconomic conditions.

Strategic Initiatives

Dispositions. During the third quarter, we sold the Chicago Marriott Suites Downers Grove for \$16 million, including \$2 million of FF&E funds retained by us.

Acquisitions. Subsequent to quarter end, we acquired the 125-room Four Seasons Resort and Residences Jackson Hole for \$315 million. The resort also features an additional 44 private residences, the owners of which may participate in a rental program through the resort.

Capital Projects. During the first three quarters of 2022, we spent approximately \$240 million on ROI capital projects and \$117 million on renewal and replacement projects. For full year 2022, we expect total capital expenditures of \$500 million to \$575 million. This total amount consists of ROI projects of approximately \$320 million to \$355 million and renewal and replacement expenditures of \$180 million to \$220 million. ROI projects include approximately \$90 million to \$115 million for the Marriott transformational capital program discussed below.

In 2022, we expect to complete renovations to 4,000 guestrooms, approximately 33,000 square feet of meeting space and approximately 81,000 square feet of public space.

We have made substantial progress on the Marriott transformational capital program, which began in 2018. We believe this program will position these hotels to be more competitive in their respective markets and will enhance long-term performance through increases in RevPAR and market yield index. We agreed to invest amounts in excess of the FF&E reserves required under our management agreements and, in exchange, Marriott has provided additional priority returns on the agreed upon investments and operating profit guarantees of \$83 million, before reductions for incentive management fees, to offset expected business disruption.

Approximately 94% of the total estimated costs of the program have been spent as of September 30, 2022. Of the 16 hotels included in the program, we have completed projects at the Coronado Island Marriott Resort & Spa, New York Marriott Downtown, San Francisco Marriott Marquis and Santa Clara Marriott in 2019; projects at the Minneapolis Marriott City Center, San Antonio Marriott Rivercenter and JW Marriott Atlanta Buckhead in 2020; and projects at The Ritz-Carlton Amelia Island, New York Marriott Marquis and Orlando World Center Marriott in 2021. In 2022, we completed projects at the Houston Marriott Medical Center and Marina del Rey Marriott. We also expect to substantially complete projects at Boston Marriott Copley Place, JW Marriott Houston by the Galleria and Marriott Marquis San Diego Marina during 2022, with the Washington Marriott at Metro Center expected to be completed in the first half of 2023.

Results of Operations

The following table reflects certain line items from our unaudited condensed consolidated statements of operations (in millions, except percentages):

	Quarter ended September 30,			Year-to-date ended September 30,		
	2022	2021	Change	2022	2021	Change
Total revenues	\$ 1,189	\$ 844	40.9%	\$ 3,644	\$ 1,892	92.6%
Operating costs and expenses:						
Property-level costs ⁽¹⁾	1,022	920	11.1	2,987	2,153	38.7
Corporate and other expenses	29	24	20.8	77	73	5.5
Gain on insurance and business interruption settlements	10	5	100.0	17	5	240.0
Operating profit (loss)	148	(95)	N/M	597	(329)	N/M
Interest expense	40	43	(7.0)	113	128	(11.7)
Other gains	5	2	150.0	19	4	375.0
Benefit (provision) for income taxes	(6)	13	N/M	(29)	81	N/M

Host Inc.:

Net income (loss) attributable to non-controlling interests	2	(1)	N/M	8	(3)	N/M
Net income (loss) attributable to Host Inc.	114	(119)	N/M	486	(331)	N/M

Host L.P.:

Net income attributable to non-controlling interests	1	1	—	1	1	—
Net income (loss) attributable to Host L.P.	115	(121)	N/M	493	(335)	N/M

(1) Amount represents total operating costs and expenses from our unaudited condensed consolidated statements of operations, less corporate and other expenses and gain on insurance and business interruption settlements.

N/M=Not meaningful.

Statement of Operations Results and Trends

Hotel Sales Overview

The following table presents total revenues in accordance with GAAP and includes all consolidated hotels (in millions, except percentages):

	Quarter ended September 30,			Year-to-date ended September 30,		
	2022	2021	Change	2022	2021	Change
Revenues:						
Rooms	\$ 746	\$ 557	33.9%	\$ 2,251	\$ 1,237	82.0%
Food and beverage	330	191	72.8	1,032	405	154.8
Other	113	96	17.7	361	250	44.4
Total revenues	<u>\$ 1,189</u>	<u>\$ 844</u>	40.9	<u>\$ 3,644</u>	<u>\$ 1,892</u>	92.6

Operations have improved significantly in the third quarter of 2022 compared to 2021 due to the ongoing recovery of the lodging industry from the COVID-19 pandemic. However, with operations now normalizing from the effects of the pandemic, we are no longer experiencing the quarter-to-quarter sequential increases in results that we experienced in 2021 and the first two quarters of 2022. Third quarter results were impacted by typical seasonality and shifting business and market mix which has traditionally made our third quarter results the weakest quarter of the year by comparison. In addition to improved operations, acquisitions that occurred in 2021 contributed \$45 million and \$242 million to the growth in revenues in the third quarter and year-to-date 2022, respectively, compared to the negative impact on revenues resulting from dispositions of \$66 million and \$87 million in the third quarter and year-to-date 2022, respectively.

Rooms. Total rooms revenues increased \$189 million, or 33.9%, and \$1,014 million, or 82.0%, for the third quarter and year-to-date, respectively, due to increases in average room rates and occupancy compared to 2021. Average room rates for our portfolio have also exceeded pre-pandemic levels, while occupancy continues to lag 2019.

Food and beverage. Total F&B revenues increased \$139 million, or 72.8%, and \$627 million, or 154.8%, for the quarter and year-to-date, respectively, exceeding 2019 levels in the third quarter for the first time since the onset of the pandemic. The improvements are due to strong outlet, banquet and audio-visual revenues, reflecting the return of group room nights.

Other revenues. Total other revenues increased \$17 million, or 17.7%, and \$111 million, or 44.4%, for the quarter and year-to-date, respectively, which was driven by an increase in attrition and cancellation fees, as well as strong golf and spa revenues.

Property-level Operating Expenses

The following table presents property-level operating expenses in accordance with GAAP and includes all consolidated hotels (in millions, except percentages):

	Quarter ended September 30,			Year-to-date ended September 30,		
	2022	2021	Change	2022	2021	Change
Expenses:						
Rooms	\$ 190	\$ 150	26.7%	\$ 539	\$ 324	66.4%
Food and beverage	230	146	57.5	675	313	115.7
Other departmental and support expenses	300	252	19.0	873	621	40.6
Management fees	48	27	77.8	150	59	154.2
Other property-level expenses	90	82	9.8	252	239	5.4
Depreciation and amortization	164	263	(37.6)	498	597	(16.6)
Total property-level operating expenses	<u>\$ 1,022</u>	<u>\$ 920</u>	11.1	<u>\$ 2,987</u>	<u>\$ 2,153</u>	38.7

Our operating costs and expenses, which have both fixed and variable components, are affected by several factors. Rooms expenses are affected mainly by occupancy, which drives costs related to items such as housekeeping, reservation systems, room supplies, laundry services and front desk costs. Food and beverage expenses correlate closely with food and beverage revenues and are affected by occupancy and the mix of business between banquet, audio-visual and outlet sales. However, the most significant expense for the rooms, food and beverage, and other departmental and support expenses is wages and employee benefits, which comprise approximately 55% of these expenses. During the third quarter of 2022, these expenses increased 45% compared to 2021, reflecting the increase in hiring as operations have recovered.

Early in 2022, hiring was temporarily paused in many areas due to the Omicron variant, as well as the seasonality of the industry. While hiring pace improved during the first half of the year, the significant acceleration in demand further challenged the ability of our hotel managers to increase hotel staffing commensurate with the increase in demand. However, during the third quarter our managers were able to continue improvements in hiring pace, and managers at many of our hotels are now operating at desired staffing levels as of the end of the third quarter. In aggregate, wage and benefit rate inflation is expected to be in the 4% to 5% range in 2022.

Other property-level expenses consist of property taxes, the amounts and structure of which are highly dependent on local jurisdiction taxing authorities, and property and general liability insurance, all of which do not necessarily increase or decrease based on similar changes in revenues at our hotels.

The increase in expenses for the third quarter of 2022 compared to 2021 for rooms, food and beverage, other departmental and support, and management fees was generally due to the corresponding increase in revenues from improvements in occupancy and hotel operations, as follows:

Rooms. Rooms expenses increased \$40 million, or 26.7%, and \$215 million, or 66.4%, for the quarter and year-to-date, respectively, reflecting an increase in staffing commensurate with the improvements in occupancy, while commission costs remain below pre-pandemic levels.

Food and beverage. F&B expenses increased \$84 million, or 57.5%, and \$362 million, or 115.7%, for the quarter and year-to-date, respectively. Overall, F&B costs as a percentage of revenues declined, benefiting from improved banquet revenues and ongoing productivity improvement.

Other departmental and support expenses. Other departmental and support expenses increased \$48 million, or 19.0%, and \$252 million, or 40.6%, for the quarter and year-to-date, respectively, due primarily to improved operations.

Management fees. Base management fees, which generally are calculated as a percentage of total revenues, increased \$9 million, or 36.0%, and \$48 million, or 87.3%, for the quarter and year-to-date, respectively. Incentive management fees, which generally are based on the amount of operating profit at each hotel after we receive a priority return on our investment, increased \$12 million and \$43 million for the quarter and year-to-date, respectively, due primarily to the improved operations at our resort properties.

Other property-level expenses. These expenses generally do not vary significantly based on occupancy and include expenses such as property taxes and insurance. Other property level expenses increased \$8 million, or 9.8%, and \$13 million, or 5.4%, for the quarter and year-to-date, respectively, due to increases in sales and general excise taxes at our hotels, property insurance premiums and rent on a portion of our ground leases that are based on a percentage of sales. The increases were partially offset by a decrease in property taxes. Other property-level expenses also were partially offset by the receipt of operating profit guarantees received from Marriott under the transformational capital program in both 2022 and 2021.

Depreciation and amortization. Depreciation and amortization decreased \$99 million, or 37.6%, for the quarter and \$99 million, or 16.6%, for the year-to-date, primarily due to impairment expense of \$92 million recorded in the third quarter of 2021.

Other Income and Expense

Corporate and other expenses. The following table details our corporate and other expenses for the quarter and year-to-date (in millions):

	Quarter ended September 30,		Year-to-date ended September 30,	
	2022	2021	2022	2021
General and administrative costs	\$ 20	\$ 20	\$ 58	\$ 60
Non-cash stock-based compensation expense	9	4	19	13
Total	\$ 29	\$ 24	\$ 77	\$ 73

Interest expense. Interest expense decreased for the quarter due to the repayment of the revolver portion of the credit facility, partially offset by an increase in interest rates on our floating rate debt. The following table details our interest expense for the quarter and year-to-date (in millions):

	Quarter ended September 30,		Year-to-date ended September 30,	
	2022	2021	2022	2021
Cash interest expense ⁽¹⁾	\$ 37	\$ 41	\$ 105	\$ 121
Non-cash interest expense	3	2	8	7
Total interest expense	\$ 40	\$ 43	\$ 113	\$ 128

(1) Including the change in accrued interest, total cash interest paid was \$31 million and \$32 million for the quarters ended September 30, 2022 and 2021, respectively, and \$100 million and \$115 million for year-to-date 2022 and 2021, respectively.

Other gains. Other gains increased \$3 million and \$15 million for the quarter and year-to-date, respectively, reflecting the sale of Chicago Marriott Suites Downers Grove in the third quarter, and the sale of the Sheraton Boston Hotel in the first quarter of 2022.

Equity in earnings of affiliates. Equity in earnings of affiliates decreased \$3 million for the quarter and \$33 million year-to-date, primarily due to unrealized losses on our investment in Fifth Wall Ventures, L.P. in 2022 compared to unrealized gains in 2021, partially offset by improved operations at our non-consolidated properties.

Benefit (provision) for income taxes. We lease substantially all our properties to consolidated subsidiaries designated as taxable REIT subsidiaries (“TRS”) for U.S. federal income tax purposes. Taxable income or loss generated/incurred by the TRS primarily represents hotel-level operations and the aggregate rent paid to Host L.P. by the TRS, on which we record an income tax provision or benefit. For the third quarter and year-to-date, we recorded an income tax provision of \$6 million and \$29 million, respectively, due primarily to the profitability of hotel operations retained by the TRS.

Hotel RevPAR Overview

To facilitate a quarter-to-quarter comparison of our operations, we typically present certain operating statistics for the periods included in this presentation on a comparable hotel basis. However, due to the COVID-19 pandemic and its effects on operations, there is little comparability between periods. For this reason, we are revising our operating statistics presentation to instead present All Owned Hotel operating results. See “All Owned Hotel Operating Statistics and Results” for a complete description of our methodology. We also include, following the All Owned Hotels results, the same operating statistics presentation on an actual basis, which includes results for our portfolio for the time period of our ownership, including dispositions through their date of disposal and acquisitions beginning as of the date of acquisition. Lastly, we discuss our Hotel RevPAR results by geographic location and mix of business (i.e., transient, group, or contract).

Hotel Operating Data by Location

The following tables set forth performance information for our hotels by geographic location for the quarter and year-to-date ended September 30, 2022 compared to 2021 and to 2019, respectively, to provide a comparison of hotel statistics in the current period to last year as well as to pre-pandemic levels:

Location	As of September 30, 2022		Quarter ended September 30, 2022				Quarter ended September 30, 2021				Percent Change in RevPAR	Percent Change in Total RevPAR
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR		
			\$	%	\$	\$	\$	%	\$	\$		
Maui/Oahu	4	2,007	\$ 565.30	73.6%	\$ 416.12	\$ 643.06	\$ 514.34	82.8%	\$ 425.86	\$ 635.28	(2.3)%	1.2%
Miami	2	1,033	457.43	50.2	229.66	427.55	424.80	53.9	229.17	390.19	0.2	9.6
Jacksonville	1	446	487.53	67.0	326.67	707.75	465.60	68.7	319.90	683.35	2.1	3.6
Florida Gulf Coast	5	1,850	330.56	53.9	178.01	340.62	314.16	45.2	141.93	286.62	25.4	18.8
Orlando	2	2,448	327.78	61.4	201.23	427.58	332.90	37.4	124.35	228.19	61.8	87.4
Phoenix	4	1,822	251.77	58.1	146.25	372.05	245.88	57.7	141.92	321.83	3.0	15.6
Los Angeles/ Orange County	3	1,067	303.74	86.4	262.42	372.72	263.40	72.4	190.80	263.83	37.5	41.3
New York	2	2,486	309.77	84.3	260.99	351.90	238.23	45.3	107.97	138.91	141.7	153.3
San Diego	3	3,288	292.38	85.4	249.83	440.67	247.61	72.1	178.55	281.14	39.9	56.7
Austin	2	767	233.32	68.3	159.46	289.77	210.96	58.1	122.67	207.76	30.0	39.5
Philadelphia	2	810	221.65	85.9	190.48	286.56	191.85	79.1	151.74	223.07	25.5	28.5
Washington, D.C. (CBD)	5	3,238	237.56	65.7	156.01	223.72	185.06	37.1	68.65	96.94	127.3	130.8
Chicago	3	1,562	263.27	79.3	208.86	286.41	200.33	63.2	126.61	159.82	65.0	79.2
Seattle	2	1,315	264.88	81.9	216.97	274.62	202.49	53.5	108.25	130.03	100.4	111.2
San Francisco/ San Jose	6	4,162	244.45	71.3	174.35	249.76	165.10	50.0	82.54	105.04	111.2	137.8
Boston	2	1,495	263.46	63.8	167.99	223.00	202.75	60.3	122.31	149.10	37.3	49.6
Northern Virginia	2	916	214.33	67.2	144.06	219.78	187.15	58.9	110.22	162.40	30.7	35.3
Atlanta	2	810	183.46	72.8	133.57	199.97	163.07	64.8	105.67	146.59	26.4	36.4
San Antonio	2	1,512	190.72	64.5	122.96	194.39	181.30	55.8	101.18	149.13	21.5	30.3
New Orleans	1	1,333	163.33	63.6	103.87	158.20	136.76	54.3	74.30	91.66	39.8	72.6
Denver	3	1,340	197.50	76.5	151.18	214.65	169.25	65.4	110.75	141.64	36.5	51.5
Houston	5	1,942	176.72	62.1	109.74	149.01	149.60	66.6	99.67	133.88	10.1	11.3
Other	9	2,936	261.04	63.6	166.04	240.26	250.39	55.3	138.36	193.81	20.0	24.0
Domestic	72	40,585	278.18	69.9	194.55	311.41	244.92	56.6	138.57	211.96	40.4	46.9
International	5	1,499	200.98	62.0	124.66	162.44	90.99	51.4	46.77	66.43	166.5	144.5
All Locations	77	42,084	275.73	69.7	192.06	306.11	239.89	56.4	135.28	206.75	42.0	48.1

All Owned Hotel Results by Location Compared to 2019

Location	As of September 30, 2022		Quarter ended September 30, 2022				Quarter ended September 30, 2019				Percent Change in RevPAR	Percent Change in Total RevPAR
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR		
Maui/Oahu	4	2,007	\$ 565.30	73.6%	\$ 416.12	\$ 643.06	\$ 385.51	91.5%	\$ 352.78	\$ 554.15	18.0%	16.0%
Miami	2	1,033	457.43	50.2	229.66	427.55	259.69	76.2	197.80	341.68	16.1	25.1
Jacksonville	1	446	487.53	67.0	326.67	707.75	363.69	69.0	251.05	516.90	30.1	36.9
Florida Gulf Coast	5	1,850	330.56	53.9	178.01	340.62	242.93	61.6	149.63	302.07	19.0	12.8
Orlando	2	2,448	327.78	61.4	201.23	427.58	250.13	61.0	152.55	315.38	31.9	35.6
Phoenix	4	1,822	251.77	58.1	146.25	372.05	197.07	57.9	114.19	287.59	28.1	29.4
Los Angeles/ Orange County	3	1,067	303.74	86.4	262.42	372.72	271.42	86.6	235.06	344.41	11.6	8.2
New York	2	2,486	309.77	84.3	260.99	351.90	291.70	92.3	269.15	381.03	(3.0)	(7.6)
San Diego	3	3,288	292.38	85.4	249.83	440.67	256.92	83.5	214.41	372.78	16.5	18.2
Austin	2	767	233.32	68.3	159.46	289.77	213.65	84.4	180.39	304.72	(11.6)	(4.9)
Philadelphia	2	810	221.65	85.9	190.48	286.56	207.13	88.2	182.60	295.52	4.3	(3.0)
Washington, D.C. (CBD)	5	3,238	237.56	65.7	156.01	223.72	211.15	84.4	178.19	254.63	(12.4)	(12.1)
Chicago	3	1,562	263.27	79.3	208.86	286.41	232.68	87.4	203.30	288.11	2.7	(0.6)
Seattle	2	1,315	264.88	81.9	216.97	274.62	260.45	90.2	234.96	291.64	(7.7)	(5.8)
San Francisco/ San Jose	6	4,162	244.45	71.3	174.35	249.76	270.46	84.9	229.73	308.58	(24.1)	(19.1)
Boston	2	1,495	263.46	63.8	167.99	223.00	246.21	89.9	221.40	302.19	(24.1)	(26.2)
Northern Virginia	2	916	214.33	67.2	144.06	219.78	213.63	76.6	163.58	237.84	(11.9)	(7.6)
Atlanta	2	810	183.46	72.8	133.57	199.97	165.72	83.6	138.47	222.85	(3.5)	(10.3)
San Antonio	2	1,512	190.72	64.5	122.96	194.39	165.01	66.6	109.84	155.81	11.9	24.8
New Orleans	1	1,333	163.33	63.6	103.87	158.20	156.82	77.0	120.78	175.05	(14.0)	(9.6)
Denver	3	1,340	197.50	76.5	151.18	214.65	184.28	84.5	155.64	218.16	(2.9)	(1.6)
Houston	5	1,942	176.72	62.1	109.74	149.01	170.32	67.0	114.07	159.84	(3.8)	(6.8)
Other	9	2,936	261.04	63.6	166.04	240.26	198.34	79.1	156.91	241.19	5.8	(0.4)
Domestic	72	40,585	278.18	69.9	194.55	311.41	240.95	79.7	191.95	299.74	1.4	3.9
International	5	1,499	200.98	62.0	124.66	162.44	159.14	75.9	120.86	166.88	3.1	(2.7)
All Locations	77	42,084	275.73	69.7	192.06	306.11	238.14	79.5	189.39	294.96	1.4	3.8

All Owned Hotel Results by Location Compared to 2021

Location	As of September 30, 2022		Year-to-date ended September 30, 2022				Year-to-date ended September 30, 2021				Percent Change in RevPAR	Percent Change in Total RevPAR
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR		
Maui/Oahu	4	2,007	\$ 559.15	76.0%	\$ 424.91	\$ 657.89	\$ 470.97	67.4%	\$ 317.20	\$ 480.87	34.0%	36.8%
Miami	2	1,033	618.23	62.8	388.09	647.24	555.80	56.4	313.58	499.04	23.8	29.7
Jacksonville	1	446	533.33	69.5	370.85	799.91	506.77	57.8	293.02	587.76	26.6	36.1
Florida Gulf Coast	5	1,850	442.56	65.9	291.82	570.66	416.57	54.8	228.24	426.68	27.9	33.7
Orlando	2	2,448	395.30	64.4	254.71	498.62	398.72	27.3	108.98	196.25	133.7	154.1
Phoenix	4	1,822	366.88	69.1	253.45	551.73	301.23	56.5	170.12	346.53	49.0	59.2
Los Angeles/ Orange County	3	1,067	290.28	79.6	231.14	331.60	234.10	50.5	118.33	162.84	95.3	103.6
New York	2	2,486	305.98	68.8	210.55	297.35	200.01	34.6	69.19	85.45	204.3	248.0
San Diego	3	3,288	275.85	76.1	209.91	376.43	218.39	45.3	98.85	155.68	112.4	141.8
Austin	2	767	261.29	70.3	183.71	319.55	190.23	51.9	98.76	159.17	86.0	100.8
Philadelphia	2	810	212.19	79.8	169.40	258.46	169.58	58.7	99.52	147.38	70.2	75.4
Washington, D.C. (CBD)	5	3,238	258.02	60.5	156.14	222.68	161.96	42.2	68.41	81.26	128.2	174.0
Chicago	3	1,562	238.34	64.8	154.44	212.39	176.19	37.4	65.84	81.71	134.6	159.9
Seattle	2	1,315	234.51	64.1	150.37	194.36	188.47	27.8	52.43	63.79	186.8	204.7
San Francisco/ San Jose	6	4,162	230.51	63.1	145.43	208.62	155.78	31.4	48.92	63.32	197.3	229.5
Boston	2	1,495	246.01	57.4	141.27	186.74	173.03	37.5	64.82	80.96	117.9	130.6
Northern Virginia	2	916	215.60	65.3	140.83	212.13	177.75	45.4	80.62	118.44	74.7	79.1
Atlanta	2	810	181.26	72.2	130.94	204.64	152.57	54.5	83.14	112.32	57.5	82.2
San Antonio	2	1,512	194.11	67.3	130.73	201.94	160.63	40.8	65.54	95.17	99.5	112.2
New Orleans	1	1,333	196.59	65.3	128.42	187.76	128.95	37.6	48.51	65.71	164.7	185.7
Denver	3	1,340	183.44	63.9	117.14	169.54	149.35	42.1	62.95	80.24	86.1	111.3
Houston	5	1,942	180.33	63.4	114.29	158.00	140.32	59.7	83.73	113.03	36.5	39.8
Other	9	2,936	264.87	61.2	162.17	233.33	243.29	45.3	110.15	156.34	47.2	49.2
Domestic	72	40,585	296.19	66.6	197.36	320.69	249.37	44.0	109.63	169.48	80.0	89.2
International	5	1,499	159.59	53.6	85.55	120.75	85.10	28.0	23.85	34.15	258.8	253.6
All Locations	77	42,084	292.25	66.2	193.38	313.58	245.57	43.4	106.56	164.64	81.5	90.5

All Owned Hotel Results by Location Compared to 2019

Location	As of September 30, 2022		Year-to-date ended September 30, 2022				Year-to-date ended September 30, 2019				Percent Change in RevPAR	Percent Change in Total RevPAR
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR		
Maui/Oahu	4	2,007	\$ 559.15	76.0%	\$ 424.91	\$ 657.89	\$ 401.92	90.9%	\$ 365.45	\$ 577.41	16.3%	13.9%
Miami	2	1,033	618.23	62.8	388.09	647.24	356.95	80.6	287.82	463.01	34.8	39.8
Jacksonville	1	446	533.33	69.5	370.85	799.91	383.37	77.2	296.02	652.91	25.3	22.5
Florida Gulf Coast	5	1,850	442.56	65.9	291.82	570.66	340.73	72.8	247.94	507.99	17.7	12.3
Orlando	2	2,448	395.30	64.4	254.71	498.62	285.49	70.7	201.76	412.06	26.2	21.0
Phoenix	4	1,822	366.88	69.1	253.45	551.73	292.22	71.7	209.42	472.19	21.0	16.8
Los Angeles/ Orange County	3	1,067	290.28	79.6	231.14	331.60	262.50	84.7	222.39	335.37	3.9	(1.1)
New York	2	2,486	305.98	68.8	210.55	297.35	290.81	82.3	239.46	368.99	(12.1)	(19.4)
San Diego	3	3,288	275.85	76.1	209.91	376.43	255.81	81.2	207.62	372.41	1.1	1.1
Austin	2	767	261.29	70.3	183.71	319.55	246.64	86.6	213.69	361.89	(14.0)	(11.7)
Philadelphia	2	810	212.19	79.8	169.40	258.46	216.10	85.4	184.46	301.70	(8.2)	(14.3)
Washington, D.C. (CBD)	5	3,238	258.02	60.5	156.14	222.68	246.65	83.1	204.99	293.15	(23.8)	(24.0)
Chicago	3	1,562	238.34	64.8	154.44	212.39	218.02	77.8	169.55	243.43	(8.9)	(12.8)
Seattle	2	1,315	234.51	64.1	150.37	194.36	231.59	84.3	195.17	256.01	(23.0)	(24.1)
San Francisco/ San Jose	6	4,162	230.51	63.1	145.43	208.62	284.01	82.2	233.51	323.40	(37.7)	(35.5)
Boston	2	1,495	246.01	57.4	141.27	186.74	242.40	83.8	203.01	289.54	(30.4)	(35.5)
Northern Virginia	2	916	215.60	65.3	140.83	212.13	220.18	76.5	168.33	265.16	(16.3)	(20.0)
Atlanta	2	810	181.26	72.2	130.94	204.64	187.48	84.0	157.49	258.05	(16.9)	(20.7)
San Antonio	2	1,512	194.11	67.3	130.73	201.94	183.18	73.0	133.69	195.06	(2.2)	3.5
New Orleans	1	1,333	196.59	65.3	128.42	187.76	188.24	79.9	150.35	219.33	(14.6)	(14.4)
Denver	3	1,340	183.44	63.9	117.14	169.54	175.15	76.3	133.61	195.92	(12.3)	(13.5)
Houston	5	1,942	180.33	63.4	114.29	158.00	178.46	72.4	129.22	184.58	(11.6)	(14.4)
Other	9	2,936	264.87	61.2	162.17	233.33	193.56	76.5	148.07	222.10	9.5	5.1
Domestic	72	40,585	296.19	66.6	197.36	320.69	258.57	79.6	205.77	333.27	(4.1)	(3.8)
International	5	1,499	159.59	53.6	85.55	120.75	154.30	71.1	109.74	159.00	(22.0)	(24.1)
All Locations	77	42,084	292.25	66.2	193.38	313.58	255.20	79.3	202.32	327.00	(4.4)	(4.1)

Results by Location Compared to 2021 - actual, based on ownership period⁽¹⁾

Location	As of September 30,		Quarter ended September 30, 2022				Quarter ended September 30, 2021				Percent Change in RevPAR	Percent Change in Total RevPAR
	2022	2021	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR		
Maui/Oahu	4	4	\$ 565.30	73.6%	\$ 416.12	\$ 643.06	\$ 514.34	82.8%	\$ 425.86	\$ 635.28	(2.3)%	1.2%
Miami	2	3	457.43	50.2	229.66	427.55	364.54	55.2	201.40	333.79	14.0	28.1
Jacksonville	1	1	487.53	67.0	326.67	707.75	465.60	68.7	319.90	683.35	2.1	3.6
Florida Gulf Coast	5	5	330.56	53.9	178.01	340.62	314.16	45.2	141.93	286.62	25.4	18.8
Orlando	2	2	327.78	61.4	201.23	427.58	332.90	37.4	124.35	228.19	61.8	87.4
Phoenix	4	4	251.77	58.1	146.25	372.05	245.88	57.7	141.92	321.83	3.0	15.6
Los Angeles/ Orange County	3	5	303.74	86.4	262.42	372.72	218.60	71.1	155.40	216.04	68.9	72.5
New York	2	3	309.77	84.3	260.99	351.90	217.90	46.2	100.72	130.88	159.1	168.9
San Diego	3	3	292.38	85.4	249.83	440.67	247.61	72.1	178.55	281.14	39.9	56.7
Austin	2	1	233.32	68.3	159.46	289.77	181.59	57.2	103.84	162.10	53.6	78.8
Philadelphia	2	2	221.65	85.9	190.48	286.56	191.85	79.1	151.74	223.07	25.5	28.5
Washington, D.C. (CBD)	5	5	237.56	65.7	156.01	223.72	185.06	37.1	68.65	96.94	127.3	130.8
Chicago	3	4	253.75	77.8	197.54	269.26	191.01	62.4	119.27	149.38	65.6	80.3
Seattle	2	2	264.88	81.9	216.97	274.62	202.49	53.5	108.25	130.03	100.4	111.2
San Francisco/ San Jose	6	7	244.45	71.3	174.35	249.76	163.42	50.0	81.72	104.30	113.4	139.5
Boston	2	3	263.46	63.8	167.99	223.00	204.56	48.1	98.46	117.58	70.6	89.7
Northern Virginia	2	3	214.33	67.2	144.06	219.78	169.41	60.6	102.70	156.44	40.3	40.5
Atlanta	2	4	183.46	72.8	133.57	199.97	178.31	56.6	100.94	142.30	32.3	40.5
San Antonio	2	2	190.72	64.5	122.96	194.39	181.30	55.8	101.18	149.13	21.5	30.3
New Orleans	1	1	163.33	63.6	103.87	158.20	136.76	54.3	74.30	91.66	39.8	72.6
Denver	3	3	197.50	76.5	151.18	214.65	169.25	65.4	110.75	141.64	36.5	51.5
Houston	5	4	176.72	62.1	109.74	149.01	149.60	66.6	99.67	133.88	10.1	11.3
Other	9	8	261.04	63.6	166.04	240.26	203.77	53.2	108.38	150.97	53.2	59.1
Domestic	72	79	277.68	69.9	194.13	310.58	233.85	55.7	130.18	196.75	49.1	57.9
International	5	5	200.98	62.0	124.66	162.44	90.99	51.4	46.77	66.43	166.5	144.5
All Locations	77	84	275.25	69.6	191.66	305.33	229.68	55.5	127.54	192.63	50.3	58.5

Results by Location Compared to 2019 - actual, based on ownership period⁽¹⁾

Location	As of September 30,		Quarter ended September 30, 2022				Quarter ended September 30, 2019				Percent Change in RevPAR	Percent Change in Total RevPAR
	2022	2019	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR		
	No. of Properties	No. of Properties										
Maui/Oahu	4	4	\$ 565.30	73.6 %	\$ 416.12	\$ 643.06	\$ 385.51	91.5 %	\$ 352.78	\$ 543.42	18.0 %	18.3 %
Miami	2	3	457.43	50.2	229.66	427.55	235.65	73.9	174.18	294.09	31.8	45.4
Jacksonville	1	1	487.53	67.0	326.67	707.75	363.69	69.0	251.05	516.90	30.1	36.9
Florida Gulf Coast	5	5	330.56	53.9	178.01	340.62	242.93	61.6	149.63	302.07	19.0	12.8
Orlando	2	1	327.78	61.4	201.23	427.58	155.29	59.2	91.97	231.78	118.8	84.5
Phoenix	4	3	251.77	58.1	146.25	372.05	187.65	58.4	109.56	266.45	33.5	39.6
Los Angeles/ Orange County	3	6	303.74	86.4	262.42	372.72	226.14	85.8	194.13	288.91	35.2	29.0
New York	2	3	309.77	84.3	260.99	351.90	271.11	92.0	249.40	341.59	4.6	3.0
San Diego	3	4	292.38	85.4	249.83	440.67	235.94	84.9	200.22	347.13	24.8	26.9
Austin	2	—	233.32	68.3	159.46	289.77	—	—	—	—	—	—
Philadelphia	2	2	221.65	85.9	190.48	286.56	207.13	88.2	182.60	295.52	4.3	(3.0)
Washington, D.C. (CBD)	5	5	237.56	65.7	156.01	223.72	211.15	84.4	178.19	254.63	(12.4)	(12.1)
Chicago	3	4	253.75	77.8	197.54	269.26	217.96	85.2	185.76	259.62	6.3	3.7
Seattle	2	2	264.88	81.9	216.97	274.62	260.45	90.2	234.96	291.64	(7.7)	(5.8)
San Francisco/ San Jose	6	7	244.45	71.3	174.35	249.76	266.18	84.2	224.20	301.99	(22.2)	(17.3)
Boston	2	4	263.46	63.8	167.99	223.00	243.62	91.4	222.58	293.17	(24.5)	(23.9)
Northern Virginia	2	3	214.33	67.2	144.06	219.78	199.70	72.7	145.09	217.46	(0.7)	1.1
Atlanta	2	4	183.46	72.8	133.57	199.97	168.45	85.0	143.25	215.95	(6.8)	(7.4)
San Antonio	2	2	190.72	64.5	122.96	194.39	165.01	66.6	109.84	155.81	11.9	24.8
New Orleans	1	1	163.33	63.6	103.87	158.20	156.82	77.0	120.78	175.05	(14.0)	(9.6)
Denver	3	3	197.50	76.5	151.18	214.65	184.28	84.5	155.64	218.16	(2.9)	(1.6)
Houston	5	4	176.72	62.1	109.74	149.01	170.32	67.0	114.07	159.84	(3.8)	(6.8)
Other	9	6	261.04	63.6	166.04	240.26	172.44	80.7	139.19	195.48	19.3	22.9
Domestic	72	77	277.68	69.9	194.13	310.58	229.97	80.9	186.05	283.16	4.3	9.7
International	5	5	200.98	62.0	124.66	162.44	159.14	75.9	120.86	166.88	3.1	(2.7)
All Locations	77	82	275.25	69.6	191.66	305.33	227.93	80.8	184.06	279.60	4.1	9.2

