Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

OR

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

For the Year Ended December 31, 2006 **Commission file number 001-14625**

HOST HOTELS & RESORTS, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland	**53-0085950**
(State of Incorporation)	(I.R.S. Employer Identification Number)
6903 Rockledge Drive, Suite 1500, Bethesda, Maryland	**20817**
(Address of Principal Executive Offices)	(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	Name of each exchange on which registered
Common Stock, $.01 par value (523,784,228 shares outstanding as of February 14, 2007) and Purchase share rights for Series A Junior Participating Preferred Stock, $.01 par value	New York Stock Exchange
Class E Preferred Stock, $.01 par value (4,034,400 shares outstanding as of February 14, 2007)	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (i) 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 (ii) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐

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

The aggregate market value of shares of common stock held by non-affiliates of the registrant as of June 16, 2006 (based on the closing sale price as reported on the New York Stock Exchange on June 16, 2006) was approximately $10,644,088,096.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission and delivered to stockholders in connection with its annual meeting of stockholders to be held on May 17, 2007 are incorporated by reference into Part III of this Form 10-K.

Host Hotels & Resorts, Inc.

Item 1. Business

Host Hotels & Resorts, Inc. is a Maryland corporation that operates as a self-managed and self-administered real estate investment trust, or REIT. Host Hotels & Resorts, Inc. owns properties and conducts operations through Host Hotels & Resorts, L.P., a Delaware limited partnership, of which Host Hotels & Resorts, Inc. is the sole general partner and in which it holds approximately 96.5% of the partnership interests. In this report, 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" to specifically refer to Host Hotels & Resorts, Inc. and the term "Host LP" to refer to Host Hotels & Resorts, L.P. (and its consolidated subsidiaries), in cases where it is important to distinguish between Host and Host LP. Until April 17, 2006, Host was known as Host Marriott Corporation and Host LP was known as Host Marriott, LP. In connection with our acquisition of a portfolio of properties from Starwood Hotels & Resorts Worldwide, Inc., on April 17, 2006, we changed our names to Host Hotels & Resorts, Inc. and Host Hotels & Resorts, LP, respectively.

As of February 23, 2007, our lodging portfolio consisted of 123 luxury and upper upscale hotels containing approximately 65,600 rooms. Our portfolio is geographically diverse with hotels in most of the major metropolitan areas in 26 states, Washington, D.C., Toronto and Calgary, Canada, Mexico City, Mexico and Santiago, Chile. Our locations primarily include central business districts of major cities, airport areas and resort/convention destinations.

The address of our principal executive office is 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland, 20817. Our phone number is 240-744-1000.

Where to Find Additional Information

We maintain an internet website at: www.hosthotels.com. Through our website, we make available free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act.

Additionally, at the Investor Information section of our website, we have a Corporate Governance page that includes, among other things, copies of our Bylaws, our Code of Business Conduct and Conflicts of Interest Policy for directors, our Code of Business Conduct and Ethics for employees, our Corporate Governance Guidelines and the charters for each standing committee of our Board of Directors, which currently are: the Audit Committee, the Compensation Policy Committee and the Nominating and Corporate Governance Committee. Copies of our Bylaws and these charters and policies are also available in print to stockholders upon request.

The Lodging Industry

Overview

The lodging industry in the United States consists of private and public entities that operate in an extremely diversified market under a variety of brand names. The lodging industry has several key participants:

- Owners—own the hotel and typically enter into an agreement for an independent third party to manage the hotel. These properties may be branded and operated under the manager's brand or branded under a franchise agreement and operated by the franchisee or by an independent hotel manager. The properties may also be operated as an independent hotel (unaffiliated with any brand) by an independent hotel manager.
- Owner/Managers—own the hotel and operate the property with their own management team. These properties may be branded under a franchise agreement, operated as an independent hotel (unaffiliated with any brand) or operated under the owner's brand. REITs are restricted from operating and managing hotels under applicable REIT laws.

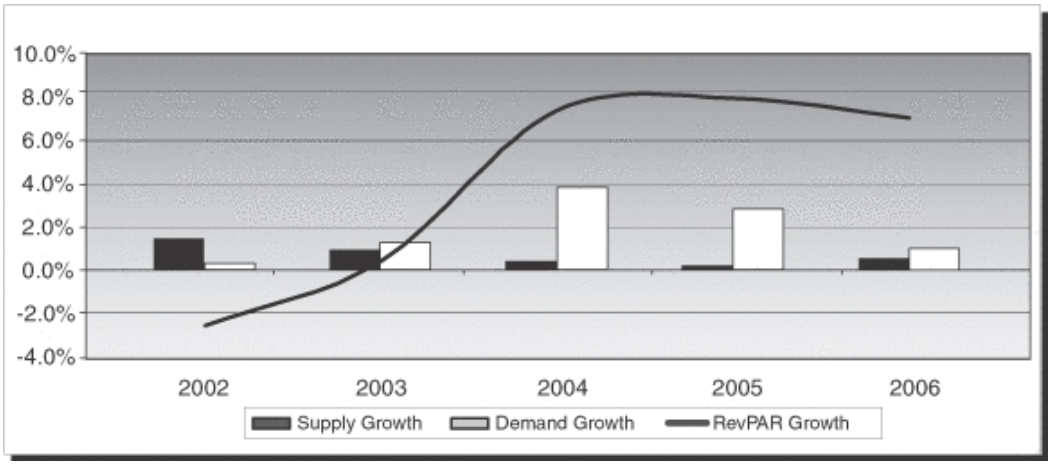
- Franchisors—own a brand or brands and strive to grow their revenues by expanding the number of hotels in their franchise system. Franchisors provide their branded hotels with brand recognition, marketing support and centralized reservation systems.
- Franchisor/Manager—own a brand or brands and also operate hotels on behalf of the hotel owner or franchisee.
- Manager—operate hotels on behalf of the hotel owner, but do not, themselves, own a brand. The hotels may be operated under a franchise agreement or as an independent hotel (unaffiliated with any brand).

The hotel manager is responsible for the day-to-day operation of the hotels, including the employment of hotel staff, the determination of room rates, the development of sales and marketing plans, the preparation of operating and capital expenditure budgets and the preparation of financial reports for the owner. They typically receive fees based on the revenues and profitability of the hotel.

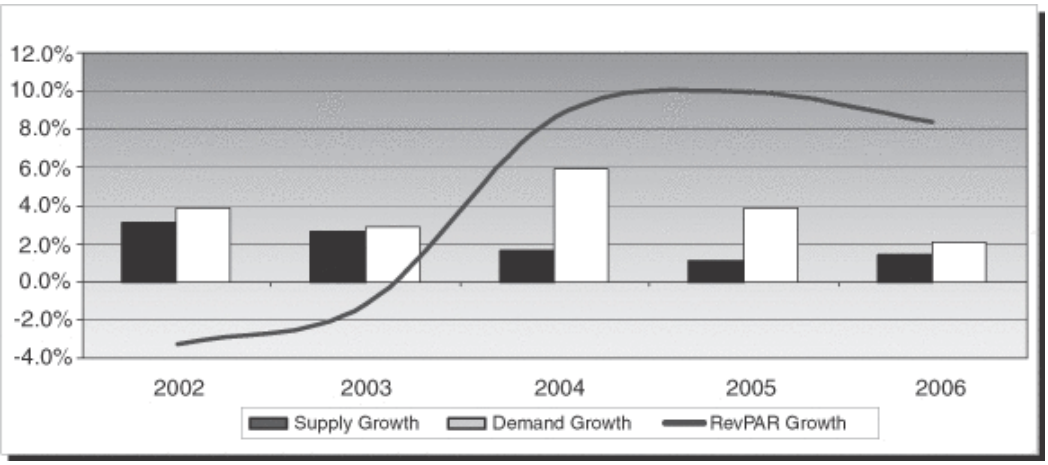
Our industry is influenced by the cyclical relationship between the supply of and demand for hotel rooms. Lodging demand growth typically is related to the vitality of the overall economy in addition to local market factors that stimulate travel to specific destinations. Extended periods of strong demand growth tend to encourage new development. The rate of supply growth may be influenced by a number of factors, including availability of capital, interest rates, construction costs and unique market considerations. The relatively long lead-time required to complete the development of hotels increases the volatility of the cyclical behavior of the lodging industry. At different points in the cycle, demand and supply may increase or decrease in a dissimilar manner such that demand may increase when there is no new supply or supply may grow when demand is declining. Over the last three years, general economic growth has gradually led to accelerating demand. During this period the growth of demand has outpaced the growth in supply, particularly in the markets that we target. Although always subject to uncertainty, supply growth is relatively easier to forecast than demand growth due to the long permit, approval and development lead-times associated with building or expanding existing luxury and upper upscale hotels. The recent strong industry performance has begun to increase the pace of new hotel construction from its cyclical lows; however, the majority of new projects scheduled for completion in the near-term are concentrated in the mid-scale and economy segments and outside of major urban markets. Supply growth in the industry has also been restrained by construction cost increases.

Revenue per available room (RevPAR) is a measure of performance commonly used in the hotel industry to evaluate hotel operations. RevPAR represents the product of the average daily room rate charged and the average daily occupancy achieved but excluding other revenue generated by a hotel property, such as from food and beverage or parking, telephone or other guest services. The charts below detail the supply, demand and RevPAR growth for the U.S. lodging industry and for the luxury and upper upscale segment for 2002 to 2006 based on data provided by Smith Travel Research.

U.S. Lodging Industry Supply, Demand and RevPAR Growth



Luxury and Upper Upscale Supply, Demand and RevPAR growth



Business Strategy

Our primary business objective is to provide superior total returns to our stockholders through a combination of appreciation in asset values and growth in earnings and dividends. To achieve this objective we seek to:

- maximize the value of our existing portfolio through aggressive asset management, which includes working with the managers of our hotels to continue to increase revenues while minimizing operating costs, completing selective capital improvements designed to increase profitability and exploring opportunities to utilize our properties for more valuable or profitable purposes;
- acquire luxury and upper upscale hotels that are generally located in urban and resort/convention destinations and are operated by leading management companies; and
- dispose of non-core assets, including older hotels that are at a competitive risk or hotels that are located in slower-growth markets.

Asset Management. We are the largest REIT owner of luxury and upper upscale properties in the U.S. and our hotels are affiliated with many of the top operators and brands in the industry. The size and composition of our portfolio and our experience with multiple brands allow us to benchmark similar hotels and identify best practices, value enhancement opportunities and efficiencies that can be communicated to our managers. We continue to evaluate key performance indicators to ensure an appropriate level of assistance is provided to our managers to maximize opportunities at each asset. Areas of focus include enhancing revenue management for rooms, food and beverage and other services, reducing operating costs and identifying operating efficiencies, all of which improve the long-term profitability of the hotel.

To maximize the value of our portfolio and to maintain our high standards for product quality, as well as those of our managers, our asset management and design and construction departments review potential capital improvements to ensure that each of our properties is in superior physical condition, highly competitive in the market and consistent with brand standards on a continuing basis. Our capital expenditures generally fall into three broad categories, renewal and replacement expenditures, repositioning/return on investment (or "ROI") projects and value enhancement projects.

Renewal and replacement capital expenditures. We work closely with our managers to ensure that renewal and replacement expenditures are spent efficiently to maximize the profitability of the hotel. Typically, room refurbishments occur at intervals of approximately seven years, but the timing may vary based on the type of property and equipment being replaced. These refurbishments generally are divided into the following types: soft goods, hard goods and infrastructure. Soft goods include items such as carpeting, bed spreads, curtains and wall vinyl and may require more frequent updates to maintain brand quality standards. Hard goods include items such as dressers, desks, couches, restaurant and meeting room chairs and tables and are generally not replaced as frequently. Infrastructure includes the physical plant of the hotel, including the roof, elevators, façade and fire systems, which are regularly maintained and then replaced at the end of their useful lives.

ROI/repositioning capital expenditures. In addition, we pursue opportunities to enhance asset value by completing selective capital improvements outside the scope of the typical renewal and replacement capital expenditures. These projects include, for example, significant repositionings of guest rooms, lobbies or food and beverage platforms and expanding ballroom, spa or conference facilities. In certain instances, these ROI/repositioning projects have coincided with the timing of regular maintenance cycles at the properties where we have used the opportunity to significantly improve and upgrade the hotel. These projects are also designed to take advantage of changing market conditions and the superior location of our properties.

Value enhancement projects. We also will continue to seek opportunities to enhance the value of our portfolio by identifying and executing strategies that maximize the highest and best use of all aspects of our properties, such as the development of timeshare or condominium units on excess land. For example, we are

pursuing the development of approximately 130 timeshare units on a beachfront parking lot at the Hyatt Regency Maui Resort and Spa. These projects typically require approvals from state or local regulatory agencies or other third parties. For this reason, it can be difficult to predict the timing of these projects or whether we will be able to achieve our value enhancement objectives. Additionally, we will seek to capitalize on our value enhancement strategies through the sale of certain hotels when premium pricing can be obtained, such as the 2006 sales of our Fort Lauderdale Marina Marriott for $146 million and the Swissôtel The Drake, New York for $440 million.

Acquisitions. Our acquisition strategy focuses on luxury and upper upscale hotels both domestically and internationally. We continue to believe there will be opportunities to acquire these hotels at attractive multiples of cash flow and at discounts to replacement cost. Our acquisition strategy continues to focus on:

- properties with locations in markets with high barriers to entry for prospective competitors;
- properties operated under premium brand names;
- larger hotels that are consistent with our portfolio objectives and that may require investment on a scale that limits the number of potential buyers;
- properties that further diversify our portfolio, both domestically and internationally; and
- acquisitions through various structures, including transactions involving portfolios, single assets and joint ventures.

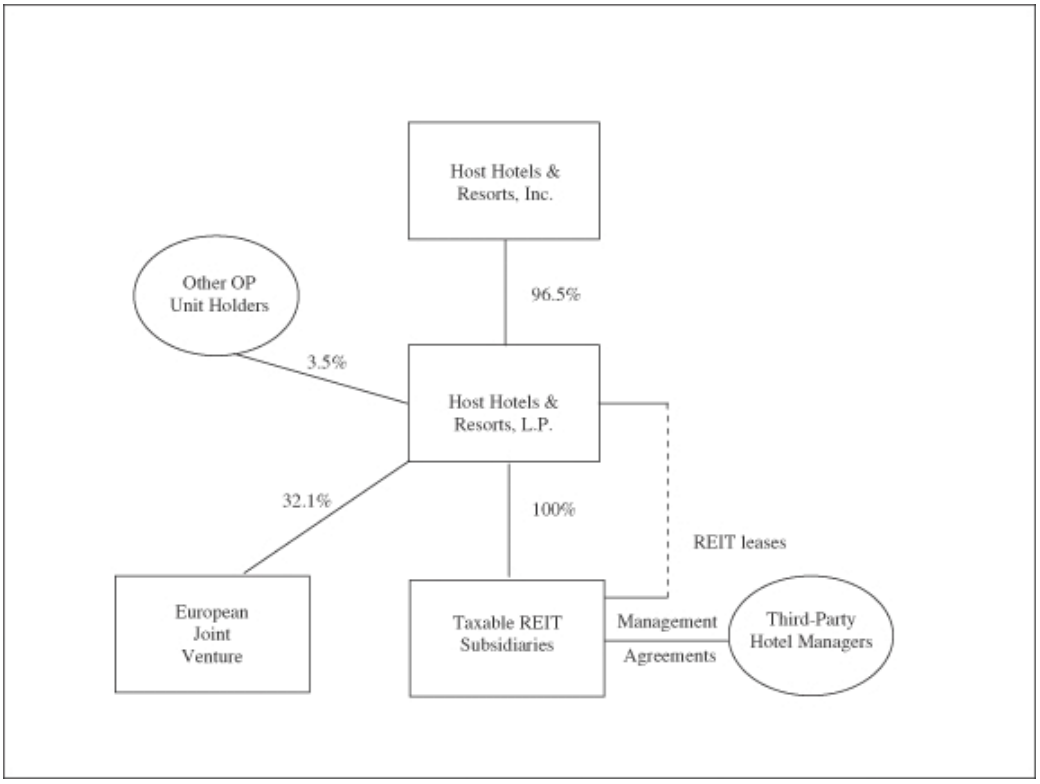
We completed the acquisition of a portfolio of 25 domestic and three international properties from Starwood Hotels & Resorts Worldwide, Inc., ("Starwood") on April 10, 2006 for $3.1 billion (one of the properties was contributed by us to the European joint venture described below on May 2, 2006). Additionally, since November 2003, we have purchased six properties in single-asset transactions, the most recent being the September 2006 acquisition of the 732-room Westin Kierland Resort & Spa for approximately $393 million. We will also purchase properties through various ownership structures, including joint ventures, and, in 2006, we formed a joint venture in Europe (the "European Joint Venture"), which owns seven hotels: the 483-room Hotel Arts Barcelona (acquired in August 2006 for approximately €417 million ($537 million)), five hotels acquired in May and June 2006 as part of the Starwood acquisition and the contribution of one hotel that we acquired from Starwood.

Dispositions. Since January 2004, we have taken advantage of market conditions to sell 26 hotels at favorable prices, including five properties sold in 2007. Proceeds from dispositions have been, or will be, used to repay debt, fund acquisitions, fund ROI and repositioning projects, or for general corporate purposes. With the exception of the sale of two properties discussed below, the properties that we disposed of have been non-core hotels that are located in secondary and tertiary markets where we believe the potential for growth is lower. We have also disposed of core assets when we have the opportunity to capitalize on value enhancement strategies and apply the proceeds to other business objectives such as the 2006 sales of our Fort Lauderdale Marina Marriott and the Swissôtel The Drake, New York.

Operating Structure

Host is a self-managed and self-administered real estate investment trust (REIT). Host operates through an umbrella partnership REIT (UPREIT) structure in which substantially all of its properties and assets are held by Host LP, of which Host is the sole general partner and holds approximately 96.5% of the outstanding partnership interests. The remaining 3.5% of the partnership interests are held by approximately 2,100 recordholders. Each unit of the partnership interests in Host LP owned by holders other than Host are redeemable at the option of the holder for an amount of cash equal to the market value of one share of Host common stock. Host has the right, however, to acquire any Host LP partnership interest offered for redemption directly from the holder in exchange for one share of Host common stock, instead of Host LP redeeming such partnership interest for cash.

Our operating structure is as follows:



Host was formed in 1998 as a Maryland corporation in connection with our reorganization to qualify as a REIT and, at that time, we reorganized our business and contributed our hotels and certain other assets to Host LP and its subsidiaries. As a result of this reorganization, Host became the sole general partner of Host LP. For each share of Host common stock, Host LP has issued one unit of partnership interest in Host LP, or OP unit, to Host. When distinguishing between Host and Host LP, the primary difference is the approximately 3.5% of the partnership interests of Host LP not held by us as of February 23, 2007.

As a REIT, certain tax laws limit the amount of "non-qualifying" income that Host can earn, including income derived directly from the operation of hotels. As a result, we lease substantially all of our properties to certain of our subsidiaries designated as taxable REIT subsidiaries ("TRS") for federal income tax purposes or to third party lessees. The lessees and our taxable REIT subsidiaries enter into agreements with third parties to manage the operations of the hotels. TRS subsidiaries may also hold other assets that engage in other activities that produce non-qualifying income such as the development of timeshare or condominium units, subject to certain restrictions. The difference between the hotel's net operating cash flow and the aggregate rents paid to Host LP is retained by the TRS as taxable income. Accordingly, the net effect of the TRS leases is that, while REITs are generally exempt from federal income tax to the extent that they meet specific distribution requirements, among other REIT requirements, a portion of the net operating cash flow from our properties is subject to federal, state and, if applicable, foreign income tax.

Our Hotel Properties

Overview. Our lodging portfolio primarily consists of 123 luxury and upper upscale hotels containing approximately 65,600 rooms as of February 23, 2007. It is geographically diverse, with hotels in most of the major metropolitan areas in 26 states, Washington, D.C., Toronto and Calgary, Canada, Mexico City, Mexico and Santiago, Chile. Our locations include central business districts of major cities, near airports and resort/convention destinations that, because of their locations, typically benefit from barriers to entry by competitors. Forty-five of our hotels, which represent over 60% of our hotel revenues, have more than 500 rooms. Our properties typically include meeting and banquet facilities, a variety of restaurants and lounges, swimming pools, exercise facilities and/or spas, gift shops and parking facilities, the combination of which enable them to serve business, leisure and group travelers. The average age of our properties is 24 years, although most of the properties have benefited from substantial renovations or major additions, as well as regularly scheduled renewal and replacement and other capital improvements.

The following chart details our hotel portfolio by brand as of February 23, 2007:

Brand	Number of Hotels	Rooms	Percentage of Revenues(1)
Marriott	72	40,505	56%
Sheraton	12	7,334	10
Westin	11	5,698	9
Ritz-Carlton	9	3,369	9
Hyatt	7	4,352	8
W	2	1,114	2
Hilton/Embassy Suites	2	678	1
Four Seasons	2	608	2
Fairmont	1	450	2
Luxury Collection/St. Regis	2	371	—
Delta	1	374	—
Swissôtel	1	632	1
Other	1	89	—
	123	65,574	100%

(1) Percentage of revenues is based on revenues from our 2007 property budgets.

Hotel Properties. The following table sets forth the location and number of rooms of our 123 hotels as of February 23, 2007. Each hotel is operated under the brand name indicated.

Location	Rooms
Arizona	
Sheraton Tucson	216
Scottsdale Marriott Suites Old Town	251
Scottsdale Marriott at McDowell Mountains	270
The Ritz-Carlton, Phoenix	281
The Westin Kierland Resort & Spa	732
California	
Coronado Island Marriott Resort(1)	300
Costa Mesa Marriott Suites	253
Desert Springs, a JW Marriott Resort, Palm Desert	884
Hyatt Regency, San Francisco Airport	789
Manhattan Beach Marriott(1)	385
Marina del Rey Marriott(1)	370
Newport Beach Marriott Hotel & Spa	532
Newport Beach Marriott Bayview	254
Host Airport Hotel Sacramento(1)	89
San Diego Marriott Hotel and Marina(1)(2)	1,362
San Diego Marriott Mission Valley	350
San Francisco Airport Marriott	685
San Francisco Marriott Fisherman's Wharf	285
San Francisco Marriott(1)	1,498
San Ramon Marriott(1)	368
Santa Clara Marriott(1)	755
Sheraton San Diego Hotel & Marina(1)	1,044
The Ritz-Carlton, Marina del Rey(1)	304
The Ritz-Carlton, San Francisco	336
The Westin Los Angeles(1)	740
The Westin Mission Hills	512
The Westin South Coast Plaza(1)	390
Colorado	
Denver Marriott Tech Center	628
Denver Marriott West(1)	305
Four Points by Sheraton Denver Southeast(1)	475
The Westin Tabor Center(1)	430
Connecticut	
Hartford Marriott Rocky Hill(1)	251
Sheraton Stamford	448
Florida	
Sheraton Suites Tampa	259
Harbor Beach Marriott Resort and Spa(1)(2)	637

Location	Rooms
Florida (continued)	
Hilton Singer Island Oceanfront Resort	223
Miami Airport Marriott(1)	772
Miami Marriott Biscayne Bay(1)	601
Orlando World Center Marriott Resort and Convention Center	2,000
Tampa Airport Marriott(1)	296
Tampa Marriott Waterside Hotel and Marina	717
The Ritz-Carlton, Amelia Island	444
The Ritz-Carlton, Naples	450
The Ritz-Carlton Golf Resort, Naples	295
Georgia	
Atlanta Marriott Marquis	1,663
Atlanta Marriott Suites Midtown(1)	254
Atlanta Marriott Perimeter Center	400
Four Seasons Hotel, Atlanta	244
Grand Hyatt Atlanta in Buckhead	438
JW Marriott Hotel Buckhead	371
The Ritz-Carlton, Buckhead	553
The Westin Buckhead Atlanta	365
Hawaii	
Hyatt Regency Maui Resort and Spa	806
The Fairmont Kea Lani, Maui	450
Illinois	
Chicago Marriott Suites Downers Grove	254
Courtyard Chicago Downtown	337
Chicago Marriott O'Hare	681
Chicago Marriott Suites O'Hare	256
Embassy Suites Chicago Hotel, Downtown/Lakefront	455
Swissôtel, Chicago	632
Indiana	
Sheraton Indianapolis	560
South Bend Marriott	298
The Westin Indianapolis	573
Louisiana	
New Orleans Marriott	1,290
Maryland	
Gaithersburg Marriott Washingtonian Center	284
Massachusetts	
Boston Marriott Copley Place	1,139
Boston Marriott Newton	430
Hyatt Regency Boston	498
Hyatt Regency Cambridge, Overlooking Boston	469
Sheraton Boston	1,216
Sheraton Braintree	374