Results by Location Compared to 2021 - actual, based on ownership period⁽¹⁾

Location	As of September 30,		Year-to-date ended September 30, 2022				Year-to-date ended September 30, 2021				Percent Change in RevPAR	Percent Change in Total RevPAR
	2022	2021	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR		
	No. of Properties	No. of Properties										
Maui/Oahu	4	4	\$ 559.15	76.0 %	\$ 424.91	\$ 657.89	\$ 470.97	67.4 %	\$ 317.20	\$ 476.28	34.0 %	38.1 %
Miami	2	3	573.01	64.5	369.80	609.25	472.94	57.4	271.38	424.17	36.3	43.6
Jacksonville	1	1	533.33	69.5	370.85	799.91	506.77	57.8	293.02	587.76	26.6	36.1
Florida Gulf Coast	5	5	442.56	65.9	291.82	570.66	416.57	54.8	228.24	426.68	27.9	33.7
Orlando	2	2	395.30	64.4	254.71	498.62	313.90	26.5	83.14	157.35	206.4	216.9
Phoenix	4	4	366.88	69.1	253.45	551.73	301.23	56.5	170.12	346.53	49.0	59.2
Los Angeles/ Orange County	3	5	290.28	79.6	231.14	331.60	190.62	53.1	101.25	138.42	128.3	139.6
New York	2	3	288.08	63.5	182.96	256.78	189.90	31.7	60.17	75.05	204.1	242.2
San Diego	3	3	275.85	76.1	209.91	376.43	218.39	45.3	98.85	155.68	112.4	141.8
Austin	2	1	261.29	70.3	183.71	319.55	181.39	58.7	106.44	156.20	72.6	104.6
Philadelphia	2	2	212.19	79.8	169.40	258.46	169.58	58.7	99.52	147.38	70.2	75.4
Washington, D.C. (CBD)	5	5	258.02	60.5	156.14	222.68	161.96	42.2	68.41	81.26	128.2	174.0
Chicago	3	4	227.82	63.1	143.86	196.43	168.03	37.4	62.92	77.59	128.6	153.2
Seattle	2	2	234.51	64.1	150.37	194.36	188.47	27.8	52.43	63.79	186.8	204.7
San Francisco/ San Jose	6	7	230.51	63.1	145.43	208.62	153.68	31.5	48.40	62.82	200.4	232.1
Boston	2	3	240.93	55.5	133.65	175.93	180.00	25.7	46.18	56.54	189.4	211.2
Northern Virginia	2	3	215.60	65.3	140.83	212.13	161.62	44.3	71.60	107.52	96.7	97.3
Atlanta	2	4	181.26	72.2	130.94	204.64	170.45	48.0	81.83	111.31	60.0	83.8
San Antonio	2	2	194.11	67.3	130.73	201.94	160.63	40.8	65.54	95.17	99.5	112.2
New Orleans	1	1	196.59	65.3	128.42	187.76	128.95	37.6	48.51	65.71	164.7	185.7
Denver	3	3	183.44	63.9	117.14	169.54	149.35	42.1	62.95	80.24	86.1	111.3
Houston	5	4	180.33	63.4	114.29	158.00	140.32	59.7	83.73	113.03	36.5	39.8
Other	9	8	264.87	61.2	162.17	233.33	170.49	40.8	69.58	94.34	133.1	147.3
Domestic	72	79	293.77	66.1	194.23	314.75	233.25	42.4	98.82	150.74	96.5	108.8
International	5	5	159.59	53.6	85.55	120.75	85.10	28.0	23.85	34.15	258.8	253.6
All Locations	77	84	289.98	65.7	190.46	308.03	230.09	41.9	96.43	147.02	97.5	109.5

Results by Location Compared to 2019 - actual based on ownership period⁽¹⁾

Location	As of September 30,		Year-to-date ended September 30, 2022				Year-to-date ended September 30, 2019				Percent Change in RevPAR	Percent Change in Total RevPAR
	2022	2019	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR	Average Room Rate	Average Occupancy Percentage	RevPAR	Total RevPAR		
	No. of Properties	No. of Properties										
Maui/Oahu	4	4	\$ 559.15	76.0%	\$ 424.91	\$ 657.89	\$ 401.92	90.9%	\$ 365.45	\$ 563.64	16.3%	16.7%
Miami	2	3	573.01	64.5	369.80	609.25	293.90	79.8	234.60	367.10	57.6	66.0
Jacksonville	1	1	533.33	69.5	370.85	799.91	383.37	77.2	296.02	652.91	25.3	22.5
Florida Gulf Coast	5	5	442.56	65.9	291.82	570.66	340.73	72.8	247.94	507.99	17.7	12.3
Orlando	2	1	395.30	64.4	254.71	498.62	182.58	69.5	126.97	303.48	100.6	64.3
Phoenix	4	3	366.88	69.1	253.45	551.73	270.22	73.4	198.47	419.43	27.7	31.5
Los Angeles/ Orange County	3	6	290.28	79.6	231.14	331.60	214.91	84.4	181.37	273.04	27.4	21.5
New York	2	3	288.08	63.5	182.96	256.78	268.13	82.9	222.31	328.43	(17.7)	(21.8)
San Diego	3	4	275.85	76.1	209.91	376.43	236.69	81.5	192.90	345.20	8.8	9.0
Austin	2	—	261.29	70.3	183.71	319.55	—	—	—	—	—	—
Philadelphia	2	2	212.19	79.8	169.40	258.46	216.10	85.4	184.46	301.70	(8.2)	(14.3)
Washington, D.C. (CBD)	5	5	258.02	60.5	156.14	222.68	246.65	83.1	204.99	293.15	(23.8)	(24.0)
Chicago	3	4	227.82	63.1	143.86	196.43	198.58	76.6	152.16	210.78	(5.5)	(6.8)
Seattle	2	2	234.51	64.1	150.37	194.36	231.59	84.3	195.17	256.01	(23.0)	(24.1)
San Francisco/ San Jose	6	7	230.51	63.1	145.43	208.62	279.15	81.5	227.38	315.49	(36.0)	(33.9)
Boston	2	4	240.93	55.5	133.65	175.93	237.01	82.6	195.81	268.56	(31.7)	(34.5)
Northern Virginia	2	3	215.60	65.3	140.83	212.13	197.94	74.8	148.13	226.05	(4.9)	(6.2)
Atlanta	2	4	181.26	72.2	130.94	204.64	193.39	79.8	154.29	235.46	(15.1)	(13.1)
San Antonio	2	2	194.11	67.3	130.73	201.94	183.18	73.0	133.69	195.06	(2.2)	3.5
New Orleans	1	1	196.59	65.3	128.42	187.76	188.24	79.9	150.35	219.33	(14.6)	(14.4)
Denver	3	3	183.44	63.9	117.14	169.54	175.15	76.3	133.61	195.92	(12.3)	(13.5)
Houston	5	4	180.33	63.4	114.29	158.00	178.46	72.4	129.22	184.58	(11.6)	(14.4)
Other	9	6	264.87	61.2	162.17	233.33	173.68	76.9	133.48	197.30	21.5	18.3
Domestic	72	77	293.77	66.1	194.23	314.75	240.89	79.7	191.94	303.24	1.2	3.8
International	5	5	159.59	53.6	85.55	120.75	154.30	71.1	109.74	159.00	(22.0)	(24.1)
All Locations	77	82	289.98	65.7	190.46	308.03	238.59	79.4	189.51	298.97	0.5	3.0

(1) Represents the results of the portfolio for the time period of our ownership, including dispositions through their date of disposal and acquisitions beginning as of the date of acquisition.

Hotel Business Mix

Our customers fall into three broad categories: transient, group, and contract business, which accounted for approximately 61%, 35%, and 4%, respectively, of our full year 2019 room sales. The information below is derived from business mix data for the 77 hotels that we owned as of September 30, 2022. For additional detail on our business mix, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Annual Report on Form 10-K.

The following are the results of our consolidated portfolio transient, group and contract business:

	Quarter ended September 30, 2022			Quarter ended September 30, 2021		
	Transient business	Group business	Contract business	Transient business	Group business	Contract business
Room nights (in thousands)	1,557	991	151	1,521	530	122
Percentage change in room nights vs. same period in 2019	(18.4)%	(2.6)%	21.2%			
Rooms Revenues (in millions)	\$ 487	\$ 229	\$ 28	\$ 401	\$ 102	\$ 18
Percentage change in revenues vs. same period in 2019	1.7%	3.3%	9.4%			
	Year-to-date ended September 30, 2022			Year-to-date ended September 30, 2021		
	Transient business	Group business	Contract business	Transient business	Group business	Contract business
Room nights (in thousands)	4,409	2,787	412	3,541	1,132	285
Percentage change in room nights vs. same period in 2019	(15.8)%	(18.2)%	10.6%			
Rooms Revenues (in millions)	\$ 1,446	\$ 701	\$ 76	\$ 973	\$ 203	\$ 41
Percentage change in revenues vs. same period in 2019	2.9%	(14.6)%	(0.2)%			

Liquidity and Capital Resources

Liquidity and Capital Resources of Host Inc. and Host L.P. The liquidity and capital resources of Host Inc. and Host L.P. are derived primarily from the activities of Host L.P., which generates the capital required by our business from hotel operations, the incurrence of debt, the issuance of OP units or the sale of hotels. Host Inc. is a REIT and its only significant asset is the ownership of general and limited partner interests of Host L.P.; therefore, its financing and investing activities are conducted through Host L.P., except for the issuance of its common and preferred stock. Proceeds from common and preferred stock issuances by Host Inc. are contributed to Host L.P. in exchange for common and preferred OP units. Additionally, funds used by Host Inc. to pay dividends or to repurchase its stock are provided by Host L.P. Therefore, while we have noted those areas in which it is important to distinguish between Host Inc. and Host L.P., we have not included a separate discussion of liquidity and capital resources as the discussion below applies to both Host Inc. and Host L.P.

Overview. We look to maintain a capital structure and liquidity profile with an appropriate balance of cash, debt, and equity to provide financial flexibility given the inherent volatility of the lodging industry. We believe this strategy has resulted in a better cost of debt capital, allowing us to complete opportunistic investments and acquisitions and positioning us to manage potential declines in operations throughout the lodging cycle. We have structured our debt profile to maintain a balanced maturity schedule and to minimize the number of hotels that are encumbered by mortgage debt. Currently, only one of our consolidated hotels is encumbered by mortgage debt. Over the past several years leading up to the COVID-19 pandemic, we had decreased our leverage as measured by our net debt-to-EBITDA ratio and reduced our debt service obligations, leading to an increase in our fixed charge coverage ratio. As a result, we were well positioned at the onset of the COVID-19 pandemic with sufficient liquidity and financial flexibility to withstand the severe slowdown in U.S. economic activity and lodging demand brought on by the pandemic.

As hotel operations have returned to cash flow positive, we believe that we have sufficient liquidity to fund corporate expenses, capital expenditures, and hotel acquisitions and have reinstated our quarterly dividend. We remain well positioned to execute additional transactions to the extent opportunities arise.

Cash Requirements. We use cash for acquisitions, capital expenditures, debt payments, operating costs, and corporate and other expenses, as well as for dividends and distributions to stockholders and to OP unitholders, respectively, and stock and OP unit repurchases. We have no significant debt maturities until 2024. As a REIT, Host Inc. is required to distribute to its stockholders at least 90% of its taxable income, excluding net capital gain, on an annual basis.

Capital Resources. As of September 30, 2022, we had \$883 million of cash and cash equivalents, \$187 million in our FF&E escrow reserves and \$1.5 billion available under the revolver portion of our credit facility. We depend primarily on external sources of capital to finance future growth, including acquisitions. As a result, the liquidity and debt capacity provided by our credit facility and the ability to issue senior unsecured debt are key components of our capital structure. Our financial flexibility, including our ability to incur debt, pay dividends, make distributions and make investments, is contingent on our ability to maintain compliance with the financial covenants of our credit facility and senior notes indentures, which include, among other things, the allowable amounts of leverage, interest coverage and fixed charges.

We currently have a distribution agreement in place with various investment banks, through which Host Inc. may issue and sell, from time-to-time, shares of its common stock having an aggregate offering price of up to \$600 million. The shares can be offered and sold through sales agents in transactions that are deemed to be “at the market” offerings at then-current market prices. We are not obligated to issue any shares and may do so when we believe conditions are advantageous and there is a compelling use of proceeds, including to fund future acquisitions. No shares have been issued during 2022 year-to-date. As of September 30, 2022, there was \$460 million of remaining capacity under the agreement.

Additionally, on August 3, 2022, the Board of Directors authorized an increase in the Company’s share repurchase program from the existing \$371 million remaining under the prior Board authorization to \$1 billion. The common stock may be purchased from time to time depending upon market conditions and may be purchased in the open market or through private transactions or by other means, including principal transactions with various financial institutions, like accelerated share repurchases, forwards, options, and similar transactions and through one or more trading plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The plan does not obligate us to repurchase any specific number or any specific dollar amount of shares and may be suspended at any time at our discretion. There have been no share repurchases during 2022 year-to-date.

Given the total amount of our debt and our maturity schedule, we may continue to redeem or repurchase senior notes from time to time, taking advantage of favorable market conditions. In February 2021, Host Inc.’s Board of Directors authorized repurchases of up to \$1.0 billion of senior notes other than in accordance with their respective terms, of which the entire amount remains available under this authority. We may purchase senior notes with cash through open market purchases, privately negotiated transactions, a tender offer, or through the early redemption of such securities pursuant to their terms. Repurchases of debt will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Any retirement before the maturity date will

affect earnings and NAREIT FFO per diluted share as a result of the payment of any applicable call premiums and the accelerated expensing of previously deferred and capitalized financing costs. Accordingly, considering our priorities in managing our capital structure and liquidity profile, and given prevailing conditions and relative pricing in the capital markets, we may, at any time, subject to applicable securities laws and the requirements under our credit facility and senior notes, be considering, or be in discussions with respect to, the repurchase or issuance of exchangeable debentures and/or senior notes or the repurchase or sale of our common stock. Any such transactions may, subject to applicable securities laws, occur simultaneously.

We continue to explore potential acquisitions and dispositions. We anticipate that any such future acquisitions will be funded by proceeds from sales of hotels, equity offerings of Host Inc., issuances of OP units by Host L.P., or available cash. Given the nature of these transactions, we can make no assurances that we will be successful in acquiring any one or more hotels that we may review, bid on or negotiate to purchase or that we will be successful in disposing of any one or more of our hotels. We may acquire additional hotels or dispose of hotels through various structures, including transactions involving single assets, portfolios, joint ventures, acquisitions of the securities or assets of other REITs or distributions of hotels to our stockholders.

Sources and Uses of Cash. Our sources of cash generally include cash from operations, proceeds from debt and equity issuances, and proceeds from hotel sales. Uses of cash include acquisitions, capital expenditures, operating costs, debt repayments, and repurchases of shares and distributions to equity holders.

Cash Provided by Operating Activities. Year-to-date in 2022, net cash provided by operating activities was \$1,056 million compared to \$78 million for 2021. This \$978 million increase in 2022 was driven by improved operations at our hotels compared to 2021.

Cash Used in Investing Activities. Net cash used in investing activities was \$172 million during 2022 year-to-date compared to \$1,502 million for 2021. Cash used in investing activities during year-to-date 2022 primarily related to \$357 million of capital expenditures and an investment in a joint venture. Cash used in investing activities during year-to-date 2021 primarily related to \$293 million of capital expenditures and the acquisition of five hotels and two golf courses. Cash provided by investing activities in 2022 includes the sale of four hotels.

The following tables summarize significant acquisitions/investments in affiliates and dispositions that have been completed as of November 2, 2022:

Transaction Date	Description of Transaction	Investment
Acquisitions/Investments		
November 2022	Acquisition of Four Seasons Resorts and Residences Jackson Hole	\$ (315)
January 2022	Investment to acquire non-controlling interest of a joint venture with Noble Investment Group ⁽¹⁾	(91)
	Total acquisitions/investments	<u>\$ (406)</u>

(1) Investment consisted of \$35 million of cash and the issuance of approximately \$56 million of Host L.P. OP units.

Transaction Date	Description of Transaction	Net Proceeds ⁽¹⁾	Sales Price
Dispositions			
August 2022	Disposition of Chicago Marriott Suites Downers Grove	\$ 14	\$ 16
April 2022	Disposition of Sheraton New York Times Square Hotel ⁽²⁾	103	373
April 2022	Disposition of YVE Hotel Miami	49	50
February 2022	Disposition of Sheraton Boston ⁽³⁾	67	233
	Total dispositions	<u>\$ 233</u>	<u>\$ 672</u>

(1) Proceeds are net of transfer taxes, other sales costs and FF&E replacement funds deposited directly to the property or hotel manager by the buyer.

(2) In connection with the sale of the Sheraton New York Times Square Hotel, we issued a \$250 million bridge loan to the buyer. The disposition proceeds are net of the bridge loan.

(3) In connection with the sale of the Sheraton Boston Hotel, we issued a \$163 million bridge loan to the buyer. The disposition proceeds are net of the bridge loan.

Cash Used in/Provided by Financing Activities. Year-to-date in 2022, net cash used in financing activities was \$759 million compared to net cash provided by financing activities of \$127 million for year-to-date 2021. Cash used in financing activities in 2022 included the repayment of the credit facility revolver and the payment of common stock dividends, following the reinstatement of the quarterly common stock dividend in the first quarter of 2022. Cash provided by financing activities in 2021 included proceeds from the issuance of common stock.

Debt

As of September 30, 2022, our total debt was \$4.2 billion, with a weighted average interest rate of 4.1% and a weighted average maturity of 4.8 years. Additionally, 76% of our debt has a fixed rate of interest and only one of our consolidated hotels is encumbered by mortgage debt.

Financial Covenants

Credit Facility Covenants. Our credit facility contains certain important financial covenants concerning allowable leverage, unsecured interest coverage, and required fixed charge coverage. Total debt used in the calculation of our ratio of consolidated total debt to consolidated EBITDA (our “Leverage Ratio”) is based on a “net debt” concept, pursuant to which cash and cash equivalents in excess of \$100 million are deducted from our total debt balance for purposes of measuring compliance.

On June 26, 2020, we entered into an amendment to the credit facility and on February 9, 2021, we entered into a second amendment to the credit facility (collectively, the “Amendments”). The Amendments suspended requirements to comply with all existing financial maintenance covenants under the credit facility for the period which began on July 1, 2020 and ended when we exited the covenant waiver period after reporting results for the third quarter of 2021. Upon reinstatement, during a phase in period, the financial covenant requirements set forth in the credit facility before the Amendments apply, except that the maximum leverage ratio requirement will be amended to be (a) 8.50:1.00 as at the end of the first and second fiscal quarters ending after the covenant waiver period, (b) 8.00:1.00 as at the end of the third and fourth fiscal quarters ending after the covenant waiver period, (c) 7.50:1.00 as at the end of the fifth fiscal quarter ending after the covenant waiver period, and (d) 7.25:1.00 at all times thereafter.

At September 30, 2022, we were in compliance with all of our financial covenants under the credit facility. The following table summarizes the results of the financial tests required by the credit facility, which are calculated on a trailing twelve-month basis:

	<u>Actual Ratio</u>	<u>Covenant Requirement for most recent quarter</u>	<u>Covenant Requirement following phase in period</u>
Leverage ratio	2.4x	Maximum ratio of 8.00x	Maximum ratio of 7.25x
Fixed charge coverage ratio	10.7x	Minimum ratio of 1.25x	Minimum ratio of 1.25x
Unsecured interest coverage ratio ⁽¹⁾	10.3x	Minimum ratio of 1.75x	Minimum ratio of 1.75x

(1) If, at any time, our leverage ratio is above 7.0x, our minimum unsecured interest coverage ratio will decrease to 1.50x.

Senior Notes Indenture Covenants

The following table summarizes the results of the financial tests required by the indentures for our senior notes and our actual credit ratios as of September 30, 2022:

	<u>Actual Ratio</u>	<u>Covenant Requirement</u>
Unencumbered assets tests	479%	Minimum ratio of 150%
Total indebtedness to total assets	21%	Maximum ratio of 65%
Secured indebtedness to total assets	1%	Maximum ratio of 40%
EBITDA-to-interest coverage ratio	9.6x	Minimum ratio of 1.5x

For additional details on our credit facility and senior notes, including the terms of the Amendments, see our Annual Report on Form 10-K for the year ended December 31, 2021.

Dividend Policy

Host Inc. is required to distribute at least 90% of its annual taxable income, excluding net capital gains, to its stockholders in order to maintain its qualification as a REIT. Funds used by Host Inc. to pay dividends on its common stock are provided by distributions from Host L.P. As of September 30, 2022, Host Inc. is the owner of approximately 99% of the Host L.P. common OP units. The remaining common OP units are owned by unaffiliated limited partners. Each Host L.P. common OP unit may be redeemed for cash or, at the election of Host Inc., Host Inc. common stock based on the conversion ratio. The conversion ratio is 1.021494 shares of Host Inc. common stock for each Host L.P. common OP unit. Under the credit facility, as amended, all redemptions must be made with Host Inc. common stock if Host L.P.’s leverage ratio exceeds 7.25x calculated using the prior twelve-month result.

Investors should consider the non-controlling interests in the Host L.P. common OP units when analyzing dividend payments by Host Inc. to its stockholders, as these Host L.P. common OP unitholders share in cash distributed by Host L.P. to all of its common OP unitholders, on a pro rata basis. For example, if Host Inc. paid a \$1 per share dividend on its common stock, it would be based on the

payment of a \$1.021494 per common OP unit distribution by Host L.P. to Host Inc., as well as to the other unaffiliated Host L.P. common OP unitholders.

Host Inc.'s policy on common dividends generally is to distribute, over time, 100% of its taxable income, which primarily is dependent on Host Inc.'s results of operations, as well as tax gains and losses on hotel sales. On August 3, 2022, Host Inc.'s Board of Directors announced a regular quarterly cash dividend of \$0.12 per share on Host Inc.'s common stock. The dividend was paid on October 17, 2022 to stockholders of record on September 30, 2022. All future dividends are subject to Board approval.

Critical Accounting Policies

Our unaudited condensed consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. While we do not believe that the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that we believe are reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

All Owned Hotel Operating Statistics and Results

To facilitate a quarter-to-quarter comparison of our operations, we typically present certain operating statistics (i.e., Total RevPAR, RevPAR, average daily rate and average occupancy) and operating results (revenues, expenses, hotel EBITDA and associated margins) for the periods included in this presentation on a comparable hotel basis in order to enable our investors to better evaluate our operating performance (discussed in "Hotel Property Level Operating Results" below). However, due to the COVID-19 pandemic and its effects on operations, there is little comparability between periods. For this reason, we temporarily are suspending our comparable hotel presentation and instead present hotel operating results for all consolidated hotels and, to facilitate comparisons between periods, we are presenting results, referred to as "All Owned Hotel", which include the following adjustments: (1) operating results are presented for all consolidated hotels owned as of September 30, 2022, but do not include the results of operations for properties sold or held-for-sale as of the reporting date; and (2) operating results for acquisitions as of September 30, 2022 are reflected for full calendar years, to include results for periods prior to our ownership. For these hotels, since the year-over-year comparison includes periods prior to our ownership, the changes will not necessarily correspond to changes in our actual results.

Foreign Currency Translation

Operating results denominated in foreign currencies are translated using the prevailing exchange rates on the date of the transaction, or monthly based on the weighted average exchange rate for the period. Therefore, hotel statistics and results for non-U.S. properties include the effect of currency fluctuations, consistent with our financial statement presentation.

Non-GAAP Financial Measures

We use certain "non-GAAP financial measures," which are measures of our historical or future financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. These measures include the following:

- Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization ("EBITDA"), Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization for real estate ("EBITDA_{re}") and Adjusted EBITDA_{re}, as a measure of performance for Host Inc. and Host L.P.,
- Funds From Operations ("FFO") and FFO per diluted share, both calculated in accordance with National Association of Real Estate Investment Trusts ("NAREIT") guidelines and with certain adjustments from those guidelines, as a measure of performance for Host Inc., and
- All Owned Hotel operating results, as a measure of performance for Host Inc. and Host L.P.

The discussion below defines these measures and presents why we believe they are useful supplemental measures of our performance.

Set forth below for each such non-GAAP financial measure is a reconciliation of the measure with the financial measure calculated and presented in accordance with GAAP that we consider most directly comparable thereto. We also have included in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" in our

Annual Report on Form 10-K for the year ended December 31, 2021 further explanations of the adjustments being made, a statement disclosing the reasons why we believe the presentation of each of the non-GAAP financial measures provide useful information to investors regarding our financial condition and results of operations, the additional purposes for which we use the non-GAAP financial measures and limitations on their use.

EBITDA, EBITDAre and Adjusted EBITDAre

EBITDA

EBITDA is a commonly used measure of performance in many industries. Management believes EBITDA provides useful information to investors regarding our results of operations because it helps us and our investors evaluate the ongoing operating performance of our properties after removing the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization). Management also believes the use of EBITDA facilitates comparisons between us and other lodging REITs, hotel owners who are not REITs and other capital-intensive companies. Management uses EBITDA to evaluate property-level results and as one measure in determining the value of acquisitions and dispositions and, like FFO and Adjusted FFO per diluted share, it is widely used by management in the annual budget process and for compensation programs.

EBITDAre and Adjusted EBITDAre

We present EBITDAre in accordance with NAREIT guidelines, as defined in its September 2017 white paper “Earnings Before Interest, Taxes, Depreciation and Amortization for Real Estate,” to provide an additional performance measure to facilitate the evaluation and comparison of our results with other REITs. NAREIT defines EBITDAre as net income (calculated in accordance with GAAP) excluding interest expense, income tax, depreciation and amortization, gains or losses on disposition of depreciated property (including gains or losses on change of control), impairment expense for depreciated property and of investments in unconsolidated affiliates caused by a decrease in value of depreciated property in the affiliate, and adjustments to reflect the entity’s pro rata share of EBITDAre of unconsolidated affiliates.

We make additional adjustments to EBITDAre when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance. We believe that the presentation of Adjusted EBITDAre, when combined with the primary GAAP presentation of net income, is beneficial to an investor’s understanding of our operating performance. Adjusted EBITDAre also is similar to what is used in calculating certain credit ratios for our credit facility and senior notes. We adjust EBITDAre for the following items, which may occur in any period, and refer to this measure as Adjusted EBITDAre:

- *Property Insurance Gains* – We exclude the effect of property insurance gains reflected in our condensed consolidated statements of operations because we believe that including them in Adjusted EBITDAre is not consistent with reflecting the ongoing performance of our assets. In addition, property insurance gains could be less important to investors given that the depreciated asset book value written off in connection with the calculation of the property insurance gain often does not reflect the market value of real estate assets.
- *Acquisition Costs* – Under GAAP, costs associated with completed property acquisitions that are considered business combinations are expensed in the year incurred. We exclude the effect of these costs because we believe they are not reflective of the ongoing performance of the Company.
- *Litigation Gains and Losses* – We exclude the effect of gains or losses associated with litigation recorded under GAAP that we consider outside the ordinary course of business. We believe that including these items is not consistent with our ongoing operating performance.
- *Severance Expense* – In certain circumstances, we will add back hotel-level severance expenses when we do not believe that such expenses are reflective of the ongoing operation of our properties. Situations that would result in a severance add-back include, but are not limited to: (i) costs incurred as part of a broad-based reconfiguration of the operating model with the specific hotel operator for a portfolio of hotels and (ii) costs incurred at a specific hotel due to a broad-based and significant reconfiguration of a hotel and/or its workforce. We do not add back corporate-level severance costs or severance costs at an individual hotel that we consider to be incurred in the normal course of business.

In unusual circumstances, we also may adjust EBITDAre for gains or losses that management believes are not representative of the Company’s current operating performance. The last adjustment of this nature was a 2013 exclusion of a gain from an eminent domain claim.

The following table provides a reconciliation of EBITDA, EBITDAre, and Adjusted EBITDAre to net income (loss), the financial measure calculated and presented in accordance with GAAP that we consider the most directly comparable:

Reconciliation of Net Income (Loss) to EBITDA, EBITDAre and Adjusted EBITDAre for Host Inc. and Host L.P.
(in millions)

	Quarter ended September 30,		Year-to-date ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 116	\$ (120)	\$ 494	\$ (334)
Interest expense	40	43	113	128
Depreciation and amortization	164	171	498	505
Income taxes	6	(13)	29	(81)
EBITDA	<u>326</u>	<u>81</u>	<u>1,134</u>	<u>218</u>
Gain on dispositions ⁽¹⁾	(5)	—	(18)	—
Non-cash impairment expense	—	92	—	92
Equity investment adjustments:				
Equity in (earnings) losses of affiliates	1	(2)	(3)	(36)
Pro rata EBITDAre of equity investments ⁽²⁾	6	8	27	21
EBITDAre	<u>328</u>	<u>179</u>	<u>1,140</u>	<u>295</u>
Adjustments to EBITDAre:				
Gain on property insurance settlement	—	—	(6)	—
Severance expense (reversal) at hotel properties	—	(2)	—	(5)
Adjusted EBITDAre	<u>\$ 328</u>	<u>\$ 177</u>	<u>\$ 1,134</u>	<u>\$ 290</u>

(1) Reflects the sale of four hotels in 2022.

(2) Pro rata EBITDAre of equity investments and pro rata FFO of equity investments for the year-to-date ended September 30, 2021 include a realized gain of approximately \$3 million related to equity securities held by one of our unconsolidated partnerships, Fifth Wall Ventures, L.P. Unrealized gains of our unconsolidated investments are not recognized in our EBITDAre, Adjusted EBITDAre, NAREIT FFO or Adjusted FFO until they have been realized by the unconsolidated partnership.

FFO Measures

We present NAREIT FFO and NAREIT FFO per diluted share as non-GAAP measures of our performance in addition to our earnings per share (calculated in accordance with GAAP). We calculate NAREIT FFO per diluted share as our NAREIT FFO (defined as set forth below) for a given operating period, as adjusted for the effect of dilutive securities, divided by the number of fully diluted shares outstanding during such period, in accordance with NAREIT guidelines. Effective January 1, 2019, we adopted NAREIT's definition of FFO included in NAREIT's Funds From Operations White Paper – 2018 Restatement. NAREIT defines FFO as net income (calculated in accordance with GAAP) excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control, impairment expense of certain real estate assets and investments and adjustments for consolidated partially-owned entities and unconsolidated affiliates. Adjustments for consolidated partially-owned entities and unconsolidated affiliates are calculated to reflect our pro rata share of the FFO of those entities on the same basis.

We also present Adjusted FFO per diluted share when evaluating our performance because management believes that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance. Management historically has made the adjustments detailed below in evaluating our performance, in our annual budget process and for our compensation programs. We believe that the presentation of Adjusted FFO per diluted share, when combined with both the primary GAAP presentation of diluted earnings per share and FFO per diluted share as defined by NAREIT, provides useful supplemental information that is beneficial to an investor's understanding of our operating performance. We adjust NAREIT FFO per diluted share for the following items, which may occur in any period, and refer to this measure as Adjusted FFO per diluted share:

- *Gains and Losses on the Extinguishment of Debt* – We exclude the effect of finance charges and premiums associated with the extinguishment of debt, including the acceleration of the write-off of deferred financing costs from the original issuance of the debt being redeemed or retired and incremental interest expense incurred during

the refinancing period. We also exclude the gains on debt repurchases and the original issuance costs associated with the retirement of preferred stock. We believe that these items are not reflective of our ongoing finance costs.

- *Acquisition Costs* – Under GAAP, costs associated with completed property acquisitions that are considered business combinations are expensed in the year incurred. We exclude the effect of these costs because we believe they are not reflective of the ongoing performance of the Company.
- *Litigation Gains and Losses* – We exclude the effect of gains or losses associated with litigation recorded under GAAP that we consider outside the ordinary course of business. We believe that including these items is not consistent with our ongoing operating performance.
- *Severance Expense* – In certain circumstances, we will add back hotel-level severance expenses when we do not believe that such expenses are reflective of the ongoing operation of our properties. Situations that would result in a severance add-back include, but are not limited to, (i) costs incurred as part of a broad-based reconfiguration of the operating model with the specific hotel operator for a portfolio of hotels and (ii) costs incurred at a specific hotel due to a broad-based and significant reconfiguration of a hotel and/or its workforce. We do not add back corporate-level severance costs or severance costs at an individual hotel that we consider to be incurred in the normal course of business.

In unusual circumstances, we also may adjust NAREIT FFO for gains or losses that management believes are not representative of our current operating performance. For example, in 2017, as a result of the reduction of the U.S. federal corporate income tax rate from 35% to 21% by the Tax Cuts and Jobs Act, we remeasured our domestic deferred tax assets as of December 31, 2017 and recorded a one-time adjustment to reduce our deferred tax assets and to increase the provision for income taxes by approximately \$11 million. We do not consider this adjustment to be reflective of our on-going operating performance and, therefore, we excluded this item from Adjusted FFO.

The following table provides a reconciliation of the differences between our non-GAAP financial measures, NAREIT FFO and Adjusted FFO (separately and on a per diluted share basis), and net income (loss), the financial measure calculated and presented in accordance with GAAP that we consider most directly comparable:

**Host Inc. Reconciliation of Diluted Earnings (Loss) per Common Share to
NAREIT and Adjusted Funds From Operations per Diluted Share
(in millions, except per share amount)**

	Quarter ended September 30,		Year-to-date ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 116	\$ (120)	\$ 494	\$ (334)
Less: Net (income) loss attributable to non-controlling interests	(2)	1	(8)	3
Net income (loss) attributable to Host Inc.	114	(119)	486	(331)
Adjustments:				
Gain on dispositions ⁽¹⁾	(5)	—	(18)	—
Gain on property insurance settlement	—	—	(6)	—
Depreciation and amortization	164	171	497	504
Non-cash impairment expense	—	92	—	92
Equity investment adjustments:				
Equity in (earnings) losses of affiliates	1	(2)	(3)	(36)
Pro rata FFO of equity investments ⁽²⁾	4	6	21	16
Consolidated partnership adjustments:				
FFO adjustment for non-controlling partnerships	(1)	—	(1)	(1)
FFO adjustments for non-controlling interests of Host L.P.	(2)	(3)	(6)	(6)
NAREIT FFO	275	145	970	238
Adjustments to NAREIT FFO:				
Severance expense (reversal) at hotel properties	—	(2)	—	(5)
Adjusted FFO	\$ 275	\$ 143	\$ 970	\$ 233
For calculation on a per share basis:⁽³⁾				
Diluted weighted average shares outstanding - EPS	717.6	713.9	717.4	709.0
Assuming issuance of common shares granted under the comprehensive stock plans	—	1.6	—	1.6
Diluted weighted average shares outstanding - NAREIT FFO and Adjusted FFO	717.6	715.5	717.4	710.6
Diluted earnings (loss) per common share	\$ 0.16	\$ (0.17)	\$ 0.68	\$ (0.47)
NAREIT FFO per diluted share	\$ 0.38	\$ 0.20	\$ 1.35	\$ 0.33
Adjusted FFO per diluted share	\$ 0.38	\$ 0.20	\$ 1.35	\$ 0.33

(1-2) Refer to the corresponding footnote on the Reconciliation of Net Income (Loss) to EBITDA, EBITDA_{re} and Adjusted EBITDA_{re} for Host Inc. and Host L.P.

(3) Diluted earnings (loss) per common share, NAREIT FFO per diluted share and Adjusted FFO per diluted share are adjusted for the effects of dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, preferred OP units held by non-controlling partners and other non-controlling interests that have the option to convert their limited partner interests to common OP units. No effect is shown for securities if they are anti-dilutive.

Hotel Property Level Operating Results

We present certain operating results for our hotels, such as hotel revenues, expenses, food and beverage profit, and EBITDA (and the related margins), on a hotel-level basis as supplemental information for our investors. Our hotel results reflect the operating results of our hotels as discussed in “All Owned Hotel Operating Statistics and Results” above. We present All Owned Hotel EBITDA to help us and our investors evaluate the ongoing operating performance of our hotels after removing the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization expense). Corporate-level costs and expenses also are removed to arrive at property-level results. We believe these property-level results provide investors with supplemental information about the ongoing operating performance of our hotels. All Owned Hotel results are presented both by location and for our properties in the aggregate. We eliminate from our hotel-level operating results severance costs related to broad-based and significant property-level reconfiguration that is not considered to be within the normal course of business, as we believe

this elimination provides useful supplemental information that is beneficial to an investor's understanding of our ongoing operating performance. We also eliminate depreciation and amortization expense because, even though depreciation and amortization expense are property-level expenses, these non-cash expenses, which are based on historical cost accounting for real estate assets, implicitly assume that the value of real estate assets diminishes predictably over time. As noted earlier, because real estate values historically have risen or fallen with market conditions, many real estate industry investors have considered presentation of historical cost accounting for operating results to be insufficient.

Because of the elimination of corporate-level costs and expenses, gains or losses on disposition, certain severance expenses and depreciation and amortization expense, the hotel operating results we present do not represent our total revenues, expenses, operating profit or net income and should not be used to evaluate our performance as a whole. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our consolidated statements of operations include such amounts, all of which should be considered by investors when evaluating our performance.

While management believes that presentation of All Owned Hotel results is a supplemental measure that provides useful information in evaluating our ongoing performance, this measure is not used to allocate resources or to assess the operating performance of each of our hotels, as these decisions are based on data for individual hotels and are not based on All Owned Hotel results in the aggregate. For these reasons, we believe All Owned Hotel operating results, when combined with the presentation of GAAP operating profit, revenues and expenses, provide useful information to investors and management.