Location	Rooms
Sheraton Needham	247
The Westin Waltham-Boston	346
Michigan	
The Ritz-Carlton, Dearborn	308
Minnesota	
Minneapolis Marriott City Center(1)	583
Minneapolis Marriott Southwest	321
Missouri	
Kansas City Airport Marriott(1)	382
New Hampshire	
Courtyard Nashua	245
New Jersey	
Hanover Marriott	353
Newark Liberty International Airport Marriott(1)	591
Park Ridge Marriott(1)	289
Sheraton Parsippany	370
New York	
New York Marriott Financial Center	498
New York Marriott Marquis Times Square(1)	1,944
Sheraton New York Hotel and Towers	1,746
W New York	688
North Carolina	
Greensboro-Highpoint Marriott Airport(1)	299
Raleigh Marriott Crabtree Valley	375
Ohio	
Dayton Marriott	399
The Westin Cincinnati(1)	456
Oregon	
Portland Marriott Downtown Waterfront	503
Pennsylvania	
Four Seasons Hotel, Philadelphia	364
Philadelphia Airport Marriott(1)	419
Philadelphia Marriott Downtown(2)	1,408
Tennessee	
Memphis Marriott Downtown	600
Texas	
Dallas/Addison Marriott Quorum by the Galleria(1)	548
Houston Airport Marriott(1)	565

Location	Rooms
Houston Marriott Medical Center(1)	386
JW Marriott Hotel on Westheimer by the Galleria	514
Texas (continued)	
San Antonio Marriott Rivercenter(1)	1,001
San Antonio Marriott Riverwalk(1)	512
St. Regis Hotel, Houston	232
Virginia	
Hyatt Regency Reston	518
Key Bridge Marriott(1)	582
Residence Inn Arlington Pentagon City	299
The Ritz-Carlton, Tysons Corner(1)	398
Washington Dulles Airport Marriott(1)	368
Washington Dulles Marriott Suites	253
Westfields Marriott Washington Dulles	336
Washington	
Seattle Marriott SeaTac Airport	459
The Westin Seattle	891
W Seattle	426
Washington, D.C.	
Hyatt Regency Washington on Capitol Hill	834
JW Marriott Hotel, Washington, D.C.	772
Marriott at Metro Center	456
The Westin Grand	263
Canada	
Calgary Marriott	384
Toronto Delta Meadowvale Resort and Conference Center	374
Toronto Marriott Airport(2)	424
Toronto Marriott Downtown Eaton Center(1)	459
Chile	
San Cristobal Tower, a Luxury Collection Hotel, Santiago	139
Sheraton Santiago Convention Center	379
Mexico	
JW Marriott Hotel, Mexico City(2)	312
Total	65,574

(1) The land on which this hotel is built is leased from a third party under one or more long-term lease agreements.
(2) These properties are not wholly owned.

Competition

The lodging industry is highly competitive. Competition is often specific to individual markets and is based on a number of factors, including location, brand, guest facilities and amenities, level of service, room rates and the quality of accommodations. The lodging industry is generally viewed as consisting of six different groupings, each of which caters to a discreet set of customer taste and needs: luxury, upper upscale, upscale, midscale (with and without food and beverage service) and economy. Most of our hotels operate in urban and resort markets either as luxury properties, under such brand names as Ritz-Carlton®, Fairmont®, Four Seasons®, The Luxury Collection®, St. Regis® and W® or as upper upscale properties, under such brand names as Marriott ®, Hyatt®, Westin®, Hilton®, Sheraton®, Swissôtel® and Delta®. [(1)] Our hotels compete with other hotels operated under brands in these groupings, as well as with hotels operated under upscale or other lower-tier groupings in certain locations.

We believe our properties enjoy competitive advantages associated with the hotel brands under which they operate. The international marketing programs and reservation systems of these brands combined with the strong management systems and expertise they provide, should enable our properties to perform favorably in terms of both occupancy and room rates. In addition, repeat guest business is enhanced by guest reward or guest recognition programs offered by most of these brands. Nevertheless, many management contracts for our hotels do not prohibit our managers from converting, franchising or developing other hotel properties in our markets. As a result, our hotels in a given market often compete with other hotels that our managers may own, invest in, manage or franchise.

Seasonality

Our hotel sales traditionally have experienced moderate seasonality, which varies based on the individual hotel property and the region. Additionally, hotel revenues in the fourth quarter typically reflect 16 weeks of results compared to 12 weeks for each of the first three quarters of the fiscal year for our Marriott-managed hotels. For our non-Marriott managed hotels, the first quarter includes two months of operations, the second and third quarters include three months of operations and the fourth quarter includes four months of operations. See "Management's Discussion and Analysis of Results of Operations and Financial Condition—Reporting Periods" for more information on our fiscal calendar. Hotel sales have historically averaged approximately 21%, 25%, 21% and 33% for the first, second, third and fourth quarters, respectively, although results for 2006 have been significantly affected by the purchase of the Starwood portfolio in April 2006.

Other Real Estate Investments

In addition to our hotels, we have minority partner interests in other real estate investments. We manage these investments and conduct business through a combination of general and limited partnership and limited liability company interests. All of the debt of these entities is non-recourse to us and our subsidiaries and the entities are not consolidated in our financial statements.

European Joint Venture

On March 24, 2006, we entered into an Agreement of Limited Partnership, forming a joint venture to acquire hotels in Europe with Stichting Pensioenfonds ABP, the Dutch pension fund ("ABP"), and Jasmine Hotels Pte Ltd, an affiliate of GIC Real Estate Pte Ltd ("GIC RE"), the real estate investment company of the Government of Singapore Investment Corporation Pte Ltd (GIC). Host LP is a limited partner (together with ABP and GIC RE, the "Limited Partners") and serves as the general partner. The percentage interests of the parties are 19.9% for ABP, 48% for GIC RE and 32.1% for Host LP (including its limited and general partner

(1) This annual report contains registered trademarks that are the exclusive property of their respective owners, which are companies other than us. None of the owners of these trademarks, their affiliates or any of their respective officers, directors, agents or employees, has or will have any responsibility or liability for any information contained in this annual report.

interests). The initial term of the European Joint Venture is ten years subject to two one-year extensions with partner approval. Due to the ownership structure of the European Joint Venture and the non-Host limited partners' rights to cause the dissolution and liquidation of the European Joint Venture at any time, it is not consolidated in our financial statements. As of December 31, 2006, the European Joint Venture owns the following seven hotels in four countries:

Hotel	City	Country	Rooms
Sheraton Roma Hotel & Conference Center(1)	Rome	Italy	634
Hotel Arts Barcelona(2)	Barcelona	Spain	482
The Westin Palace, Madrid(1)	Madrid	Spain	468
Sheraton Skyline Hotel & Conference Centre(1)	Hayes	United Kingdom	350
Sheraton Warsaw Hotel & Towers(3)	Warsaw	Poland	350
The Westin Palace, Milan(1)	Milan	Italy	228
The Westin Europa & Regina(4)	Venice	Italy	185
Total rooms			2,697

(1) Acquired from Starwood by the European Joint Venture on May 3, 2006.
(2) Acquired by the European Joint Venture on August 4, 2006.
(3) Acquired from Starwood by Host on April 10, 2006 and contributed by Host to the European Joint Venture on May 2, 2006.
(4) Acquired from Starwood by the European Joint Venture on June 13, 2006.

Other Investments

We currently own a 3.6% limited partner interest in CBM Joint Venture Limited Partnership, which owns 116 Courtyard by Marriott properties. We have the right to cause the partnership to redeem our limited partner interest under certain conditions between December 2007 and December 2009. Thereafter, the general partner of the partnership has the right to redeem our remaining interest.

We own a leasehold interest in 53 Courtyard by Marriott properties and 18 Residence Inn by Marriott properties (the "HPT Properties"), which were sold to Hospitality Properties Trust, Inc. and leased back prior to 1997. In 1998, we subleased these 71 properties to a third party on similar terms with initial terms expiring between 2010 and 2012. The subleases are renewable at our option. Rent payable under the subleases is guaranteed by the subtenant up to a maximum of $30 million. At the expiration of these leases, the third party owners of these properties will return our initial security deposit of approximately $67 million.

We also have a 49% limited partner interest in Tiburon Golf Ventures, L.P., which owns the golf club surrounding The Ritz-Carlton, Naples Golf Resort. For additional detail of our other real estate investments, including a summary of the outstanding debt balances of our affiliates, see "Management's Discussion and Analysis of Results of Operations and Financial Condition—Investments in Affiliates" and Note 3 "Investments in Affiliates" and Note 7 "Leases" in the accompanying consolidated financial statements.

Foreign Operations

We currently own four properties in Canada, one in Mexico and two in Chile containing approximately 2,500 rooms. Approximately 3% of our revenues were attributed to foreign operations in each of 2006, 2005 and 2004.

Environmental and Regulatory Matters

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. These laws may impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, certain

environmental laws and common law principles could be used to impose liability for release of asbestos-containing materials, and third parties may seek recovery from owners or operators of real properties for personal injury associated with exposure to released asbestos-containing materials. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require corrective or other expenditures. In connection with our current or prior ownership or operation of hotels, we may be potentially liable for various environmental costs or liabilities. Although we are currently not aware of any material environmental claims pending or threatened against us, we can offer no assurance that a material environmental claim will not be asserted against us in the future.

Operational Agreements

All but one of our hotels is managed by third parties pursuant to management agreements or operating and license agreements with our TRS subsidiaries (See "Operating Structure"). Twenty-four of our hotels operated by Starwood as of February 23, 2007 are operated pursuant to operating and license agreements, while our remaining hotels are operated pursuant to management agreements. Under these agreements, the managers or operators generally have sole responsibility and exclusive authority for all activities necessary for the day-to-day operation of the hotels, including establishing all room rates, processing reservations, procuring inventories, supplies and services, providing periodic inspection and consultation visits to the hotels by the managers' technical and operational experts and promoting and publicizing the hotels. In addition, the manager or operator provides all managerial and other employees for the hotels, reviews the operation and maintenance of the hotels, prepares reports, budgets and projections, and provides other administrative and accounting support services to the hotels, such as planning and policy services, financial planning, divisional financial services, product planning and development, employee staffing and training, corporate executive management and certain in-house legal services. For the majority of our properties, we have approval rights over the budget, capital expenditures and other matters. For the year ended December 31, 2006, no individual hotel's sales represent more than 7% of our total hotel sales.

Management Agreements. Our management agreements typically include the terms described below:

- *Term and Fees for Operational services*. The initial term of our management agreements generally is 15 to 20 years with one or more renewal terms. The manager receives compensation in the form of a base management fee (typically 3%) which is calculated as a percentage of annual gross revenues, and an incentive management fee, which is typically calculated as a percentage (generally 20%) of operating profit after the owner has received a priority return on its investment in the hotel.
- *Chain services*. The management agreements require the managers to furnish chain services that are generally furnished on a centralized basis. Such services include: (1) the development and operation of certain computer systems and reservation services, (2) regional management and administrative services, regional marketing and sales services, regional training services, manpower development and relocation of regional personnel and (3) such additional central or regional services as may from time-to-time be more efficiently performed on a regional or group basis rather than at an individual hotel. Costs and expenses incurred in providing these services are generally allocated among all hotels managed by the manager or its affiliates.
- *Working capital and fixed asset supplies*. Our management agreements typically require us to maintain working capital for each hotel and to fund the cost of certain fixed asset supplies (for example, linen, china, glassware, silver and uniforms). We are also responsible for providing funds to meet the cash needs for hotel operations if at any time the funds available from hotel operations are insufficient to meet the financial requirements of the hotels.
- *Furniture, Fixtures and Equipment replacements*. Under the management agreements, we are required to provide to the managers all necessary furniture, fixtures and equipment for the operation of the hotels (including funding any required furniture, fixtures and equipment replacements). The

management agreements generally provide that, on an annual basis, the manager will prepare a list of furniture, fixtures and equipment to be acquired and certain routine repairs and maintenance to be performed in the next year and an estimate of the funds that are necessary, which is subject to our review and approval. For purposes of funding the furniture, fixtures and equipment replacements, a specified percentage (typically 5%) of the gross revenues of the hotel is deposited by the manager into an escrow account in our name, to which the manager has access. However, for 62 of our hotels, we have entered into an agreement with Marriott International to allow us to fund such expenditures directly as incurred from one account that we control, subject to maintaining a minimum balance of the greater of $26 million, or 30% of total annual specified contributions, rather than escrowing funds at accounts at each hotel.