The following tables present certain operating results and statistics for our hotels for the periods presented herein and a reconciliation of the differences between All Owned Hotel EBITDA, a non-GAAP financial measure, and net income (loss), the financial measure calculated and presented in accordance with GAAP that we consider most directly comparable. Similar reconciliations of the differences between (i) hotel revenues and (ii) our revenues as calculated and presented in accordance with GAAP (each of which is used in the applicable margin calculation), and between (iii) hotel expenses and (iv) operating costs and expenses as calculated and presented in accordance with GAAP, also are included in the reconciliation:

All Owned Hotel Results for Host Inc. and Host L.P.
(in millions, except hotel statistics)

	Quarter ended September 30,		Year-to-date ended September 30,	
	2022	2021	2022	2021
Number of hotels	77	76	77	76
Number of rooms	42,084	41,861	42,084	41,861
Change in All Owned Hotel Total RevPAR	48.1 %	—	90.5 %	—
Change in All Owned Hotel RevPAR	42.0 %	—	81.5 %	—
Operating profit (loss) margin ⁽²⁾	12.4 %	(11.3) %	16.4 %	(17.4) %
All Owned Hotel EBITDA margin ⁽²⁾	28.7 %	24.9 %	32.7 %	21.1 %
Food and beverage profit margin ⁽²⁾	30.3 %	23.6 %	34.6 %	22.7 %
All Owned Hotel food and beverage profit margin ⁽²⁾	30.3 %	24.3 %	35.1 %	23.2 %
Net income (loss)	\$ 116	\$ (120)	\$ 494	\$ (334)
Depreciation and amortization	164	263	498	597
Interest expense	40	43	113	128
Provision (benefit) for income taxes	6	(13)	29	(81)
Gain on sale of property and corporate level income/expense	15	19	32	31
Severance expense (reversal) at hotel properties	—	(2)	2	(5)
All Owned Hotel adjustments ⁽¹⁾	—	8	11	62
All Owned Hotel EBITDA⁽¹⁾	\$ 341	\$ 198	\$ 1,179	\$ 398

(1) All Owned Hotel adjustments represent the following items: (i) the elimination of results of operations of hotels sold or held-for-sale as of September 30, 2022, which operations are included in our unaudited condensed consolidated statements of operations as continuing operations, and (ii) the addition of results for periods prior to our ownership for hotels acquired as of September 30, 2022. All Owned Hotel results also include the results of our leased office buildings and other non-hotel revenue and expense items. The AC Hotel Scottsdale North is a new development hotel that opened in January 2021 and The Laura Hotel in Houston re-opened under new management in November 2021. Therefore, no adjustments were made for results of these hotels for periods prior to their openings.

(2) Profit margins are calculated by dividing the applicable operating profit by the related revenue amount. GAAP profit margins are calculated using amounts presented in the unaudited condensed consolidated statements of operations. All Owned Hotel margins are calculated using amounts presented in the following tables, which include reconciliations to the applicable GAAP results:

	Quarter ended September 30, 2022				Quarter ended September 30, 2021				
	GAAP Results	Adjustments			GAAP Results	Adjustments			
		All Owned Hotel adjustments	Depreciation and corporate level items	All Owned Hotel Results		Severance at hotel properties	All Owned Hotel adjustments	Depreciation and corporate level items	All Owned Hotel Results
Revenues									
Room	\$ 746	\$ (2)	\$ —	\$ 744	\$ 557	\$ —	\$ (36)	\$ —	\$ 521
Food and beverage	330	—	—	330	191	—	(7)	—	184
Other	113	—	—	113	96	—	(3)	—	93
Total revenues	1,189	(2)	—	1,187	844	—	(46)	—	798
Expenses									
Room	190	(1)	—	189	150	1	(16)	—	135
Food and beverage	230	—	—	230	146	1	(8)	—	139
Other	438	(1)	—	437	361	—	(30)	—	331
Depreciation and amortization	164	—	(164)	—	263	—	—	(263)	—
Corporate and other expenses	29	—	(29)	—	24	—	—	(24)	—
Gain on insurance and business interruption settlements	(10)	—	—	(10)	(5)	—	—	—	(5)
Total expenses	1,041	(2)	(193)	846	939	2	(54)	(287)	600
Operating Profit - All Owned Hotel EBITDA	<u>\$ 148</u>	<u>\$ —</u>	<u>\$ 193</u>	<u>\$ 341</u>	<u>\$ (95)</u>	<u>\$ (2)</u>	<u>\$ 8</u>	<u>\$ 287</u>	<u>\$ 198</u>

	Year-to-date ended September 30, 2022					Year-to-date ended September 30, 2021				
	GAAP Results	Adjustments			All Owned Hotel Results	GAAP Results	Adjustments			All Owned Hotel Results
		Severance at hotel properties	All Owned Hotel adjustments	Depreciation and corporate level items			Severance at hotel properties	All Owned Hotel adjustments	Depreciation and corporate level items	
Revenues										
Room	\$ 2,251	\$ —	\$ (28)	\$ —	\$ 2,223	\$ 1,237	\$ —	\$ (20)	\$ —	\$ 1,217
Food and beverage	1,032	—	(5)	—	1,027	405	—	7	—	412
Other	361	—	(2)	—	359	250	—	5	—	255
Total revenues	3,644	—	(35)	—	3,609	1,892	—	(8)	—	1,884
Expenses										
Room	539	—	(16)	—	523	324	1	(24)	—	301
Food and beverage	675	—	(8)	—	667	313	1	2	—	316
Other	1,275	(2)	(22)	—	1,251	919	3	(48)	—	874
Depreciation and amortization	498	—	—	(498)	—	597	—	—	(597)	—
Corporate and other expenses	77	—	—	(77)	—	73	—	—	(73)	—
Gain on insurance and business interruption settlements	(17)	—	—	6	(11)	(5)	—	—	—	(5)
Total expenses	3,047	(2)	(46)	(569)	2,430	2,221	5	(70)	(670)	1,486
Operating Profit - All Owned Hotel EBITDA	<u>\$ 597</u>	<u>\$ 2</u>	<u>\$ 11</u>	<u>\$ 569</u>	<u>\$ 1,179</u>	<u>\$ (329)</u>	<u>\$ (5)</u>	<u>\$ 62</u>	<u>\$ 670</u>	<u>\$ 398</u>

Item 3. Quantitative and Qualitative Disclosures about Market Risk

All information in this section applies to Host Inc. and Host L.P.

Interest Rate Sensitivity

As of September 30, 2022 and December 31, 2021, 76% and 66%, respectively, of our outstanding debt bore interest at fixed rates. To manage interest rate risk applicable to our debt, we may enter into interest rate swaps or caps. The interest rate derivatives into which we may enter are strictly to hedge interest rate risk, and are not for trading purposes. As of September 30, 2022, we do not have any interest rate derivatives outstanding. See Item 7A of our most recent Annual Report on Form 10-K.

Exchange Rate Sensitivity

As we have operations outside of the United States (specifically, the ownership of hotels in Brazil and Canada and a minority investment in a joint venture in India), currency exchange risks arise in the normal course of our business. To manage the currency exchange risk, we may enter into forward or option contracts or hedge our investment through the issuance of foreign currency denominated debt. During the third quarter of 2022, three foreign currency forward purchase contracts matured, with a total notional amount of CAD 99 million (\$79 million), and we received \$3.4 million in the aggregate upon settlement of these contracts. To replace the maturing contracts, we entered into three new foreign currency forward purchase contracts with a total notional amount of CAD 99 million (\$75 million), which mature in August and September 2023. The foreign currency exchange agreements into which we have entered are strictly to hedge foreign currency risk and are not for trading purposes.

See Item 7A of our most recent Annual Report on Form 10-K and Item 3 of our Quarterly Report on Form 10-Q for the periods ended March 31 and June 30, 2022.

Item 4. Controls and Procedures***Controls and Procedures (Host Hotels & Resorts, Inc.)******Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes to Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Controls and Procedures (Host Hotels & Resorts, L.P.)***Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including Host Inc.'s Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, Host Inc.'s Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes to Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities (Host Hotels & Resorts, Inc.)

On August 3, 2022, the Board of Directors authorized an increase in the amount authorized under the Company's share repurchase program from the existing \$371 remaining available during the second quarter to \$1 billion. The common stock may be purchased from time to time depending upon market conditions and repurchases may be made in the open market or through private transactions or by other means, including principal transactions with various financial institutions, accelerated share repurchases, forwards, options and similar transactions, and through one or more trading plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The program does not obligate us to repurchase any specific number of shares or any specific dollar amount and may be suspended at any time at our discretion.

Period	Total Number of Host Inc. Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Common Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1, 2022 – July 31, 2022	—	\$ —	—	\$ 371
August 1, 2022 – August 31, 2022	—		—	1,000
September 1, 2022 – September 30, 2022	—		—	1,000
Total	—	\$ —	—	\$ 1,000

Issuer Purchases of Equity Securities (Host Hotels & Resorts, L.P.)

Period	Total Number of Host L.P. Common OP Units Purchased	Average Price Paid per Common OP Unit	Total Number of OP Units Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Units that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1, 2022 – July 31, 2022	14,898 *	1.021494 shares of Host Hotels & Resorts, Inc. common stock	—	—
August 1, 2022 – August 31, 2022	14,508 *	1.021494 shares of Host Hotels & Resorts, Inc. common stock	—	—
September 1, 2022 – September 30, 2022	30,004 *	1.021494 shares of Host Hotels & Resorts, Inc. common stock	—	—
Total	59,410		—	—

* Reflects common OP units offered for redemption by limited partners in exchange for shares of Host Inc.'s common stock.

Item 6. Exhibits

In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the company, its subsidiaries or other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to other parties in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or date as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representation and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

The exhibits listed on the accompanying Exhibit Index are filed as part of this report and such Exhibit Index is incorporated herein by reference.

Exhibit No.	Description
3.	Articles of Incorporation and Bylaws
3.1A*	Fourth Amended and Restated Agreement of Limited Partnership of Host Hotels & Resorts, L.P., dated October 31, 2022.
31	Rule 13a-14(a)/15d-14(a) Certifications
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, Inc.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, Inc.
31.3*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, L.P.
31.4*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, L.P.
32	Section 1350 Certifications
32.1†*	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, Inc.
32.2†*	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, L.P.
101	XBRL
101.SCH	Inline XBRL Taxonomy Extension Schema Document. <i>Submitted electronically with this report.</i>
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document. <i>Submitted electronically with this report.</i>
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. <i>Submitted electronically with this report.</i>
101.LAB	Inline XBRL Taxonomy Label Linkbase Document. <i>Submitted electronically with this report.</i>
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document. <i>Submitted electronically with this report.</i>
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

The following materials, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the Quarter and Year-to-date ended September 30, 2022 and 2021, respectively, for Host Hotels & Resorts, Inc.; (ii) the Condensed Consolidated Balance Sheets at September 30, 2022 and December 31, 2021, respectively, for Host Hotels & Resorts, Inc.; (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the Quarter and Year-to-date ended September 30, 2022 and 2021, respectively, for Host Hotels & Resorts, Inc.; (iv) the Condensed Consolidated Statements of Cash Flows for the Year-to-date ended September 30, 2022 and 2021, respectively, for Host Hotels & Resorts, Inc.; (v) the Condensed Consolidated Statements of Operations for the Quarter and Year-to-date ended September 30, 2022 and 2021, respectively, for Host Hotels & Resorts, L.P.; (vi) the Condensed Consolidated Balance Sheets at September 30, 2022 and December 31, 2021, respectively, for Host Hotels & Resorts, L.P.; (vii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the Quarter and Year-to-date ended September 30, 2022 and 2021, respectively, for Host Hotels & Resorts, L.P.; (viii) the Condensed Consolidated Statements of Cash Flows for the Year-to-date ended September 30, 2022 and 2021, respectively, for Host Hotels & Resorts, L.P.; and (ix) Notes to Condensed Consolidated Financial Statements.

* Filed herewith.

† This certificate is being furnished solely to accompany the report pursuant to 18 U.S.C. 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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.

HOST HOTELS & RESORTS, INC.

November 4, 2022

/s/ Joseph C. Ottinger

Joseph C. Ottinger
Senior Vice President,
Corporate Controller

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.

HOST HOTELS & RESORTS, L.P.
By: HOST HOTELS & RESORTS, INC., its general partner

November 4, 2022

/s/ Joseph C. Ottinger

Joseph C. Ottinger
Senior Vice President,
Corporate Controller of Host Hotels & Resorts, Inc.,
general partner of Host Hotels & Resorts, L.P.

FOURTH AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
HOST HOTELS & RESORTS, L.P.

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**FOURTH AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF
HOST HOTELS & RESORTS, L.P.**

THIS FOURTH AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP, dated as of October 31, 2022 (this "Agreement"), is entered into by Host Hotels & Resorts, Inc., a Maryland corporation ("Host"), as the General Partner and a Limited Partner of Host Hotels & Resorts, L.P. (the "Partnership").

WHEREAS, the Partnership was formed on April 15, 1998, and, on April 15, 1998 the Partnership adopted an agreement of limited partnership, which agreement was amended and restated on August 6, 1998, and amended by Amendment Nos. 1 and 2 thereto as of December 27, 1998 and December 29, 1998, respectively (as so amended and restated, the "Prior Agreement");

WHEREAS, the Prior Agreement was amended and restated on December 30, 1998 by a Second Amended and Restated Agreement of Limited Partnership of Host Marriott, L.P., entered into by and between Host Marriott Corporation ("Host Marriott/Maryland") and HMC Real Estate LLC as amended by Amendment Nos. 1 through 57 thereto (the "Second A&R Partnership Agreement");

WHEREAS, the Partnership changed its name to Host Hotels & Resorts, L.P. and Host Marriott Corporation changed its name to Host Hotels & Resorts, Inc. on April 17, 2006;

WHEREAS, the Second A&R Partnership Agreement was amended and restated on February 22, 2007 by a Third Amended and Restated Agreement of Limited Partnership of Host Hotels & Resorts, L.P., as amended by Amendment Nos. 1 through 47 thereto (the "Third A&R Partnership Agreement");

WHEREAS, Host was the sole General Partner and a Limited Partner of the Partnership immediately prior to the execution and delivery of this Agreement;

WHEREAS, the Partnership is entering into this Agreement to reflect all amendments to the Third A&R Partnership Agreement; and

WHEREAS, per Section 15.1.B (4), the General Partner has the power to amend the Third A&R Partnership Agreement for such purposes without Limited Partner consent.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby amend and restate the Third A&R Partnership Agreement in its entirety and agree to continue the Partnership as a limited partnership under the Delaware Revised Uniform Limited Partnership Act, as amended from time to time, as follows:

ARTICLE I
DEFINED TERMS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"2015 Budget Act Partnership Audit Rules" means the provisions of Subchapter C of Subtitle F, Chapter 63 of the Code, as amended by P.L. 114-74, the Bipartisan Budget Act of 2015 (together with any subsequent amendments thereto, Regulations promulgated thereunder, published administrative interpretations thereof, any guidance issued thereunder and any successor provisions) or any similar procedures established by a state, local, or non-U.S. taxing authority.

"704(c) Value" of any Contributed Property means the fair market value of such property at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, subject to Exhibit B, the General Partner shall, in its sole and absolute discretion, use such method as it deems reasonable and appropriate to allocate the aggregate of the 704(c) Value of Contributed Properties in a single or integrated transaction among each separate property on a basis proportional to its respective fair market value. The 704(c) Values of the Contributed Properties contributed to the Partnership as of the date of the Second A&R Partnership Agreement are set forth on Exhibit E.

"Act" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time, and any successor to such statute.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 13.2 hereof and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each Partnership Year (i) increased by any amounts which such Partner is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) and (ii) decreased by the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Exhibit B.

"Adjustment Date" has the meaning set forth in Section 4.2.B.

"Affiliate" means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any

Person of which such Person owns or controls ten percent (10%) or more of the voting interests or (iv) any officer, director, general partner, trustee or members of the Immediate Family of such Person or any Person referred to in clauses (i), (ii), and (iii) above. For purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. Notwithstanding the foregoing, neither (i) a corporation whose common stock is listed on a national securities exchange or authorized for inclusion on the Nasdaq National Market, or any subsidiary thereof, or (ii) Blackstone Real Estate Advisors II L.P. or any of its Affiliates, shall be an "Affiliate" of the General Partner Entity or any Affiliate thereof unless a Person (or Persons if such Persons would be treated as part of the same group for purposes of Section 13(d) or 13(g) of the Securities Exchange Act of 1934) directly or indirectly owns twenty percent (20%) or more of the outstanding common stock of the General Partner Entity and such other corporation.

"Agreed Value" means (i) in the case of any Contributed Property contributed to the Partnership as of the date of the Second A&R Partnership Agreement, the amount set forth on Exhibit E as the Agreed Value of such Property; (ii) in the case of any other Contributed Property, the 704(c) Value of such property as of the time of its contribution to the Partnership, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed; and (iii) in the case of any property distributed to a Partner by the Partnership, the Partnership's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution as determined under Section 752 of the Code and the regulations thereunder.

"Agreement" means this Fourth Amended and Restated Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time.

"Appraised Value" means, with respect to any hotel, the value set forth in the appraisal of such hotel utilized by the General Partner in determining the number of Units to be issued to any Limited Partner.

"Articles of Incorporation" means the Articles of Incorporation of the General Partner filed with the State Department of Assessments and Taxation in the State of Maryland on September 28, 1998, as amended or restated from time to time.

"Assignee" means a Person to whom one or more Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5.

"Available Cash" means, with respect to any period for which such calculation is being made:

(a) all cash revenues and funds received by the Partnership from whatever source (excluding the proceeds of any Capital Contribution to the extent determined by the General Partner) plus the amount of any reduction (including, without limitation, a reduction resulting because the General Partner determines such amounts are no longer necessary) in reserves of the Partnership, which reserves are referred to in clause (b)(iv) below;

(b) less the sum of the following (except to the extent made with the proceeds of any Capital Contribution);

(i) all interest, principal and other debt payments made during such period by the Partnership,

(ii) all cash expenditures (including capital expenditures) made by the Partnership during such period,

(iii) investments in any entity (including loans made thereto) to the extent that such investments are permitted under this Agreement and are not otherwise described in clauses (b)(i) or (ii), and

(iv) the amount of any increase in reserves established during such period which the General Partner determines is necessary or appropriate in its sole and absolute discretion (including any reserves that may be necessary or appropriate to account for distributions required in respect of Units having a preference over other classes of Units).

Notwithstanding the foregoing, Available Cash shall not include any cash received or reductions in reserves, or take into account any disbursements made or reserves established, after commencement of the dissolution and liquidation of the Partnership.

"Book-Tax Disparities" means, with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Exhibit B and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day," means any day except a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law to close.

"Capital Account" means the Capital Account maintained for a Partner pursuant to Exhibit B. The initial Capital Account balance for each Partner who is a Partner on the date hereof shall be the amount set forth opposite such Partner's name on Exhibit A hereto.

"Capital Contribution" means, with respect to any Partner, any cash, cash equivalents or the Agreed Value of Contributed Property which such Partner contributes or is deemed to contribute to the Partnership pursuant to Section 4.1 or 4.2.

"Carrying Value" means (i) with respect to a Contributed Property or Adjusted Property, the 704(c) Value of such property reduced (but not below zero) by all Depreciation with respect to such Contributed Property or Adjusted Property, as the case may be, charged to the Partners' Capital Accounts and (ii) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Exhibit B, and to reflect changes,

additions (including capital improvements thereto) or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Cash Amount" means an amount of cash equal to the Value on the Valuation Date of the Shares Amount.

"Certificate" means the Certificate of Limited Partnership relating to the Partnership filed in the office of the Secretary of State of the State of Delaware, as amended from time to time in accordance with the terms hereof and the Act.

"Class A" has the meaning set forth in Section 5.1.C.

"Class A Share" has the meaning set forth in Section 5.1.C.

"Class A Unit" means any Unit that is not specifically designated by the General Partner as being of another specified class of Units.

"Class B" has the meaning set forth in Section 5.1.C.

"Class B Share" has the meaning set forth in Section 5.1.C.

"Class B Unit" means a Unit that is specifically designated by the General Partner as being a Class B Unit.

"Class F Preferred Capital" means an amount equal to the product of (i) the number of Class F Preferred Units then issued and outstanding multiplied by (ii) the sum of \$25.00 and any accumulated, accrued and unpaid distributions on each Class F Preferred Unit.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Common Shares" means the shares of common stock (or other comparable equity interests) of the General Partner Entity.

"Consent" means the consent or approval of a proposed action by a Partner given in accordance with Section 15.2.

"Consent of the Outside Limited Partners" means, with respect to any matter, the Consent of Limited Partners (excluding for this purpose any Limited Partnership Interests held (i) by the General Partner or the General Partner Entity, (ii) any Person of which the General Partner or the General Partner Entity directly or indirectly owns or controls more than fifty percent (50%) of the voting interests, (iii) any Person directly or indirectly owning or controlling more than fifty percent (50%) of the outstanding voting interests of the General Partner or the General Partner Entity and (iv) any Person of which a Person described in clause (iii) directly or indirectly owns or controls more than fifty percent (50%) of the voting interest) holding Units of Partnership Interests of such

classes as are then entitled to vote on such matter representing more than fifty percent (50%) of the aggregate Percentage Interest of all Limited Partners holding such classes of Limited Partnership Interests who are not excluded for the purposes hereof.

"Contributed Property" means each property or other asset contributed to the Partnership, in such form as may be permitted by the Act, but excluding cash contributed or deemed contributed to the Partnership. Once the Carrying Value of a Contributed Property is adjusted pursuant to Exhibit B, such property shall no longer constitute a Contributed Property for purposes of Exhibit B, but shall be deemed an Adjusted Property for such purposes.

"Conversion Factor" means 1.0; provided that, if the General Partner Entity (i) declares or pays a dividend on its outstanding Common Shares in Common Shares or makes a distribution to all holders of its outstanding Common Shares in Common Shares (excluding for these purposes any such dividend declared and paid in connection with the Initial E&P Distribution), (ii) subdivides its outstanding Common Shares or (iii) combines its outstanding Common Shares into a smaller number of Common Shares, the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which shall be the number of Common Shares issued and outstanding on the record date for such dividend, distribution, subdivision or combination (assuming for such purposes that such dividend, distribution, subdivision or combination has occurred as of such time) and the denominator of which shall be the actual number of Common Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, subdivision or combination; and provided further that if an entity shall cease to be the General Partner Entity (the "Predecessor Entity") and another entity shall become the General Partner Entity (the "Successor Entity"), the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which is the Value of one Common Share of the Predecessor Entity, determined as of the date when the Successor Entity becomes the General Partner Entity, and the denominator of which is the Value of one Common Share of the Successor Entity, determined as of that same date. (For purposes of the second proviso in the preceding sentence, if any holders of Common Shares of the Predecessor Entity will receive consideration in connection with the transaction in which the Successor Entity becomes the General Partner Entity, the numerator in the fraction described above for determining the adjustment to the Conversion Factor (that is, the Value of one Common Share of the Predecessor Entity) shall be the sum of the greatest amount of cash and the fair market value (as determined in good faith by the General Partner) of any securities and other consideration that the holder of one Common Share in the Predecessor Entity could have received in such transaction (determined without regard to any provisions governing fractional shares). Any adjustment to the Conversion Factor shall become effective immediately after the effective date of the event retroactive to the record date, if any, for the event giving rise thereto, it being intended that (x) adjustments to the Conversion Factor are to be made to avoid unintended dilution or anti-dilution as a result of transactions in which Common Shares are issued, redeemed or exchanged without a corresponding issuance, redemption or exchange of Class A Units and (y) if a Specified Redemption Date shall fall between the record date and the effective date of any event of the type described above, that the Conversion Factor applicable to such redemption shall be adjusted to take into account such event. No adjustment to the Conversion Factor shall be made in connection with the issuance of Common Shares or payment of cash or distribution of other property by Host in connection with the Initial E&P Distribution.

"Convertible Funding Debt" has the meaning set forth in Section 7.5.F.

"Debt" means, as to any Person, as of any date of determination, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person, (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof, and (iv) obligations of such Person incurred in connection with entering into a lease which, in accordance with generally accepted accounting principles, should be capitalized.

"Deemed Partnership Interest Value" means, as of any date with respect to Units of any class of Partnership Interests held by a Partner, the Deemed Value of the Partnership Interest of such class multiplied by such Partner's Percentage Interest of such class.

"Deemed Value of the Partnership Interest" means, as of any date with respect to any class of Partnership Interests, (a) if the Shares corresponding to such class of Partnership Interests (as provided for in Section 4.2.A) are Publicly Traded, (i) the total number of Shares corresponding to such class of Partnership Interests issued and outstanding as of the close of business on such date (excluding any treasury shares) multiplied by the Value of one Share of such class on such date divided by (ii) the Percentage Interest of the General Partner Entity, held directly or indirectly through another entity, in such class of Partnership Interests on such date, and (b) otherwise, the aggregate Value of such class of Partnership Interests determined as set forth in the third and fourth sentences of the definition of "Value." For purposes of clause (a) of the preceding sentence, the "Value" of a Share shall be mean the average of the daily market price for Shares of such class for a number of consecutive trading days immediately preceding the date with respect to which Value is being determined, which number shall be selected by the General Partner in its sole discretion or, in the sole discretion of the General Partner, on the Business Day immediately preceding the date with respect to which Value is being determined. The market price for each such trading day shall be the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day.

"Depreciation" means, for each fiscal year, an amount equal to the federal income tax depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Carrying Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected by the General Partner.

"Distribution Period" has the meaning set forth in Section 5.1.C.

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

"ERISA Plan Investor" means (i) a Plan, (ii) a trust which was established pursuant to a Plan or a nominee for such trust or Plan, or (iii) an entity whose underlying assets include assets of a Plan by reason of such Plan's investment in such entity.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exercise Percentage" has the meaning set forth in Section 4.3.

"Former Partnership Audit Rules" means Subchapter C of Subtitle F, Chapter 63 of the Code as in effect prior to the effective date of the 2015 Budget Act Partnership Audit Rules.

"Funding Debt" means the incurrence of any Debt by or on behalf of the General Partner Entity, the General Partner, or any wholly owned Subsidiary of either of them for the purpose of providing funds to the Partnership.

"General Partner" means Host, or any of its successors as a general partner of the Partnership.

"General Partner Entity" means the General Partner; provided, however, that if (i) the shares of common stock (or other comparable equity interests) of the General Partner (i.e., the Shares that would otherwise correspond to the Class A Units) are at any time not Publicly Traded and (ii) the shares of common stock (or other comparable equity interests) of an entity that owns, directly or indirectly, fifty percent (50%) or more of the shares of common stock (or other comparable equity interests) of the General Partner are Publicly Traded, the term "General Partner Entity" shall refer to such entity whose shares of common stock (or other comparable equity interests) are Publicly Traded. both requirements set forth in clauses (i) and (ii) above are not satisfied, then the term "General Partner Entity" shall mean the General Partner.

"General Partner Payment" has the meaning set forth in Section 16.14.

"General Partnership Interest" means a Partnership Interest held by the General Partner that is a general partnership interest. A General Partnership Interest may be expressed as a number of Units.

"Host" means Host Hotels & Resorts, Inc., a Maryland corporation, the successor by name change to Host Marriott/Maryland and successor by merger to Host Marriott/Delaware, a Delaware corporation.

"Host Marriott/Delaware" means Host Marriott Corporation, a Delaware corporation.

"Host Marriott/Maryland" means Host Marriott Corporation, a Maryland corporation and the successor by merger to Host Marriott/Delaware.

"Immediate Family" means, with respect to any natural Person, such natural Person's spouse, parents, descendants, nephews, nieces, brothers and sisters.

"Incapacity" or "Incapacitated" means, (i) as to any individual Partner, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to

manage his or her Person or estate, (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter, (iii) as to any partnership or limited liability company which is a Partner, the dissolution and commencement of winding up of the partnership or limited liability company, (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership, (v) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee) or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (i) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect, (ii) the Partner is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (iii) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (iv) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (ii) above, (v) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Partner or for all or any substantial part of the Partner's properties, (vi) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (vii) the appointment without the Partner's consent or acquiescence of a trustee, receiver or liquidator has not been vacated or stayed within ninety (90) days of such appointment or (viii) an appointment referred to in clause (vii) is not vacated within ninety (90) days after the expiration of any such stay.

"Indemnitee" means (i) any Person made a party to a proceeding by reason of its status as (A) the General Partner, (B) a Limited Partner and Affiliates thereof or (C) a trustee, director or officer of the Partnership or the General Partner and (ii) such other Persons (including Affiliates of the General Partner, a Limited Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"Initial E&P Distribution" means one or more dividends or distributions of cash, Host/Maryland or Host/Delaware warrants, options, or a combination of any of the foregoing paid to holders of record of shares of capital stock of Host Marriott/Delaware or the General Partner as of a time prior to the closing of the Partnership Rollup, regardless of whether the date of payment of any such dividend or distribution occurs after such closing.

"Initial Holding Period" means the period commencing on the date hereof and ending on the date on which the Unit Redemption Right first becomes available under Section 8.6.

"Initial Election" means the obligation of the Partnership to deliver to Host (or Host Marriott/Maryland or Host Marriott/Delaware as its predecessors), as additional consideration for contributions of assets to the Partnership by Host (or Host Marriott/Maryland or Host Marriott/Delaware as its predecessors) and its subsidiaries, a number of Class A Units and an amount of cash corresponding to the aggregate number of Common Shares and cash distributable by Host (or Host Marriott/Maryland or Host Marriott/Delaware as its predecessors) pursuant to the Initial E&P Distribution.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"Limited Partner" means any Person named as a Limited Partner of the Partnership in Exhibit A, as such Exhibit may be amended from time to time, or any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Limited Partnership Interest" means a Partnership Interest of a Limited Partner of the Partnership representing a fractional part of the Partnership Interests of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partnership Interest may be expressed as a number of Units.

"Liquidating Event" has the meaning set forth in Section 14.1.

"Liquidator" has the meaning set forth in Section 14.2.A.

"Marriott International" means Marriott International, Inc., a Delaware corporation.

"Net Income" means, for any taxable period, the excess, if any, of the Partnership's items of income and gain for such taxable period over the Partnership's items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Exhibit B. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Income is subjected to the special allocation rules in Exhibit C, Net Income or the resulting Net Loss, whichever the case may be, shall be recomputed without regard to such item.

"Net Loss" means, for any taxable period, the excess, if any, of the Partnership's items of loss and deduction for such taxable period over the Partnership's items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Exhibit B. If an item of income, gain, loss or deduction that has been included in the initial computation of Net Loss is subjected to the special allocation rules in Exhibit C, Net Loss or the resulting Net Income, whichever the case may be, shall be recomputed without regard to such item.

"New Securities" mean (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase Shares, excluding grants under any Share Option Plan, or (ii) any Debt issued by the General Partner or the General Partner Entity that provides any of the rights described in clause (i).

"Nonrecourse Built-in Gain" means, with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Section 2.B of Exhibit C if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulations Section 1.752-1(a)(2).

"Notice of Redemption" means a Notice of Redemption substantially in the form of Exhibit D.

"Partner" means the General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners or any of them, as the context may require.

"Partner Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"Partner Nonrecourse Debt" has the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Partnership" means the limited partnership formed under the Act upon the terms and conditions set forth in this Agreement, or any successor to such limited partnership.

"Partnership Interest" means a Limited Partnership Interest or the General Partnership Interest and includes any and all rights and benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Units.

"Partnership Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Partnership Record Date" means any record date established by the General Partner either (i) for the distribution of Available Cash pursuant to Section 5.1 hereof to holders of any class of Units, which record date shall be the same as the record date established by the General Partner Entity for a distribution, to holders of the corresponding class (if any) of Shares, of some or all of its portion of such distribution, or (ii) if applicable, for determining the Partners entitled to vote on or consent to any proposed action for which the consent or approval of the Partners is sought pursuant to Section 15.2 hereof.

"Partnership Rollup" means the mergers of one or more limited partnerships with subsidiaries of the Partnership as described in the registration statement on Form S-4 filed by the

"Partnership Year" means the fiscal year of the Partnership, which shall be the calendar year.

"Percentage Interest" means, as to a Partner holding Units of a class of Partnership Interests, such Partner's interest in the Partnership, determined by dividing the Units of such class owned by such Partner by the total number of Units of such class then outstanding as specified in Exhibit A, as such exhibit may be amended from time to time, multiplied by the aggregate Percentage Interest attributable to such class of Partnership Interests. If the Partnership shall at any time have outstanding more than one class of Partnership Interests, the Percentage Interest attributable to each class of Partnership Interests shall be determined as set forth in Section 4.2.B.

"Person" means an individual, corporation, limited liability company, partnership, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Exchange Act.

"Plan" means (i) an employee benefit plan subject to Title I of ERISA or (ii) a plan as defined in Section 4975(e) of the Code.

"Predecessor Entity" has the meaning set forth in the definition of "Conversion Factor" herein.

"Publicly Traded" means listed or admitted to trading on the New York Stock Exchange, the American Stock Exchange or another national securities exchange or designated for quotation on the Nasdaq National Market, or any successor to any of the foregoing.

"Qualified Assets" means any of the following assets: (i) Partnership Interests, rights, options, warrants or convertible or exchangeable securities of the Partnership; (ii) Debt issued by the Partnership or any Subsidiary thereof in connection with the incurrence of Funding Debt; (iii) equity interests in Qualified REIT Subsidiaries and limited liability companies whose assets consist solely of Qualified Assets; (iv) up to a one percent (1%) equity interest in any partnership or limited liability company at least ninety-nine percent (99%) of the equity of which is owned, directly or indirectly, by the Partnership; (v) equity interests in any Person held by Host Marriott/Maryland on the date of the Second A&R Partnership Agreement that are *de minimis* in relation to the net assets of the Partnership and its Subsidiaries and transfer of which would require the consent of third parties that has not been obtained; (vi) assets subject to "safe harbor leases" held by Host Marriott/Maryland or any of its Subsidiaries on the date of the Second A&R Partnership Agreement; (vii) cash held for payment of administrative expenses or pending distribution to security holders of the General Partner Entity or any wholly owned Subsidiary thereof or pending contribution to the Partnership; (viii) and certain other tangible and intangible assets that, taken as a whole, are *de minimis* in relation to the net assets of the Partnership and its Subsidiaries.

"Qualified REIT Subsidiary" means any Subsidiary of the General Partner that is a "qualified REIT subsidiary" within the meaning of Section 856(i) of the Code.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Redeeming Partner" has the meaning set forth in Section 8.6.A.

"Redemption Amount" means either the Cash Amount or the Shares Amount, as determined by the General Partner, in its sole and absolute discretion; provided that, if the Common Shares are not Publicly Traded at the time a Redeeming Partner exercises its Unit Redemption Right, the Redemption Amount shall be paid only in the form of the Cash Amount unless the Redeeming Partner, in its sole and absolute discretion, consents to payment of the Redemption Amount in the form of the Shares Amount. A Redeeming Partner shall have no right, without the General Partner's consent, in its sole and absolute discretion, to receive the Redemption Amount in the form of the Shares Amount.

"Regulation" or "Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"REIT" means a real estate investment trust under Section 856 of the Code.

"REIT Requirements" have the meaning set forth in Section 5.1.A.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 2.B.1(a) or 2.B.2(a) of Exhibit C to eliminate Book-Tax Disparities.

"Safe Harbor" has the meaning set forth in Section 11.6.F.

"Securities Act" means the Securities Act of 1933, as amended.

"Series AM Preferred Capital" means an amount equal to the product of (i) the number of Series AM Preferred Units then issued and outstanding multiplied by (ii) the sum of \$9.26 and any accumulated, accrued and unpaid distributions on the Series AM Preferred Units.

"Share" means a share of capital stock (or other comparable equity interest) of the General Partner Entity. Shares may be issued in one or more classes or series in accordance with the terms of the Articles of Incorporation (or, if the General Partner is not the General Partner Entity, the organizational documents of the General Partner Entity). If there is more than one class or series of Shares, the term "Shares" shall, as the context requires, be deemed to refer to the class or series of Shares that correspond to the class or series of Partnership Interests for which the reference to Shares is made. When used with reference to Class A Units or Class B Units (including, without limitation, for purposes of the definition of "Conversion Factor"), the term "Shares" refers to the Common Shares. References in this Agreement to a "class" of Shares shall also mean a "series" of Shares, unless the context requires otherwise.

"Shares Amount" means a number of Common Shares equal to the product of the number of Class A Units offered for redemption by a Redeeming Partner times the Conversion Factor; provided that, if at any time the General Partner Entity issues to all holders of such class of Common Shares rights, options, warrants or convertible or exchangeable securities entitling such holders to subscribe for or purchase Common Shares or any other securities or property (collectively, "rights"), and if the Partnership does not issue to the holders of all Class A Units and Class B Units at such time (other than the General Partner) corresponding rights to subscribe for or purchase Class A Units or other securities or property corresponding to the securities or property covered by the rights granted by the General Partner Entity, then the Shares Amount shall also include such rights that a holder of that number of Common Shares would have been entitled to receive had it owned such Common Shares at the time such rights were issued; provided further that, if the rights issued by the General Partner Entity are issued pursuant to a stockholder rights plan (or other arrangement having the same objective and substantially the same effect), then the Shares Amount shall include only such rights to the extent that such rights have not been exercised by the holders thereof (and have not otherwise terminated or been eliminated).