- *Building alterations, improvements and renewals*. The management agreements require the managers to prepare an annual estimate of the expenditures necessary for major repairs, alterations, improvements, renewals and replacements to the structural, mechanical, electrical, heating, ventilating, air conditioning, plumbing and vertical transportation elements of each hotel which we review and approve based on their recommendations and our judgment. In addition to the foregoing, the management agreements generally provide that the manager may propose such changes, alterations and improvements to the hotel as are required, in the manager's reasonable judgment, to keep the hotel in a competitive, efficient and economical operating condition consistent with the manager's brand standards. We have approval authority over such changes, alterations and improvements.
- *Service marks*. During the term of the management agreements, the brand name, service mark, symbols and logos used by the manager may be used in the operation of the hotel. Any right to use the brand name, service marks, logos and symbols and related trademarks at a hotel will terminate with respect to that hotel upon termination of the applicable management or franchise agreement.
- *Sale of the hotel.* Most of the management agreements limit our ability to sell, lease or otherwise transfer the hotels by requiring that the transferee assume the related management agreements and meet specified other conditions, including the condition that the transferee not be a competitor of the manager.
- *Termination on sale.* While most of our management agreements are not terminable prior to their full term in connection with the sale of hotels, we have negotiated rights to terminate management agreements in connection with the sale of certain Marriott-branded hotels with certain limitations, including a remaining pool of 22 hotels. Approximately 70% of this pool (as measured by EBITDA) may be sold free and clear of their existing management agreements without the payment of a termination fee, provided the hotels maintain the Marriott brand affiliation through a franchise agreement. A percentage of these hotels may also be sold free and clear of their existing management agreements and brand affiliation without a termination fee.
- *Performance Termination*. The majority of our management agreements provide for termination rights in the case of a manager's failure to meet certain financial performance criteria, generally a set return on the owners' investment. We have in the past, and may in the future, agree to waive certain of these termination rights in exchange for consideration from the hotel manager, which could take the form of cash compensation or amendments to the management agreement. Similarly, the majority of our management agreements condition the manager's right to renew pre-determined extension terms upon satisfaction of certain financial performance criteria.

Operating and License Agreements. Our operating and license agreements with Starwood typically include the terms described below:

- *Term and Fees for Operational Services*. The initial term of our operating agreements is 20 years, with two renewal terms of 10 years each. The operator receives compensation in the form of a base fee of 1% of annual gross operating revenues, and an incentive fee of 20% of annual gross operating profit, after the owner has received a priority return of 10.75% on its purchase price and other investments in the hotels.

- *License Services*. The license agreements address matters relating to the subject brand, including rights to use service marks, logos, symbols and trademarks, such as those associated with Westin®, Sheraton® and W®, as well as matters relating to compliance with certain standards and policies and (including through other agreements in the case of certain hotels) the provision of certain system program and centralized services. The license agreements have an initial term of 20 years each, with two renewal terms of 10 years each at the option of the licensor. Licensors receive compensation in the form of license fees of 5% of gross operating revenue attributable to gross room sales and 2% of gross operating revenue attributable to food and beverage sales.
- *Programs and Services*. The licensor or operator provides certain system programs and services to all or substantially all of our hotels by brand in a licensed area. Such services include participation in reservation services and the marketing program as well as the Starwood Preferred Guest Program. In addition to these services, under the operating agreements, centralized operating services are furnished to hotels by brand on a system basis. Costs and expenses incurred in providing such system programs and services and centralized operating services under the license and operating agreements or other agreements are fairly allocated among all hotels in the applicable brand operated or licensed by Starwood or its affiliates.
- *Working Capital and fixed asset supplies*. The operating agreements require us to maintain working capital funds for each hotel to fund the cost of certain fixed asset supplies and to provide additional working capital funds to meet the ongoing cash needs for hotel operations if at any time the funds available from hotel operations are insufficient to meet the financial requirements of the hotels. For 20 of our hotels, the working capital accounts which would otherwise be maintained by Starwood operators for each of such hotels are maintained on a pooled basis, with operators being authorized to make withdrawals from such pooled account as otherwise contemplated with respect to working capital in accordance with the provisions of the operating agreements.
- *Furniture, Fixtures and Equipment Replacements*. Under the operating and license agreements, we are required to provide all necessary furniture, fixtures and equipment for the operation of the hotels (including funding for any required furniture, fixtures and equipment replacements). For the purpose of funding, the operator transfers into a reserve fund account an amount equal to 5% of the gross operating revenue of a hotel for the applicable month. For 20 of our hotels, the periodic reserve fund contributions which would otherwise be deposited into reserve fund accounts maintained by operators for each hotel is distributed to us, and we are responsible for providing funding of expenditures which would otherwise to be funded from the reserve funds for each of the subject hotels as such expenditures become necessary. In addition to routine capital expenditures, the reserve funds for the hotels may also be used for building capital improvements. Any approved reserve funding in excess of amounts available in the pooled reserve funds is funded by us and results in appropriate increases of owner's investment and owner's priority amounts. For 20 hotels, the amount of any such additional reserve funding will be allocated to each of such hotels on a pro rata basis, determined with reference to the net operating income of each hotel and the total net operating income of all hotels for the most recent operating year. Any such additional reserve funding will result in corresponding increases in the owner's investment and owner's priority amounts with respect to each of such hotels.
- *Building Alterations, Improvements and Renewals*. The operating agreements require the operators to prepare an annual operating plan that includes an estimate of the expenditures necessary for maintenance, repairs, alterations, improvements, renewals and replacements to the structural, mechanical, electrical, heating, ventilating, air conditioning, plumbing and vertical transportation elements of each hotel, which plan and proposed expenditures we review and approve based on the operator's recommendations and our judgment.
- *Territorial.* The operating agreements provide area restrictions for a period of either five or 10 years which limit the operator and its affiliates from owning, operating or licensing a hotel of the same brand in the area. The area restrictions vary with each hotel, from city blocks in urban areas to up to a 10 mile radius from the hotel in other areas.

- *Sale of the hotel/other*. The license agreements limit our ability to sell, lease or otherwise transfer the hotels. Generally, the agreements require that the transferee assume the related operating agreement and meet specified other conditions, including the condition that the transferee not be a competitor of the licensor. The operating agreements provide for termination rights beginning in 2016 in the case of the operator's failure to meet certain financial performance criteria. Generally, such rights arise in the event that the operator fails, for two consecutive years, to generate sufficient operating profit based on the amount of the owner's investment in the hotel, and the RevPAR performance of the hotel falls below that of other competitive hotels in the market during such two year period.
- *Termination on sale.* As of February 23, 2007, we have the right to terminate the operating agreements on 14 specified hotels upon the sale of those hotels. With respect to five hotels, we have the right to sell no more than three annually free and clear of their existing operating agreements without the payment of a termination fee. We have a limited right to terminate one license agreement annually with respect to all of those hotels. With respect to the remaining nine hotels, we have the right beginning in 2016 to sell 35% of the hotels (measured by EBITDA) free and clear of the existing operating agreement over a period of time without the payment of a termination fee. With respect to any termination of an operating agreement on sale, the proposed purchaser would need to meet the requirements for transfer under the applicable license agreement.

Employees

On February 23, 2007, we had 229 employees, including approximately 27 employees at the Sacramento Host Airport hotel, three at our London, England office and one at our Amsterdam, Netherlands office. Fourteen of our employees at the Sacramento Host Airport hotel are covered by a collective bargaining agreement that is subject to review and renewal on a regular basis. Employees at our other hotels are employed by our management companies.

Certain of our third-party managed hotels also are covered by collective bargaining agreements that are subject to review and renewal on a regular basis. For a discussion of these relationships see "Management's Discussion and Analysis of Results of Operations and Financial Condition."

Item 1A. Risk Factors

The statements in this section describe the major risks to our business and should be considered carefully. In addition, these statements constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

Our disclosure and analysis in this 2006 Form 10-K and in our 2006 Annual Report to Shareholders contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other materials we release to the public as well as our forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify each such statement by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," "target," "forecast" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated expenses, interest rates, foreign exchange rates, the outcome of contingencies, such as legal proceedings, and financial results.

We cannot guarantee that any forward-looking statements will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make or related subjects in our 10-Q and 8-K reports to the SEC. Also note that we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such risk factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

Financial Risks and Risks of Operation

We depend on external sources of capital for future growth and we may be unable to access capital when necessary.

Unlike regular C corporations, we must fund debt pay-downs or finance our growth largely with external sources of capital because we are required to distribute to our stockholders at least 90% of our taxable income (other than net capital gains) in order to qualify as a REIT, including taxable income we recognize for federal income tax purposes but with regard to which we do not receive corresponding cash. Our ability to access the external capital we require could be hampered by a number of factors, many of which are outside of our control, including declining general market conditions, unfavorable market perception of our growth potential, decreases in our current and estimated future earnings, excessive cash distributions or decreases in the market price of Host's common stock. In addition, our ability to access additional capital may also be limited by the terms of our existing indebtedness, which, among other things, restricts our incurrence of debt and the payment of distributions. The occurrence of any of these above-mentioned factors, individually or in combination, could prevent us from being able to obtain the external capital we require on terms that are acceptable to us or at all and the failure to obtain necessary external capital could have a material adverse effect on our ability to finance our future growth.

We have substantial debt.

As of December 31, 2006, we and our subsidiaries had total indebtedness of approximately $5.9 billion.

Our substantial indebtedness has important consequences. It currently requires us to dedicate a substantial portion of our cash flow from operations to payments of principal and interest on our indebtedness, which reduces the availability of our cash flow to fund working capital, capital expenditures, expansion efforts, distributions to our partners and other general purposes. Additionally, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- limit our ability in the future to undertake refinancings of our debt or obtain financing for expenditures, acquisitions, development or other general business purposes on terms and conditions acceptable to us, if at all; or
- affect adversely our ability to compete effectively or operate successfully under adverse economic conditions.

Because we must distribute most of our taxable income in order to maintain our qualification as a REIT, we depend upon external sources of capital for future growth. If our cash flow and working capital were not sufficient to fund our expenditures or service our indebtedness, we would have to raise additional funds through:

- sales of our equity;
- the incurrence of additional permitted indebtedness by Host LP; or
- the sale of our assets.

We cannot assure you that any of these sources of funds would be available to us or, if available, would be on terms that we would find acceptable or in amounts sufficient for us to meet our obligations or fulfill our business plan.

Our revenues and the value of our properties are subject to conditions affecting the lodging industry.

The lodging industry experienced a downturn from 2001 to 2003, and operations generally declined during this period. The decline was attributed to a number of factors including a weak economy, the effect of terrorist attacks, terror alerts in the United States and the war in Iraq, all of which changed the travel patterns of both business and leisure travelers. While our operations have improved over the past three years, we cannot provide assurance that changes in travel patterns of both business and leisure travelers will not create difficulties for the industry over the long-term. Any forecast we make regarding our results of operations may be affected and can change based on the following risks:

- changes in the national, regional and local economic climate;
- changes in business and leisure travel patterns;
- local market conditions such as an oversupply of hotel rooms or a reduction in lodging demand;
- the attractiveness of our hotels to consumers relative to our competition;
- the performance of the managers of our hotels;
- changes in room rates and increases in operating costs due to inflation and other factors; and
- unionization of the labor force at our hotels.

Future terrorist attacks or changes in terror alert levels could adversely affect us.

Previous terrorist attacks in the United States and subsequent terrorist alerts have adversely affected the travel and hospitality industries over the past several years. The impact which terrorist attacks in the United States or elsewhere could have on our business in particular and the U.S. economy, the global economy and global financial markets in general is indeterminable. It is possible that such attacks or the threat of such attacks could have a material adverse effect on our business, our ability to finance our business, our ability to insure our properties and/or our results of operations and financial condition as a whole.

Our expenses may not decrease if our revenue decreases.

Many of the expenses associated with owning and operating hotels, such as debt payments, property taxes, insurance, utilities, and employee wages and benefits, are relatively inflexible and do not necessarily decrease in tandem with a reduction in revenue at the hotels. Our expenses will also be affected by inflationary increases, and in the case of certain costs, such as wages, benefits and insurance, may exceed the rate of inflation in any given period. Our managers may be unable to offset any such increased expenses with higher room rates. Any of our efforts to reduce operating costs or failure to make scheduled capital expenditures could adversely affect the growth of our business and the value of our hotel properties.