"Share Option Plan" means any equity incentive plan of the General Partner Entity, the Partnership and/or any Affiliate of the Partnership.

"Specified Redemption Date" means, except as otherwise provided in any agreement between the Partnership and any Partner, the tenth Business Day after receipt by the General Partner of a Notice of Redemption; provided that, if the Common Shares are not Publicly Traded, the Specified Redemption Date means the thirtieth Business Day after receipt by the General Partner of a Notice of Redemption.

"Subsidiary" means, with respect to any Person, any corporation, Limited Liability Company, trust, partnership or joint venture, or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4.

"Successor Entity" has the meaning set forth in the definition of "Conversion Factor" herein.

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Partnership for cash or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership for cash.

"Termination Transaction" has the meaning set forth in Section 11.2.B. "Unit" means a fractional, undivided share of a class of Partnership Interests and includes Class A Units, Class B Units and Units of any other classes of Partnership Interests established after the date hereof. The number of Units outstanding and the Percentage Interests in the Partnership represented by each class of Units are set forth in Exhibit A, as such Exhibit may be amended from time to time. The ownership of each class of Units shall be evidenced in a manner approved by the General Partner.

"Unit Redemption Right" has the meaning set forth in Section 8.6.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the fair market value of such property (as determined under Exhibit B) as of such date, over (ii) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B) as of such date.

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B) as of such date, over (ii) the fair market value of such property (as determined under Exhibit B) as of such date.

"Valuation Date" means the date of receipt by the General Partner of a Notice of Redemption or, if such date is not a Business Day, the first Business Day thereafter.

"Value" means, with respect to one Share of a class of outstanding Shares that are Publicly Traded, the average of the daily market price for Shares of such class for the ten consecutive trading days immediately preceding the date with respect to which Value is being determined. The market price for each such trading day shall be the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day. Value means, with respect to one Unit of a class of Partnership Interests for which there is no corresponding class of Shares that are Publicly Traded and with respect to one Share of a class of outstanding Shares that are not Publicly Traded, the amount that a holder of one such Unit (including a Unit corresponding to such a Share) would receive if each of the assets of the Partnership were to be sold for its fair market value on the date with respect to which Value is being determined, the Partnership were to pay all of its outstanding liabilities, and the remaining proceeds were to be distributed to the Partners in accordance with the terms of this Agreement. Such Value shall be determined by the General Partner, acting in good faith and based upon a commercially reasonable estimate of the amount that would be realized by the Partnership if each asset of the Partnership (and each asset of each partnership, limited liability company, trust, joint venture or other entity in which the Partnership owns a direct or indirect interest) were sold to an unrelated purchaser in an arms' length transaction where neither the purchaser nor the seller were under economic compulsion to enter into the transaction (without regard to any discount in value as a result of the Partnership's minority interest in any property or any illiquidity of the Partnership's interest in any property). In determining the Deemed Value of the Partnership Interest of any class of Partnership Interests in connection with the issuance of additional Units thereof in exchange for a Capital Contribution funded by an underwritten public offering or an arm's length private placement of such Units or Shares corresponding to such Units, the Value of all Units in such class of Partnership Interests shall be equal to the public offering price or the purchase price, as the case may be, of the Shares or Units sold in such underwritten offering or private placement (with an appropriate adjustment to such price, in the case of the issuance of additional Class A Units or Class B Units, to take into account the Conversion Factor, if it is not then equal to 1.0). In determining the Value of any Shares Amount that includes rights that a holder of Common Shares would be entitled to receive, the Value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations or other information as it considers, in its reasonable judgment, appropriate. Notwithstanding any of the foregoing, with respect to any class of Partnership Interests that is entitled to a preference as compared to the class of Partnership Interests corresponding to Common Shares, "Value" means the stated liquidation preference or value of such class of

Partnership Interests provided in the instrument establishing such class of Partnership Interests (unless otherwise provided in such instrument).

ARTICLE II ORGANIZATIONAL MATTERS

Section 2.1 **Organization**

The Partnership is a limited partnership organized pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement. The Partners hereby agree to continue the business of the Partnership upon the terms and conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 **Name**

The name of the Partnership is Host Hotels & Resorts, L.P. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3 **Registered Offices and Agent; Principal Office**

The address of the registered office of the Partnership in the State of Delaware shall be located at 2711 Centreville Road, County of New Castle, Wilmington, Delaware 19808, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Partnership shall be 4747 Bethesda Avenue, Suite 1300, Bethesda, Maryland 20814, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

Section 2.4 **Terms**

The term of the Partnership commenced on April 15, 1998, the date the Certificate was filed in the office of the Secretary of State of the State of Delaware in accordance with the Act, and shall continue until December 31, 2098, unless it is dissolved sooner pursuant to the provisions of Article XIV or as otherwise provided by law.

ARTICLE III PURPOSE

Section 3.1 **Purpose and Business**

The purpose and nature of the business to be conducted by the Partnership is to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act; provided, however, that such business shall be limited to and conducted in such a manner as to permit the General Partner Entity at all times to be classified as a REIT, unless the General Partner Entity ceases to qualify or is not qualified as a REIT for any reason or reasons not related to the business conducted by the Partnership, (ii) to enter into any corporation, partnership, joint venture, trust, limited liability company or other similar arrangement to engage in any of the foregoing or the ownership of interests in any entity engaged, directly or indirectly, in any of the foregoing and (iii) to do anything necessary or incidental to the foregoing. In connection with the foregoing, the Partners acknowledge that the status of the General Partner Entity as a REIT inures to the benefit of all the Partners and not solely to the General Partner Entity or its Affiliates.

Section 3.2 **Powers**

The Partnership is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, borrow money and issue evidences of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, acquire, own, manage, improve and develop real property, and lease, sell, transfer and dispose of real property; provided, however, that the Partnership shall not take, or refrain from taking, any action which, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner Entity to continue to qualify as a REIT, (ii) could subject the General Partner Entity to any additional taxes under Section 857 or Section 4981 of the Code or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner or its securities, unless such action (or inaction) shall have been specifically consented to by the General Partner in writing.

ARTICLE IV CAPITAL CONTRIBUTIONS AND ISSUANCES OF PARTNERSHIP INTERESTS

Section 4.1 **Capital Contributions of the Existing Partners; Restatement of Partnership Interests on the Date Hereof; General Partnership Interest**

A. Prior Contributions of Existing Partners. Host and other Subsidiaries of Host and their respective predecessors have previously made Capital Contributions to the Partnership, as described in Exhibit E.

B. Restatement of Existing Partnership Interests. Effective upon the execution and delivery of this Agreement, the Partners shall own the respective numbers of Class A Units (and, in the case of Host Marriott/Maryland, the right to receive the respective number of Class A Units pursuant to the Initial Election), and shall have the respective Percentage Interests in the Partnership as set forth in Exhibit A, which Percentage Interests shall be adjusted in Exhibit A from time to time by the General Partner to the extent necessary to reflect accurately redemptions, Capital Contributions, the issuance of additional Units or similar events having an effect on a Partner's Percentage Interest.

C. General Partnership Interest. A number of Class A Units held by the General Partner equal to one tenth of one percent (0.1%) of the aggregate number of Class A Units and Class B Units outstanding from time to time shall be the General Partnership Interest of the General Partner. All other Units held by the General Partner shall be deemed to be Limited Partnership Interests and shall be held by the General Partner in its capacity as a Limited Partner in the Partnership.

Section 4.2 **Future Issuances of Partnership Interests and Capital Contributions**

A. General. The General Partner is hereby authorized to cause the Partnership from time to time to issue to Partners (including the General Partner and its Affiliates) or other Persons (including, without limitation, in connection with the contribution of property to the Partnership) Units or other Partnership Interests in one or more classes, or in one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to one or more other classes of Partnership Interests, all as shall be determined, subject to applicable Delaware law, by the General Partner in its sole and absolute discretion, including, without limitation, (i) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests, (ii) the right of each such class or series of Partnership Interests to share in Partnership distributions, (iii) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership, and (iv) the consideration, if any, to be received by the Partnership in exchange for the issuance of such Partnership Interests; provided that, except in connection with the issuance of Units in connection with the Partnership Rollup, no such Units or other Partnership Interests shall be issued to (w) the General Partner, (x) the General Partner Entity or (y) any Person that owns, directly or indirectly, fifty percent (50%) or more of the shares of common stock (or other comparable equity interests) of the General Partner Entity unless either (a) the Partnership Interests are issued in connection with the grant, award or issuance of Shares or other equity interests in the General Partner Entity having designations, preferences and other rights such that the economic interests attributable to such Shares or other equity interests are substantially the same as the designations, preferences and other rights (except voting rights) of the Partnership Interests issued to the General Partner in accordance with this Section 4.2.A or (b) the additional Partnership Interests are issued to all Partners holding Partnership Interests in the same class in proportion to their respective Percentage Interests in such class (considering the Class A Units and Class B Units as one class for such purposes). If the Partnership issues Partnership Interests pursuant to this Section 4.2.A, the General Partner shall make such revisions to this Agreement (including but not limited to the revisions described in Section 5.4, Section 6.2 and Section 8.6) as it deems necessary to reflect the issuance of such Partnership Interests. References in this Agreement to a "class" of Partnership Interests or Units shall include a "series" of Partnership Interests or Units, unless the context requires otherwise.

B. Percentage Interest Adjustments in the Case of Capital Contributions for Units. Upon the acceptance of additional Capital Contributions in exchange for Units and if the Partnership shall have outstanding more than one class of Partnership Interests, the Percentage Interest of the class of Partnership Interests applicable to the additional Units immediately following such Capital Contribution shall be equal to a fraction, the numerator of which is equal to the sum of (i) the Deemed Value of the Partnership Interest of such class computed as of the Business Day immediately preceding the date on which the additional Capital Contributions are made (an "Adjustment Date") plus (ii) the aggregate amount of cash, if any, plus the Agreed Value of Contributed Property, if any, contributed with respect to the additional Units of such class on such Adjustment Date and the denominator of which is equal to the sum of (x) the Deemed Value of the Partnership Interests for all outstanding classes (computed as of the Business Day immediately preceding such Adjustment Date) plus (y) the aggregate amount of cash, if any, plus the Agreed Value of Contributed Property, if any, contributed to the Partnership on such Adjustment Date in respect of additional Units of all classes. For purposes of foregoing, Class A Units and Class B Units shall be considered one class. The Percentage Interest of each other class of Partnership Interests with respect to which a Capital Contribution is not made concurrently with such additional Capital Contribution on such Adjustment Date shall be adjusted to a fraction the numerator of which is equal to the Deemed Value of the Partnership Interest of such class (computed as of the Business Day immediately preceding such Adjustment Date) and the denominator of which is equal to the sum of (i) the Deemed Value of the Partnership Interests of all outstanding classes (computed as of the Business Day immediately preceding such Adjustment Date) plus (ii) the aggregate amount of cash, if any, plus the Agreed Value of Contributed Property, if any, contributed to the Partnership on such Adjustment Date in respect of additional Units of all classes. For purposes of adjusting Percentage Interests pursuant to this Section 4.2.B following a Capital Contribution by the General Partner, the amount of cash Capital Contributions made with respect to the additional Units issued in connection with such Capital Contribution will be deemed to equal the cash contributed by such General Partner plus (A) in the case of cash contributions funded by an offering of any equity interests in or other securities of the General Partner, the offering costs attributable to the cash contributed to the Partnership, and (B) in the case of Units issued pursuant to Section 7.5.E, an amount equal to the difference between the Value of the Shares sold pursuant to any Share Option Plan and the net proceeds of such sale.

C. Classes of Units. From and after the date hereof, the Partnership shall have three classes of Units entitled "Class A Units," "Class B Units" and such additional classes of Units as may be created pursuant to Section 4.2.A. The Partnership may issue Class A Units, Class B Units or Units of a newly created class of Partnership Interests, at the election of the General Partner, in its sole and absolute discretion, in exchange for the contribution of cash, real estate, partnership interests, stock, notes or other assets or consideration; provided that all Units outstanding on the date, hereof and issued in connection with the Partnership Rollup or pursuant to the Initial Election shall be Class A Units; and, provided further that any Unit that is not specifically designated by the General Partner as being of a particular class shall be deemed to be a Class A Unit. Each Class B Unit shall be converted automatically into a Class A Unit on the day immediately following the Partnership Record Date for the Distribution Period (as defined in Section 5.1.C) in which such Class B Unit was issued, without the requirement for any action by either the Partnership or the Partner holding the Class B Unit. Except as otherwise expressly provided in this Agreement, holders of Class A Units and Class B Units shall be entitled to vote the Partnership Interests represented by such Units on all matters as to which the vote or consent of the Partners is required.

D. Certain Restrictions on Issuances of Units or Other Partnership Interests. Notwithstanding the foregoing, in no event may the General Partner cause the Partnership to issue to Partners (including the General Partner and its Affiliates) or other Persons any Units or other Partnership Interests (i) if such issuance would cause the Partnership Interests of "benefit plan investors" to become "significant," as those terms are used in 29 C.F.R. § 2510.3-101(f), or any successor regulation thereto, or would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or, with respect to any plan defined in Section 4975(e) of the Code, a "disqualified person" (as defined in Section 4975(e) of the Code), or (ii) if such issuance would, in the opinion of counsel to the Partnership, cause any portion of the assets of the Partnership to constitute assets of any ERISA Plan Investor pursuant to 29 C.F.R. § 2510.3-101, or any successor regulation thereto.

E. Series AM Preferred Units. Under the authority granted to it pursuant to Section 4.2.A hereof, the General Partner hereby establishes an additional Class of Units entitled "Series AM Cumulative Redeemable Preferred Units" (the "Series AM Preferred Units"). Series AM Preferred Units shall have the designations, preferences, rights, powers, restrictions and limitations as set forth in Exhibit F hereto.

F. Class F Preferred Units. Under the authority granted to it pursuant to Section 4.2.A hereof, the General Partner hereby establishes an additional Class of Units entitled "Class F Preferred Units" (the "**Class F Preferred Units**"). Class F Preferred Units shall have the designations, preferences, rights, powers, restrictions and limitations set forth in Exhibit G hereto.

Section 4.3 **Preemptive Rights**

If the General Partner acquires any Class A Units using the proceeds from any exercise of any rights (as defined in the definition of Shares Amount) issued under a stockholder rights plan (or other arrangement having the same objective and substantially the same effect), then (a) the holders of Class A Units and Class B Units at such time (other than the General Partner) as a group shall have the right to acquire, at the same price per Class A Unit paid by the General Partner, a total number of additional Class A Units equal to the product of (i) the total number of Class A Units and Class B Units held by such holders, multiplied by (ii) a fraction, the numerator of which is the number of Class A Units issued to the General Partner as a result of the exercise of such rights and the denominator of which is the total number of Class A Units held by the General Partner immediately prior to such issuance (which fraction is referred to as the "Exercise Percentage"), and (b) each holder of a Class A Unit or Class B Unit at such time shall have the right to acquire, at the same price per Class A Unit paid by the General Partner, a number of Class A Units equal to the product of (iii) the aggregate number of Class A Units and Class B Units that such holder holds at such time, multiplied by (iv) the Exercise Percentage. (Thus, for example, if the General Partner were to acquire 2 million Class A Units at \$5 per Unit from the proceeds of the exercise of outstanding rights issued under a stockholder rights plan at a time when the General Partner already owned 8 million of a total of 12 million outstanding Class A Units and Class B Units (which would represent a 25% increase in the number of Class A Units held by the General Partner), then the other holders of Class A Units and Class B Units as a group would have the right to purchase a total of 1,000,000 Class A Units at \$5 per Class A Unit, and each holder of a Class A Unit or Class B Unit would be entitled to purchase his proportionate share of such Class A Units, or .25 Class A Units for each Class A Unit or Class B Unit then held by such holder.) In the event Units or Partnership

Interests other than Class A Units are issued to the General Partner using proceeds of any exercise of rights issued under a stockholder rights plan (or other similar arrangement), the holders of Class A Units and Class B Units shall be granted the right to acquire such other Units or Partnership Interests at the same price as paid by the General Partner and in such amounts as would be comparable to their rights had Class A Units been issued instead. The General Partner shall provide prompt written notice to the holders of Class A Units and Class B Units of its acquisition of Class A Units (or other Units or Partnership Interests) using such proceeds and shall establish in good faith such procedures as it deems appropriate (including, without limitation, procedures to eliminate the issuance of fractional Units if the General Partner deems appropriate) to effectuate the rights of the holders of Class A Units and Class B Units under the preceding provisions of this Section 4.3. Except to the extent expressly granted by the Partnership pursuant to this Section 4.3 or another agreement, no Person shall have any preemptive, preferential or other similar right with respect to (i) additional Capital Contributions or loans to the Partnership or (ii) issuance or sale of any Units or other Partnership Interests.

Section 4.4 **Other Contribution Provisions**

A. If any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such Partner in cash, and the Partner had contributed such cash to the capital of the Partnership.

B. Except as provided in Sections 7.5 and 10.5 hereof, the Partners shall have no obligation to make any additional Capital Contributions or provide any additional funding to the Partnership (whether in the form of loans, repayments of loans or otherwise). No Partner shall have any obligation to restore any deficit that may exist in its Capital Account, either upon a liquidation of the Partnership or otherwise.

C. To the extent the Partnership acquires any property (or an indirect interest therein) by the merger of any other Person into the Partnership or with or into a Subsidiary of the Partnership in a triangular merger, Persons who receive Partnership Interests in exchange for their interests in the Person merging into the Partnership or with or into a Subsidiary of the Partnership shall become Partners and shall be deemed to have made Capital Contributions as provided in the applicable merger agreement (or if not so provided, as determined by the General Partner in its sole discretion) and as set forth in Exhibit A.

Section 4.5 **No Interest on Capital**

No Partner shall be entitled to interest on its Capital Contributions or its Capital Account.

ARTICLE V DISTRIBUTIONS

Section 5.1 **Requirement and Characterization of Distributions**

A. General. The Partnership shall distribute at least quarterly an amount equal to one hundred percent (100%) of Available Cash of the Partnership during such quarter or shorter period to the Persons who are holders of Units in some or all classes of Partnership Interests in accordance with

the terms established for each such class on the respective Partnership Record Dates established for distributions to the applicable classes with respect to such quarter or shorter period. Distributions shall be made in the manner provided in Sections 5.1.B, 5.1.C and 5.1.D and in accordance with the respective terms established for each other class of Partnership Interests hereafter created. Notwithstanding anything to the contrary contained herein, in no event may a Partner receive a distribution of Available Cash with respect to a Class A Unit for a quarter or shorter period if such Partner is entitled to receive a distribution with respect to a Common Share for which such Class A Unit has been redeemed or exchanged. Unless otherwise expressly provided for herein or in the terms established for any new class of Partnership Interests created in accordance with Article IV hereof, no Units of Partnership Interest shall be entitled to a distribution in preference to any other Unit of Partnership Interest. The General Partner shall make such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the qualification of the General Partner Entity as a REIT, to distribute Available Cash (a) to Limited Partners so as to preclude any such distribution or portion thereof from being treated as part of a sale of property of the Partnership by a Limited Partner under Section 707 of the Code or the Regulations thereunder; provided that the General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any distribution to a Limited Partner being so treated, and (b) to the General Partner in an amount sufficient to enable the General Partner Entity to pay shareholder dividends that will (1) satisfy the requirements for qualification as a REIT under the Code and the Regulations (the "REIT Requirements") of, and (2) avoid any federal income or excise tax liability for, the General Partner Entity.

B. Priority of Distributions.

(i) Distributions to holders of Units of a class of Partnership Interests that is entitled to any preference in distribution shall be made in accordance with the rights of such class of Partnership Interests to holders of such Units on the respective Partnership Record Date established for the distribution to such class of Partnership Interests (and, within such class, pro rata in proportion to the respective Percentage Interests in such class on such Partnership Record Date).

(ii) Distributions to holders of Class A Units, Class B Units and Units of any other class of Partnership Interests that are not entitled to any preference in distribution shall be made quarterly (or more frequently), to the extent there is Available Cash remaining after the payment of distributions in respect of any classes of Partnership Interests entitled to a preference in distribution in accordance with the foregoing clause (i), in accordance with the terms of such class as set forth in this Agreement or otherwise established by the General Partner pursuant to Section 4.2 to holders of such Units on the respective Partnership Record Date established for the distribution to each such class of Partnership Interests (and, within each such class, pro rata in proportion to the respective Percentage Interests in such class on such Partnership Record Date).

C. Distributions When Class B Units Are Outstanding. If, for any quarter or shorter period with respect to which a distribution is to be made with respect to Class A Units and Class B Units (a "Distribution Period"), Class B Units are outstanding on the Partnership Record Date for such Distribution Period, the General Partner shall allocate the Available Cash with respect to such Distribution Period available for distribution with respect to the Class A Units and Class B Units collectively between the Partners who are holders of Class A Units ("Class A") and the Partners who are holders of Class B Units ("Class B") as follows:

(1) Class A shall receive that portion of the Available Cash (the "Class A Share") determined by multiplying the amount of Available Cash by the following fraction:

$$\frac{A \times Y}{(A \times Y) + (B \times X)}$$

(2) Class B shall receive that portion of the Available Cash (the "Class B Share") determined by multiplying the amount of Available Cash by the following fraction:

$$\frac{B \times X}{(A \times Y) + (B \times X)}$$

(3) For purposes of the foregoing formulas, (i) "A" equals the number of Class A Units outstanding on the Partnership Record Date for such Distribution Period; (ii) "B" equals the number of Class B Units outstanding on the Partnership Record Date for such Distribution Period; (iii) "Y" equals the number of days in the Distribution Period; and (iv) "X" equals the number of days in the Distribution Period for which the Class B Units were issued and outstanding.

The Class A Share shall be distributed pro rata among Partners holding Class A Units on the Partnership Record Date for the Distribution Period in accordance with the number of Class A Units held by each Partner on such Partnership Record Date; provided that, in no event may a Partner receive a distribution of Available Cash with respect to a Class A Unit if a Partner is entitled to receive a distribution with respect to a Share for which such Class A Unit has been redeemed or exchanged. The Class B Share shall be distributed pro rata among the Partners holding Class B Units on the Partnership Record Date for the Distribution Period in accordance with the number of Class B Units held by each Partner on such Partnership Record Date. In no event shall any Class B Units be entitled to receive any distribution of Available Cash for any Distribution Period ending prior to the date on which such Class B Units are issued.

D. Distributions When Class B Units Have Been Issued on Different Dates. If Class B Units which have been issued on different dates are outstanding on the Partnership Record Date for any Distribution Period, then the Class B Units issued on each particular date shall be treated as a separate series of Units for purposes of making the allocation of Available Cash for such Distribution Period among the holders of Units (and the formula for making such allocation, and the definitions of variables used therein, shall be modified accordingly). Thus, for example, if two series of Class B Units are outstanding on the Partnership Record Date for any Distribution Period, the allocation formula for each series, "Series B1" and "Series B2" would be as follows:

(1) Series B1 shall receive that portion of the Available Cash determined by multiplying the amount of Available Cash by the following fraction:

$$\frac{B_1 \times X_1}{(A \times Y) + (B_1 \times X_1) + (B_2 \times X_2)}$$

(2) Series B2 shall receive that portion of the Available Cash determined by multiplying the amount of Available Cash by the following fraction:

$$\frac{B_2 \times X_2}{(A \times Y) + (B_1 \times X_1) + (B_2 \times X_2)}$$

(3) For purposes of the foregoing formulas the definitions set forth in Section 5.1.C.3 remain the same except that (i) "B1" equals the number of Units in Series B1 outstanding on the Partnership Record Date for such Distribution Period; (ii) "B2" equals the number of Units in Series B2 outstanding on the Partnership Record Date for such Distribution Period; (iii) "X1" equals the number of days in the Distribution Period for which the Units in Series B1 were issued and outstanding; and (iv) "X2" equals the number of days in the Distribution Period for which the Units in Series B2 were issued and outstanding.

Section 5.2 **Amounts Withheld**

All amounts withheld pursuant to the Code or any provisions of any state or local tax law and Section 10.5 with respect to any allocation, payment or distribution to the General Partner, the Limited Partners or Assignees shall be treated as amounts distributed to the General Partner, Limited Partners or Assignees, as the case may be, pursuant to Section 5.1 for all purposes under this Agreement.

Section 5.3 **Distributions Upon Liquidation**

Proceeds from a Terminating Capital Transaction shall be distributed to the Partners in accordance with Section 14.2.A.

Section 5.4 **Revisions to Reflect Issuance of Partnership Interests**

If the Partnership issues Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such revisions to this Article V and Exhibit A as it deems necessary to reflect the issuance of such additional Partnership Interests without the requirement for any other consents or approvals of any other Partner.

ARTICLE VI ALLOCATIONS

Section 6.1 **Allocations For Capital Account Purposes**

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Exhibit B) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

A. Net Income. After giving effect to the special allocations set forth in Section 1 of Exhibit C, Net Income shall be allocated:

(i) first, to the General Partner to the extent the Net Losses previously allocated to the General Partner pursuant to Section 6.1.B(iii) exceed the Net Income previously allocated to the General Partner pursuant to this Section 6.1.A(i);

(ii) second, to the Limited Partners, in proportion to the amount of Net Losses allocated to each such Limited Partner pursuant to Section 6.1.B(ii), to the extent Net Losses previously allocated to each such Limited Partner pursuant to Section 6.1.B(ii) exceed Net Income previously allocated to each such Limited Partner pursuant to this Section 6.1.A(ii);

(iii) third, to the General Partner and the Limited Partners, in proportion to the amount of Net Losses allocated to each such Partner pursuant to Section 6.1.B(i), to the extent Net Losses previously allocated to each such Partner pursuant to Section 6.1.B(i) exceed Net Income previously allocated to each such Partner pursuant to this Section 6.1.A(iii);

(iv) fourth, to the holders of any Partnership Interests that are entitled to any preference in distribution in accordance with the rights of such class of Partnership Interests until each such Partnership Interests has been allocated, on a cumulative basis pursuant to this Section 6.1.A(iv), Net Income equal to the amount of distributions received which are attributable to the preference of such class or Partnership Interests (and, within such class, pro rata in proportion to the respective Percentage Interest in such class as of the last day of the period for which such allocation is being made); and

(v) fifth, with respect to Partnership Interests that are not entitled to any preference in distributions, pro rata to each such class in accordance with the terms of such class as set forth in this Agreement or otherwise established by the General Partner pursuant to Section 4.2 (and, within such class, pro rata in proportion to the respective Percentage Interest in such class as of the last day of the period for which such allocation is being made).

B. Net Losses. After giving effect to the special allocations set forth in Section 1 of Exhibit C, Net Losses shall be allocated:

(i) first, to each Partner who holds Units not entitled to any preference in distributions, pro rata to each such class in accordance with the terms of such class as set forth in this Agreement or otherwise established by the General Partner pursuant to Section 4.2 (and within such class, pro rata to each Partner in proportion to the respective Percentage Interests held by such Partner in such class as of the last day of the period for which the allocation is being made) until the Adjusted Capital Account (ignoring for this purpose any amounts a Partner is obligated to contribute to the capital of the Partnership under state law as described in Regulation Section 1.704-1(b)(2)(ii)(c)(2) and reduced by the Series AM Preferred Capital and the Class F Preferred Capital) of each such Partner is zero;

(ii) second, to each Limited Partner who holds Series AM Preferred Units and/or Class F Preferred Units, pro rata in proportion to their respective Adjusted Capital Accounts, until the Adjusted Capital Account of each Limited Partner is zero; and

(iii) third, to the General Partner.

C. Allocation of Nonrecourse Debt. For purposes of Regulation Section 1.752-3(a), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (i) the amount of Partnership Minimum Gain and (ii) the total amount of Nonrecourse Built-in Gain shall be allocated by the General Partner by taking into account the facts and circumstances relating to each Partner's respective interest in the profits of the Partnership. For this purpose, the General Partner

shall have the sole and absolute discretion in any fiscal year to allocate such excess Nonrecourse Liabilities among the Partners in any manner permitted under Code Section 752 and the Regulations thereunder.

D. Recapture Income. Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible after taking into account other required allocations of gain pursuant to Exhibit C, be characterized as Recapture Income in the same proportions and to the same extent as such Partners have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

Section 6.2 **Revisions to Allocations to Reflect Issuance of Partnership Interests**

If the Partnership issues Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Article IV hereof, the General Partner shall make such revisions to this Article VI and Exhibit A as it deems necessary to reflect the terms of the issuance of such Partnership Interests, including making preferential allocations to classes of Partnership Interests that are entitled thereto. Such revisions shall not require the consent or approval of any other Partner.

ARTICLE VII MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 **Management**

A. Powers of the General Partner. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. The General Partner may not be removed by the Limited Partners with or without cause (unless the Shares of the General Partner Entity corresponding to Class A Units are not Publicly Traded, in which case the General Partner may be removed (a) without cause by the Consent of Limited Partners holding Percentage Interests that are more than fifty percent (50%) of the aggregate Percentage Interest represented by all Limited Partnership Interests then entitled to vote thereon (including for this purpose any such Limited Partnership Interests held by the General Partner) or (b) with cause by the Consent of the Outside Limited Partners). In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.11, shall have full power and authority to do all things deemed necessary or desirable by it to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 and to effectuate the purposes set forth in Section 3.1, including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as are required under Section 5.1.A or will permit the General Partner Entity (so long as the General Partner Entity qualifies as a REIT) to avoid the payment of any federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its shareholders sufficient to permit the General Partner Entity to maintain its REIT status), the assumption or guarantee of,

or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations the General Partner Entity deems necessary for the conduct of the activities of the Partnership;

(2) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(3) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership (including the exercise or grant of any conversion, option, privilege or subscription right or other right available in connection with any assets at any time held by the Partnership) or the merger or other combination of the Partnership with or into another entity on such terms as the General Partner deems proper;

(4) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms it sees fit, including, without limitation, the financing of the conduct of the operations of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including, without limitation, the Partnership's Subsidiaries) and the repayment of obligations of the Partnership and its Subsidiaries and any other Person in which the Partnership has an equity investment and the making of capital contributions to its Subsidiaries;

(5) the management, operation, leasing, landscaping, repair, alteration, demolition or improvement of any real property or improvements owned by the Partnership or any Subsidiary of the Partnership or any Person in which the Partnership has made a direct or indirect equity investment;

(6) the negotiation, execution, and performance of any contracts, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation out of the Partnership's assets;

(7) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, and the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms it sees fit, including, without limitation, the financing of the conduct or the operations of the General Partner or the Partnership, the lending of funds to other Persons (including, without limitation, any Subsidiaries of the Partnership) and the repayment of obligations of the Partnership, any of its Subsidiaries and any other Person in which it has an equity investment;

- (8) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;
- (9) the holding, managing, investing and reinvesting of cash and other assets of the Partnership;
- (10) the collection and receipt of revenues and income of the Partnership;
- (11) the selection, designation of powers, authority and duties and the dismissal of employees of the Partnership (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer") and agents, outside attorneys, accountants, consultants and contractors of the Partnership and the determination of their compensation and other terms of employment or hiring;
- (12) the maintenance of such insurance for the benefit of the Partnership and the Partners as it deems necessary or appropriate;
- (13) the formation of, or acquisition of an interest (including nonvoting interests in entities controlled by Affiliates of the Partnership or third parties) in, and the contribution of property to, any further limited or general partnerships, joint ventures, limited liability companies or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of funds or property to, or making of loans to, its Subsidiaries and any other Person in which it has an equity investment from time to time, or the incurrence of indebtedness on behalf of such Persons or the guarantee of the obligations of such Persons); provided that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership may not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;
- (14) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution or abandonment of any claim, cause of action, liability, debt or damages due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms dispute resolution, the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;
- (15) the determination of the fair market value of any Partnership property distributed in kind, using such reasonable method of valuation as the General Partner may adopt;
- (16) the exercise, directly or indirectly, through any attorney-in-fact acting under a general or limited power of attorney, of any right, including the right to vote, appurtenant to any assets or investment held by the Partnership;

(17) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of or in connection with any Subsidiary of the Partnership or any other Person in which the Partnership has a direct or indirect interest, individually or jointly with any such Subsidiary or other Person;

(18) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of any Person in which the Partnership does not have any interest pursuant to contractual or other arrangements with such Person;

(19) the making, executing and delivering of any and all deeds, leases, notes, deeds to secure debt, mortgages, deeds of trust, security agreements, conveyances, contracts, guarantees, warranties, indemnities, waivers, releases or other legal instruments or agreements in writing necessary or appropriate in the judgment of the General Partner for the accomplishment of any of the powers of the General Partner enumerated in this Agreement;

(20) the distribution of cash to acquire Units held by a Limited Partner in connection with a Limited Partner's exercise of its Unit Redemption Right under Section 8.6;

(21) the acquisition of Units in exchange for cash, debt instruments, or other property; and

(22) the amendment and restatement of Exhibit A to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment of this Agreement, as long as the matter or event being reflected in Exhibit A otherwise is authorized by this Agreement.

B. No Approval by Limited Partners. Except as provided in Section 7.11, each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any other provision of this Agreement, the Act or any applicable law, rule or regulation, to the full extent permitted under the Act or other applicable law. The execution, delivery or performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. Insurance. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the properties of the Partnership and (ii) liability insurance for the Indemnitees hereunder and (iii) such other insurance as the General Partner, in its sole and absolute discretion, determines to be necessary.

D. Working Capital and Other Reserves. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable from time to time, including upon liquidation of the Partnership under Article XIII.

E. No Obligation to Consider Tax Consequences of Limited Partners. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken (or not taken) by any of them. The General Partner is acting on behalf of the Partnership's Limited Partners and its shareholders collectively. The General Partner and the Partnership shall not have liability to a Limited Partner for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by such Limited Partner in connection with such decisions, provided that the General Partner has acted in good faith and pursuant to its authority under this Agreement.

Section 7.2 **Certificate of Limited Partnership**

The initial General Partner has previously filed the Certificate with the Secretary of State of Delaware. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and each other state, the District of Columbia or other jurisdiction in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A(4), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and any other state, the District of Columbia or other jurisdiction in which the Partnership may elect to do business or own property.

Section 7.3 **Title to Partnership Assets**

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partners, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by that entity for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.4 **Reimbursement of the General Partner**

A. No Compensation. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles V and VI regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not receive payment from the Partnership or otherwise be compensated for its services as general partner of the Partnership.

B. Responsibility for Partnership and General Partner Expenses. The Partnership shall be responsible for and shall pay all expenses relating to the Partnership's organization, the ownership of its assets and its operations and the Partnership shall be responsible for and shall pay or reimburse all expenses and discharge all liabilities of any nature whatsoever that the General Partner may incur (including, without limitation, any expenses related to or resulting from the operations of the General Partner or the Partnership and to the management and administration of any Subsidiaries of the General Partner permitted under Section 7.5.A or the Partnership or Subsidiaries of the Partnership, such as auditing expenses and filing fees and any tax liabilities of the General Partner and its Subsidiaries); provided that (i) the amount of any such reimbursement shall be reduced by (x) any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership as permitted in Section 7.5.A (which interest is considered to belong to the Partnership and shall be paid over to the Partnership to the extent not applied to reimburse the General Partner for expenses hereunder); and (y) any amount derived by the General Partner from any investments permitted in Section 7.5.A; (ii) the Partnership shall not be responsible for any taxes that the General Partner would not have been required to pay if it qualified as a REIT for federal income tax purposes or any taxes imposed on the General Partner by reason of its failure to distribute to its shareholders an amount equal to its taxable income; (iii) the Partnership shall not be responsible for expenses or liabilities incurred by the General Partner in connection with any business or assets of the General Partner other than its ownership of Partnership Interests or operation of the business of the Partnership or ownership of interests in Qualified REIT Subsidiaries to the extent permitted in Section 7.5.A; and (iv) the Partnership shall not be responsible for any expenses or liabilities of the General Partner that are excluded from the scope of the indemnification provisions of Section 7.7.A by reason of the provisions of clause (i), (ii) or (iii) thereof. The General Partner shall determine in good faith the amount of expenses incurred by it related to the ownership of Partnership Interests or operation of, or for the benefit of, the Partnership. If certain expenses are incurred that are related both to the ownership of Partnership Interests or operation of, or for the benefit of, the Partnership and to the ownership of other assets (other than Qualified REIT Subsidiaries as permitted under Section 7.7.A) or the operation of other businesses, such expenses will be allocated to the Partnership and such other entities (including the General Partner) owning such other assets or businesses in such a manner as the General Partner in its sole and absolute discretion deems fair and reasonable. Such reimbursements shall be in addition to any reimbursement to the General Partner pursuant to Section 10.3.C and as a result of indemnification pursuant to Section 7.7. All payments and reimbursements hereunder shall be characterized for federal income tax purposes as expenses of the Partnership incurred on its behalf, and not as expenses of the General Partner.

C. Partnership Interest Issuance Expenses. The General Partner shall also be reimbursed for all expenses it incurs relating to any issuance of Partnership Interests, Shares, Debt of the Partnership or Funding Debt or rights, options, warrants or convertible or exchangeable securities pursuant to Article IV (including, without limitation, all costs, expenses, damages and other payments resulting from or arising in connection with litigation related to any of the foregoing), all

of which expenses are considered by the Partners to constitute expenses of, and for the benefit of, the Partnership.

D. Purchases of Shares by the General Partner. If the General Partner Entity exercises its rights under the Articles of Incorporation to purchase Shares or otherwise elects to purchase from its shareholders Shares in connection with a share repurchase or similar program or for the purpose of delivering such Shares to satisfy an obligation under any dividend reinvestment or equity purchase program adopted by the General Partner Entity, any employee equity purchase plan adopted by the General Partner Entity or any similar obligation or arrangement undertaken by the General Partner Entity in the future, the purchase price paid by the General Partner Entity for those Shares and any other expenses incurred by the General Partner Entity in connection with such purchase shall be considered expenses of the Partnership and shall be reimbursable to the General Partner Entity, subject to the conditions that: (i) if those Shares subsequently are to be sold by the General Partner Entity, the General Partner Entity shall pay to the Partnership any proceeds received by the General Partner Entity for those Shares (provided that a transfer of Shares for Units pursuant to Section 8.6 would not be considered a sale for such purposes), and (ii) if such Shares are not retransferred by the General Partner Entity within thirty (30) days after the purchase thereof, the General Partner Entity shall cause the Partnership to cancel a number of Units (rounded to the nearest whole Unit) of the corresponding class held by the General Partner Entity equal to (i) in the case of Common Shares, the product attained by multiplying the number of those Common Shares by a fraction, the numerator of which is one and the denominator of which is the Conversion Factor, and (ii) in the case of any other Shares, the number of such Shares, which Units shall be treated as having been redeemed by the Partnership for the payment made by the Partnership to the General Partner Entity with respect to the corresponding Shares.

E. Reimbursement not a Distribution. Except as set forth in the succeeding sentence, if and to the extent any reimbursement made pursuant to this Section 7.4 is determined for federal income tax purposes not to constitute a payment of expenses of the Partnership, the amount so determined shall constitute a guaranteed payment with respect to capital within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners and shall not be treated as a distribution for purposes of computing the Partners' Capital Accounts. Amounts deemed paid by the Partnership to the General Partner in connection with the redemption of Units pursuant to clause (ii) of subparagraph (D) above shall be treated as a distribution for purposes of computing the Partner's Capital Accounts.

Section 7.5 **Outside Activities of the General Partner; Relationship of Shares to Units; Funding Debt**

A. General. Without the Consent of the Outside Limited Partners, the General Partner shall not, directly or indirectly, enter into or conduct any business other than in connection with the ownership, acquisition and disposition of Partnership Interests as a General Partner or Limited Partner and the management of the business of the Partnership and such activities as are incidental thereto. Without the Consent of the Outside Limited Partners, following the consummation of the Partnership Rollup, the assets of the General Partner shall be limited to Partnership Interests and permitted debt obligations of the Partnership (as contemplated by Section 7.5.F), so that Shares and Units are completely fungible except as otherwise specifically provided herein; provided, that the General Partner shall be permitted to hold such bank accounts or similar instruments or accounts in

its name as it deems necessary to carry out its responsibilities and purposes as contemplated under this Agreement and its organizational documents (provided that accounts held on behalf of the Partnership to permit the General Partner to carry out its responsibilities under this Agreement shall be considered to belong to the Partnership and the interest earned thereon shall, subject to Section 7.4.B, be applied for the benefit of the Partnership); and, provided further, that the General Partner shall be permitted to hold and acquire, directly or through a Qualified REIT Subsidiary or limited liability company, Qualified Assets. The General Partner and any of its Subsidiaries may acquire Limited Partnership Interests and shall be entitled to exercise all rights of a Limited Partner relating to such Limited Partnership Interests.

B. Repurchase of Shares and Other Securities. If the General Partner Entity exercises its rights under the Articles of Incorporation to purchase Shares or otherwise elects to purchase from the holders thereof Shares, other equity securities of the General Partner Entity, New Securities or Convertible Funding Debt, then the General Partner shall cause the Partnership to purchase from the General Partner (i) in the case of a purchase of Common Shares, that number of Class A Units equal to the product obtained by multiplying the number of Shares purchased by the General Partner Entity times a fraction, the numerator of which is one and the denominator of which is the Conversion Factor, or (ii) in the case of the purchase of any other class of Shares, other equity securities of the General Partner Entity, New Securities or Convertible Funding Debt, the Units, other Partnership Interests or rights, options, warrants or convertible or exchangeable securities of the Partnership corresponding to the securities so purchased by the General Partner Entity, in each case on the same terms and for the same aggregate price that the General Partner Entity purchased such securities.

C. Forfeiture of Shares. If the Partnership or the General Partner Entity acquires Shares as a result of the forfeiture of such Shares under a restricted share, share bonus or any other similar share plan, then the General Partner shall cause the Partnership to cancel, without payment of any consideration to the General Partner, that number of Units of the appropriate class equal to the number of Shares so acquired, and, if the Partnership acquired such Shares, it shall transfer such Shares to the General Partner for cancellation.

D. Issuances of Shares and Other Securities. After the date hereof, the General Partner Entity shall not grant, award or issue any additional Common Shares (other than Common Shares issued pursuant to Section 8.6 hereof or pursuant to a dividend or distribution (including any share split) of Common Shares to all of holders of Common Shares that results in an adjustment to the Conversion Factor pursuant to clause (i), (ii) or (iii) of the definition thereof), other equity securities of the General Partner Entity, New Securities or Convertible Funding Debt unless (i) the General Partner shall cause, pursuant to Section 4.2.A hereof, the Partnership to issue to the General Partner Partnership Interests or rights, options, warrants or convertible or exchangeable securities of the Partnership having designations, preferences and other rights, all such that the economic interests are substantially the same as those of such additional Common Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, and (ii) the General Partner transfers to the Partnership, as an additional Capital Contribution, the proceeds from the grant, award or issuance of such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, or from the exercise of rights contained in such additional Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be. Without limiting the foregoing, the General Partner Entity is expressly authorized to issue additional Common

Shares, other equity securities, New Securities or Convertible Funding Debt, as the case may be, for less than fair market value, and the General Partner is expressly authorized, pursuant to Section 4.2.A hereof, to cause the Partnership to issue to the General Partner corresponding Partnership Interests (for example, and not by way of limitation, the issuance of Shares and corresponding Units pursuant to a share purchase plan providing for purchases of Shares, either by employees or shareholders, at a discount from fair market value or pursuant to employee share options that have an exercise price that is less than the fair market value of the Shares, either at the time of issuance or at the time of exercise), as long as (a) the General Partner concludes in good faith that such issuance is in the interests of the General Partner and the Partnership and (b) the General Partner transfers all proceeds from any such issuance or exercise to the Partnership as an additional Capital Contribution.

E. Share Option Plan. If at any time or from time to time, the General Partner Entity sells Common Shares pursuant to any Share Option Plan, the General Partner shall transfer the net proceeds of the sale of such Common Shares to the Partnership as an additional Capital Contribution in exchange for an amount of additional Units equal to the number of Common Shares so sold divided by the Conversion Factor.

F. Funding Debt. The General Partner or the General Partner Entity or any wholly owned Subsidiary of either of them may incur a Funding Debt, including, without limitation, a Funding Debt that is convertible into Shares or otherwise constitutes a class of New Securities ("Convertible Funding Debt"), subject to the condition that the General Partner, the General Partner Entity or such Subsidiary, as the case may be, lend to the Partnership the net proceeds of such Funding Debt; provided that Convertible Funding Debt shall be issued in accordance with the provisions of Section 7.5.D above; and, provided further that the General Partner, the General Partner Entity or such Subsidiary shall not be obligated to lend the net proceeds of any Funding Debt to the Partnership in a manner that would be inconsistent with the General Partner Entity's ability to remain qualified as a REIT. If the General Partner, General Partner Entity or such Subsidiary enters into any Funding Debt, the loan to the Partnership shall be on comparable terms and conditions, including interest rate, repayment schedule, costs and expenses and other financial terms, as are applicable with respect to or incurred in connection with such Funding Debt.

Section 7.6 **Transactions with Affiliates**

A. Transactions with Certain Affiliates. Except as expressly permitted by this Agreement with respect to any non-arms'-length transaction with an Affiliate, the Partnership shall not, directly or indirectly, sell, transfer or convey any property to, or purchase any property from, or borrow funds from, or lend funds to, any Partner or any Affiliate of the Partnership or the General Partner that is not also a Subsidiary of the Partnership, except pursuant to transactions that are determined in good faith by the General Partner to be on terms that are fair and reasonable and no less favorable to the Partnership than would be obtained from an unaffiliated third party.

B. Conflict Avoidance. The General Partner is expressly authorized to enter into, in the name and on behalf of the Partnership, a noncompetition arrangement and other conflict avoidance agreements with various Affiliates of the Partnership and the General Partner, and Marriott International and any Affiliates thereof on such terms as the General Partner, in its sole and absolute discretion, believes is advisable.

C. Benefit Plans Sponsored by the Partnership. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt on behalf of the Partnership employee benefit plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them.

Section 7.7 **Indemnification**

A. General. The Partnership shall indemnify each Indemnitee to the fullest extent provided by the Act from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from or in connection with any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, incurred by the Indemnitee and relating to the Partnership or the General Partner or the operation of, or the ownership of property by, any of them as set forth in this Agreement in which any such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established by a final determination of a court of competent jurisdiction that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty, (ii) the Indemnitee actually received an improper personal benefit in money, property or services or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guarantee, contractual obligation for any indebtedness or other obligation or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee acted in a manner contrary to that specified in this Section 7.7.A with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and any insurance proceeds from the liability policy covering the General Partner and any Indemnitee, and neither the General Partner nor any Limited Partner shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

B. Advancement of Expenses. Reasonable expenses incurred or expected to be incurred by an Indemnitee shall be paid or reimbursed by the Partnership in advance of the final disposition of any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative made or threatened against an Indemnitee upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in this Section 7.7.A has been met and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. No Limitation of Rights. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partnership, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity unless otherwise provided in a written agreement pursuant to which such Indemnitee is indemnified.

D. Insurance. The Partnership may purchase and maintain insurance on behalf of the Indemnitees and such other Persons as the General Partner shall determine against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Indemnitee or Person against such liability under the provisions of this Agreement.

E. Benefit Plan Fiduciary. For purposes of this Section 7.7, (i) excise taxes assessed on an Indemnitee, or for which the Indemnitee is otherwise found liable, in connection with an ERISA Plan Investor pursuant to applicable law shall constitute fines within the meaning of this Section 7.7 and (ii) actions taken or omitted by the Indemnitee in connection with an ERISA Plan Investor in the performance of its duties shall be deemed to be for a purpose which is not opposed to the best interests of the Partnership.

F. No Personal Liability for Partners. In no event may an Indemnitee subject any of the Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

G. Interested Transactions. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. Benefit. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their employees, officers, directors, trustees, heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 7.7, or any provision hereof, shall be prospective only and shall not in any way affect the limitation on the Partnership's liability to any Indemnitee under this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or related to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

I. Indemnification Payments Not Distributions. If and to the extent any payments to the General Partner pursuant to this Section 7.7 constitute gross income to the General Partner (as opposed to the repayment of advances made on behalf of the Partnership), such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

J. Exception to Indemnification. Notwithstanding anything to the contrary in this Agreement, the General Partner shall not be entitled to indemnification hereunder for any loss, claim, damage, liability or expense for which the General Partner is obligated to indemnify the Partnership under any other agreement between the General Partner and the Partnership.

Section 7.8 **Liability of the General Partner**

A. General. Notwithstanding anything to the contrary set forth in this Agreement, the General Partner shall not be liable for monetary damages to the Partnership, any Partners or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission unless the General Partner acted, or failed to act, in bad faith and the act or omission was material to the matter giving rise to the loss, liability or benefit not derived.

B. Obligation to Consider Interests of General Partner Entity. The Limited Partners expressly acknowledge that the General Partner, in considering whether to dispose of any of the Partnership assets, shall take into account the tax consequences to the General Partner Entity of any such disposition and shall have no liability whatsoever to the Partnership or any Limited Partner for decisions that are based upon or influenced by such tax consequences.

C. No Obligation to Consider Separate Interests of Limited Partners or Shareholders. The Limited Partners expressly acknowledge that the General Partner is acting on behalf of the Partnership and the General Partner's shareholders collectively, that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners or Assignees) in deciding whether to cause the Partnership to take (or decline to take) any actions, and that the General Partner shall not be liable for monetary damages for losses sustained, liabilities incurred or benefits not derived by Limited Partners in connection with such decisions, provided that the General Partner has acted in good faith and pursuant to its authority under this Agreement.

D. Actions of Agents. Subject to its obligations and duties as General Partner set forth in Section 7.1.A, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

E. Effect of Amendment. Notwithstanding any other provision contained herein, any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's liability to the Partnership and the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 7.9 **Other Matters Concerning the General Partner**

A. Reliance on Documents. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties.

B. Reliance on Advisors. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected

by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. Action Through Agents. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the General Partner hereunder.

D. Actions to Maintain REIT Status or Avoid Taxation of the General Partner Entity. Notwithstanding any other provisions of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner Entity to continue to qualify as a REIT or (ii) to allow the General Partner Entity to avoid incurring any liability for taxes under Section 857 or 4981 of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 **Reliance by Third Parties**

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without consent or approval of any other Partner or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership, to enter into any contracts on behalf of the Partnership and to take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if the General Partner were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing, in each case except to the extent that such action does or purports to impose liability on the Limited Partner. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership, and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

Section 7.11 **Restrictions on General Partner's Authority**

A. Consent Required. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the written Consent of (i) all Partners

adversely affected or (ii) such lower percentage of the Limited Partnership Interests as may be specifically provided for under a provision of this Agreement or the Act. The preceding sentence shall not apply to any limitation or prohibition in this Agreement that expressly authorizes the General Partner to take action (either in its discretion or in specified circumstances) so long as the General Partner acts within the scope of such authority.

B. Sale of All Assets of the Partnership. Except as provided in Article XIV and subject to the provisions of Section 7.11.C, the General Partner may not, directly or indirectly, cause the Partnership to sell, exchange, transfer or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger (including a triangular merger), consolidation or other combination with any other Persons) without the Consent of Partners holding Percentage Interests that are more than fifty percent (50%) of the aggregate Percentage Interest represented by all Partnership Interests then entitled to vote thereon (including for this purpose any such Partnership Interests held by the General Partner), provided, however, that the foregoing limitation shall not apply to any leases of all or substantially all of the Partnership's assets entered into by the Partnership in order to satisfy any REIT Requirements.

C. Voting Rights of Limited Partners during the Initial Holding Period.

(1) During the Initial Holding Period, if a vote of the shareholders of the General Partner is required in connection with any of the transactions described in clause (i), (ii) or (iii) below, the Partnership shall not engage in such transaction unless such transaction is approved by the holders of a majority of all outstanding Class A Units and Class B Units (or, in the case of a transaction described in clause (iii), a majority of the Class A Units and Class B Units that are voted, provided that at least a majority of the Class A Units and Class B Units are voted), including Class A Units and Class B Units held by the General Partner, voting as a single class with the General Partner voting its Class A Units and Class B Units in the same proportion as its shareholders vote. The transactions subject to this paragraph are: (i) a sale of all or substantially all of the assets of the Partnership; (ii) a merger involving the Partnership; or (iii) any issuance of Units in connection with an issuance of Common Shares representing 20% or more of the outstanding Common Shares of the General Partner Entity which would require shareholder approval of such transaction under the rules of the Nasdaq Stock Market.

(2) During the Initial Holding Period, any taxable sale or sales of hotels representing more than 10% of the aggregate Appraised Value of the hotels of any partnership the interests in which were contributed to the Partnership in exchange for Units would require, in addition to any other approval requirements, the approval of a majority of all outstanding Units held by Persons who formerly were limited partners of such partnership, voting as a separate class.

Section 7.12 **Loans by Third Parties**

The Partnership may incur Debt, or enter into similar credit, guarantee, financing or refinancing arrangements for any purpose (including, without limitation, in connection with any

acquisition of property) with any Person that is not the General Partner upon such terms as the General Partner determines appropriate (subject to Section 7.6); provided that, the Partnership shall not incur any Debt that is recourse to the General Partner, except to the extent otherwise agreed to by such General Partner in its sole discretion.

ARTICLE VIII RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 **Limitation of Liability**

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement, including Section 10.5 and Section 14.3, or under the Act.

Section 8.2 **Management of Business**

No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operation, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 **Outside Activities of Limited Partners**

Subject to Section 7.5 hereof, and subject to any agreements entered into pursuant to Section 7.6.C hereof and to any other agreements entered into by a Limited Partner or its Affiliates with the Partnership or a Subsidiary, any Limited Partner (other than the General Partner) and any officer, director, employee, agent, trustee, Affiliate or shareholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct or indirect competition with the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. None of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner to the extent expressly provided herein), and such Person (other than the General Partner) shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character which, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 **Return of Capital**

Except pursuant to the right of redemption set forth in Section 8.6, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided

herein. No Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions (except as permitted by Section 4.2.A) or, except to the extent provided by Exhibit C or as permitted by Sections 4.2.A, 5.1.B (i), 6.1.A (ii) and 6.1.B (i), or otherwise expressly provided in this Agreement, as to profits, losses, distributions or credits.

Section 8.5 **Rights of Limited Partners Relating to the Partnership**

A. General. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.D, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at such Limited Partner's own expense:

- (1) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the General Partner Entity pursuant to the Exchange Act;
- (2) to obtain a copy of the Partnership's federal, state and local income tax returns for each Partnership Year;
- (3) to obtain a current list of the name and last known business, residence or mailing address of each Partner;
- (4) to obtain a copy of this Agreement, the Certificate and the Articles of Incorporation and all amendments thereto, together with executed copies of all powers of attorney pursuant to which this Agreement, the Certificate, the Articles of Incorporation and all amendments thereto have been executed; and
- (5) to obtain true and full information regarding the amount of cash and a description and statement of any other property or services contributed by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner.

B. Notice of Conversion Factor. The Partnership shall promptly notify each Limited Partner (i) upon request of the then current Conversion Factor and (ii) of any changes to the Conversion Factor.

C. Notice of Extraordinary Transaction of the General Partner Entity. The General Partner Entity shall not make any extraordinary distributions of cash or property to its shareholders or effect a merger (including, without limitation, a triangular merger), consolidation or other combination with or into another Person, a sale of all or substantially all of its assets or any other similar extraordinary transaction without providing written notice to the Limited Partners of its intention to make such distribution or effect such merger, consolidation, combination, sale or other extraordinary transaction at least twenty (20) Business Days prior to the record date to determine equity holders eligible to receive such distribution or to vote upon the approval of such merger, sale or other extraordinary transaction (or, if no such record date is applicable, at least twenty (20) Business Days before consummation of such merger, sale or other extraordinary transaction), which notice shall describe in reasonable detail the action to be taken. This provision for such notice shall

not be deemed (i) to permit any transaction that otherwise is prohibited by this Agreement or requires a Consent of the Partners or (ii) to require a Consent of the Limited Partners to a transaction that does not otherwise require Consent under this Agreement. Each Limited Partner agrees, as a condition to the receipt of the notice pursuant hereto, to keep confidential the information set forth therein until such time as the General Partner Entity has made public disclosure thereof and to use such information during such period of confidentiality solely for purposes of determining whether to exercise the Unit Redemption Right; provided, however, that a Limited Partner may disclose such information to its attorney, accountant and/or financial advisor for purposes of obtaining advice with respect to such exercise so long as such attorney, accountant and/or financial advisor agrees to receive and hold such information subject to this confidentiality requirement.

D. **Confidentiality.** Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or could damage the Partnership or its business or (ii) the Partnership is required by law or by agreements with unaffiliated third parties to keep confidential, provided that this Section 8.5.D shall not affect the twenty (20) Business Day requirements set forth in Section 8.5.C above.

Section 8.6 **Unit Redemption Right**

A. **General.** (i) Subject to Section 8.6.C, Section 8.6.D and Section 8.6.E, at any time on or after one year following the date of the initial issuance thereof (which, in the event of the transfer of a Class A Unit or Class B Unit, shall be deemed to be the date that the Class A Unit (or corresponding Class B Unit) or such Class B Unit, as the case may be, was issued to the original recipient thereof for purposes of this Section 8.6), the holder of a Class A Unit (if other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity) shall have the right (the "Unit Redemption Right") to require the Partnership to redeem such Unit, with such redemption to occur on the Specified Redemption Date and at a redemption price equal to and in the form of the Cash Amount to be paid by the Partnership. Any such Unit Redemption Right shall be exercised pursuant to a Notice of Redemption delivered to the Partnership (with a copy to the General Partner) by the holder of the Class A Units who is exercising the Unit Redemption Right (the "Redeeming Partner"). A Limited Partner may exercise the Unit Redemption Right from time to time, without limitation as to frequency, with respect to part or all of the Class A Units that it owns, as selected by the Limited Partner, provided that a Limited Partner may not exercise the Unit Redemption Right for less than one thousand (1,000) Class A Units unless such Redeeming Partner then holds less than one thousand (1,000) Class A Units, in which event the Redeeming Partner must exercise the Unit Redemption Right for all of the Class A Units held by such Redeeming Partner, and provided further that, with respect to a Limited Partner which is an entity, such Limited Partner may exercise the Unit Redemption Right for less than one thousand (1,000) Class A Units without regard to whether or not such Limited Partner is exercising the Unit Redemption Right for all of the Class A Units held by such Limited Partner as long as such Limited Partner is exercising the Unit Redemption Right on behalf of one or more of its equity owners in respect of one hundred percent (100%) of such equity owners' interests in such Limited Partner. For purposes hereof, a Class A Unit issued upon conversion of a Class B Unit shall be deemed to have been issued when the Class B Unit was issued.

(ii) The Redeeming Partner shall have no right with respect to any Class A Units so redeemed to receive any distributions paid in respect of a Partnership Record Date for distributions in respect of Class A Units and Class B Units occurring after the Specified Redemption Date of such Units.

(iii) The Assignee of any Limited Partner may exercise the rights of such Limited Partner pursuant to this Section 8.6, and such Limited Partner shall be deemed to have assigned such rights to such Assignee and shall be bound by the exercise of such rights by such Limited Partner's Assignee. In connection with any exercise of such rights by such Assignee on behalf of such Limited Partner, the Cash Amount shall be paid by the Partnership directly to such Assignee and not to such Limited Partner.

(iv) If the General Partner provides notice to the Limited Partners, pursuant to Section 8.5.C hereof, the Unit Redemption Right shall be exercisable, without regard to whether the Units have been outstanding for any specified period, during the period commencing on the date on which the General Partner provides such notice and ending on the record date to determine shareholders eligible to receive such distribution or to vote upon the approval of such merger, sale or other extraordinary transaction (or, if no such record date is applicable, at least twenty (20) Business Days before the consummation of such merger, sale or other extraordinary transaction). If this subparagraph (iv) applies, the Specified Redemption Date is the date on which the Partnership and the General Partner receive notice of exercise of the Unit Redemption Right, rather than ten (10) Business Days after receipt of the notice of redemption.

B. General Partner Assumption of Right. (i) If a Limited Partner has delivered a Notice of Redemption, the General Partner may, in its sole and absolute discretion (subject to the limitations on ownership and transfer of Shares set forth in the Articles of Incorporation) and upon providing written notice to the Limited Partners at least three (3) Business Days in advance, elect to assume directly and satisfy a Unit Redemption Right by paying to the Redeeming Partner either the Cash Amount or the Shares Amount, as the General Partner determines in its sole and absolute discretion (provided that payment of the Redemption Amount in the form of Common Shares shall be in Common Shares registered under Section 12 of the Exchange Act and listed for trading on the exchange or national market on which the Common Shares are Publicly Traded and the issuance of Common Shares upon redemption shall be registered under the Securities Act or, at the election of the General Partner, resale of the Common Shares issued upon redemption shall be registered (so long as the Redeeming Partner provides all information required for such registration), and, provided further that, if the Common Shares are not Publicly Traded at the time a Redeeming Partner exercises its Unit Redemption Right, the Redemption Amount shall be paid only in the form of the Cash Amount unless the Redeeming Partner, in its sole and absolute discretion, consents to payment of the Redemption Amount in the form of the Shares Amount), on the Specified Redemption Date, whereupon the General Partner shall acquire the Units offered for redemption by the Redeeming Partner and shall be treated for all purposes of this Agreement as the owner of such Units. Unless the General Partner, in its sole and absolute discretion, shall exercise its right to assume directly and satisfy the Unit Redemption Right, the General Partner shall not have any obligation to the Redeeming Partner or to the Partnership with respect to the Redeeming Partner's exercise of the Unit Redemption Right. If the General Partner shall exercise its right to satisfy the Unit Redemption Right in the manner described in the first sentence of this Section 8.6.B and shall fully perform its obligations in connection therewith, the Partnership shall have no right or

obligation to pay any amount to the Redeeming Partner with respect to such Redeeming Partner's exercise of the Unit Redemption Right, and each of the Redeeming Partner, the Partnership and the General Partner shall, for federal income tax purposes, treat the transaction between the General Partner and the Redeeming Partner as a sale of the Redeeming Partner's Units to the General Partner. Nothing contained in this Section 8.6.B shall imply any right of the General Partner to require any Limited Partner to exercise the Unit Redemption Right afforded to such Limited Partner pursuant to Section 8.6.A.

(ii) If the General Partner determines to pay the Redeeming Partner the Redemption Amount in the form of Common Shares, the total number of Common Shares to be paid to the Redeeming Partner in exchange for the Redeeming Partner's Class A Units shall be the applicable Shares Amount. If this amount is not a whole number of Common Shares, the Redeeming Partner shall be paid (i) that number of Common Shares which equals the nearest whole number less than such amount plus (ii) an amount of cash which the General Partner determines, in its reasonable discretion, to represent the fair value of the remaining fractional Common Share which would otherwise be payable to the Redeeming Partner.

(iii) Each Redeeming Partner agrees to execute such documents as the General Partner may reasonably require in connection with the issuance of Common Shares upon exercise of the Unit Redemption Right.

(iv) Any Common Shares issued in accordance with this Section 8.6.B will be duly and validly authorized and will be validly issued, fully paid and nonassessable and will not be subject to any preemptive rights.

C. Exceptions to Exercise of Unit Redemption Right. Notwithstanding the provisions of Sections 8.6.A and 8.6.B, a holder of Class A Units shall not be entitled to exercise the Unit Redemption Right pursuant to Section 8.6.A if (but only as long as) the delivery of Shares to such holder on the Specified Redemption Date would be (i) prohibited under those portions of the Articles of Incorporation relating to restrictions on ownership and transfer of Shares or (ii) prohibited under applicable federal or state securities laws or regulations (in each case regardless of whether the General Partner would in fact assume and satisfy the Unit Redemption Right).

D. No Liens on Units Delivered for Redemption. All Class A Units delivered for redemption shall be delivered to the Partnership or the General Partner, as the case may be, free and clear of all liens, and, notwithstanding anything contained herein to the contrary, neither the General Partner nor the Partnership shall be under any obligation to acquire Class A Units which are or may be subject to any liens. If any state or local property transfer tax is payable as a result of the transfer of Units to the Partnership or the General Partner pursuant to the Unit Redemption Right, the Redeeming Partner shall assume and pay such transfer tax.

E. Additional Partnership Interests: Modification of Holding Period. If the Partnership issues Partnership Interests to any Additional Limited Partner pursuant to Article IV, the General Partner shall make such revisions to this Section 8.6 as it determines are necessary to reflect the issuance of such Partnership Interests (including setting forth any restrictions on the exercise of the Unit Redemption Right with respect to such Partnership Interests which differ from those set forth in this Agreement), provided that no such revisions shall materially adversely affect the rights of

any other Limited Partner to exercise its Unit Redemption Rights without that Limited Partner's prior written consent. In addition, the General Partner may, with respect to any holder or holders of Units, at any time and from time to time, as it shall determine in its sole discretion, reduce or waive the length of the period prior to which such holder or holders may not exercise the Unit Redemption Right.

ARTICLE IX BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 **Records and Accounting**

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

Section 9.2 **Fiscal Year**

The fiscal year of the Partnership shall be the calendar year.

Section 9.3 **Reports**

A. Annual Reports. As soon as practicable, but in no event later than the date on which the General Partner Entity mails its annual report to its equity holders, the General Partner shall cause to be mailed to each Limited Partner an annual report, as of the close of the most recently ended Partnership Year, containing financial statements of the Partnership and its Subsidiaries, or of the General Partner Entity if such statements are prepared solely on a consolidated basis with the Partnership, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner Entity.

B. Quarterly Reports. If and to the extent that the General Partner Entity mails quarterly reports to its shareholders, as soon as practicable, but in no event later than the date on such reports are mailed, the General Partner Entity shall cause to be mailed to each Limited Partner a report containing unaudited financial statements, as of the last day of such fiscal quarter, of the Partnership, or of the General Partner Entity if such statements are prepared solely on a consolidated basis with the Partnership, and such other information as may be required by applicable law or regulation, or as the General Partner determines to be appropriate.

C. General Partner Entity Communications to Equity Holders. The General Partner shall cause to be mailed to each Limited Partner a copy of each written report, proxy statement or other communication sent to holders of Shares. Such materials will be sent to each Limited Partner on the same date on which they are first sent to holders of Shares.

ARTICLE X
TAX MATTERS

Section 10.1 Preparation of Tax Returns

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for federal and state income tax reporting purposes.

Section 10.2 Tax Elections

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code (including, without limitation, the election under Section 754 of the Code). The General Partner shall have the right to seek to revoke any such election upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 Tax Matters Partner

A. General. The General Partner shall be the “tax matters partner” of the Partnership pursuant to Section 6231(a)(7) of the Code under the Former Partnership Audit Rules and the Partnership shall be the “partnership representative” pursuant to Section 6223(a) of the Code under the 2015 Budget Act Partnership Audit Rules, in each case for U.S. federal income tax purposes and any corresponding state or local income tax purposes. The Partnership shall have the authority to designate from time to time a “designated individual” to act on behalf of the partnership representative, and the “designated individual” shall be subject to replacement in accordance with Regulations Section 301.6223-1. The “designated individual” shall act only as directed by the partnership representative. To the extent that Section 6230(e) of the Former Partnership Audit Rules is applicable, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the General Partner shall furnish the IRS with the name, address, taxpayer identification number and profit interest of each of the Limited Partners and any Assignees; provided, however, that such information is provided to the Partnership by the Limited Partners and the Assignees.

B. Powers. The General Partner and the Partnership, as applicable, are authorized, but not required (and the Partners hereby consent to the tax matters partner and the partnership representative, as relevant, taking the following actions):

- (i) to elect out of the 2015 Budget Act Partnership Audit Rules, if available;

(ii) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a “tax audit” and such judicial proceedings being referred to as “judicial review”), and in the settlement agreement the General Partner or the Partnership, as applicable, may expressly state that such agreement shall bind the Partnership and all Partners, except that, so long as the Former Partnership Audit Rules are in effect, such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations under the Former Partnership Audit Rules) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner or (ii) who is a “notice partner” (as defined in Section 6231(a)(8) of the Former Partnership Audit Rules) or a member of a “notice group” (as defined in Section 6223(b)(2) of the Former Partnership Audit Rules);

(iii) in the event that a notice of a final administrative adjustment assessed by the IRS or any other tax authority, at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a “final adjustment”) is mailed to the General Partner or the Partnership, as applicable, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the United States Tax Court or the filing of a complaint for refund with the United States Claims Court or the District Court of the United States for the district in which the Partnership’s principal place of business is located;

(iv) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

(v) to file a request for an administrative adjustment with the IRS or other tax authority at any time and, if any part of such request is not allowed by the IRS or other tax authority, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(vi) to enter into an agreement with the IRS or other tax authority to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item;

(vii) to take any other action on behalf of the Partners or the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations, including, without limitation, the following actions to the extent that the 2015 Budget Act Partnership Audit Rules apply to the Partnership and its current or former Partners:

- a. electing to have the alternative method for the underpayment of taxes set forth in Section 6226 of the Code, as included in the 2015 Budget Act Partnership Audit Rules, apply to the Partnership and its current or former Partners; and
 - b. for Partnership level assessments under Section 6225 of the Code, as included in the 2015 Budget Act Partnership Audit Rules, determining apportionment of responsibility for payment among the current or former Partners, setting aside reserves from available funds of the Partnership, withholding of distributions to the Partners, and requiring current or former Partners to make cash payments to the Partnership for their share of the Partnership level assessments; and
- (viii) to take any other action required or permitted by the Code and Regulations in connection with its role as the tax matters partner and the partnership representative, as relevant.

The taking of any action and the incurring of any expense by the General Partner or the Partnership, as applicable, in connection with any such audit or proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the General Partner or the Partnership, as applicable, and the provisions relating to indemnification of the General Partner set forth in Section 7.7 of this Agreement shall be fully applicable to the tax matters partner, the partnership representative and the designated individual, as relevant, in their capacity as such. In addition, the General Partner shall be entitled to indemnification set forth in Section 7.7 for any liability for tax imposed on the Partnership under the 2015 Budget Act Partnership Audit Rules that is collected from the General Partner.

The current and former Partners agree to provide the following information and documentation to the Partnership and the tax matters partner to the extent that the 2015 Budget Act Partnership Audit Rules apply to the Partnership and its current or former Partners:

- (1) information and documentation to determine and prove eligibility of the Partnership to elect out of the 2015 Budget Act Partnership Audit Rules;
- (2) information and documentation to reduce the Partnership level assessment consistent with Section 6225(c) of the Code, as included in the 2015 Budget Act Partnership Audit Rules; and
- (3) information and documentation to prove payment of the attributable liability under Section 6226 of the Code (including, without limitation, any amended returns), as included in the 2015 Budget Act Partnership Audit Rules.

C. Reimbursement. The tax matters partner, the partnership representative and the designated individual shall receive no compensation for their services. All third-party costs and expenses incurred by the tax matters partner, the partnership representative and the designated individual in performing their respective duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging an accounting and/or law firm to assist the tax matters partner, the

partnership representative and the designated individual in discharging their respective duties hereunder, so long as the compensation paid by the Partnership for such services is reasonable.

D. Survival. The obligations of each Partner under this Section 10.3 shall survive such Partner's withdrawal from the Partnership, and each Partner agrees to execute such documentation requested by the Partnership at the time of such Partner's withdrawal from the Partnership to acknowledge and confirm such Partner's continuing obligations under this Section 10.3.

Section 10.4 **Organizational Expenses**

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty (60) month period as provided in Section 709 of the Code.

Section 10.5 **Withholding**

Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of federal, state, local, or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Section 1441, 1442, 1445 or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. If a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including, without limitation, the right to receive distributions). Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in The Wall Street Journal, plus four (4) percentage points (but not higher than the maximum lawful rate under the laws of the State of Maryland) from the date such amount is due (i.e., fifteen (15) days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request to perfect or enforce the security interest created hereunder.

ARTICLE XI TRANSFERS AND WITHDRAWALS

Section 11.1 **Transfer**

HB 1460346

A. Definition. The term "transfer," when used in this Article XI with respect to a Partnership Interest or a Unit, shall be deemed to refer to a transaction by which a General Partner purports to assign all or any part of its General Partnership Interest to another Person or by which a Limited Partner purports to assign all or any part of its Limited Partnership Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise. The term "transfer" when used in this Article XI does not include any redemption or repurchase of Units by the Partnership from a Partner or acquisition of Units from a Limited Partner by the General Partner pursuant to Section 8.6 or otherwise. No part of the interest of a Limited Partner shall be subject to the claims of any creditor, any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. General. No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article XI. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article XI shall be null and void.

Section 11.2 Transfers of Partnership Interests of General Partner

A. General. The General Partner may not transfer any of its Partnership Interest (including both its General Partnership Interest and its Limited Partnership Interest) except in connection with a transaction described in Section 11.2.B, any merger (including a triangular merger), consolidation or other combination with or into another Person following the consummation of which the shareholders of the surviving entity are substantially identical to the shareholders of the General Partner Entity, or as otherwise expressly permitted under this Agreement, nor shall the General Partner withdraw as General Partner except in connection with a transaction described in Section 11.2.B or any such merger, consolidation, or other combination described above.