Our ground lease payments may increase faster than the revenues we receive on the hotels situated on the leased properties.

As of February 23, 2007, 38 of our hotels are subject to third-party ground leases (encumbering all or a portion of the hotel). These ground leases generally require periodic increases in ground rent payments, which are often based on economic indicators such as the Consumer Price Index. Our ability to service our debt could be adversely affected to the extent that our revenues do not increase at the same or a greater rate than the increases in rental payments under the ground leases. In addition, if we were to sell a hotel encumbered by a ground lease, the buyer would have to assume the ground lease, which may result in a lower sales price.

We do not control our hotel operations and we are dependent on the managers of our hotels.

Because federal income tax laws restrict REITs and their subsidiaries from operating or managing a hotel, we do not operate or manage our hotels. Instead, we lease substantially all of our hotels to subsidiaries which qualify as "taxable REIT subsidiaries" under applicable REIT laws, and our taxable REIT subsidiaries retain third-party managers to operate our hotels pursuant to management agreements. Our cash flow from the hotels may be adversely affected if our managers fail to provide quality services and amenities or if they or their affiliates fail to maintain a quality brand name. While our taxable REIT subsidiaries monitor the hotel managers' performance, we have limited specific recourse under our management agreements if we believe that the hotel managers are not performing adequately. In addition, from time to time, we have had, and continue to have, differences with the managers of our hotels over their performance and compliance with the terms of our management agreements. We generally resolve issues with our managers through discussions and negotiations. However, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submit the matter to third-party dispute resolution. Failure by our hotel managers to fully perform the duties agreed to in our management agreements could adversely affect our results of operations. In addition, our hotel managers or their affiliates manage, and in some cases own or have invested in, hotels that compete with our hotels, which may result in conflicts of interest. As a result, our hotel managers have in the past made and may in the future make decisions regarding competing lodging facilities that are not or would not be in our best interests.

The terms of our debt place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The documents governing the terms of our existing senior notes and our credit facility contain covenants that place restrictions on us and our subsidiaries. These covenants will restrict, amongst other things, our ability and the ability of our subsidiaries to:

- conduct acquisitions, mergers or consolidations unless the successor entity in such transaction assumes our indebtedness;
- incur additional debt in excess of certain thresholds and without satisfying certain financial metrics;
- create liens securing indebtedness, unless effective provision is made to secure our other indebtedness by such liens;
- sell assets without using the proceeds from such sales for certain permitted uses or to make an offer to repay or repurchase outstanding indebtedness;
- make capital expenditures in excess of certain thresholds;
- raise capital;
- pay dividends without satisfying certain financial metrics; and
- conduct transactions with affiliates other than on an arms length basis and, in certain instances, without obtaining opinions as to the fairness of such transactions.

In addition, certain covenants in the credit facility require us and our subsidiaries to meet financial performance tests. The restrictive covenants in the applicable indenture(s), the credit facility and the documents governing our other debt (including our mortgage debt) will reduce our flexibility in conducting our operations and will limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with these restrictive covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all or a substantial portion of our debt. For a detailed description of the covenants and restrictions imposed by the documents governing our indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition".

Our ability to pay dividends may be limited or prohibited by the terms of our indebtedness.

We are, and may in the future become, party to agreements and instruments that restrict or prevent the payment of dividends on our classes and series of capital stock. Under the terms of Host LP's credit facility and senior notes indenture, distributions to Host by Host LP, upon which Host depends in order to obtain the cash necessary to pay dividends, are permitted only to the extent that, at the time of the distribution, Host LP can satisfy certain financial covenant tests and meet other requirements.

For example, between July 2002 and March 2004, Host LP's ability to make distributions was limited because our consolidated EBITDA-to-interest coverage ratio as calculated under the indenture governing our senior notes (which measures the ratio of pro forma consolidated EBITDA to pro forma consolidated interest expense) was below 2.0 to 1.0. During this period, Host LP was only able to make distributions to Host, and Host was only able to pay dividends, to the extent that we had taxable income and were required to make distributions to maintain Host's status as a REIT. While our EBITDA-to-interest coverage ratio is currently above this requirement, a decline in our operations could once again limit the amount of distributions Host LP could make, either because our EBITDA-to-interest coverage ratio again falls below 2.0 to 1.0 or because we fail to meet other financial covenant tests in our credit facility or senior notes indenture. Also, effective with the redemption of our Series G senior notes in December 2006, Host LP is able to make distributions to enable Host to pay dividends on its preferred stock when our EBITDA-to-interest coverage ratio is above 1.7 to 1.0.

We intend, during any future period in which Host LP is unable to make restricted payments under the indenture(s) and under similar restrictions under the credit facility, that Host LP will continue its practice of distributing quarterly, based on our estimates of taxable income for any year, an amount of available cash sufficient to enable Host to pay quarterly dividends on our preferred and common stock in an amount necessary to satisfy the requirements applicable to REITs under the Internal Revenue Code of 1986, as amended. In the event that Host LP makes distributions to Host in amounts in excess of those necessary for us to maintain our status as a REIT during a period when such distributions are restricted, Host LP will be in default under the senior notes indenture.

Our ability to pay dividends on our common stock may also be limited or prohibited by the terms of our preferred stock.

Under the terms of our outstanding preferred stock, we are not permitted to pay dividends on our common stock unless cumulative dividends have been paid (or funds for payment have been set aside for payment) on such class of preferred stock. The amount of aggregate dividends that accrue on our outstanding classes of preferred stock each quarter is approximately $2 million.

In the event that we fail to pay the accrued dividends on our preferred stock for any reason, including because we are prevented from paying such dividends under the terms of our debt instruments (as discussed above), dividends will continue to accrue on all outstanding classes of our preferred stock and we will be prohibited from paying any dividends on our common stock until all such accrued but unpaid dividends on our preferred stock have been paid (or funds for such payment have been set aside).

We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor.

We have entered into management agreements with third-party managers to operate our hotel properties. Our third-party managers are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not directly employ or manage the labor force at our hotels, we are subject to many of the costs and risks generally associated with the hotel labor force, particularly those hotels with unionized labor. From time to time, hotels operations may be disrupted through strikes, lockouts, public demonstrations or other negative actions and publicity. We may also incur increased legal costs and indirect labor costs as a result of contract disputes or other events. Additionally, hotels where our managers have collective bargaining agreements

with employees (approximately 20% of our current portfolio, by revenues) are more highly affected by labor force activities than others. In addition, the resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Because collective bargaining agreements are negotiated between the managers of our hotels and labor unions, we do not have the ability to control the outcome of these negotiations.

Foreclosure on our mortgage debt could adversely affect our business.

As of February 23, 2007, 29 of our hotels and assets related thereto are subject to various mortgages in an aggregate amount of approximately $2.1 billion. Although the debt is generally non-recourse to us, if these hotels do not produce adequate cash flow to service the debt secured by such mortgages, the mortgage lenders could foreclose on these assets. We may opt to allow such foreclosure rather than make the necessary mortgage payments with funds from other sources. However, Host LP's senior notes indenture and credit facility contain cross-default provisions, which, depending upon the amount of secured debt defaulted on, could cause a cross-default under both of these agreements. Host LP's credit facility, which contains the more restrictive cross default provision as compared to its senior notes indenture, provides that it is a credit facility default in the event Host LP defaults on non-recourse secured indebtedness in excess of 1% of its total assets (using undepreciated real estate values) or defaults on other indebtedness in excess of $50 million. For this and other reasons, permitting a foreclosure could adversely affect our long-term business prospects.

Our mortgage debt contains provisions that may reduce our liquidity.

Certain of our mortgage debt requires that, to the extent cash flow from the hotels which secure such debt drops below stated levels, we escrow cash flow after the payment of debt service until operations improve above the stated levels. In some cases, the escrowed amount may be applied to the outstanding balance of the mortgage debt. When such provisions are triggered, there can be no assurance that the affected properties will achieve the minimum cash flow levels required to trigger a release of any escrowed funds. The amounts required to be escrowed may be material and may negatively affect our liquidity by limiting our access to cash flow after debt service from these mortgaged properties.

Rating agency downgrades may increase our cost of capital.

Both our senior notes and our preferred stock are rated by Moody's Investors' Service, Standard & Poor's and Fitch Ratings. These independent rating agencies may elect to downgrade their ratings on our senior notes and our preferred stock at any time. Such downgrades may negatively affect our access to the capital markets and increase our cost of capital.

Our management agreements could impair the sale or financing of our hotels.

Under the terms of our management agreements, we generally may not sell, lease or otherwise transfer the hotels unless the transferee is not a competitor of the manager and the transferee assumes the related management agreements and meets specified other conditions. Our ability to finance or sell our properties, depending upon the structure of such transactions, may require the manager's consent. If, in these circumstances, the manager does not consent, we may be precluded from taking actions in our best interest without breaching the applicable management agreement.

The acquisition contracts relating to some hotels limit our ability to sell or refinance those hotels.

For reasons relating to federal and state income tax considerations of the former and current owners of five hotels, we have agreed to restrictions on selling the hotels, or repaying or refinancing the mortgage debt for varying periods depending on the hotel. We have also agreed not to sell more than 50% of the original allocated value attributable to a portfolio of 11 additional hotels, or to take other actions that would result in the recognition and allocation of gain to the former owners of such hotels for federal and state income tax purposes prior to January 1, 2009. As a result, even if it were in our best interests to sell these hotels or repay or otherwise

reduce the level of the mortgage debt on such hotels, it may be difficult or costly to do so during their respective lock-out periods. In specified circumstances, we may agree to similar restrictions in connection with future hotel acquisitions.

We may be unable to sell properties because real estate investments are illiquid.

Real estate properties generally cannot be sold quickly. We may not be able to vary our portfolio promptly in response to economic or other conditions. The inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and our ability to service our debt. In addition, there are limitations under the federal income tax laws applicable to REITs that may limit our ability to recognize the full economic benefit from a sale of our assets.

Applicable REIT laws may restrict certain business activities.

As a REIT we are subject to various restrictions on our income, assets and activities. Business activities that could be impacted by applicable REIT laws include, but are not limited to, activities such as developing alternative uses of real estate, including the development and/or sale of timeshare or condominium units. Due to these restrictions, we anticipate that we will conduct certain business activities, including those mentioned above, in one or more of our taxable REIT subsidiaries. Our taxable REIT subsidiaries are taxable as regular C corporations and are subject to federal, state, and, if applicable, local and foreign taxation on their taxable income at applicable corporate income tax rates. In addition, under REIT laws, the aggregate value of all of a REIT's taxable REIT subsidiaries may not exceed 20% of the value of all of the REIT's assets.

We depend on our key personnel.

Our success depends on the efforts of our executive officers and other key personnel. None of our key personnel have employment agreements and we do not maintain key person life insurance for any of our executive officers. We cannot assure you that these key personnel will remain employed by us. While we believe that we could find replacements for these key personnel, the loss of their services could have a significant adverse effect on our financial performance.

Litigation judgments or settlements could have a significant adverse effect on our financial condition.

We are involved in various legal proceedings in the normal course of business. We are vigorously defending each of these claims. Currently, none of these claims seeks relief that, if granted, would have a significant effect on our financial condition or results of operations. As an owner of hotel properties, however, we could become the subject of claims by the operators of our hotels, individuals or companies who use our hotels, our investors, or regulating entities, which could have a significant adverse effect on our financial condition and performance.

Our acquisition of additional properties may have a significant effect on our business, liquidity, financial position and/or results of operations.

As part of our business strategy, we seek to acquire luxury and upper upscale hotel properties. We may acquire properties through various structures, including transactions involving portfolios, single assets, joint ventures and acquisitions of all or substantially all of the securities or assets of other REITs or similar real estate entities. We anticipate that our acquisitions will be financed through a combination of methods, including proceeds from Host equity offerings, issuance of limited partnership interests in Host LP, advances under our credit facility, and the incurrence or assumption of indebtedness. We may, from time to time, be in the process of identifying, analyzing and negotiating possible acquisition transactions and we expect to continue to do so in the future. We cannot assure you that we will be successful in consummating future acquisitions on favorable terms or that we will realize the benefits that we anticipate from the acquisitions that we consummate. Our inability to consummate one or more acquisitions on such terms, or our failure to realize the intended benefits from one or more acquisitions, could have a significant adverse effect on our business, liquidity, financial position and/or results of operations, including as a result of our incurrence of additional indebtedness and related interest expense and our assumption of unforeseen contingent liabilities.