B. Specific Transactions Prohibited. The General Partner Entity shall not engage in any merger (including a triangular merger), consolidation or other combination with or into another Person (other than any transaction following the consummation of which the shareholders of the surviving entity are substantially identical to the shareholders of the General Partner Entity), sale of all or substantially all of its assets or any reclassification, recapitalization or change of outstanding Shares (other than a change in par value, or from par value to no par value, or as a result of a subdivision or combination as described in the definition of "Conversion Factor") ("Termination Transaction"), unless (i) the Termination Transaction has been approved by the Consent of Partners holding Percentage Interests that are more than fifty percent (50%) of the aggregate Percentage Interest represented by all Partnership Interests then entitled to vote thereon (including for this purpose any such Partnership Interests held by the General Partner), (ii) following such merger or other consolidation, substantially all of the assets of the surviving entity consist of Units and (iii) in connection with which all Limited Partners either will receive, or will have the right to receive, for each Unit an amount of cash, securities, or other property equal to the product of the Conversion Factor and the greatest amount of cash, securities or other property paid to a holder of Shares, if any, corresponding to such Unit in consideration of one such Share at any time during the period from and after the date on which the Termination Transaction is consummated; provided that, if, in connection with the Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of more than sixty-six and two-thirds percent (66 2/3%) of the outstanding Shares, or such other percentage required for the approval of mergers under the charter

documents of the General Partner Entity, each holder of Units shall receive, or shall have the right to receive without any right of Consent set forth above in this subsection B, the greatest amount of cash, securities, or other property which such holder would have received had it exercised the Unit Redemption Right and received Shares in exchange for its Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer. The General Partner shall not enter into an agreement or other arrangement providing for or facilitating the creation of a General Partner Entity other than the General Partner, unless the successor General Partner Entity executes and delivers a counterpart to this Agreement in which such General Partner Entity agrees to be fully bound by all of the terms and conditions contained herein that are applicable to a General Partner Entity.

Section 11.3 **Limited Partners' Rights to Transfer**

A. General. Except to the extent expressly permitted in Sections 11.3.B and 11.3.C or in connection with the exercise of a Unit Redemption Right pursuant to Section 8.6, a Limited Partner may not transfer all or any portion of its Partnership Interest, or any of such Limited Partner's rights as a Limited Partner, without the prior written consent of the General Partner, which consent may be withheld in the General Partner's sole and absolute discretion. Any transfer otherwise permitted under Sections 11.3.B and 11.3.C shall be subject to the conditions set forth in Section 11.3.D, 11.3.E and 11.3.F, and all permitted transfers shall be subject to Section 11.5.

B. Incapacitated Limited Partners. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate and such power as the Incapacitated Limited Partner possessed to transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. Permitted Transfers. A Limited Partner may transfer, with or without the consent of the General Partner, all or a portion of its Partnership Interest (i) in the case of a Limited Partner who is an individual, to a member of his Immediate Family, any trust formed for the benefit of himself and/or members of his Immediate Family, or any partnership, limited liability company, joint venture, corporation or other business entity comprised only of himself and/or members of his Immediate Family and entities the ownership interests in which are owned by or for the benefit of himself and/or members of his Immediate Family, (ii) in the case of a Limited Partner which is a trust, to the beneficiaries of such trust, (iii) in the case of a Limited Partner which is a partnership, limited liability company, joint venture, corporation or other business entity to which Units were transferred pursuant to clause (i) above, to its partners, owners or stockholders, as the case may be, who are members of the Immediate Family of or are actually the Person(s) who transferred Units to it pursuant to clause (i) above, (iv) in the case of a Limited Partner which acquired Units as of the date of the Second A&R Partnership Agreement and which is a partnership, limited liability company, joint venture, corporation or other business entity, to its partners, owners, stockholders or Affiliates thereof, as the case may be, or the Persons owning the beneficial interests in any of its partners, owners or stockholders or Affiliates thereof (it being understood that this clause (iv) will apply to all of each Person's Partnership Interests whether the Units relating thereto were acquired on such date or thereafter), (v) in the case of a Limited Partner which is a partnership, limited liability company, joint venture, corporation or other business entity other than any of the foregoing

described in clause (iii) or (iv), in accordance with the terms of any agreement between such Limited Partner and the Partnership pursuant to which such Partnership Interest was issued, (vi) pursuant to a gift or other transfer without consideration, (vii) pursuant to applicable laws of descent or distribution, (viii) to another Limited Partner and (ix) pursuant to a grant of security interest or other encumbrance effectuated in a bona fide transaction or as a result of the exercise of remedies related thereto, subject to the provisions of Section 11.3.F hereof. A trust or other entity will be considered formed "for the benefit" of a Partner's Immediate Family even though some other Person has a remainder interest under or with respect to such trust or other entity.

D. No Transfers Violating Securities Laws. The General Partner may prohibit any transfer of Units by a Limited Partner unless it receives a written opinion of legal counsel (which opinion and counsel shall be reasonably satisfactory to the Partnership) to such Limited Partner to the effect that such transfer would not require filing of a registration statement under the Securities Act or would not otherwise violate any federal or state securities laws or regulations applicable to the Partnership or the Unit or, at the option of the Partnership, an opinion of legal counsel to the Partnership to the same effect.

E. No Transfers Affecting Tax Status of Partnership. No transfer of Units by a Limited Partner (including a redemption or exchange pursuant to Section 8.6) may be made to any Person if (i) in the opinion of legal counsel for the Partnership, it would result in the Partnership being treated as an association taxable as a corporation for federal income tax purposes (except as a result of the redemption or exchange for Shares of all Units held by all Limited Partners other than the General Partner or the General Partner Entity or any Subsidiary of either the General Partner or the General Partner Entity or pursuant to a transaction expressly permitted under Section 7.11.B or Section 11.2), (ii) in the opinion of legal counsel for the Partnership, it likely would cause the General Partner Entity to no longer qualify as a REIT or would subject the General Partner Entity to any additional taxes under Section 857 or Section 4981 of the Code or (iii) such transfer is effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code.

F. No Transfers to Holders of Nonrecourse Liabilities. No pledge or transfer of any Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4 (b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability without the consent of the General Partner, in its sole and absolute discretion, if the deemed exercise by such lender or Person of all of its rights under the pledge or Unit transfer agreement would result in such lender or Person owning Units in violation of the Ownership Limitation set forth in Section 12.2.A of this Agreement; provided that, as a condition to such consent the lender will be required to enter into an arrangement with the Partnership and the General Partner to exchange or redeem for the Redemption Amount any Units in which a security interest is held simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code.

Section 11.4 **Substituted Limited Partners**

A. Consent of General Partner. No Limited Partner shall have the right to substitute a transferee as a Limited Partner in its place. The General Partner shall, however, have the right to consent to the admission of a transferee of the interest of a Limited Partner pursuant to this Section

11.4 as a Substituted Limited Partner, which consent may be, given or withheld by the General Partner in its sole and absolute discretion. The General Partner's failure or refusal to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. Rights of Substituted Limited Partner. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article XI shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement. The admission of any transferee as a Substituted Limited Partner shall be conditioned upon the transferee executing and delivering to the Partnership an acceptance of all the terms and conditions of this Agreement (including, without limitation, the provisions of Section 16.11) and such other documents or instruments as may be required to effect the admission.

C. Amendment of Exhibit A. Upon the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A to reflect the name, address, Capital Account, number of Units and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address, Capital Account and Percentage Interest and interest of the predecessor of such Substituted Limited Partner.

Section 11.5 **Assignees**

If the General Partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee under Section 11.3 as a Substituted Limited Partner, as described in Section 11.4, or any transferee does not request admission as a Substituted Limited Partner, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses, gain, loss and Recapture Income attributable to the Units assigned to such transferee, and shall have the rights granted to the Limited Partners under Section 8.6, but shall not be deemed to be a holder of Units for any other purpose under this Agreement, and shall not be entitled to vote such Units in any matter presented to the Limited Partners holding Units of the same class of Partnership Interests for a vote (such Units being deemed to have been voted on such matter in the same proportion as all other Units held by Limited Partners are voted). If any such transferee desires to make a further assignment of any such Units, such transferee shall be subject to all the provisions of this Article XI to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Units.

Section 11.6 **General Provisions**

A. Withdrawal of Limited Partner. No Limited Partner may withdraw from the Partnership other than as a result of a permitted transfer of all of such Limited Partner's Units in accordance with this Article XI or pursuant to redemption of all of its Units under Section 8.6.

B. Termination of Status as Limited Partner. Any Limited Partner who shall transfer all of its Units in a transfer permitted pursuant to this Article XI or pursuant to redemption of all of its Units under Section 8.6 shall cease to be a Limited Partner.

C. Timing of Transfers. Transfers pursuant to this Article XI may only be made upon three Business Days prior notice, unless the General Partner otherwise agrees.

D. Allocations. If any Partnership Interest is transferred during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article XI or redeemed or transferred pursuant to Section 8.6, Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method (unless the General Partner, in its sole and absolute discretion, elects to adopt a daily, weekly or a monthly proration period, in which event Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be prorated based upon the applicable method selected by the General Partner). Solely for purposes of making such allocations, each of such items for the calendar month in which the transfer or redemption occurs shall be allocated to the Person who is a Partner as of midnight on the last day of said month. All distributions of Available Cash attributable to any Unit with respect to which the Partnership Record Date is before the date of such transfer, assignment or redemption shall be made to the transferor Partner or the Redeeming Partner, as the case may be, and, in the case of a transfer or assignment other than a redemption, all distributions of Available Cash thereafter attributable to such Unit shall be made to the transferee Partner.

E. Additional Restrictions. In addition to any other restrictions on transfer herein contained, including without limitation the provisions of this Article XI and Article VII, in no event may any transfer or assignment of a Partnership Interest by any Partner (including pursuant to Section 8.6) be made without the express consent of the General Partner, in its sole and absolute discretion, (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) if in the opinion of legal counsel to the Partnership such transfer would cause a termination of the Partnership for federal or state income tax purposes (except as a result of the redemption or exchange for Shares of all Units held by all Limited Partners other than the General Partner, the General Partner Entity, or any Subsidiary of either, or pursuant to a transaction expressly permitted under Section 7.11.B or Section 11.2); (v) if in the opinion of counsel to the Partnership, such transfer would cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the redemption or exchange for Shares of all Units held by all Limited Partners other than the General Partner, the General Partner Entity, or any Subsidiary of either, or pursuant to a transaction expressly permitted under Section 7.11.B or Section 11.2); (vi) if such transfer would cause the Partnership Interests of "benefit plan investors" to become "significant," as those terms are used in 29 C.F.R. § 2510.3-101 (f), or any successor regulation thereto, or would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or, with respect to any plan defined in Section 4975(e) of the Code, a "disqualified person" (as defined in Section 4975(e) of the Code); (vii) if such transfer would, in the opinion of counsel to the Partnership, cause any portion of the assets of the Partnership to constitute assets of any ERISA Plan Investor pursuant to 29 C.F.R. § 2510.3-101, or any successor regulation thereto; (viii) if such transfer requires the registration of such Partnership Interest pursuant to any applicable federal or state securities laws; (ix) if such transfer is effectuated through an "established securities

market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code or such transfer causes the Partnership to become a "publicly traded partnership," as such term is defined in Section 469(k)(2) or Section 7704(b) of the Code (provided that, this clause (ix) shall not be the basis for limiting or restricting in any manner the exercise of the Unit Redemption Right under Section 8.6 unless, and only to the extent that, outside tax counsel provides to the General Partner an opinion to the effect that, in the absence of such limitation or restriction, there is a significant risk that the Partnership will be treated as a "publicly traded partnership" and, by reason thereof, taxable as a corporation); (x) if such transfer subjects the Partnership or the activities of the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended; (xi) if such transfer could reasonably be expected to cause the General Partner Entity to fail to remain qualified as a REIT; or (xii) if in the opinion of legal counsel for the transferring Partner (which opinion and counsel shall be reasonably satisfactory to the Partnership) or legal counsel for the Partnership, such transfer would cause the General Partner Entity to fail to continue to qualify as a REIT or subject the General Partner Entity to any additional taxes under Section 857 or Section 4981 of the Code.

F. Avoidance of "Publicly Traded Partnership" Status. The General Partner shall monitor the transfers of interests in the Partnership to determine (i) if such interests are being traded on an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code and (ii) whether additional transfers of interests would result in the Partnership being unable to qualify for at least one of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code) (the "Safe Harbors"). The General Partner shall take all steps reasonably necessary or appropriate to prevent any trading of interests or any recognition by the Partnership of transfers made on such markets and, except as otherwise provided herein, to insure that at least one of the Safe Harbors is met; provided, however, that the foregoing shall not authorize the General Partner to limit or restrict in any manner the right of any holder of a Unit to exercise the Unit Redemption Right in accordance with the terms of Section 8.6 unless, and only to the extent that, outside tax counsel provides to the General Partner an opinion to the effect that, in the absence of such limitation or restriction, there is a significant risk that the Partnership will be treated as a "publicly traded partnership" and, by reason thereof, taxable as a corporation.

ARTICLE XII RESTRICTION ON OWNERSHIP OF UNITS

Section 12.1 **Definitions**

For the purpose of this Article XII, the following terms shall have the following meanings:

"Charitable Beneficiary." means one or more beneficiaries of the Charitable Trust as determined pursuant to Section 12.4.G, provided that each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) and 170(c)(2) of the Code and that no such organization constitute ownership of Units (including Units owned by it by reason of its being a Charitable Beneficiary) that exceed the Ownership Limitation.

"Charitable Trust" means any trust provided for in Section 12.2.B and Section 12.4.F.

"Charitable Trustee" means the Person unaffiliated with the Partnership and a Prohibited Owner that is appointed by the Partnership to serve as trustee of the Charitable Trust.

"Constructive Ownership" means ownership of Units by a Person, whether the interest in Units is held directly or indirectly (including by a nominee), and shall include interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

"Initial Date" means the date upon which the Certificate is filed for record with the Secretary of State of the State of Delaware.

"Market Price" means, for any date, with respect to any class or series of outstanding Shares, the Closing Price for such Shares on such date. The "Closing Price" on any date shall mean the last sale price on such date for such Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the Nasdaq Stock Market or, if such Shares are not listed or admitted to trading on the Nasdaq Stock Market, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such Shares are listed or admitted to trading or, if such Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the Nasdaq National Market or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such Shares selected by the General Partner or, in the event that no trading price is available for such Shares, the fair market value of such Shares, as determined in good faith by the General Partner.

"Ownership Limitation" has the meaning set forth in Section 12.2.A.

"Prohibited Owner" means, with respect to any purported Transfer, any Person who, but for the provisions of Section 12.2.B, would Beneficially or Constructively Own Units.

"Restriction Termination Date" means the first day after the Initial Date on which the General Partner determines that it is no longer in the best interests of the General Partner Entity to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of Units set forth herein is no longer required in order for the General Partner Entity to qualify as a REIT.

"Transfer" means any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event that causes any Person to acquire Constructive Ownership, or any agreement to take any such actions or cause any such events, of Units or the right to vote or receive distributions on Units, including (i) a change in the capital structure of the Partnership, (ii) a change in the relationship between two or more Persons which causes a change in ownership of Units by application of Section 318 of the Code, as modified by Section 856(d)(5), (iii) the granting or

exercise of any option or warrant (or any disposition of any option or warrant), pledge, security interest or similar right to acquire Units, (iv) any disposition of any securities or rights convertible into or exchangeable for Units or any interest in Units or any exercise of any such conversion or exchange right and (v) Transfers of interests in other entities that result in changes in Constructive Ownership of Units; in each case, whether voluntary or involuntary, whether owned of record or Constructively Owned and whether by operation of law or otherwise. The terms "Transferring" and "Transferred" shall have the correlative meanings.

Section 12.2 **Ownership Limitation on Units**

A. Basic Restriction. No Person (other than the General Partner and the wholly owned subsidiaries (direct and indirect) of the General Partner) may Constructively Own more than 4.9% by value of any class of Partnership Interests (the "Ownership Limitation").

B. Transfers in Trust. If any Transfer of Units occurs which, if effective, would result in any Person (excluding the General Partner and the wholly owned subsidiaries (direct and indirect) of the General Partner) Constructively Owning Units in violation of the Ownership Limitation,

(1) then that number of Units the Constructive Ownership of which otherwise would cause such Person to violate the Ownership Limitation (rounded up to the next whole Unit) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 12.4, effective as of the close of business on the Business Day prior to the date of such Transfer, and such Person shall acquire no rights in such Units; or

(2) if the transfer to the Charitable Trust described in clause (1) of this sentence would not be effective for any reason to prevent the violation of the Ownership Limitation, then the Transfer of that number of Units that otherwise would cause any Person to violate the Ownership Limitation shall be void ab initio, and the intended transferee shall acquire no rights in such Units.

C. Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire Constructive Ownership of Units that reasonably could be expected to violate the Ownership Limitation, or any Person who would have owned Units that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 12.4.A, shall immediately give written notice to the Partnership of such event, or in the case of such a proposed or attempted transaction, give at least 15 days prior written notice, and shall provide to the Partnership such other information as the Partnership may request in order to determine the effect, if any, of such acquisition or ownership on the General Partner Entity's status as a REIT.

D. Legend. Each certificate for Units shall bear substantially the following legend:

The interests represented by this certificate are subject to restrictions on Constructive Ownership and Transfer for the purpose of the General Partner Entity's maintenance of its status as a Real Estate Investment Trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to certain further restrictions and except as expressly provided in the Partnership Agreement of the Partnership, no Person may Constructively Own Units of the Partnership in excess of 4.9 percent (in value) of the outstanding Units of the Partnership (the "Ownership Limitation"). Any Person who Constructively Owns or attempts to Constructively Own

Units in excess or in violation of the Ownership Limitation must immediately notify the Partnership. If the Ownership Limitation is violated, the Units represented hereby will be automatically transferred to a Charitable Trustee of a Charitable Trust for the benefit of one or more Charitable Beneficiaries. In addition, upon the occurrence of certain events, attempted Transfers in violation of the Ownership Limitation described above may be void ab initio. A Person who attempts to Constructively Own Units in violation of the Ownership Limitation described above shall have no claim, cause of action, or any recourse whatsoever against a transferor of such Units. All capitalized terms in this legend have the meanings defined in the Partnership Agreement of the Partnership, as the same may be amended from time to time, a copy of which, including the restrictions on transfer and ownership, will be furnished to each holder of Units of the Partnership on request and without charge.

Instead of the foregoing legend, the certificate may state that the Partnership will furnish a full statement about certain restrictions on transferability to a Partner on request and without charge.

E. Increase in Ownership Limitation. The General Partner may from time to time increase the Ownership Limitation, as provided in this Section 12.2.E. Prior to the modification of the Ownership Limitation pursuant to this Section 12.2.E, the General Partner may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the General Partner Entity's status as a REIT if the modification in the Ownership Limitation were to be made.

F. Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 12.2, Section 12.3 or Section 12.4 or any definition contained in Section 12.1, the General Partner shall have the power to determine the application of the provisions of this Section 12.2, Section 12.3 or Section 12.4 with respect to any situation based on the facts known to it. If Section 12.2, Section 12.3 or Section 12.4 requires an action by the General Partner and this Agreement fails to provide specific guidance with respect to such action, the General Partner shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 12.1, 12.2, 12.3 and 12.4.

G. Remedies for Breach. If the General Partner shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of the Ownership Limitation or that a Person intends to acquire or has attempted to acquire Constructive Ownership of any Units in violation of the Ownership Limitation (whether or not such violation is intended), the General Partner shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Partnership to redeem Units, refusing to give effect to such Transfer on the books of the Partnership or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfer or attempted Transfer or other event in violation of the Ownership Limitation shall automatically result in the transfer to the Charitable Trust described above, and, where applicable, such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the General Partner.

H. Remedies Not Limited. Nothing contained in this Section 12.2 shall limit the authority of the General Partner Entity to take such other action as it deems necessary or advisable to protect the General Partner Entity and the interests of its shareholders in preserving the General Partner Entity's status as a REIT.

Section 12.3 Exceptions to the Ownership Limitation

A. Exception by Request. The General Partner, in its sole and absolute discretion, may grant to any Person who makes a request therefor an exception to the Ownership Limitation with respect to the ownership of any series or class of Units, subject to the following conditions and limitations: (i) the General Partner shall have determined that assuming such Person would Beneficially Own or Constructively Own the maximum amount of Units permitted as a result of the exception to be granted, the Partnership would not be classified as an association taxable as a corporation pursuant to Section 7704 of the Code and would not otherwise cause the General Partners to fail to qualify as a REIT; and (ii) such Person provides the General Partner such representations and undertakings, if any, as the General Partner may, in its sole and absolute discretion, determine to be necessary in order for it to make the determination that the conditions set forth in clause (i) above of this Section 12.3 have been and/or will continue to be satisfied (including, without limitation, an agreement as to a reduced Ownership Limitation for such Person with respect to the Constructive Ownership of one or more other classes of Units not subject to the exception), and such Person agrees that any violation of such representations and undertakings or any attempted violation thereof will result in the application of Section 12.2.G with respect to Units held in excess of the Ownership Limitation with respect to such Person (determined without regard to the exception granted such Person under this subparagraph (A)).

B. Opinion. Prior to granting any exception or exemption pursuant to subparagraph (A), the General Partner may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the General Partner, in its sole and absolute discretion, as it may deem necessary or advisable in order to determine or ensure the General Partner Entity's status as a REIT; provided, however, that the General Partner shall not be obligated to require obtaining a favorable ruling or opinion in order to grant an exception hereunder.

Section 12.4 Transfer of Units in Trust

A. Ownership in Trust. Upon any purported Transfer that would result in a transfer of Units to a Charitable Trust, such Units shall be deemed to have been transferred to the Charitable Trustee as trustee of a Charitable Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Charitable Trustee shall be deemed to be effective as of the close of business on the Business Day prior to the purported Transfer or other event that results in the transfer to the Charitable Trust pursuant to Section 12.2.B. The Charitable Trustee shall be appointed by the Partnership and shall be a Person unaffiliated with the Partnership and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Partnership as provided in subparagraph G.

B. Status of Units Held by the Charitable Trustee. Units held by the Charitable Trustee shall be issued and outstanding Units of the Partnership. The Prohibited Owner shall have no rights in the Units held by the Charitable Trustee. The Prohibited Owner shall not benefit economically from ownership of any Units held in trust by the Charitable Trustee, shall have no rights to distributions with respect to such Units, shall not have Unit Redemption Rights with respect to such Units and shall not possess any rights to vote or other rights attributable to the Units held in the Charitable Trust. The Prohibited Owner shall have no claim, cause of action, or any other recourse whatsoever against the purported transferor of such Units.

C. Distribution and Voting Rights. The Charitable Trustee shall have all voting rights and rights to distributions with respect to Units held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any distribution paid prior to the discovery by the Partnership that Units have been transferred to the Charitable Trustee by the recipient thereof shall be paid with respect to such Units to the Charitable Trustee upon demand and any distribution authorized but unpaid shall be paid when due to the Charitable Trustee. Any distributions so paid over to the Charitable Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to Units held in the Charitable Trust and, subject to Delaware law, effective as of the date that Units have been transferred to the Charitable Trustee, the Charitable Trustee shall have the authority (at the Charitable Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Partnership that Units have been transferred to the Charitable Trustee and (ii) to recast such vote in accordance with the desires of the Charitable Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Partnership has already taken irreversible action, then the Charitable Trustee shall not have the power to rescind and recast such vote. Notwithstanding the provisions of Section 11.3 and this Section 12.4, until the Partnership has received notification that Units have been transferred into a Charitable Trust, the Partnership shall be entitled to rely on its Unit transfer and other Partnership records for purposes of preparing lists of Partners entitled to vote at meetings, determining the validity and authority of proxies or consents and otherwise conducting votes of Partners.

D. Rights Upon Liquidation. Upon any voluntary or involuntary liquidation, dissolution or winding up of or any distribution of the assets of the Partnership, the Charitable Trustee shall be entitled to receive, ratably with each other holder of Units of the class or series of Units that is held in the Charitable Trust, that portion of the assets of the Partnership available for distribution to the holders of such class or series (and, within such class, pro rata in proportion to the respective Percentage Interests in such class of such holders). The Charitable Trustee shall distribute any such assets received in respect of the Units held in the Charitable Trust in any liquidation, dissolution or winding up of, or distribution of the assets of the Partnership, in accordance with Section 12.4.E.

E. Redemption of Units Held by Charitable Trustee. Within 20 days of receiving notice from the Partnership that Units have been transferred to the Charitable Trust, the Partnership shall redeem the Units held in the Charitable Trust in accordance with Section 8.6.B. Upon such redemption, the interest of the Charitable Beneficiary in the Units redeemed shall terminate and the Charitable Trustee shall distribute the net proceeds of the redemption to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 12.4.E. The Prohibited Owner shall receive the lesser of (1) the price paid by the Prohibited Owner for the Units or, if the Prohibited Owner did not give value for the Units in connection with the event causing the Units to be held in the Charitable Trust (e.g., in the case of a gift, devise or other such transaction), the fair market value (based on the Market Price of the Shares of the General Partner) of the Units on the day of the event causing the Units to be held in the Charitable Trust and (2) the price per Unit received by the Charitable Trustee from the redemption or other disposition of the Units held in the Charitable Trust. Any net proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Partnership that Units have been transferred to the Charitable Trustee, such Units are redeemed by a Prohibited Owner, then (i) such Units shall be deemed to have been redeemed on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such Units that exceeds the amount that such Prohibited

Owner was entitled to receive pursuant to this Section 12.4.E, such excess shall be paid by the Prohibited Owner to the Charitable Trustee upon demand.

F. Designation of Charitable Beneficiaries. By written notice to the Charitable Trustee, the Partnership shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Charitable Trust such that (i) Units held in the Charitable Trust would not violate the Ownership Limitation and (ii) each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) or 170(c)(2) of the Code and that no such organization constitutes Ownership of Units (including Units owned by it by reason of its being a Charitable Beneficiary) that exceeds the Ownership Limitation.

Section 12.5 **Enforcement**

The Partnership is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article XII.

Section 12.6 **Non-Waiver**

No delay or failure on the part of the Partnership in exercising any right hereunder shall operate as a waiver of any right of the Partnership, as the case may be, except to the extent specifically waived in writing.

ARTICLE XIII ADMISSION OF PARTNERS

Section 13.1 **Admission of a Successor General Partner**

A successor to all of the General Partner's General Partnership Interest pursuant to Section 11.2 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to such successor General Partner executing and delivering to the Partnership a written acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

Section 13.2 **Admission of Additional Limited Partners**

A. General. No Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent shall be given or withheld in the General Partner's sole and absolute discretion. A Person who makes a Capital Contribution to the Partnership in accordance with this Agreement, including without limitation, under Section 4.2.B, or who exercises an option to receive Units shall be admitted to the Partnership as an Additional Limited Partner only with the consent of the General Partner and only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 16.11 and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the

name of such Person is recorded on the books and records of the Partnership, following the consent of the General Partner to such admission.

B. Allocations to Additional Limited Partners. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items allocable among Partners and Assignees for such Partnership Year shall be allocated among such Additional Limited Partner and all other Partners and Assignees by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code, using the interim closing of the books method (unless the General Partner, in its sole and absolute discretion, elects to adopt a daily, weekly or monthly proration method, in which event Net Income, Net Losses, and each item thereof would be prorated based upon the applicable period selected by the General Partner). Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Partners and Assignees including such Additional Limited Partner. All distributions of Available Cash with respect to which the Partnership Record Date is before the date of such admission shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions of Available Cash thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

Section 13.3 **Amendment of Agreement and Certificate of Limited Partnership**

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 16.11.

ARTICLE XIV DISSOLUTION AND LIQUIDATION

Section 14.1 **Dissolution**

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following ("Liquidating Events"):

(i) the expiration of its term as provided in Section 2.4 hereof;

(ii) an event of withdrawal of the General Partner, as defined in the Act (other than an event of bankruptcy), unless, within ninety (90) days after the withdrawal a "majority in interest" (as defined below) of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a substitute General Partner;

(iii) through December 31, 2058, an election to dissolve the Partnership made by the General Partner with the consent of Limited Partners who hold ninety percent (90%) of the outstanding Units held by Limited Partners (including Units held by the General Partner);

(iv) an election to dissolve the Partnership made by the General Partner, in its sole and absolute discretion after December 31, 2058;

(v) entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

(vi) the sale of all or substantially all of the assets and properties of the Partnership for cash or for marketable securities; or

(vii) a final and non-appealable judgment is entered by a court of competent jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect, unless prior to or at the time of the entry of such order or judgment a "majority in interest" (as defined below) of the remaining Partners Consent in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such order or judgment, of a substitute General Partner.

As used herein, a "majority in interest" shall refer to Partners (excluding the General Partner) who hold more than fifty percent (50%) of the outstanding Percentage Interests not held by the General Partner.

Section 14.2 **Winding Up**

A. General. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, if there is no remaining General Partner, any Person elected by a majority in interest of the Limited Partners (the "Liquidator")) shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and property and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partners, include equity or other securities of the General Partners or any other entity) shall be applied and distributed in the following order:

- (1) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;
- (2) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the General Partners;
- (3) Third, to the payment and discharge of all of the Partnership's debts and liabilities to the Limited Partners;

- (4) Fourth, to the holder of Partnership Interests that are entitled to any preference in distribution upon liquidation in accordance with the rights of any such class or series of Partnership Interests (and, within each such class or series, to each holder thereof pro rata in proportion to its respective Percentage Interest in such class); and
- (5) The balance, if any, to the Partners in accordance with their Capital Accounts, after giving effect to all contributions, distributions, and allocations for all periods.

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article XIV.

B. Deferred Liquidation. Notwithstanding the provisions of Section 14.2.A which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 14.2.A, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

Section 14.3 **Compliance with Timing Requirements of Regulations**

Subject to Section 14.4, if the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made under this Article XIV to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2). If any Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever. In the discretion of the General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article XIV may be: (A) distributed to a trust established for the benefit of the General Partner and Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership (in which case, the assets of any such trust shall be distributed to the General Partner and Limited Partners from time to time, in the reasonable discretion of the General Partner, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the General Partner and Limited Partners

pursuant to this Agreement); or (B) withheld to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld amounts shall be distributed to the General Partner and Limited Partners as soon as practicable.

Section 14.4 Rights of Limited Partners

Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of its Capital Contributions and shall have no right or power to demand or receive property other than cash from the Partnership. Except as otherwise expressly provided in this Agreement, no Limited Partner shall have priority over any other Limited Partner as to the return of its Capital Contributions, distributions or allocations.

Section 14.5 Notice of Dissolution

If a Liquidating Event occurs or an event occurs that would, but for provisions of an election or objection by one or more Partners pursuant to Section 14.1, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner).

Section 14.6 Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of Partnership cash and property as provided in Section 14.2, the Partnership shall be terminated and the Certificate and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 14.7 Reasonable Time for Winding Up

A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 14.2, to minimize any losses otherwise attendant upon such winding up, and the provisions of this Agreement shall remain in effect among the Partners during the period of liquidation.

Section 14.8 Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership's property.

Section 14.9 Liability of Liquidator

The Liquidator shall be indemnified and held harmless by the Partnership in the same manner and to the same degree as an Indemnitee may be indemnified pursuant to Section 7.7.

ARTICLE XV AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS

Section 15.1 Amendments

A. General. Amendments to this Agreement may be proposed by a General Partner or by any Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests. Following such proposal (except an amendment governed by Section 15.1.B), the General Partner shall submit any proposed amendment to the Limited Partners. The General Partner shall seek the written vote of the Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written vote, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a vote in the same proportion as the votes of the Partners who responded in a timely manner. A proposed amendment shall be adopted and be effective as an amendment hereto if it is approved by the General Partner and, except as provided in Section 15.1.B, 15.1.C or 15.1.D, it receives the Consent of Limited Partners holding Percentage Interests that are more than fifty percent (50%) of the aggregate Percentage Interest of all Limited Partners holding Limited Partnership Interests of such classes as are then entitled to vote thereon (including for such purpose any such Limited Partnership Interests held by the General Partner).

B. Amendments Not Requiring Limited Partner Approval. Notwithstanding Section 15.1.A but subject to Section 15.1.C, the General Partner shall have the power, without the consent of the Limited Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

- (1) to add to the obligations of the General Partner or surrender any right or power granted to the General Partner or any Affiliate of the General Partner for the benefit of the Limited Partners;
- (2) to reflect the admission, substitution, termination or withdrawal of Partners in accordance with this Agreement (which may be effected through the replacement of Exhibit A with an amended Exhibit A);
- (3) to set forth the designations, rights, powers, duties and preferences of the holders of any additional Partnership Interests issued pursuant to Article IV;
- (4) to reflect a change that does not adversely affect the Limited Partners in any material respect, or to cure any ambiguity, correct or supplement any provision in this Agreement not inconsistent with law or with other provisions of this Agreement, or make other changes with respect to matters arising under this Agreement that will not be inconsistent with law or with the provisions of this Agreement; and
- (5) to satisfy any requirements, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a federal, state or local agency or contained in federal, state or local law.

The General Partner shall notify the Limited Partners in writing when any action under this Section 15.1.B is taken in the next regular communication to the Limited Partners or within 90 days of the date thereof, whichever is earlier.

C. Amendments Requiring Limited Partner Approval (Excluding General Partners). Notwithstanding Section 15.1.A, without the Consent of the Outside Limited Partners, the General Partner shall not amend Section 4.2.A, Section 5.1.E, Section 7.1.A (second sentence only), Section 7.4, Section 7.5, Section 7.6, Section 7.8, Section 7.10 (second sentence only), Section 7.11.B, Section 7.11.C, Section 8.5, Section 9.3, Section 11.2, Section 14.1 (other than Section 14.1(iii)), Section 14.5, this Section 15.1.C or Section 15.2. Notwithstanding Section 15.1.A, the General Partner shall not amend Section 14.1(iii) without the Consent of the Outside Limited Partners and the Consent of holders of 90% of the Class A Units and Class B Units (voting together as a single class), including Class A Units and Class B Units held by the General Partner.

D. Other Amendments Requiring Certain Limited Partner Approval. Notwithstanding anything in this Section 15.1 to the contrary, this Agreement shall not be amended with respect to any Partner adversely affected without the Consent of such Partner adversely affected if such amendment would (i) convert a Limited Partner's interest in the Partnership into a general partner's interest, (ii) modify the limited liability of a Limited Partner or require the Limited Partner to make additional Capital Contributions or provide additional funding to the Partnership, (iii) amend Section 4.1 (last two sentences only), (iv) amend Section 7.11.A, (v) amend Article V, Article VI, clauses (1) to (5) of Section 14.2.A or Section 14.3 (except as permitted pursuant to Sections 4.2, 5.4, 6.2 and 15.1(B)(3)), (vi) amend Section 8.3, (vii) amend Section 8.6 or any defined terms set forth in Article I that relate to the Unit Redemption Right (except as permitted in Section 8.6.E), (viii) amend Section 10.5, Section 11.2.B, Section 11.3.A, Section 11.3.B, Section 11.3.C., Section 11.4.B or Section 11.5 (second sentence only), (ix) amend Section 16.1, (x) amend Article XII (other than as reasonably necessary to maintain the General Partner Entity's qualification as a REIT) or (xi) amend this Section 15.1.D. This Section 15.1.D does not require unanimous consent of all Partners adversely affected unless the amendment is to be effective against all Partners adversely affected.

E. Amendment and Restatement of Exhibit A Not An Amendment. Notwithstanding anything in this Article XV or elsewhere in this Agreement to the contrary, any amendment and restatement of Exhibit A hereto by the General Partner to reflect events or changes otherwise authorized or permitted by this Agreement, whether pursuant to Section 7.1.A(22) hereof or otherwise, shall not be deemed an amendment of this Agreement and may be done at any time and from time to time, as necessary by the General Partner without the Consent of the Limited Partners.

Section 15.2 Meetings of the Partners

A. General. Meetings of the Partners may be called by the General Partner and shall be called upon the receipt by the General Partner of a written request by Limited Partners holding ten percent (10%) or more of the Partnership Interests. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven (7) days nor more than thirty (30) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote or Consent of Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 15.1.A. Except as otherwise expressly provided in this Agreement, the consent of Partners holding Percentage Interests that are more than fifty percent (50%) of the aggregate Percentage Interest represented by the Partnership Interests then

entitled to vote thereon (including any such Partnership Interests held by the General Partner) shall control.

B. Actions. Without a Meeting. Except as otherwise expressly provided by this Agreement, any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by Partners holding Percentage Interests that are more than fifty percent (50%) (or such other percentage as is expressly required by this Agreement) of the aggregate Percentage Interest represented by the Partnership Interests then entitled to vote thereon (including any such Partnership Interests held by the General Partner). Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of Partners holding Percentage Interests that are more than fifty percent (50%) (or such other percentage as is expressly required by this Agreement) of the aggregate Percentage Interest represented by the Partnership Interests then entitled to vote thereon. Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the date on which written consents from Partners holding the required Percentage Interest have been filed with the General Partner.

C. Proxy. Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice thereof.

D. Conduct of Meeting. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deem appropriate.

ARTICLE XVI GENERAL PROVISIONS

Section 16.1 **Addresses and Notice**

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address set forth in Exhibit A or such other address as the Partners shall notify the General Partner in writing.

Section 16.2 **Titles and Captions**

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" "Sections" and "Exhibits" are to Articles, Sections and Exhibits of this Agreement.

Section 16.3 **Pronouns and Plurals**

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Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 16.4 **Further Action**

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 16.5 **Binding Effect**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 16.6 **Creditors**

Other than as expressly set forth herein with regard to any Indemnitee, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 16.7 **Waiver**

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 16.8 **Counterparts**

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 16.9 **Applicable Law**

This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 16.10 **Invalidity of Provisions**

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 16.11 **Power of Attorney**

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A. General. Each Limited Partner and each Assignee who accepts Units (or any rights, benefits or privileges associated therewith) is deemed to irrevocably constitute and appoint the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

(1) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or any Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property, (b) all instruments that the General Partner or any Liquidator deem appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms, (c) all conveyances and other instruments or documents that the General Partner or any Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation, (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article XI, XII or XIII hereof or the Capital Contribution of any Partner and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

(2) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner or any Liquidator, to effectuate the terms or intent of this Agreement.

Nothing contained in this Section 16.11 shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Article XV hereof or as may be otherwise expressly provided for in this Agreement.

B. Irrevocable Nature. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner or any Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or any Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited

Partner or Assignee hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner or any Liquidator, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen days after receipt of the General Partner's or Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 16.12 **Entire Agreement**

This Agreement contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and supersedes any prior written oral understandings or agreements among them with respect thereto.

Section 16.13 **No Rights as Shareholders**

Nothing contained in this Agreement shall be construed as conferring upon the holders of the Units any rights whatsoever as partners or shareholders of the General Partner Entity, including, without limitation, any right to receive dividends or other distributions made to shareholders of the General Partner Entity or to vote or to consent or receive notice as shareholders in respect to any meeting of shareholders for the election of trustees of the General Partner Entity or any other matter.

Section 16.14 **Limitation to Preserve REIT Status**

To the extent that any amount paid or credited to the General Partner or any of its officers, directors, trustees, employees or agents pursuant to Section 7.4 or Section 7.7 would constitute gross income to the General Partner for purposes of Section 856(c)(2) or 856(c)(3) of the Code (a "General Partner Payment") then, notwithstanding any other provision of this Agreement, the amount of such General Partner Payment for any fiscal year shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) 4.20% of the General Partner's total gross income (but not including the amount of any General Partner Payments) for the fiscal year which is described in subsections (A) through (H) of Section 856(c)(2) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(2) of the Code) derived by the General Partner from sources other than those described in subsections (A) through (H) of Section 856(c)(2) of the Code (but not including the amount of any General Partner Payments); or

(ii) an amount equal to the excess, if any of (a) 25% of the General Partner's total gross income (but not including the amount of any General Partner Payments) for the fiscal year which is described in subsections (A) through (I) of Section 856(c)(3) of the Code over (b) the amount of gross income (within the meaning of Section 856(c)(3) of the Code) derived by the General Partner from sources other than those described in subsections (A) through (I) of Section 856(c)(3) of the Code (but not including the amount of any General Partner Payments); provided, however, that General Partner Payments in excess of the amounts set forth in subparagraphs (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts would not adversely affect the General Partner's ability to qualify as a REIT. To the extent General Partner Payments may not be made in a year due to the foregoing limitations, such General Partner Payments shall carry over and be treated as arising

in the following year, provided, however, that such amounts shall not carry over for more than five years, and if not paid within such five year period, shall expire; provided further, that (i) as General Partner Payments are made, such payments shall be applied first to carry over amounts outstanding, if any, and (ii) with respect to carry over amounts for more than one Partnership Year, such payments shall be applied to the earliest Partnership Year first.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

HOST HOTELS & RESORTS, Inc.,
a Maryland Corporation,
in its capacity as general partner

By: _____
Name:
Title:

HOST HOTELS & RESORTS, Inc.,
a Maryland Corporation,
in its capacity as limited partner

By: _____
Name:
Title:

EXHIBIT A

PARTNERS AND PARTNERSHIP INTERESTS

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EXHIBIT B

CAPITAL ACCOUNT MAINTENANCE

1. Capital Accounts of the Partners

A. The Partnership shall maintain for each Partner a separate Capital Account in accordance with the rules of Regulations Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions and any other deemed contributions made by such Partner to the Partnership pursuant to this Agreement and (ii) all items of Partnership income and gain (including income and gain exempt from tax) computed in accordance with Section 1.B hereof and allocated to such Partner pursuant to Section 6.1 of the Agreement and Exhibit C thereof, and decreased by (x) the amount of cash or Agreed Value of all actual and deemed distributions of cash or property made to such Partner pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 1.B hereof and allocated to such Partner pursuant to Section 6.1 of the Agreement and Exhibit C thereof.

B. For purposes of computing the amount of any item of income, gain, deduction or loss to be reflected in the Partners' Capital Accounts, unless otherwise specified in this Agreement, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes determined in accordance with Section 703(a) of the Code (for this purpose all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a) (1) of the Code shall be included in taxable income or loss), with the following adjustments:

- (1) Except as otherwise provided in Regulations Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership, provided that the amounts of any adjustments to the adjusted bases of the assets of the Partnership made pursuant to Section 734 of the Code as a result of the distribution of property by the Partnership to a Partner (to the extent that such adjustments have not previously been reflected in the Partners' Capital Accounts) shall be reflected in the Capital Accounts of the Partners in the manner and subject to the limitations prescribed in Regulations Section 1.704-1(b)(2)(iv) (m)(4).
- (2) The computation of all items of income, gain, and deduction shall be made without regard to the fact that items described in Sections 705(a)(1)(B) or 705(a)(2)(B) of the Code are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes.
- (3) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

- (4) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year
- (5) In the event the Carrying Value of any Partnership Asset is adjusted pursuant to Section 1.D hereof, the amount of any such adjustment shall be taken into account as gain or loss from the disposition of such asset.
- (6) Any items specially allocated under Section 2 of Exhibit C hereof shall not be taken into account.

C. Generally, a transferee (including any Assignee) of a Unit shall succeed to a pro rata portion of the Capital Account of the transferor.

D.

- (1) Consistent with the provisions of Regulations Section 1.704-1(b)(2)(iv)(f), and as provided in Section 1.D(2), the Carrying Values of all Partnership assets shall be adjusted upward or downward to reflect any Unrealized gain or Unrealized Loss attributable to such Partnership property, as of the times of the adjustments provided in Section 1.D(2) hereof, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property and allocated pursuant to Section 6.1 of the Agreement
- (2) Such adjustments shall be made as of the following times: (a) immediately prior to the acquisition of an additional interest in the Partnership by any new or existing Partner in exchange for more than a de minimis Capital Contributions; (b) immediately prior to the distribution by the Partnership to a Partner of more than a de minimis amount of property as consideration for an interest in the Partnership; and (c) immediately prior to the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), provided however that adjustments pursuant to clauses (a) and (b) above shall be made only if the General Partner determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership.
- (3) Consistent with the provisions of Regulations Section 1.704-1(b)(2)(iv)(f), and as provided in Section 1.D(2), the Carrying Values of all Partnership assets shall be adjusted upward or downward to reflect any Unrealized gain or Unrealized Loss attributable to such Partnership property, as of the times of the adjustments provided in Section 1.D(2) hereof, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property and allocated pursuant to Section 6.1 of the Agreement.

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(4) In determining Unrealized Gain or Unrealized Loss for purposes of this Exhibit B, the aggregate cash amount and fair market value of

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all Partnership assets (including cash or cash equivalents) shall be determined by the General Partner using such reasonable method of valuation as it may adopt, or in the case of a liquidating distribution pursuant to Article XIV of the Agreement, shall be determined and allocated by the Liquidator using such reasonable methods of valuation as it may adopt. The General Partner, or the Liquidator, as the case may be, shall allocate such aggregate fair market value among the assets of the Partnership in such manner as it determines in its sole and absolute discretion to arrive at a fair market value for individual properties.

E. The provisions of the Agreement (including this Exhibit B and the other Exhibits to the Agreement) relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Partnership, the General Partner, or the Limited Partners) are computed in order to comply with such Regulations, the General Partner may make such modification without regard to Article XV of the Agreement, provided that it is not likely to have a material effect on the amounts distributable to any Person pursuant to Article XIV of the Agreement upon the dissolution of the Partnership. The General Partner also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

2. No Interest

No interest shall be paid by the Partnership on Capital Contributions or on balances in Partners' Capital Accounts.

3. No Withdrawal

No Partner shall be entitled to withdraw any part of its Capital Contribution or Capital Account or to receive any distribution from the Partnership, except as provided in Articles IV, V, VII, XIII and XIV of the Agreement.

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EXHIBIT C

SPECIAL ALLOCATION RULES

1. Special Allocation Rules.

Notwithstanding any other provision of the Agreement or this Exhibit C, the following special allocations shall be made in the following order:

A. Minimum Gain Chargeback. Notwithstanding the provisions of Section 6.1 of the Agreement or any other provisions of this Exhibit C, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Partner shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f)(6). This Section 1.A is intended to comply with the minimum gain chargeback requirements in Regulations Section 1.704-2(f) and for purposes of this Section 1.A only, each Partner's Adjusted Capital Account Deficit shall be determined prior to any other allocations pursuant to Section 6.1 of this Agreement with respect to such Partnership Year and without regard to any decrease in Partner Minimum Gain during such Partnership Year.

B. Partner Minimum Gain Chargeback. Notwithstanding any other provision of Section 6.1 of this Agreement or any other provisions of this Exhibit C (except Section 1.A hereof), if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Partner who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i) (5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i) (5). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each General Partner and Limited Partner pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(i) (4). This Section 1.B is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and shall be interpreted consistently therewith. Solely for purposes of this Section 1.B, each Partner's Adjusted Capital Account Deficit shall be determined prior to any other allocations pursuant to Section 6.1 of the Agreement or this Exhibit with respect to such Partnership Year, other than allocations pursuant to Section 1.A hereof.

C. Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), and after giving effect to the allocations required under Sections 1.A and 1.B hereof with respect to such Partnership Year, such Partner has an Adjusted Capital Account Deficit, items of Partnership income and gain (consisting of a pro rata portion of each item of Partnership income, including gross income and gain for the Partnership Year) shall be specifically allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, its Adjusted Capital Account

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Deficit created by such adjustments, allocations or distributions as quickly as possible. This Section 1.C is intended to constitute a “qualified income offset” under Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

D. Gross Income Allocation. In the event that any Partner has an Adjusted Capital Account Deficit at the end of any Partnership Year (after taking into account allocations to be made under the preceding paragraphs hereof with respect to such Partnership Year), each such Partner shall be specially allocated items of Partnership income and gain (consisting of a pro rata portion of each item of Partnership income, including gross income and gain for the Partnership Year) in an amount and manner sufficient to eliminate, to the extent required by the Regulations, its Adjusted Capital Account Deficit.

E. Nonrecourse Deductions. Except as may otherwise be expressly provided by the General Partner pursuant to Section 4.2 with respect to other classes of Units, Nonrecourse Deductions for any Partnership Year shall be allocated only to the Partners holding Class A Units and Class B Units in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership’s Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the Limited Partners, to revise the prescribed ratio for such Partnership Year to the numerically closest ratio which would satisfy such requirements.

F. Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Regulations Sections 1.704-2(b)(4) and 1.704-2(i).

G. Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

2. Allocations for Tax Purposes

A. Except as otherwise provided in this Section 2, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Partners in the same manner as its correlative item of “book” income, gain, loss or deduction is allocated pursuant to Section 6.1 of the Agreement and Section 1 of this Exhibit C .

B. In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, and deduction shall be allocated for federal income tax purposes among the Partners as follows:

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- (1) (a) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners consistent with the principles of Section 704(c) of the Code to take into account the variation between the 704(c) Value of such property and its adjusted basis at the time of contribution (taking into account Section 2.C of this Exhibit C); and

(b) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of “book” gain or loss is allocated pursuant to Section 6.1 of the Agreement and Section 1 of this Exhibit C.

- (2) (a) In the case of an Adjusted Property, such items shall

(i) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Exhibit B;

(ii) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 2.B(1) of this Exhibit C; and

(b) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner its correlative item of “book” gain or loss is allocated pursuant to Section 6.1 of the Agreement and Section 1 of this Exhibit C.

- (3) all other items of income, gain, loss and deduction shall be allocated among the Partners the same manner as their correlative item of “book” gain or loss is allocated pursuant to Section 6.1 of the Agreement and Section 1 of this Exhibit C.

C. To the extent Regulations promulgated pursuant to Section 704(c) of the Code permit a partnership to utilize alternative methods to eliminate the disparities between the Carrying Value of property and its adjusted basis, the General Partner shall, subject to the following, have the authority to elect the method to be used by the Partnership and such election shall be binding on all Partners. Subject to the exceptions described in the next three sentences, with respect to the Contributed Property transferred to the Partnership as of the date hereof, the Partnership shall elect to use the “traditional method” set forth in Regulations Section 1.704-3(b), but may make a curative allocation pursuant to Regulations Section 1.704-3(c) to a partner of taxable gain recognized by the Partnership on the sale or other taxable disposition of part or all of such Contributed Property to reduce or eliminate disparities between the book and tax items of the noncontributing Partners attributable to the application of the “ceiling rule” under the “traditional method.” With respect to the Contributed Property transferred to the Partnership as of the date hereof by (i) various affiliates of the Blackstone Group and a series of funds controlled by Blackstone Real Estate Partners pursuant to that certain contribution agreement dated April 16, 1998 and (ii) Hopeport, Ltd. (or, alternatively, its partners) and Timeport, Ltd. (or, alternatively, its partners), the Partnership shall elect to use the “traditional method” set forth in Regulations Section 1.704-3(b). With respect to the Contributed Property transferred to the Partnership by The Ritz-Carlton Hotels as of the date

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hereof, the Partnership shall use the method specified pursuant to the agreement governing the contribution of the Contributed Property. With respect to the Contributed Property transferred to

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the Partnership by Capitol Center Associates Limited Partnership as of the date hereof, the Partnership shall use the “remedial method” set forth in Regulations Section 1.704-3(d).

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EXHIBIT D

**NOTICE OF REDEMPTION
HOST HOTELS & RESORTS, L.P.
NOTICE OF REDEMPTION**

NAME: _____
(MUST MATCH THE CURRENT REGISTRATION
AS SHOWN ON YOUR ACCOUNT STATEMENT)

COMPANY ID: HST
COMPUTERSHARE ACCOUNT # _____
(FROM ACCOUNT STATEMENT)
TOTAL # UNITS HELD _____

ADDRESS: _____

TAX ID # _____

The undersigned hereby irrevocably (i) redeems _____ Units in Host Hotels & Resorts, L.P. in accordance with the terms of the Fourth Amended and Restated Agreement of Limited Partnership of Host Hotels & Resorts, L.P. as amended, and the Unit Redemption Right referred to therein, (ii) surrenders such Units and all right, title and interest therein and (iii) directs that the Cash Amount or Shares Amount (as determined by the General Partner) deliverable upon exercise of the Unit Redemption Right be delivered to the address specified above, and if Shares are to be delivered, such Shares be registered or placed in the name(s) and at the address(es) specified above. The undersigned hereby represents, warrants and certifies that the undersigned (a) has marketable and unencumbered title to such Units, free and clear of the rights of or interests of any other person or entity, (b) has the full right, power and authority to redeem and surrender such Units as provided herein and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consult or approve such redemption and surrender.

X _____ **X** _____
Signature of Limited Partner *Date* *Signature of Joint Limited Partner* *Date*
or Legal Representative or Legal Representative (if applicable)

Please note: Common shares will be issued in the exact name the partnership units are registered at the time of the redemption. Questions call 1-866-367-6351. A completed Form W-9 must accompany the notice of redemption for the redemption to be processed.

Return Notice of Redemption and IRS Form W-9 to:
Computershare Trust Company
Attn: Corporate Actions
150 Royall St., Suite 101
Canton, MA 02021
D1

EXHIBIT E
VALUE OF CONTRIBUTED PROPERTY

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Contributed Property**704(c) Value**

Grand Hotel Marriott Resort and Golf Club \$28,500,001
Scottsdale Marriott Suites \$28,492,091
The Ritz-Carlton Phoenix \$71,454,202
Coronado Island Marriott Resort \$36,037,610
Costa Mesa Marriott Suites \$24,095,825
Desert Springs Marriott Resort and Spa \$230,884,049
Manhattan Beach Marriott \$44,054,503
Marina Beach Marriott \$53,918,869
Newport Beach Marriott \$75,101,284
Newport Beach Suites Marriott \$32,736,460
Ontario Airport Marriott \$22,656,553
Sacramento Airport Marriott \$8,803,075
San Diego Marriott Hotel and Marina \$294,320,569
San Diego Mission Valley Marriott \$54,178,126
San Francisco Airport Marriott \$101,510,529
San Francisco Fisherman's Wharf Marriott \$58,320,410
San Francisco Moscone Center Marriott \$319,111,700
San Ramon Marriott \$35,630,057
Santa Clara Marriott \$83,515,704
The Ritz-Carlton Marina del Rey \$68,233,882
The Ritz-Carlton San Francisco \$164,000,006
Torrance Marriott \$49,081,878
Denver Southeast Marriott \$19,341,525
Denver Tech Center Marriott \$55,569,445
Denver West Marriott \$15,405,388
Marriott's Mountain Resort at Vail \$37,688,193
Hartford/Farmington Marriott \$39,236,509
Hartford/Rocky Hill \$18,706,546
Fort Lauderdale Marina Marriott \$48,967,141
Harbor Beach Marriott Resort \$124,770,707
Jacksonville Marriott \$20,907,314
Miami Airport Marriott \$44,015,412
Orlando World Center Marriott \$321,902,515
Palm Beach Gardens Marriott \$20,907,312
Singer Island Holiday Inn \$12,654,425
Tampa Airport \$15,892,478
Tampa Westshore Marriott \$22,290,450
The Ritz-Carlton Naples \$223,255,515
Atlanta Marriott Marquis \$273,549,454
Atlanta Midtown Suites Marriott \$23,820,491
Atlanta Norcross \$9,628,374
Atlanta Northwest Marriott \$31,186,270

Atlanta Perimeter Center	\$22,832,986
JW Marriott Hotel at Lenox	\$44,565,593
The Ritz-Carlton Atlanta	\$77,026,967
The Ritz-Carlton Buckhead	\$160,507,029
Chicago/Deerfield Suites	\$18,981,650
Chicago/Downers Grove Suites	\$19,884,616
Chicago/Downtown Courtyard	\$40,164,061
Chicago O'Hare Marriott	\$50,654,021
South Bend Marriott	\$12,929,527
New Orleans Marriott	\$186,023,214
Bethesda Marriott	\$33,561,742
Gaithersburg/Washingtonian Center	\$29,435,301
Boston/Newtown Marriott	\$50,895,475
Detroit Romulus	\$12,929,522
The Ritz-Carlton Dearborn	\$54,193,973
Minneapolis/Bloomington Marriott	\$35,000,000
Minneapolis City Center Marriott	\$37,603,948
Minneapolis Southwest Marriott	\$38,649,370
Kansas City Airport Marriott	\$13,204,621
Nashua Marriott	\$7,702,702
Hanover Marriott	\$51,786,449
Newark Airport Marriott	\$77,026,963
Park Ridge Marriott	\$23,808,376
Saddle Brook Marriott	\$15,000,000
Albany Marriott	\$53,218,720
New York Marriott Financial Center	\$118,841,599
New York Marriott Marquis	\$554,055,430
Marriott World Trade Center	\$187,197,788
Charlotte Executive Park Marriott	\$25,583,950
Raleigh Crabtree Valley Marriott	\$28,277,867
Oklahoma City Marriott	\$14,580,104
Oklahoma City Waterford	\$15,537,092
Portland Marriott	\$44,565,599
Philadelphia Convention Center Marriott	\$197,509,817
Philadelphia Airport Marriott	\$53,461,864
Pittsburgh City Center Marriott	\$17,087,003
Memphis Marriott	\$9,628,364
Dallas/Fort Worth Marriott	\$74,275,998
Dallas Quorum	\$50,067,519
El Paso Marriott	\$14,975,001
Houston Airport Marriott	\$25,793,294
JW Marriott Houston	\$73,175,609
Plaza San Antonio Marriott	\$36,312,707
San Antonio Rivercenter	\$182,288,619
San Antonio Riverwalk	\$79,502,826
Salt Lake City Marriott	\$56,394,741
Dulles Airport Marriott	\$17,881,259
Key Bridge Marriott	\$54,521,724
Norfolk Waterside Marriott	\$48,967,138

Pentagon City Residence Inn \$44,565,593
 The Ritz-Carlton Tysons Corner \$94,082,516
 Washington Dulles Suites \$34,662,127
 Westfields \$61,896,669
 Williamsburg Marriott \$18,156,349
 Washington Metro Center Marriott \$61,071,373
 Calgary Marriott \$24,283,359
 Toronto Airport Marriott \$40,000,000
 Toronto Eaton Centre \$54,709,339
 Toronto Delta Meadowvale \$41,106,781
 Fairview Park Marriott \$57,043,211
 Dayton Marriott \$39,223,260
 Research Triangle Park Marriott \$20,241,139
 Detroit Marriott Southfield \$15,689,304
 Detroit Marriott Livonia \$18,982,123
 Fullerton Marriott \$9,491,061
 Chicago O'Hare Suites \$34,622,823
 Albuquerque Marriott \$21,137,990
 Greensboro-High Point Marriott \$27,156,400
 Houston Medical Center Marriott \$40,526,000
 Miami Biscayne Bay Marriott \$59,931,821
 Marriott Mountain Shadows Resort \$25,162,619
 Seattle SeaTac Airport Marriott \$82,200,361
 Four Seasons Atlanta \$71,255,717
 Four Seasons Philadelphia \$98,001,894
 Grand Hyatt Atlanta \$110,226,266
 Hyatt Regency Burlingame \$212,438,347
 Hyatt Regency Cambridge \$112,108,801
 Hyatt Regency Reston \$100,027,779
 Swissôtel Atlanta \$87,920,923
 Swissôtel Boston \$124,052,865
 Swissôtel Chicago \$161,468,256
 The Drake (Swissôtel), New York \$211,081,619
 The Ritz-Carlton Amelia Island \$152,255,083
 The Ritz-Carlton Boston \$103,093,279

TOTAL CONTRIBUTED PROPERTY VALUE \$12,286,755,370

In connection with the issuance of Units in the Partnership Rollup and the other Capital Contributions being made contemporaneously with the Partnership Rollup (including the acquisition of properties from entities affiliated with The Blackstone Group), the foregoing Exhibit E shall be completed to reflect the 704(c) Value and Agreed Value of the Contribution only at such time as all elections to exchange Units received in the Partnership Rollup for Common Shares or notes expire, all Class A Units issuable to the General Partner pursuant to the Initial Election have been issued, and the other information required to complete the foregoing table becomes available. At such time, the table shall be completed as of the date of this Agreement to give effect to the Partnership Interests issued in connection with the Partnership Rollup and the other Capital Contributions made contemporaneously with the Partnership Rollup.

EXHIBIT F

DESIGNATION OF THE PREFERENCES, CONVERSION AND OTHER RIGHTS, VOTING POWERS, RESTRICTIONS AND LIMITATIONS AS TO SERIES AM CUMULATIVE REDEEMABLE PREFERRED UNITS OF LIMITED PARTNERSHIP INTEREST

(1) Certain Defined Terms. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Partnership Agreement. The following capitalized terms used in this Designation of Series AM Preferred Units shall have the respective meanings set forth below:

“**Conversion Price**” shall mean the conversion price per Class A Unit for which the Series AM Preferred Units are convertible, as such Conversion Price may be adjusted pursuant to Section 5. The initial Conversion Price shall be \$9.26 (equivalent to a conversion rate of one Class A Unit for each Series AM Preferred Unit).

“**Current Market Price**” shall mean, with respect to one Share of a class of outstanding Shares that are Publicly Traded, the average of the daily market price for Shares of such class for the ten consecutive trading days immediately preceding the date with respect to which Current Market Price is being determined. The market price for each such trading day shall be the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day.

“**Distribution Date**” means (i) for any Distribution Period with respect to which the Partnership pays a distribution on the Class A Units, the date on which such distribution is paid, or (ii) for any Distribution Period with respect to which the Partnership does not pay a distribution on the Class A Units, the date set by the General Partner for payment of distributions on the Series AM Preferred Units, which shall not be later than the 45th calendar day after the end of such Distribution Period.

“**Distribution Period**” means a quarterly period corresponding to each calendar quarter of each year in which any Series AM Preferred Units are outstanding, commencing with the calendar quarter ending on December 31, 1999, except that the Distribution Period during which any Series AM Preferred Units shall be redeemed pursuant to Section 4 shall end on and include the applicable Redemption Date.

“**Fully Junior Units**” means the Class A Units, Class B Units and any other Class or Series of Units now or hereafter issued and outstanding over which the Series AM Preferred Units have a preference or priority in both (i) the payment of distributions and (ii) the distribution of assets on any liquidation, dissolution or winding up of the Partnership.

“**Junior Units**” means the Class A Units, Class B Units and any other Class or Series of Units now or hereafter issued and outstanding over which the Series AM Preferred Units have a

preference or priority in either (i) the payment of distributions or (ii) the distribution of assets on any liquidation, dissolution or winding up of the Partnership.

“**Original Issue Date**” means the date on which the Series AM Preferred Units are first issued by the Partnership.

“**Parity Units**” has the meaning ascribed thereto in Section 6(B).

“**Partnership Agreement**” means the Fourth Amended and Restated Agreement of Limited Partnership of the Partnership, as amended from time to time.

“**Redemption Date**” means the date fixed for redemption of Series AM Preferred Units pursuant to Section 4.

“**Series AM Record Date**” shall mean the record date for holders of Series AM Preferred Units eligible to receive payment of a distribution on a Distribution Date, which record date shall be (i) if the Distribution Date for the Series AM Preferred Units for a Distribution Period is the same as the distribution payment date for the Class A Units for the same period, the same as the Partnership Record Date applicable for payment of distributions on the Class A Units, or (ii) if the Distribution Date for the Series AM Preferred Units for a Distribution Period is not the same as the distribution payment date for the Class A Units for the same period, a date established by the General Partner that shall be not less than 10 days and not more than 50 days preceding the applicable Distribution Date.

“**Set apart for payment**” shall be deemed to include, without any action other than the following, the recording by the Partnership in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of distributions by the Partnership, the allocation of funds to be so paid on any Class or Series of Units; provided, however, that if any funds for any Class or Series of Junior Units or any Class or Series of Parity Units are placed in a separate account of the Partnership or delivered to a disbursing, paying or other similar agent, then “set apart for payment” with respect to the Series AM Preferred Units shall mean placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

(2) Distributions.

(A) Each holder of outstanding Series AM Preferred Units shall be entitled to receive out of Available Cash, when, as and if declared by the General Partner, distributions payable in cash at the rate per Series AM Preferred Unit equal to \$0.84 per annum, prorated as described in Section 2(B). Distributions (i) shall begin to accrue and shall be fully cumulative from the Original Issue Date, whether or not in any Distribution Period or Periods there shall be Available Cash, and (ii) shall be payable quarterly, when, as and if declared by the General Partner, in arrears on each Distribution Date to holders of record of the Series AM Preferred Units on the applicable Series AM Record Date. Accrued and unpaid distributions for any past Distribution Periods may be declared and paid at any time and for such interim periods, without reference to any regular Distribution Date, to the holders of outstanding Series AM Preferred Units, on such date as may be fixed by the General Partner. Any distribution made on the Series AM Preferred Units shall first be credited against the earliest accrued but unpaid distribution due with respect to Series AM Preferred Units which remains payable.

(B) The amount of distributions referred to in the first sentence of Section 2(A) shall be equal to \$0.21 per full quarterly Distribution Period. The amount of distributions on the Series AM Preferred Units for any period that represents less than a full quarter of a year shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days in such Distribution Period. No interest, or sum of money in lieu of interest, shall be payable in respect of any distribution payment or payments on the Series AM Preferred Units that may be in arrears.

(C) So long as any Series AM Preferred Units are outstanding, no distributions, except as described in the immediately following sentence, shall be declared or paid or set apart for payment on any Class or Series of Parity Units for any period unless full cumulative distributions have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Series AM Preferred Units for all Distribution Periods ending on or prior to the distribution payment date for such Class or Series of Parity Units. When distributions are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all distributions declared upon Series AM Preferred Units and all distributions declared upon any other Class or Series of Parity Units shall be declared ratably in proportion to the respective amounts of distributions accumulated and unpaid on the Series AM Preferred Units and such Parity Units. Nothing herein shall be deemed to require the declaration or payment of a distribution on the Series AM Preferred Units prior to the end of the initial Distribution Period as a condition for the declaration or payment of a distribution on any Junior Units or Parity Units prior to the end of the initial Distribution Period.

(D) So long as any Series AM Preferred Units are outstanding, no distributions (other than distributions paid solely in Fully Junior Units or options, warrants or rights to subscribe for or purchase Fully Junior Units) shall be declared or paid or set apart for payment on any Junior Units, nor shall any Junior Units be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of Class A Units, Class B Units (or other Junior Units convertible into Class A Units or Class B Units) made pursuant to (i) the Unit Redemption Right, (ii) any provision comparable to the Unit Redemption Right in any agreement entered into at the time such Class A Units, Class B Units or such other Junior Units are issued, or (iii) for purposes of an employee incentive or benefit plan of the General Partner, the Partnership or any subsidiary of either of them) for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such Junior Units) by the Partnership, directly or indirectly (except by conversion into or exchange for Fully Junior Units), unless in each case the full cumulative distributions on all outstanding Series AM Preferred Units shall have been or contemporaneously are declared and paid or declared and set apart for payment for all Distribution Periods ending on or prior to the distribution payment date for such Class or Series of Junior Units. Nothing herein shall be deemed to require the declaration or payment of a distribution on the Series AM Preferred Units prior to the end of the initial Distribution Period as a condition for the declaration or payment of a distribution on any Junior Units or Parity Units prior to the end of the initial Distribution Period.

(E) No distributions on the Series AM Preferred Units shall be declared by the General Partner or paid or set apart for payment by the Partnership at such time as the terms and provisions of any agreement of the General Partner or the Partnership, including any organizational document

or agreement relating to indebtedness of either of them, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(3) Liquidation Preference.

(A) In the event of any liquidation, dissolution or winding up of the Partnership, whether voluntary or involuntary, before any payment or distribution of the assets of the Partnership shall be made to or set apart for the holders of any Junior Units, each holder of the Series AM Preferred Units shall be entitled to receive \$9.26 (the "Series AM Liquidation Preference") per Series AM Preferred Unit, plus an amount equal to all distributions (whether or not earned or declared) accumulated, accrued and unpaid thereon to the date of final distribution to such holder. Until the holders of Series AM Preferred Units have been paid the Series AM Liquidation Preference in full, no payment will be made to any holder of any Junior Units upon the liquidation, dissolution or winding up of the Partnership. If, upon any such liquidation, dissolution or winding up of the Partnership, the assets of the Partnership, or the proceeds thereof, distributable to the holders of Series AM Preferred Units shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other Class or Series of Parity Units, then such assets, or the proceeds thereof, shall be distributed among the holders of the Series AM Preferred Units and the holders of Parity Units ratably in accordance with the respective amounts that would be payable on such Series AM Preferred Units and such Parity Units if all amounts payable thereon were paid in full. For purposes of this Section 3, a Transaction (as defined below) shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Partnership.

(B) Subject to the rights of the holders of Parity Units upon any liquidation, dissolution or winding up, voluntary or involuntary, of the Partnership, after payment shall have been made in full to the holders of the Series AM Preferred Units, as provided in this Section 3, any other Class or Series of Junior Units shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets, or the proceeds thereof, remaining to be paid or distributed, and the holders of the Series AM Preferred Units shall not be entitled to share therein.

(4) Redemption Right at the Option of the Partnership.

(A) The Series AM Preferred Units shall not be redeemable by the Partnership prior to the second anniversary of the Original Issue Date. On and after the second anniversary of the Original Issue Date, the Partnership, at its option, may redeem the Series AM Preferred Units as set forth herein, subject to the provisions described below:

(i) Series AM Preferred Units may be redeemed, in whole or in part, at the option of the Partnership, at any time or from time to time on or after the second anniversary of the Original Issue Date by issuing to each holder for each Series AM Preferred Unit to be redeemed such number of Class B Units as equals the Series AM Liquidation Preference (excluding any accumulated, accrued and unpaid distributions, which are to be paid in cash as provided below) divided by the Conversion Price as in effect as of the opening of business on the Redemption Date.

(ii) Series AM Preferred Units may also be redeemed, in whole or in part, at the option of the Partnership, at any time or from time to time on or after the second anniversary of the Original Issue Date at a redemption price payable in cash equal to the Series AM Liquidation Preference (plus all accumulated, accrued and unpaid distributions as provided below).

(B) Upon any redemption of Series AM Preferred Units pursuant to this Section 4, the Partnership shall pay in cash all accumulated, accrued and unpaid distributions, if any, thereon to the Redemption Date, without interest. If the Redemption Date falls after a Series AM Record Date and prior to the corresponding Distribution Date, then no holder of Series AM Preferred Units at the close of business on such Series AM Record Date shall be entitled to the distribution payable on such Series AM Preferred Units that are redeemed on or prior to such Distribution Date.

(C) If full cumulative distributions on the Series AM Preferred Units for all Distribution Periods ending on or before the proposed Redemption Date have not been declared and paid or declared and set apart for payment to the Redemption Date, the Series AM Preferred Units may not be redeemed under this Section 4 in part and the Partnership may not purchase or acquire Series AM Preferred Units otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of Series AM Preferred Units.

(D) Notice of the redemption of any Series AM Preferred Units under this Section 4 shall be mailed by first-class mail to each holder of record of Series AM Preferred Units to be redeemed at the address of each such holder as shown on the Partnership's records, not less than 30 nor more than 90 days prior to the Redemption Date. Neither the failure to mail any notice required by this paragraph (D), nor any defect therein or in the mailing thereof, to any particular holder, shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each such mailed notice shall state, as appropriate: (i) the Redemption Date; (ii) the number of Series AM Preferred Units to be redeemed and, if fewer than all the Series AM Preferred Units held by such holder are to be redeemed, the number of such Series AM Preferred Units to be redeemed from such holder; (iii) the redemption price if the Series AM Preferred Units are redeemed for cash and the number of Class B Units to be issued if the Series AM Preferred Units are redeemed for Class B Units; (iv) the then-current Conversion Price; and (v) that distributions on the Series AM Preferred Units to be redeemed shall cease to accrue on such Redemption Date except as otherwise provided herein. Notice having been mailed as aforesaid, from and after the Redemption Date (unless the Partnership shall fail to make available an amount of cash or Class B Units or both, as applicable, necessary to effect such redemption), (i) except as otherwise provided herein, distributions on the Series AM Preferred Units so called for redemption shall cease to accrue, (ii) such Series AM Preferred Units shall no longer be deemed to be outstanding, and (iii) all rights of the holders thereof as holders of Series AM Preferred Units shall cease (except the rights (a) to convert prior to the Redemption Date pursuant to Section 5 hereof and (b) to receive the Class B Units and/or cash payable upon such redemption, without interest thereon, and to receive any distributions payable thereon). The Partnership's obligation to provide Class B Units and/or cash in accordance with the preceding sentence shall be deemed fulfilled if, on or before the Redemption Date, the Partnership shall deposit with a bank or trust company (which may be

an affiliate of the Partnership) that has, or is an affiliate of a bank or trust company the has, capital and surplus of at least \$50,000,000, such number of Class B Units and/or amount of cash necessary for such redemption, in trust, with irrevocable instructions that such Class B Units and/or cash be applied to the redemption of the Series AM Preferred Units so called for redemption. In the case of any redemption pursuant to paragraph (A)(i) of this Section 4, at the close of business on the Redemption Date, each holder of Series AM Preferred Units to be redeemed (unless the Partnership defaults in the delivery of the Class B Units or cash payable on such Redemption Date) shall be deemed to be the record holder of the Class B Units into which such Series AM Preferred Units are to be converted at redemption. No interest shall accrue for the benefit of the holders of Series AM Preferred Units to be redeemed on any cash set aside for payment by the Partnership. Subject to applicable escheat laws, any cash unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Partnership, after which reversion the former holders of Series AM Preferred Units for whose account such cash has been held shall look only to the general funds of the Partnership for the payment of such cash.