We may acquire hotel properties through joint ventures with third parties that could result in conflicts.

We have made a significant investment in a European joint venture, which owns seven hotels in Europe. We may, from time to time, invest as a co-venturer in other entities holding hotel properties instead of purchasing hotel properties directly. Co-venturers often share control over the operation of a joint venture. Actions by a co-venturer could subject the assets to additional risk, including:

- our co-venturer in an investment might have economic or business interests or goals that are inconsistent with our, or the joint venture's, interests or goals;
- our co-venturer may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives; or
- our co-venturer could go bankrupt, leaving us liable for such co-venturer's share of joint venture liabilities.

Although we generally will seek to maintain sufficient control of any joint venture to permit our objectives to be achieved, it might not be able to take action without the approval of its joint venture partners.

Environmental problems are possible and can be costly.

We believe that our properties are in compliance in all material respects with applicable environmental laws. Unidentified environmental liabilities could arise, however, and could have a material adverse effect on our financial condition and performance. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at the property. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by the parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. Environmental laws also govern the presence, maintenance and removal of asbestos. These laws require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, that they notify and train those who may come into contact with asbestos and that they undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Compliance with other government regulations can be costly.

Our hotels are subject to various other forms of regulation, including Title III of the Americans with Disabilities Act, building codes and regulations pertaining to fire safety. Compliance with those laws and regulations could require substantial capital expenditures. These regulations may be changed from time to time, or new regulations adopted, resulting in additional costs of compliance, including potential litigation. Any increased costs could have a material adverse effect on our business, financial condition or results of operations.

Some potential losses are not covered by insurance.

We carry comprehensive insurance coverage for general liability, property, business interruption and other risks with respect to all of our hotels and other properties. These policies offer coverage features and insured limits that we believe are customary for similar type properties. Generally, our "all-risk" property policies provide coverage that is available on a per occurrence basis and that, for each occurrence, has an overall limit, as well as various sub-limits, on the amount of insurance proceeds we can receive. Sub-limits exist for certain types of claims such as service interruption, abatement, earthquakes, expediting costs or landscaping replacement, and

the dollar amounts of these sub-limits are significantly lower than the dollar amounts of the overall coverage limit. Our property policies also provide that all of the claims from each of our properties resulting from a particular insurable event must be combined together for purposes of evaluating whether the aggregate limits and sub-limits contained in our policies have been exceeded and, in the case of one of our hotels where the manager provides this coverage, any such claims will also be combined with the claims of other owners participating in the managers' program for the same purpose. Therefore, if an insurable event occurs that affects more than one of our hotels, or, in the case of hotels where coverage is provided by the management company, affects hotels owned by others, the claims from each affected hotel will be added together to determine whether the aggregate limit or sub-limits, depending on the type of claim, have been reached and each affected hotel may only receive a proportional share of the amount of insurance proceeds provided for under the policy if the total value of the loss exceeds the aggregate limits available. We may incur losses in excess of insured limits and, as a result, we may be even less likely to receive sufficient coverage for risks that affect multiple properties such as earthquakes or certain types of terrorism.

In addition, there are other risks such as war, certain forms of terrorism such as nuclear, biological, chemical, or radiological (NBCR) terrorism and some environmental hazards that may be deemed to fall completely outside the general coverage limits of our policies or may be uninsurable or may be too expensive to justify insuring against. Host has created a wholly-owned captive insurance company which provides coverage to the company for losses due to NBCR attacks. The Terrorism Risk Insurance Extension Act (TRIEA) allows our captive insurer to apply to the U.S. Treasury for reimbursement of the claims. This does not insure that we will be able to recover any of our NCBR losses.

We may also encounter challenges with an insurance provider regarding whether it will pay a particular claim that we believe to be covered under our policy. Should a loss in excess of insured limits or an uninsured loss occur or should we be unsuccessful in obtaining coverage from an insurance carrier, we could lose all, or a portion of, the capital we have invested in a property, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

We may not be able to recover fully under our existing terrorism insurance for losses caused by some types of terrorist acts, and federal terrorism legislation does not ensure that we will be able to obtain terrorism insurance in adequate amounts or at acceptable premium levels in the future.

We obtain terrorism insurance as part of our all-risk property insurance program, as well as our general liability and directors' and officers' coverages. However, as noted above, our all-risk policies have limitations such as per occurrence limits and sublimits which might have to be shared proportionally across participating hotels under certain loss scenarios. Also, all-risk insurers only have to provide terrorism coverage to the extent mandated by the TRIEA for "certified" acts of terrorism — namely those which are committed on behalf of non-United States persons or interests. Furthermore, we do not have full replacement coverage at all of our properties for acts of terrorism committed on behalf of United States persons or interests ("noncertified" events) as our coverage for such incidents is subject to sublimits and/or annual aggregate limits. In addition, property damage related to war and to nuclear, biological and chemical incidents is excluded under our policies. While TRIEA will reimburse insurers for losses resulting from nuclear, biological and chemical perils, TRIEA does not require insurers to offer coverage for these perils and, to date, insurers are not willing to provide this coverage, even with government reinsurance. Host has created a wholly-owned captive insurance company that provides a policy of NBCR coverage to us, and has the same ability to apply to the US Treasury for reimbursement, as provided for in TRIA (now TRIEA), which is subject to the same deductibles and co-insurance obligations as other insurance companies. This applies to property insurance only, and not to general liability or Directors and Officers insurance. TRIEA terminates on December 31, 2007, and there is no guarantee that the terrorism coverage that it mandates will be readily available or affordable thereafter. As a result of the above, there remains considerable uncertainty regarding the extent and adequacy of terrorism coverage that will be available to protect our interests in the event of future terrorist attacks that impact our properties.

The expansion of our business into new markets outside of the United States in which we are not currently involved will expose us to the general economic conditions of those markets.

We may have difficulty managing our expansion into new geographic markets where we have limited knowledge and understanding of the local economy, an absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures. As a result of the completion of the Starwood transactions, we have ownership interest in hotels in seven foreign countries. The revenues from consolidated foreign hotels are approximately 3% of our consolidated revenues. There are risks inherent in conducting business internationally. These include:

- employment laws and practices in foreign countries;
- tax laws in foreign countries, which may provide for tax rates that exceed those of the U.S. and which may provide that our foreign earnings are subject to withholding requirements or other restrictions;
- unexpected changes in regulatory requirements or monetary policy;
- the structure pursuant to which Starwood operates certain of the acquired European hotels;
- adverse changes in the political and economic climate in the foreign countries; and
- changes in interest rates and/or the currency exchange rates, including regulations regarding the incurrence of debt.

Any of these factors could adversely affect our ability to obtain all of the intended benefits.

If we do not effectively manage our geographic expansion and successfully integrate the foreign hotels into our organization, our operating results and financial condition may be materially adversely affected and the value of Host common stock may decline.

We may fail to realize the revenue enhancements and other benefits expected from the Starwood transactions, which could affect our financial results.

Our financial results may be affected by our ability to achieve the expected benefits from the Starwood transactions. Achieving these benefits will depend, in large part, upon the future operation of the acquired hotels meeting our expectation. The operation of the acquired hotels will be affected by various factors, including, changes in the national, regional and local economic climate; changes in business and leisure travel patterns, local market conditions such as an oversupply of hotel rooms or a reduction in lodging demand; the attractiveness of such hotels to consumers relative to our competition; the performance of Starwood as a manager of such hotels; changes in room rates and increases in operating costs due to inflation and other factors. There can be no assurance that the acquired hotels will meet our expectations for their performance. Moreover, achieving the benefits of the Starwood transactions will depend in part upon meeting the challenges inherent in successfully integrating the portfolio of acquired hotels. There can be no assurance that such challenges will be met and that such diversion will not negatively impact our operations.

We may be subject to unknown or contingent liabilities related to the business to be acquired from Starwood.

Assets and entities that we acquired from Starwood may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against Starwood. In general, the representations and warranties provided by Starwood under the transaction agreement do not survive the closing of the transactions. While Starwood is required to indemnify us with respect to breaches of certain representations and warranties that do survive the closing, such indemnification is limited and subject to various materiality thresholds, a significant deductible and an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by Starwood of its representations and warranties. The total amount of costs and expenses that may be incurred with respect to liabilities associated with acquired hotels and entities may exceed our expectations, plus we may experience other unanticipated adverse effects, all of which may adversely affect our revenues, expenses, operating results and financial condition.

Finally, the indemnification agreement between us and Starwood provides that Starwood will retain certain specified liabilities relating to the assets and entities acquired by us. While Starwood is contractually obligated to pay all losses and other expenses relating to such retained liabilities without regard to survival limitations, materiality thresholds, the deductible or cap on losses, there can be no guarantee that this arrangement will not require us to incur losses or other expenses as well.

Exchange rate fluctuations could adversely affect our financial results.

As a result of the expansion of Host's international operations, currency exchange rate fluctuations could affect its results of operations and financial position. Host expects to generate an increasing portion of its revenue and its expenses in such foreign currencies as the Euro, the Canadian Dollar, the Mexican Peso, the British Pound, the Polish Zloty and the Chilean Peso. Although Host may enter into foreign exchange agreements with financial institutions to reduce its exposure to fluctuations in the value of these and other foreign currencies relative to its debt or receivable obligations, these hedging transactions, if entered into, will not eliminate that risk entirely. In addition, to the extent that Host is unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations could have a negative impact on Host's results of operations and financial condition. Additionally, because Host's consolidated financial results are reported in US Dollars, if Host generates revenues or earnings in other currencies the translation of those results into US Dollars can result in a significant increase or decrease in the amount of those revenues or earnings.

Risks of Ownership of Host's Common Stock

There are limitations on the acquisition of Host common stock and changes in control.

Host's charter and bylaws, the partnership agreement of Host LP, Host's stockholder rights plan and the Maryland General Corporation Law contain a number of provisions, the exercise of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for our stockholders or Host LP unit holders or otherwise be in their best interests, including the following:

- **Restrictions on ownership and transfer of Host's stock.** To maintain Host's qualification as a REIT for federal income tax purposes, not more than 50% in value of Host's outstanding shares of capital stock may be owned in the last half of the taxable year, directly or indirectly, by five or fewer individuals, as defined in the Code to include some entities. Because such ownership could jeopardize Host's qualification as a REIT, a person cannot own, directly or by attribution, 10% or more of an interest in a Host lessee, nor can a Host lessee of any partnership in which Host is a partner own, directly or by attribution, 10% or more of Host's shares, in each case unless exempted by Host's board of directors.

  Host's charter prohibits ownership, directly or by virtue of the attribution provisions of the Code, by any person or persons acting as a group, of more than 9.8% in value or number, whichever is more restrictive, of shares of Host's outstanding common stock, preferred stock or any other stock, each considered as a separate class or series for this purpose. Together, these limitations are referred to as the "ownership limit."

  Stock acquired or held in violation of the ownership limit will be transferred automatically to a trust for the benefit of a designated charitable beneficiary, and the person who acquired the stock in violation of the ownership limit will not be entitled to any distributions thereon, to vote those shares of stock or to receive any proceeds from the subsequent sale of the stock in excess of the lesser of the price paid for the stock or the amount realized from the sale. A transfer of shares of Host's stock to a person who, as a result of the transfer, violates the ownership limit may be void under certain circumstances, and, in any event, would deny that person any of the economic benefits of owning shares of Host's stock in excess of the ownership limit. These restrictions on transferability and ownership will not apply if Host's board of directors determines that it is no longer in our best interests to continue to qualify as a REIT.

- **Removal of board of directors.** Host's charter provides that, except for any directors who may be elected by holders of a class or series of shares of capital stock other than common stock, directors may be removed only for cause and only by the affirmative vote of stockholders holding at least two-thirds of all the votes entitled to be cast for the election of directors. Vacancies on Host's board of directors may be filled by the concurring vote of a majority of the remaining directors (except that a vacancy resulting from an increase in the number of directors must be filled by a majority vote of the entire board of directors) and, in the case of a vacancy resulting from the removal of a director by the stockholders, by at least two-thirds of all the votes entitled to be cast in the election of directors.
- **Preferred shares; classification or reclassification of unissued shares of capital stock without stockholder approval.** Host's charter provides that the total number of shares of stock of all classes that we have authority to issue is 800,000,000, initially consisting of 750,000,000 shares of common stock and 50,000,000 shares of preferred stock. Host's board of directors has the authority, without a vote of stockholders, to classify or reclassify any unissued shares of stock, including common stock into preferred stock or vice versa, and to establish the preferences and rights of any preferred or other class or series of shares to be issued. Because the board of directors has the power to establish the preferences and rights of additional classes or series of stock without a stockholder vote, Host's board of directors may give the holders of any class or series of stock preferences, powers and rights, including voting rights, senior to the rights of holders of existing stock.
- **Consent rights of the limited partners.** Under the partnership agreement of Host LP, we generally will be able to merge or consolidate with another entity with the consent of partners holding limited partner ownership interests that are more than 50% of the aggregate ownership interests of the outstanding limited partnership interests entitled to vote on the merger or consolidation, including any limited partnership interests held by us, as long as the holders of limited partnership interests either receive or have the right to receive the same consideration as Host's stockholders. Host, as holder of a majority of the limited partnership interests of Host LP, would be able to control the vote. Under Host's charter, holders of at least two-thirds of Host's outstanding shares of common stock generally must approve a merger or consolidation.
- **Maryland business combination law.** Under the Maryland General Corporation Law, specified "business combinations," including specified issuances of equity securities, between a Maryland corporation and any person who owns 10% or more of the voting power of the corporation's then outstanding shares, or an affiliate or associate of the corporation who at any time during the two year period prior to the date in question owned 10% or more of the voting power of the outstanding stock of the corporation (each, an "interested stockholder"), or an affiliate of the interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any of these specified business combinations must be approved by 80% of the votes entitled to be cast by the holders of outstanding voting shares and by two-thirds of the votes entitled to be cast by the holders of voting shares other than voting shares held by an interested stockholder unless, among other conditions, the corporation's common stockholders receive a minimum price, as defined in the Maryland General Corporation Law, for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder. Host is subject to the Maryland business combination statute.
- **Maryland control share acquisition law.** Under the Maryland General Corporation Law, "control shares" acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiror, by officers or by directors who are employees of the corporation. "Control shares" are voting shares which, if aggregated with all other voting shares previously acquired by the acquiror or over which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority or (3) a majority or more of the voting power. Control shares do not

include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to specified exceptions. Host is subject to these control share provisions of Maryland law.

- **Merger, consolidation, share exchange and transfer of Host's assets.** Pursuant to Host's charter, subject to the terms of any outstanding class or series of capital stock, we can merge with or into another entity, consolidate with one or more other entities, participate in a share exchange or transfer Host's assets within the meaning of the Maryland General Corporation Law if approved (1) by Host's board of directors in the manner provided in the Maryland General Corporation Law and (2) by Host's stockholders holding two-thirds of all the votes entitled to be cast on the matter, except that any merger of us with or into a trust organized for the purpose of changing Host's form of organization from a corporation to a trust requires only the approval of Host's stockholders holding a majority of all votes entitled to be cast on the merger. Under the Maryland General Corporation Law, specified mergers may be approved without a vote of stockholders and a share exchange is only required to be approved by a Maryland corporation by its board of directors if the corporation is the successor. Host's voluntary dissolution also would require approval of stockholders holding two-thirds of all the votes entitled to be cast on the matter.
- **Certain charter and bylaw amendments.** Host's charter contains provisions relating to restrictions on transferability of Host's stock, fixing the size of the board of directors within the range set forth in the charter, removal of directors and the filling of vacancies, all of which may be amended only by a resolution adopted by the board of directors and approved by Host's stockholders holding two-thirds of the votes entitled to be cast on the matter. Any amendments of these provisions of the charter (setting forth the necessary approval requirements) also would require action of the board of directors and the approval by stockholders holding two-thirds of all the votes entitled to be cast on the matter. As permitted under the Maryland General Corporation Law, Host's bylaws provide that directors have the exclusive right to amend Host's bylaws. These provisions may make it more difficult to amend Host's charter and bylaws to alter the provisions described herein that could delay, defer or prevent a transaction or a change in control or the acquisition of Host common stock, without the approval of the board of directors.
- **Stockholder rights plan.** We adopted a stockholder rights plan which provides, among other things, that when specified events occur, Host's stockholders, other than an acquiring person, will be entitled to purchase from us a newly created class or series of junior preferred stock, subject to Host's ownership limits described above. The preferred stock purchase rights are triggered by the earlier to occur of (1) ten days after the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of Host's outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 20% or more of Host's outstanding common stock. The exercise of the preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire us on terms not approved by Host's board of directors.

Shares of Host's common stock that are or become available for sale could affect the share price.

Sales of a substantial number of shares of Host's common stock, or the perception that sales could occur, could adversely affect prevailing market prices for Host's common stock. In addition, holders of units of limited partnership interest in Host LP, whose OP units may be redeemed, at Host's election, in exchange for common stock, will be able to sell those shares freely, unless the person is our affiliate and resale of the affiliate's shares is not covered by an effective registration statement. Further, a substantial number of shares of Host's common stock have been and will be issued or reserved for issuance from time to time under our employee benefit plans, including shares of common stock reserved for options, or pursuant to securities we may issue that are convertible into shares of Host common stock or securities (other than OP units) that Host LP has issued that are

exchangeable for shares of our common stock. As of February 23, 2007, there are approximately 18.8 million OP units outstanding that are redeemable and $500 million aggregate principal amount of 3.25% Exchangeable Senior Debentures of Host LP exchangeable under certain conditions for shares of Host common stock at an exchange price equivalent to $17.22 per share for a total of approximately 29 million shares (subject to adjustment for various reasons, including as a result of the payment of dividends to common stockholders). Moreover, additional shares of common stock issued by Host would be available in the future for sale in the public markets. We can make no prediction about the effect that future sales of common stock would have on the market price of Host common stock.

Our earnings and cash distributions will affect the market price of shares of Host's common stock.

We believe that the market value of a REIT's equity securities is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales, acquisitions, development or refinancings, and is secondarily based upon the value of the underlying assets. For that reason, shares of Host's common stock may trade at prices that are higher or lower than the net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes rather than distributing the cash flow to stockholders, these retained funds, while increasing the value of our underlying assets, may negatively impact the market price of Host's common stock. Our failure to meet the market's expectation with regard to future earnings and cash distributions would likely adversely affect the market price of Host's common stock.

Market interest rates may affect the price of shares of Host's common stock.

We believe that one of the factors that investors consider important in deciding whether to buy or sell shares of a REIT is the dividend rate on the shares, considered as a percentage of the price of the shares, relative to market interest rates. If market interest rates increase, prospective purchasers of REIT shares may expect a higher dividend rate. Thus, higher market interest rates could cause the market price of Host's shares to decrease.

Federal Income Tax Risks

To qualify as a REIT, Host and each of our subsidiary REITs are required to distribute at least 90% of its taxable income, excluding net capital gain, regardless of available cash or outstanding obligations.

To continue to qualify as a REIT, we are required to distribute to our stockholders with respect to each year at least 90% of our taxable income, excluding net capital gain. To the extent that we satisfy this distribution requirement but distribute less than 100% of our taxable income and net capital gain for the taxable year, we will be subject to federal and state corporate income tax on our undistributed taxable income and net capital gain. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions made by us with respect to the calendar year are less than the sum of 85% of our ordinary income and 95% of our net capital gain for that year and any undistributed taxable income from prior years less excess distributions from prior years. We intend to make distributions, subject to the availability of cash and in compliance with any debt covenants, to our stockholders to comply with the distribution requirement and to avoid the nondeductible excise tax and will rely for this purpose on distributions from Host LP and its subsidiaries. However, there are differences in timing between our recognition of taxable income and our receipt of cash available for distribution due to, among other things, the seasonality of the lodging industry and the fact that some taxable income will be "phantom" income, which is taxable income that is not matched by corresponding cash flow. Due to some transactions entered into in years prior to Host's conversion to a REIT, Host could recognize substantial amounts of "phantom" income. It is possible that these differences between taxable income and the receipt of related cash could require us to borrow funds or to issue additional equity to enable Host to meet the distribution requirement and, therefore, to maintain our REIT status, and to avoid the nondeductible excise tax. In addition, because the REIT distribution requirement prevents Host from retaining earnings, we will generally be required to refinance debt at its maturity with additional debt or equity. It is possible that any of these sources of funds, if available at all, would not be sufficient to meet Host's distribution and tax obligations.

As a result of the Starwood Transactions, Host owns, through Host LP, 100% of the outstanding common stock (and a portion of the outstanding preferred stock) of three entities that will elect to be treated as REITs. Each of these subsidiary REITs of Host will be subject to the same requirements that Host must satisfy in order to qualify as a REIT, including the distribution requirements described above.

Adverse tax consequences would apply if Host or any of our subsidiary REITs failed to qualify as a REIT.

We believe that Host has been organized and has operated in such a manner so as to qualify as a REIT under the Code, commencing with our taxable year beginning January 1, 1999, and Host currently intends to continue to operate as a REIT during future years. In addition, after the Starwood Transactions, Host owns, through Host LP, three entities that will elect to be treated as REITs. As the requirements for qualification and taxation as a REIT are extremely complex and interpretations of the federal income tax laws governing qualification and taxation as a REIT are limited, no assurance can be provided that Host currently qualifies as a REIT or will continue to qualify as a REIT or that each of Host's subsidiary REITs qualify as a REIT. If any of the subsidiary REITs were to fail to qualify as a REIT, it is possible that Host would fail to qualify as a REIT unless we (or the subsidiary REIT) could avail ourselves (itself) of certain relief provisions. New legislation, treasury regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to an entity's qualification as a REIT or the federal income tax consequences of its REIT qualification. If Host or any of the subsidiary REITs were to fail to qualify as a REIT, and any available relief provisions did not apply, the non-qualifying REIT would not be allowed to take a deduction for distributions to its stockholders in computing its taxable income, and it would be subject to federal and state corporate income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Moreover, unless entitled to statutory relief, the non-qualifying REIT could not qualify as a REIT for the four taxable years following the year during which REIT qualification is lost.

Any determination that Host or one of our subsidiary REITs does not qualify as a REIT would have a materially adverse effect on our results of operations and could reduce the value of our common stock materially. The additional tax liability of Host or the subsidiary REIT for the year, or years, in which the relevant entity did not qualify as a REIT would reduce its net earnings available for investment, debt service or distributions to stockholders. Furthermore, the non-qualifying entity would no longer be required to make any distributions to stockholders as a condition to REIT qualification and all of its distributions to stockholders would be taxable as regular C corporation dividends to the extent of its current and accumulated earnings and profits. This means, if Host were to fail to qualify as a REIT, that Host's stockholders currently taxed as individuals would be taxed on those dividends at capital gain rates and our corporate stockholders generally would be entitled to the dividends received deduction with respect to such dividends, subject in each case, to applicable limitations under the Code. Host's failure to qualify as a REIT also would cause an event of default under Host LP's credit facility that could lead to an acceleration of the amounts due under the credit facility, which, in turn, would constitute an event of default under Host LP's outstanding debt securities.

If our leases are not respected as true leases for federal income tax purposes, Host and each of our subsidiary REITs would fail to qualify as a REIT.

To qualify as a REIT, Host must satisfy two gross income tests, under which specified percentages of our gross income must be passive income, like rent. For the rent paid pursuant to the leases, which currently constitutes substantially all of Host's and each of our subsidiary REITs' gross income, to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement. We believe that the leases will be respected as true leases for federal income tax purposes. There can be no assurance, however, that the IRS will agree with this view. If the leases were not respected as true leases for federal income tax purposes, neither Host nor any of our subsidiary REITs would be able to satisfy either of the two gross income tests applicable to REITs and each would most likely lose its REIT status.

If our affiliated lessees fail to qualify as taxable REIT subsidiaries, Host and each of our subsidiary REITs would fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of Host will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease substantially all of our hotels to our subsidiary that is taxable as a regular C corporation and that has elected to be treated as a taxable REIT subsidiary with respect to Host. Each of the hotels acquired from Starwood are also leased to either a taxable REIT subsidiary of Host or a taxable REIT subsidiary of a subsidiary REIT. So long as any affiliated lessee qualifies as a taxable REIT subsidiary, it will not be treated as a "related party tenant." We believe that our affiliated lessees have qualified and will continue to qualify, and that the taxable REIT subsidiaries of our subsidiary REITs will qualify, to be treated as taxable REIT subsidiaries for federal income tax purposes. There can be no assurance, however, that the IRS will not challenge the status of a taxable REIT subsidiary for federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying any of our affiliated lessees (including the taxable REIT subsidiaries of our subsidiary REITs) from treatment as a taxable REIT subsidiary, it is possible that Host or a subsidiary REIT would fail to meet the asset tests applicable to REITs and substantially all of its income would fail to qualify for the gross income tests. If this occurred, Host and our subsidiary REITs would likely lose their REIT status.