On or as soon as practicable after the redemption date, any Series AM Preferred Units so redeemed, shall be exchanged for any Class B Units, if necessary, and/or any cash (without interest thereon) for which such Series AM Preferred Units have been redeemed. If fewer than all the outstanding Series AM Preferred Units are to be redeemed, Series AM Preferred Units to be redeemed shall be selected by the Partnership from outstanding Series AM Preferred Units not previously called for redemption pro rata (as nearly as may be), by lot or by any other method determined by the General Partner in its sole discretion to be equitable. If fewer than all the Series AM Preferred Units held by a holder are redeemed, then the Partnership shall deliver to each holder of such unredeemed Series AM Preferred Units a written confirmation stating the number of Series AM Preferred Units still held by such holder thereof.

(E) In the case of any redemption pursuant to paragraph (A)(i) of this Section 4, the following provisions shall apply:

(i) No fractional Class B Units or scrip representing fractions of Class B Units shall be issued upon redemption of the Series AM Preferred Units. Instead of any fractional interest in Class B Units that would otherwise be deliverable upon redemption of Series AM Preferred Units, the Partnership shall pay to the holder of such Series AM Preferred Units an amount in cash (rounded to the nearest cent) based upon the Current Market Price of the number of Shares for which the number of Class A Units into which a Class B Unit is convertible can be redeemed pursuant to the Unit Redemption Right on the trading day immediately preceding the Redemption Date. If more than one Series AM Preferred Unit shall be redeemed at one time by the same holder, the number of full Class B Units issuable upon redemption thereof shall be computed on the basis of the aggregate number of Series AM Preferred Units to be redeemed by such holder.

(ii) Any Class B Units issued upon redemption of Series AM Preferred Units in accordance with this Section 4 shall be deemed to be validly issued and fully paid.

(5) Conversion. Holders of Series AM Preferred Units shall have the right to convert any or all of such Series AM Preferred Units into Class A Units, as follows:

(A) Subject to and upon compliance with the provisions of this Section 5, a holder of Series AM Preferred Units shall have the right, at his option, on or after the first anniversary of the

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Original Issue Date (or earlier in connection with a Transaction as provided in Paragraph 5(E)), to convert such Series AM Preferred Units into the number of Class A Units obtained by dividing the aggregate Liquidation Preference of such Series AM Preferred Units by the Conversion Price (as in effect at the time and on the date provided for in the last paragraph of paragraph (B) of this Section 5) by delivering a written notice of conversion in the manner provided in paragraph (B) of this Section 5.

(B) In order to exercise the conversion right, the holder of each Series AM Preferred Unit to be converted shall deliver a written notice of conversion specifying the number of Series AM Preferred Units such holder elects to convert to the principal executive offices of the Partnership. Unless the Class A Units issuable on conversion are to be issued in the same name as the name in which such Series AM Preferred Unit is registered, the written notice of conversion for each Series AM Preferred Unit shall be accompanied by instruments of transfer, in form satisfactory to the Partnership, duly executed by the holder or such holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax (or evidence reasonably satisfactory to the Partnership demonstrating that such taxes have been paid).

Holders of Series AM Preferred Units at the close of business on a Series AM Record Date shall be entitled to receive the distribution payable on such Series AM Preferred Units following a Partnership Record Date and up to and including the corresponding Distribution Date notwithstanding the conversion thereof following such Series AM Record Date and prior to such Distribution Date. However, Series AM Preferred Units surrendered for conversion during the period between the close of business on any Series AM Record Date and the opening of business on the Partnership Record Date with respect to the Class A Units for the corresponding Distribution Period (except Series AM Preferred Units converted after the issuance of a notice of redemption with respect to a Redemption Date during such period, such Series AM Preferred Units being entitled to such distribution on the Distribution Date if not theretofore redeemed) must be accompanied by payment of an amount equal to the distribution payable on such Series AM Preferred Units on such Distribution Date. A holder of Series AM Preferred Units on a Series AM Record Date who (or whose transferee) tenders any such Series AM Preferred Units for conversion into Class A Units following a Partnership Record Date and up to and including the corresponding Distribution Date will receive the distribution payable by the Partnership on such Series AM Preferred Units on such date, and the converting holder need not include payment of the amount of such distribution upon surrender of Series AM Preferred Units for conversion. Except as provided above, the Partnership shall make no payment or allowance for unpaid distributions, whether or not in arrears, on converted Series AM Preferred Units or for distributions on the Class A Units issued upon such conversion.

As promptly as practicable after the delivery of a written notice of conversion for Series AM Preferred Units as aforesaid, the Partnership shall deliver to such holder a written confirmation of the number of whole Class A Units issuable upon the conversion of such Series AM Preferred Units in accordance with provisions of this Section 5, and any fractional interest in respect of a Class A Unit arising upon such conversion shall be settled as provided in paragraph (C) of this Section 5.

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which such written notice of conversion shall have been received by the

Partnership as aforesaid (and if applicable, payment of an amount equal to the distribution payable on such Series AM Preferred Units shall have been received by the Partnership as described above), and the person or persons in whose name or names the Class A Units shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the Class A Units represented thereby at such time on such date and such conversion shall be at the Conversion Price in effect at such time on such date unless the Class A Unit transfer books of the Partnership shall be closed on that date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such Class A Unit transfer books are open, but such conversion shall be at the Conversion Price in effect on the date on which such written notice of conversion of such Series AM Preferred Units shall have been received by the Partnership.

(C) No fractional Class A Units or scrip representing fractions of Class A Units shall be issued upon conversion of the Series AM Preferred Units. Instead of any fractional interest in a Class A Unit that would otherwise be deliverable upon the conversion of a Series AM Preferred Unit, the Partnership shall pay to the holder of such Series AM Preferred Unit an amount in cash (rounded to the nearest cent) based upon the Current Market Price of the number of Shares for which one Class A Unit can be redeemed pursuant to the Unit Redemption Right on the trading day immediately preceding the date of conversion. If more than one Series AM Preferred Unit shall be converted at one time by the same holder, the number of full Class A Units issuable upon conversion thereof shall be computed on the basis of the aggregate number of Series AM Preferred Units to be converted by such holder.

(D) The Conversion Price shall be adjusted from time to time as follows:

(i) If the Partnership shall (a) make a distribution on its Class A Units payable in Class A Units, (b) subdivide its outstanding Class A Units into a greater number of Class A Units, or (c) combine its outstanding Class A Units into a smaller number of Class A Units, the Conversion Price in effect at the opening of business on the Business Day following the date fixed for the determination of holders entitled to receive such distribution or at the opening of business on the Business Day next following the day on which such subdivision or combination becomes effective, as the case may be, shall be adjusted so that the holder of any Series AM Preferred Unit thereafter surrendered for conversion or redemption shall be entitled to receive the number of Class A Units that such holder would have owned or would have been entitled to receive after the occurrence of any of the events described above as if such Series AM Preferred Units had been converted immediately prior to the record date in the case of a distribution or the effective date in the case of a subdivision or combination. An adjustment made pursuant to this subparagraph (i) shall become effective immediately after the opening of business on the Business Day next following the record date (except as provided in paragraph (H) below) in the case of a distribution and shall become effective immediately after the opening of business on the Business Day next following the effective date in the case of a subdivision or combination.

(ii) No adjustment in the Conversion Price shall be required unless such adjustment would require a cumulative increase or decrease of at least 1% in such price; provided that any adjustments that by reason of this subparagraph (ii) are not required to be made shall be carried forward and taken into account in any subsequent adjustment until made; and provided further that any adjustment shall be required and made in accordance

with the provisions of this Section 5 (other than this subparagraph (ii)) not later than such time as may be required in order to preserve the tax-free nature of a distribution to the holders of Class A Units. All calculations under this Section 5 shall be made to the nearest cent (with \$.005 being rounded upward) or to the nearest one-tenth of a Class A Unit (with .05 of a Class A Unit being rounded upward), as the case may be. Notwithstanding any other provisions of this paragraph (D), the General Partner shall be entitled, to the extent permitted by law, to make such reductions in the Conversion Price, in addition to those required by this paragraph (D), as it in its discretion shall determine to be advisable in order that any Class A Unit distribution, subdivision of Class A Units, reclassification or combination of Class A Units, distribution of rights or warrants to purchase Class A Units or other securities, or distribution of other assets (other than cash distributions) hereafter made by the Partnership to its Limited Partners shall not be taxable, or if that is not possible, to reduce any income taxes otherwise payable as a result of such event to the maximum extent possible.

(E) If the Partnership shall be a party to any transaction (including, without limitation, a merger, consolidation, self tender offer for all or a substantial portion of its Class A Units, sale of all or substantially all of the Partnership's assets or recapitalization of the Class A Units and excluding any transaction as to which subparagraph (D)(i) of this Section 5 applies) (each of the foregoing being referred to herein as a "Transaction"), in each case as a result of which Class A Units are converted into the right to receive securities or other property (including cash) or any combination thereof, then, effective upon the consummation of such Transaction, each Series AM Preferred Unit shall automatically be converted, without further action by the holder thereof, into the amount and kind of securities or other property received in such Transaction by the holder of the number of Class A Units into which such Series AM Preferred Unit was convertible pursuant to paragraph 5(A), immediately prior to the record date (or other applicable date for the determination of the receipt of consideration with respect thereto), without regard to whether such date is prior to the first anniversary of the Original Issue Date. The Partnership shall not be a party to any Transaction unless the terms of such Transaction are consistent with the provisions of this paragraph (E).

(F) If at any time there shall be a Transaction or at any time on or after the first anniversary of the Original Issue Date:

- (i) the Partnership shall declare an extraordinary distribution of cash on its Class A Units; or
- (ii) the Partnership shall authorize the granting to all holders of Class A Units of rights, options or warrants to subscribe for or purchase any Units of any Class or any other rights, options or warrants; or
- (iii) there shall be any reclassification of the Class A Units (other than an event to which subparagraph (D)(i) of this Section 5 applies); or
- (iv) there shall occur the voluntary or involuntary liquidation, dissolution or winding up of the Partnership;

then the Partnership shall cause to be filed with the transfer agent for the Series AM Preferred Units (which may be the Partnership itself) and shall cause to be mailed to the holders of Series AM Preferred Units at their addresses as shown on the records of the Partnership, as

promptly as possible, but at least 10 days prior to the applicable date hereinafter specified, a notice stating (a) the date on which a record is to be taken for the purpose of such distribution, granting of rights, options or warrants, or, if a record is not to be taken, the date as of which the holders of Class A Units of record to be entitled to such distribution or granting of rights, options or warrants are to be determined or (b) the date on which such Transaction, reclassification, liquidation, dissolution or winding up is expected to become effective, and the date as of which it is expected that holders of record of Class A Units shall be entitled to exchange their Class A Units for securities or other property, if any, deliverable upon such Transaction, reclassification, liquidation, dissolution or winding up. Failure to give or receive such notice or any defect therein shall not affect the legality or validity of the proceedings described in this Section 5.

(G) The Partnership shall promptly notify each holder of Series AM Preferred Units (i) upon request, of the then current Conversion Price and (ii) of any changes to the Conversion Price.

(H) In any case in which paragraph (D) of this Section 5 provides that an adjustment shall become effective on the Business Day next following the record date for an event, the Partnership may defer until the occurrence of such event (i) issuing to the holder of any Series AM Preferred Unit converted after such record date and before the occurrence of such event the additional Class A Units issuable upon such conversion by reason of the adjustment required by such event over and above the Class A Units issuable upon such conversion before giving effect to such adjustment and (ii) paying to such holder any amount of cash in lieu of any fraction pursuant to paragraph (C) of this Section 5.

(I) There shall be no adjustment of the Conversion Price in case of the issuance of any Class A Units in a reorganization, acquisition or other similar transaction except as specifically set forth in this Section 5. If any action or transaction would require adjustment of the Conversion Price pursuant to more than one paragraph of this Section 5, only one adjustment shall be made and such adjustment shall be the amount of adjustment that has the highest absolute value.

(J) If the Partnership shall take any action affecting the Class A Units, other than action described in this Section 5, that in the opinion of the General Partner would materially and adversely affect the conversion rights of the holders of the Series AM Preferred Units, the Conversion Price for the Series AM Preferred Units may be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the General Partner, in its sole discretion, may determine to be equitable in the circumstances.

(K) Any Class A Units issued upon conversion of the Series AM Preferred Units shall be validly issued and fully paid.

(L) The Partnership shall endeavor to comply with all federal and state securities laws and regulations thereunder in connection with the issuance of any securities that the Partnership shall be obligated to deliver upon conversion of the Series AM Preferred Units. The certificates evidencing such securities, if any, shall bear such legends restricting transfer thereof in the absence of registration under applicable securities laws or an exemption therefrom as the Partnership may in good faith deem appropriate.

(M) The Partnership shall pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of Class A Units or other securities or property on conversion of the Series AM Preferred Units pursuant hereto; provided, however, that the Partnership shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of Class A Units or other securities or property in a name other than that of the holder of the Series AM Preferred Units to be converted, and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Partnership the amount of any such tax or established, to the reasonable satisfaction of the Partnership, that such tax has been paid.

(6) Ranking. Any Class or Series of Units shall be deemed to rank:

(A) prior to the Series AM Preferred Units, as to the payment of distributions and as to distribution of assets upon liquidation, dissolution or winding up of the Partnership, if the holders of such Class or Series of Units shall be entitled to the payment of distributions or the distribution of assets upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series AM Preferred Units, including all preferred units issued to the General Partner corresponding to preferred stock issued by the General Partner;

(B) on a parity with the Series AM Preferred Units as to the payment of distributions and as to the distribution of assets upon liquidation, dissolution or winding up of the Partnership, whether or not the distribution rates, distribution payment dates or redemption or liquidation prices per Unit be different from those of the Series AM Preferred Units, if the holders of such Class or Series of Units and the Series AM Preferred Units shall be entitled to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid distributions per Unit or liquidation preferences, without preference or priority one over the other (“Parity Units”);

(C) junior to the Series AM Preferred Units, as to the payment of distributions or as to the distribution of assets upon liquidation, dissolution or winding up of the Partnership, if such Class or Series of Units shall be Junior Units; and

(D) junior to the Series AM Preferred Units, as to the payment of distributions and as to the distribution of assets upon liquidation, dissolution or winding up of the Partnership, if such Class or Series of Units shall be Fully Junior Units.

(7) Allocations. For purposes of maintaining the Capital Accounts and in determining the rights of the holders of Series AM Preferred Units among themselves, the Partnership’s items of income, gain, loss and deduction shall be allocated among the holders of Series AM Preferred Units and the other Partners in each taxable year (or portion thereof) in accordance with Article VI of the Partnership Agreement.

(8) Voting. Each holder of the Series AM Preferred Units shall be entitled (A) to vote a number of Class A Units equal to the number of Class A Units into which the Series AM Preferred Units held by such holder would then be convertible pursuant to paragraph 5(A) (without giving effect to the limitation contained therein that any conversion may take place only after the first

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anniversary of the Original Issue Date) at any meeting of the Partners on any matter as to which the approval of the holders of the Class A Units is sought and otherwise participate in any action taken by the Limited Partners, (B) to vote as a separate class with respect to any amendment to the

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terms of the Series AM Preferred Units which would materially and adversely affect the rights of holders of Series AM Preferred Units, which amendment shall require the affirmative vote of the holders of a majority of the outstanding Series AM Preferred Units, and (C) to receive notice of any meeting of the Limited Partners. Nothing herein shall be deemed to require any vote of the holders of Series AM Preferred Units in connection with any issuance by the Partnership of Parity Units or Units which rank prior to the Series A Preferred Units as to the payment of distributions and/or as to distribution of assets upon liquidation, dissolution or winding up of the Partnership. Except as provided in this Section 8, the holders of Series AM Preferred Units shall have no voting rights.

(9) Restrictions on Transfer. No Series AM Preferred Units shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in Article XI of the Partnership Agreement. Any transfer or purported transfer of a Series AM Preferred Unit not made in accordance with Article XI of the Partnership shall be null and void.

(10) Ownership Limitation for Series AM Preferred Units. Holders of the Series AM Preferred Units shall be subject to the provisions of Article XII of the Partnership Agreement; provided, however, that for purposes of this Section 10 and Article XII of the Partnership Agreement, each holder of the Series AM Preferred Units shall be deemed to hold at all times the number of Class A Units into which such Series AM Preferred Units are then convertible pursuant to paragraph 5(A) (in addition to any other Class A Units held by such holder).

EXHIBIT G

DESIGNATION OF THE PREFERENCES, CONVERSION AND OTHER RIGHTS, VOTING POWERS, RESTRICTIONS AND LIMITATIONS AS TO CLASS F PREFERRED UNITS

The Class F Preferred Units (“**Class F Preferred Units**”) shall have the following designations, preferences, rights, powers, restrictions and limitations:

(1) Certain Defined Terms. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Partnership Agreement. The following capitalized terms used in this Designation of Class F Preferred Units shall have the respective meanings set forth below:

“**Contributor's Parent**” means Manchester Financial Group, L.P., if Manchester Financial Group, L.P., prior to the Amendment Effective Date owned a direct or indirect interest in the Contributor.

“**Business Day**” means any day, other than Saturday or Sunday, that is not a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to be closed.

“**Contribution Agreement**” means that certain Contribution Agreement entered into as of February 11, 2011, by and among the Partnership, the Contributor and the other parties signatories thereto.

“**Contributor**” means Manchester Grand Hotel, L.P., a California limited partnership.

“**Contributor's Liability**” means any amounts owing or otherwise alleged to be owing by the Contributor to the Partnership or the General Partner pursuant to the Contribution Agreement, including any such amounts for which the Contributor or Contributor's Parent is otherwise liable pursuant and subject to (i) the provisions of Article VII (Indemnification) of the Contribution Agreement and (ii) the Loan Agreement.

“**Distribution Junior Units**” means Class A Units, Class B Units, the Series AM Preferred Units, and any other class or series of Units now or hereafter issued and outstanding, the terms of which do not expressly provide that such class or series of Units ranks senior to or on a parity with the Class F Preferred Units in the distribution of assets on any liquidation, dissolution or winding up of the Partnership.

“**Distribution Parity Units**” means any other class or series of Units hereafter issued and outstanding which by its express terms ranks on a parity with the Class F Preferred Units in the distribution of assets on any liquidation, dissolution or winding up of the Partnership.

“**Distribution Payment Date**” means each January 15, April 15, July 15 and October 15 of each calendar year.

“**Distribution Period**” means a quarterly period of each calendar year that begins on a Distribution Payment Date, except for the first Distribution Period, which shall commence on

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the Issue Date for such Units and except that the Distribution Period during which any Class F Preferred Units shall be redeemed pursuant to Section 4 shall end on and include such date of redemption.

“**Dividend Junior Units**” means the Class A Units, Class B Units, the Series AM Preferred Units, and any other class or series of Units now or hereafter issued and outstanding, the terms of which do not expressly provide that such class or series of Units ranks senior to or on a parity with the Class F Preferred Units in the payment of distributions.

“**Dividend Parity Units**” means any other class or series of Units hereafter issued and outstanding, which by its express terms ranks on a parity with the Class F Preferred Units in the payment of distributions.

“**Fully Junior Units**” means the Class A Units, the Class B Units, the Series AM Preferred Units and any other class or series of Units now or hereafter issued and outstanding which are both Distribution Junior Units and Dividend Junior Units.

“**Issue Date**” means, with respect to any Class F Preferred Units, the date on which such Units are issued by the Partnership.

“**Junior Units**” means the Class A Units, the Class B Units, the Series AM Preferred Units and any other class or series of Units now or hereafter issued and outstanding which are either Distribution Junior Units or Dividend Junior Units or both. All references to "Junior Units" shall include, without limitation, all Fully Junior Units.

“**Loan Agreement**” means that certain Loan Agreement dated as of March 17, 2011, entered into by and between the Partnership and the Contributor, and the related loan documents.

“**Parity Units**” means any other Units hereafter issued and outstanding which are either Distribution Parity Units or Dividend Parity Units or both.

“**set apart for payment**” shall be deemed to include, without any action other than the following, the recording by the Partnership in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of distribution by the Partnership, the allocation of funds to be so paid on any class or series of Units; provided, however, that if any funds for any class or series of Junior Units or any class or series of Parity Units are placed in a separate account of the Partnership or delivered to a disbursing, paying or other similar agent, then "set apart for payment" with respect to the Class F Preferred Units shall mean placing such funds in a separate account for the Class F Preferred Units or delivering such funds to a disbursing, paying or other similar agent for the Class F Preferred Units.

“**Subject Date**” means (a) any date on which any distributions are authorized, declared or paid or set apart for payment or made on any Junior Units or Parity Units, and (b) any date on which any Junior Units or Parity Units are redeemed, purchased or otherwise acquired for

any consideration or any money paid to or made available for a sinking fund for the redemption of any such Units by the Partnership.

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(2) Distributions.

(A) Each holder of outstanding Class F Preferred Units shall be entitled to receive out of Available Cash, when, as and if declared by the General Partner, cash distributions at the rate of 6.345 % per annum of the \$25.00 liquidation preference per Class F Preferred Unit (equivalent to an annual rate of \$1.58625 per Class F Preferred Unit). Distributions (i) shall accrue daily and shall begin to accrue and shall be fully cumulative from the Issue Date, and (ii) shall be payable quarterly, when, as and if declared by the General Partner, in arrears in cash on a Distribution Payment Date, commencing on April 15, 2011 or if such day is not a Business Day, such distribution may be paid on the next succeeding Business Day. If a Distribution Payment Date is not a Business Day, the payment of such distribution on the next succeeding Business Day shall have the same force and effect as if made on the Distribution Payment Date, and no additional sum shall accrue on the amount so payable for the period from and after each Distribution Payment Date to the next succeeding Business Day. Accrued and unpaid distributions for any past Distribution Period may be declared and paid at any time and for such interim periods, without reference to any regular Distribution Payment Date, to the holder of the outstanding Class F Preferred Units on such date as may be fixed by the General Partner. Any distribution made on the Class F Preferred Units shall first be credited against the earliest accrued but unpaid distribution due with respect to the Class F Preferred Units which remain payable.

(B) The amount of any distributions on the Class F Preferred Units for any Distribution Period or portion thereof will be computed on the basis of a 360-day year consisting of twelve 30-day months (it being understood that the distribution payable on April 15, 2011 shall be for less than a full quarter). No interest, or sum of money in lieu of interest, shall be payable in respect of any distribution payment or payments on the Class F Preferred Units that may be in arrears, in excess of the full cumulative distributions described above in Section 2(A).

(C) So long as any Class F Preferred Units are outstanding, no full distributions shall be authorized, declared or paid or set apart for payment on any class or series of Dividend Parity Units or Dividend Junior Units for any period unless full cumulative distributions have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Class F Preferred Units for all past Distribution Periods (including, without limitation, any Distribution Period that terminates on a Subject Date), except for distributions on any classes or series of Dividend Parity Units or Dividend Junior Units at any time (i) when distribution on the Class F Preferred Units are not permitted pursuant to paragraph (E) of this Section (2), and (ii) when such distribution is necessary either to maintain the General Partner's status as a REIT or to enable the General Partner to avoid the payment of any tax that could be avoided by reason of a distribution by the General Partner to its shareholders or to preserve the Partnership's status as a partnership for federal income tax purposes, including any distributions to any other person (other than the General Partner) in respect of such partnership interests that are required as a result of, or a condition to, such distribution or payment to the General Partner (a

“Permitted

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REIT Distribution”). When such cumulative distributions are not paid in full or a sum sufficient for such full payment is not set apart on the Class F Preferred Units and any class or

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(D) series of Dividend Parity Units, all distributions authorized and declared upon the Class F Preferred Units and any other class or series of Dividend Parity Units (excluding, for this purpose, any Permitted REIT Distribution authorized and declared on any class or series of Dividend Parity Units) will be authorized and declared pro rata so that the amount of distributions authorized and declared with respect to the Class F Preferred Units and such other class or series of Dividend Parity Units will in all cases bear to each other the same ratio that accrued and unpaid distributions on the Class F Preferred Units and such other class or series of Dividend Parity Units bear to each other.

(E) Except as provided in the immediately preceding paragraph, so long as any Class F Preferred Units are outstanding, unless (a) full cumulative distributions on all outstanding Class F Preferred Units have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Class F Preferred Units for all past Distribution Periods (including without limitation, any Distribution Period that terminates on a Subject Date), and (b) all redemption requests pertaining to Class F Preferred Units have been paid, no distributions (other than distributions paid solely in Fully Junior Units) shall be authorized, declared or paid or set apart for payment on any Junior Units or Parity Units, nor shall any Junior Units or any Parity Units be redeemed, purchased or otherwise acquired for any consideration or any monies paid to or made available for a sinking fund for the redemption of any such Junior Units or Parity Units by the Partnership or the General Partner, except (i) by redemption or exchange by the Partnership of such Units for Fully Junior Units, or by the General Partner, shares of Common Stock of the General Partner, and (ii) to preserve the General Partner's status as a REIT or to preserve the Partnership's status as a partnership for federal income tax purposes, including any distributions to any other person (other than the General Partner) in respect of such partnership interests that are required as a result of, or a condition to, such distribution to the General Partner.

(F) No distributions on, and no redemptions of, the Class F Preferred Units shall be authorized or declared by the General Partner or paid or set apart for payment by the Partnership at such time as the terms and provisions of any agreement of the General Partner or the Partnership, including any organizational document or agreement relating to indebtedness of either of them, prohibits such authorization, declaration, payment or setting apart for payment or provides that such authorization, declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such authorization, declaration or payment shall be restricted or prohibited by applicable law. Notwithstanding the foregoing, distributions on the Class F Preferred Units will accrue and be cumulative whether or not the terms and provisions of any agreement of the Partnership or the General Partner prohibits the payment of distributions, whether or not the Partnership has earnings, whether or not there is Available Cash or funds legally available for the payment of such distributions and whether or not such distributions are authorized.

(G) All references to "accrued" or "accrued and unpaid" distributions on the Class F Preferred Units (and all references of like import) include, unless otherwise expressly stated or the context otherwise requires, accumulated distributions, if any, on the Class F Preferred Units; and all references to "accrued" or "accrued and unpaid" distributions on any class or

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(H) series of Units other than the Class F Preferred Units include, if, and only if, such other class or series of Units provides for cumulative distributions and unless otherwise expressly stated or the context otherwise requires, accumulated distributions, if any, thereon.

(3) Liquidation Preference.

(A) In the event of any liquidation, dissolution or winding up of the Partnership, whether voluntary or involuntary, before any payment or distribution of the assets of the Partnership shall be made to or set apart for the holders of any Distribution Junior Units, the holders of the Class F Preferred Units shall be entitled to receive \$25.00 per Class F Preferred Unit, plus an amount equal to all distributions (whether or not earned or declared) accumulated, accrued and unpaid thereon to the date of payment (such aggregate amount the "Class F Liquidation Preference"). Until the holders of the Class F Preferred Units have been paid the Class F Liquidation Preference in full, no payment or distribution will be made to any holder of any Distribution Junior Units upon the liquidation, dissolution or winding up of the Partnership. If, upon any such liquidation, dissolution or winding up of the Partnership, the assets of the Partnership, or the proceeds thereof, distributable to the holders of the Class F Preferred Units shall be insufficient to pay in full the Class F Liquidation Preference and liquidating payments on any other class or series of Distribution Parity Units, then such assets, or the proceeds thereof, shall be distributed among the holders of the Class F Preferred Units and the holders of such Distribution Parity Units ratably in proportion to the full liquidating distributions (including, if applicable, accumulated, accrued and unpaid distributions) to which they would otherwise respectively be entitled.

(B) Subject to the rights of the holders of Distribution Parity Units upon any liquidation, dissolution or winding up, whether voluntary or involuntary, of the Partnership, after payment in full of the Class F Liquidation Preference for all outstanding Class F Preferred Units shall have been made to the holders of the Class F Preferred Units, as provided in Section 3(A), any class or series of Distribution Junior Units shall, subject to any respective terms and provisions applying thereto, be entitled to receive any and all assets, or the proceeds thereof, remaining to be paid or distributed, and the holders of the Class F Preferred Units, as such, shall not be entitled to share therewith. After payment of the full amount of the Class F Liquidation Preference for each outstanding Class F Preferred Unit, the holders of the Class F Preferred Units, as such, will have no right or claim to any of the remaining assets of the Partnership. The preceding two sentences shall not affect the right of the General Partner or any other holder of Class F Preferred Units to share in any distribution or payment of the assets of the Partnership upon any liquidation, dissolution or winding up, whether voluntary or involuntary, of the Partnership as a result of its holding another class or series of Units.

(C) None of a consolidation or merger of the Partnership with or into another entity, or a sale, lease, transfer or conveyance of all or substantially all of the Partnership's property or business, shall be considered a liquidation, dissolution or winding up of the Partnership.

(4) Redemption.

(A) The Class F Preferred Units shall not be redeemable by the Partnership for a

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(B) period of time equal to the shorter of (i) 20 years from the date of issuance, and (ii) the death of Douglas Manchester (the “**Protection Period**”). At any time after the Protection Period, the Partnership shall be entitled to redeem the Class F Preferred Units, in its sole discretion, in whole or from time to time in part at a redemption price equal to the product of (i) the number of Class F Preferred Units being redeemed and (ii) the sum (the “**Redemption Price**”) of \$25.00 and all distributions (whether or not earned or declared) accumulated, accrued and unpaid on each Class F Preferred Unit to the date fixed for redemption of such Units.

(C) At any time after the second anniversary of the issuance, but subject to the restrictions set forth in paragraph (E) Section (2) above, Contributor may require the Partnership to redeem all, but not less than all, of the Class F Preferred Units owned thereby for an amount equal to the number of Preferred Units owned by the Contributor multiplied by the Redemption Price.

(D) The party seeking redemption shall provide the other party not less than 30 days notice of the request for redemption. Each notice shall state (i) the redemption date; (ii) if it is the Partnership issuing the notice, the number of Class F Preferred Units it will redeem; (iii) the place where the redemption will occur; and (iv) that distributions shall cease to accrue on the redeemed Class F Preferred Units on and after the redemption date. If the Partnership only redeems in part, a new certificate shall be issued to the Contributor to evidence the remaining Class F Preferred Units and the Partnership may select the Class F Preferred Units to be redeemed by lot, pro rata or any other method it deems appropriate in its sole discretion.

(5) Ranking. Any class or series of Units shall be deemed to rank:

(A) prior to the Class F Preferred Units, as to the payment of distributions and as to distributions of assets upon liquidation, dissolution or winding up of the Partnership, if the express terms of such class or series of Units provides that the holders of such class or series of Units shall be entitled to the payment of distributions or the distribution of assets upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of the Class F Preferred Units, provided that the Partnership shall not issue any such Units without the prior written consent of the holders of a majority of the outstanding Class F Preferred Units;

(B) on a parity with the Class F Preferred Units as to the payment of distributions and as to distributions of assets upon liquidation, dissolution or winding up of the Partnership, whether or not the distribution rates, distribution payment dates or redemption or liquidation prices per Unit are different from those of the Class F Preferred Units, or if the express terms of such class or series of Units provide that the holders of such class or series of Units and the Class F Preferred Units shall be entitled to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued, accumulated (if applicable) and unpaid distributions per Unit or liquidation preferences, as the case may be, without preference or priority one over the other;

(C) junior to the Class F Preferred Units, as to the payment of distributions or as to the distributions of assets upon liquidation, dissolution and winding up of the Partnership, as the

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(D) case may be, if such class or series of Units shall be Junior Units; and

(E) junior to the Class F Preferred Units, as to the payment of distributions and as to the distributions of assets upon liquidation, dissolution and winding up of the Partnership if such class or series of Units shall be Fully Junior Units.

(6) Allocations. For purposes of maintaining the Capital Accounts and in determining the rights of the holders of the Class F Preferred Units, the Partnership's items of income, gain, loss and deduction shall be allocated among the holders of the Class F Preferred Units and the other Partners in each taxable year (or portion thereof) in accordance with Article VI of the Partnership Agreement.

(7) Voting Rights. The holders of the Class F Preferred Units shall not have any voting or consent rights in respect of their partnership interest represented by the Class F Preferred Units other than with respect to (i) any amendments to this Exhibit G, (ii) any future issuances of Class F Preferred Units (other than as contemplated under the Contribution Agreement), (iii) any issuance of any Units ranked prior to the Class F Preferred Units in accordance with Section 5 of this Exhibit G, with each of clauses (i), (ii), and (iii) requiring the prior written consent of a majority of the outstanding Class F Preferred Units, and (iv) as otherwise specified therein.

(8) Transfer Restrictions. Notwithstanding any provision in Article XI of the Partnership Agreement, the Class F Preferred Units shall not be transferable without the prior written consent of the General Partner, which consent may be withheld in the General Partner's sole and absolute discretion.

(9) Ownership Limitation Exemption. The Ownership Limitation set forth in Section 12.1 of the Partnership Agreement shall not apply to the Class F Preferred Units.

(10) Offsets. Without in any way limiting any other right or remedy at law or otherwise, the General Partner shall be entitled to offset against any distribution payable to a Limited Partner pursuant to this Exhibit G or any amounts owing or otherwise alleged to be owing to the Partnership or the General Partner by (i) such Limited Partner, including, without limitation, pursuant to any applicable Registration Rights Agreement, or (ii) Contributor. Any amounts so offset pursuant to the foregoing shall be deemed for all purposes to have been distributed or paid to such Limited Partner as required by this Agreement.

(11) Allocation of Nonrecourse Debt. In accordance with Section 4.2 and Section 6.1.C of the Partnership Agreement, the General Partner shall allocate Nonrecourse Liabilities of the Partnership for purposes of Regulation Section 1.752-3 to the holders of Class F Preferred Units in accordance with the Tax Protection Agreement dated as of March 17, 2011 by and among the Partnership, the Contributor and the other parties signatories thereto.

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James F. Risoleo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Hotels & Resorts, 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(s) 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 15d-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(s) 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.

Dated: November 4, 2022

/s/ JAMES F. RISOLEO

James F. Risoleo

President, Chief Executive Officer

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Sourav Ghosh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Hotels & Resorts, 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(s) 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 15d-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(s) 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.

Dated: November 4, 2022

/s/ SOURAV GHOSH

Sourav Ghosh
Chief Financial Officer

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James F. Risoleo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Hotels & Resorts, L.P.;
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(s) 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 15d-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(s) 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.

Dated: November 4, 2022

By: /s/ JAMES F. RISOLEO

James F. Risoleo
President, Chief Executive Officer of
Host Hotels & Resorts, Inc.,
general partner of Host Hotels & Resorts, L.P.

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Sourav Ghosh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Hotels & Resorts, L.P.;
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(s) 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 15d-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(s) 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.

Dated: November 4, 2022

/s/ SOURAV GHOSH

Sourav Ghosh
Chief Financial Officer of
Host Hotels & Resorts, Inc.,
general partner of Host Hotels & Resorts, L.P.

Section 906 Certification

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, updated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Host Hotels & Resorts, Inc. (the “Company”) hereby certify, to such officers’ knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2022

/s/ JAMES F. RISOLEO

James F. Risoleo
Chief Executive Officer

/s/ SOURAV GHOSH

Sourav Ghosh
Chief Financial Officer

Section 906 Certification

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, updated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Host Hotels & Resorts, Inc., the general partner of Host Hotels & Resorts, L.P., hereby certify, to such officers' knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of Host Hotels & Resorts, L.P. for the period ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Host Hotels & Resorts, L.P.

Dated: November 4, 2022

/s/ JAMES F. RISOLEO

James F. Risoleo

Chief Executive Officer of Host Hotels & Resorts, Inc.

/s/ SOURAV GHOSH

Sourav Ghosh

Chief Financial Officer of Host Hotels & Resorts, Inc.