Despite the REIT status of Host and our subsidiary REITs, we remain subject to various taxes.

Host or one of its subsidiary REITs will be required to pay federal income tax at the highest regular corporate rate upon its share of any "built-in gain" recognized as a result of any sale before the expiration of the applicable 10-year holding period of assets, including certain hotels acquired as part of Host's conversion to a REIT or from Starwood and its affiliates as part of the acquisition of the Starwood Portfolio. The total amount of gain on which Host would be subject to corporate income tax if these built-in gain assets were sold in a taxable transaction prior to the expiration of the applicable 10-year holding period would be material to us. In addition, we expect that we could recognize other substantial deferred tax liabilities in the future without any corresponding receipt of cash.

Notwithstanding their status as a REIT, Host and our subsidiaries (including our subsidiary REITs) will be subject to some federal, state, local and foreign taxes on their income and property. For example, Host and our subsidiary REITs will pay tax on certain types of income that is not distributed and will be subject to a 100% excise tax on transactions with a taxable REIT subsidiary that are not conducted on an arm's length basis. Moreover, the taxable REIT subsidiaries of Host and our subsidiary REITs are taxable as regular C corporations and will pay federal, state and local income tax on their net income at the applicable corporate rates, and foreign taxes to the extent they own assets or conduct operations in foreign jurisdictions.

Host LP is obligated under its partnership agreement to pay all such taxes (and any related interest and penalties) incurred by Host.

If the IRS were to challenge successfully Host LP's status as a partnership for federal income tax purposes, Host would cease to qualify as a REIT and suffer other adverse consequences.

We believe that Host LP qualifies to be treated as a partnership for federal income tax purposes. As a partnership, it is not subject to federal income tax on its income. Instead, each of its partners, including Host, is required to pay tax on such partner's allocable share of its income. No assurance can be provided, however, that the IRS will not challenge Host LP's status as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating Host LP as a corporation for federal income tax purposes, Host would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, cease to qualify as a REIT. If Host LP fails to qualify as a partnership for federal income tax purposes or Host fails to qualify as a REIT, either failure would cause an event of default under Host LP's credit facility that, in turn, could constitute an event of default under Host LP's outstanding debt securities. Also, the

failure of Host LP to qualify as a partnership would cause it to become subject to federal, state and foreign corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including Host.

As a REIT, each of Host and our subsidiary REITs is subject to limitations on its ownership of debt and equity securities.

Subject to certain exceptions, a REIT is generally prohibited from owning securities in any one issuer to the extent that the value of those securities exceeds 5% of the value of the REIT's total assets or the securities owned by the REIT represent more than 10% of the issuer's outstanding voting securities or more than 10% of the value of the issuer's outstanding securities. A REIT is permitted to own securities of a subsidiary in an amount that exceeds the 5% value test and the 10% vote or value test if the subsidiary elects to be a taxable REIT subsidiary. However, a REIT may not own securities of taxable REIT subsidiaries that represent in the aggregate more than 20% of the value of the REIT's total assets.

Host or our subsidiary REITs may be required to pay a penalty tax upon the sale of a hotel.

The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a "prohibited transaction" that is subject to a 100% penalty tax. Under existing law, whether property, including hotels, is held as inventory or primarily for sale to customers in the ordinary course of business is a question of fact that depends upon all of the facts and circumstances with respect to the particular transaction. We intend that we will hold the hotels for investment with a view to long-term appreciation, to engage in the business of acquiring and owning hotels and to make occasional sales of hotels as are consistent with our investment objectives. There can be no assurance, however, that the IRS might not contend that one or more of these sales are subject to the 100% penalty tax.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

See Section "Our Hotel Properties" of Item 1 above for a discussion of our hotel properties.

Item 3. Legal Proceedings

We are involved in various immaterial legal proceedings in the normal course of business. We are vigorously defending each of these claims.

Item 4. Submission of matters to a vote of security holders

None.

EXECUTIVE OFFICERS

In the following table we set forth certain information regarding those persons currently serving as our executive officers as of February 23, 2007.

Name and Title	Age	Business Experience Prior to Becoming an Executive Officer of the Company
Richard E. Marriott *Chairman of the Board*	68	Richard E. Marriott joined our company in 1965 and has served in various executive capacities. In 1979, Mr. Marriott was elected to the Board of Directors. In 1984, he was elected Executive Vice President and in 1986, he was elected Vice Chairman of the Board of Directors. In 1993, Mr. Marriott was elected Chairman of the Board.
Christopher J. Nassetta *President, Chief Executive Officer and Director*	44	Christopher J. Nassetta joined our company in October 1995 as Executive Vice President and was elected our Chief Operating Officer in 1997. He became our President and Chief Executive Officer in May 2000. Prior to joining us, Mr. Nassetta served as President of Bailey Realty Corporation and as the Chief Development Officer for The Oliver Carr Company.
Elizabeth A. Abdoo *Executive Vice President, General Counsel and Secretary*	48	Elizabeth A. Abdoo joined our company in June 2001 as Senior Vice President and General Counsel and became Executive Vice President in February 2003. She was elected Secretary in August 2001. Prior to joining our company, Ms. Abdoo served as Senior Vice President and Assistant General Counsel of Orbital Sciences Corporation.
Minaz Abji *Executive Vice President, Asset Management*	53	Minaz Abji joined our company in 2003 as Executive Vice President, Asset Management. Prior to joining us, Mr. Abji was President of Canadian Hotel Income Properties REIT, a Canadian REIT located in Vancouver, British Columbia where he worked since 1998.
James F. Risoleo *Executive Vice President, Chief Investment Officer*	51	James F. Risoleo joined our company in 1996 as Senior Vice President for Acquisitions, and was elected Executive Vice President in 2000. He is responsible for our development, acquisition and disposition activities. Prior to joining us, Mr. Risoleo served as Vice President of Development for Interstate Hotels Corporation and Senior Vice President at Westinghouse Financial Services.
W. Edward Walter *Executive Vice President, Chief Financial Officer*	51	W. Edward Walter joined our company in 1996 as Senior Vice President for Acquisitions, and was elected Treasurer in 1998, Executive Vice President in 2000, Chief Operating Officer in 2001 and Chief Financial Officer in 2003. Prior to joining us, Mr. Walter was a partner with Trammell Crow Residential Company and the President of Bailey Capital Corporation.
Larry K. Harvey *Senior Vice President, Chief Accounting Officer*	42	Larry K. Harvey rejoined our company in February 2003 as Senior Vice President and Corporate Controller. In February 2006, he was promoted to Senior Vice President, Chief Accounting Officer. Prior to joining us, he served as Chief Financial Officer of Barceló Crestline Corporation, formerly Crestline Capital Corporation. Prior to that, he was our Vice President of Corporate Accounting, prior to the spin-off of Crestline in 1998.

Name and Title	Age	Business Experience Prior to Becoming an Executive Officer of the Company
Gregory J. Larson *Senior Vice President, Treasurer and Investor Relations*	42	Gregory J. Larson joined our company in October 1993 and is currently the Senior Vice President responsible for our Treasury, Corporate Finance and Investor Relations functions. Prior to joining us, Mr. Larson worked for Marriott International, Inc.
Pamela K. Wagoner *Senior Vice President, Human Resources*	43	Pamela K. Wagoner joined our company in October 2001 as Vice President for Human Resources and became Senior Vice President in February 2003. Prior to joining us, Ms. Wagoner served as Vice President of Human Resources at SAVVIS Communications, and prior to that was the Director of Human Resources at Lucent Technologies, Inc.

PART II

Item 5. Market for our common stock and related stockholder matters

Our common stock is listed on the New York Stock Exchange and trades under the symbol "HST." The following table sets forth, for the fiscal periods indicated, the high and low closing sales prices per share of our common stock as reported on the New York Stock Exchange Composite Tape and dividends declared per share:

	Stock Price		Dividends Declared Per Share
	High	Low	
2005			
1st Quarter	$ 17.24	$ 15.49	$ 0.08
2nd Quarter	17.57	16.22	0.10
3rd Quarter	19.05	17.00	0.11
4th Quarter	18.95	16.19	0.12
2006			
1st Quarter	$ 21.25	$ 18.95	$ 0.14
2nd Quarter	21.41	19.62	0.17
3rd Quarter	22.66	20.69	0.20
4th Quarter	25.60	22.30	0.25

Under the terms of our senior notes indenture and the credit facility, our ability to pay dividends and make other payments is dependent on our ability to satisfy certain financial requirements. See "Management Discussion and Analysis of Results of Operations and Financial Condition—Liquidity and Capital Resources" and "Risk Factors—Financial Risks and Risks of Operation—Our ability to pay dividends may be limited by the terms of our indebtedness."

As of February 15, 2007, there were 33,273 holders of record of our common stock. However, because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we believe that there are considerably more beneficial holders of our common stock than record holders. As of February 15, 2007, there were 2,136 holders of OP units (in addition to Host). OP units are redeemable for cash, or, at our election, convertible into Host common stock.

Our ability to qualify as a REIT under the Internal Revenue Code is facilitated by limiting the number of shares of our stock that a person may own. Our charter provides that, subject to limited exceptions, no person or persons acting as a group may own, or be deemed to own by virtue of the attribution provisions of the Internal Revenue Code, more than 9.8% in value or in number, whichever is more restrictive, of shares of Host's outstanding common stock, preferred stock or any other stock, each considered as a separate class or series for this purpose. The Board of Directors has the authority to increase the ownership limit from time to time, but does not have the authority to do so to the extent that after giving effect to such increase, five beneficial owners of capital stock could beneficially own in the aggregate more than 49.5% of the outstanding capital stock. See "Risk Factors—Risks Related to Ownership of Host: Common Stock—There are limitations on the acquisition of Host common stock and changes in control."

Fourth Quarter 2006 Purchases of Equity Securities

Period	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (Or Approximate Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
September 9, 2006— October 8, 2006	188*	$ 23.15	—	—
October 9, 2006— November 8, 2006	—	$ —	—	—
November 9, 2006— December 8, 2006	383*	$ 23.35	—	—
December 9, 2006— December 31, 2006	—	$ —	—	—
Total	571*	$ 23.28	—	—

* Reflects shares of restricted common stock withheld for payment of taxes in connection with the release of common shares to plan participants in the Company's Comprehensive Stock and Cash Incentive Plan. The average price paid reflects the market value of the shares at the time withheld.

Item 6. Selected Financial Data

The following table presents certain selected historical financial data which has been derived from audited consolidated financial statements for the five years ended December 31, 2006:

	Fiscal year				
	2006	2005	2004	2003	2002
	(in millions, except per share amounts)				
Income Statement Data:					
Revenues	$ 4,888	$3,766	$ 3,457	$ 3,116	$ 3,160
Income (loss) from continuing operations	309	125	(82)	(253)	(96)
Income from discontinued operations(1)	429	41	82	267	80
Net income (loss)	738	166	—	14	(16)
Net income (loss) available to common stockholders	718	135	(41)	(21)	(51)
Basic earnings (loss) per common share:					
Income (loss) from continuing operations	.60	.26	(.36)	(1.02)	(.50)
Income from discontinued operations	.89	.12	.24	.95	.31
Net income (loss)	1.49	.38	(.12)	(.07)	(.19)
Diluted earnings (loss) per common share:					
Income (loss) from continuing operations	.60	.26	(.36)	(1.02)	(.50)
Income from discontinued operations	.88	.12	.24	.95	.31
Net income (loss)	1.48	.38	(.12)	(.07)	(.19)
Cash dividends declared per common share	.76	.41	.05	—	—
Balance Sheet Data:					
Total assets	$11,808	$ 8,245	$ 8,421	$8,592	$ 8,316
Debt(2)	5,878	5,370	5,523	5,486	5,638
Convertible Preferred Securities(2)	—	—	—	475	475
Preferred stock	97	241	337	339	339

(1) Discontinued operations reflects the operations of properties classified as held for sale, the results of operations of properties sold and the gain or loss on those dispositions and in 2003 the business interruption proceeds for the New York Marriott World Trade Center hotel.

(2) We adopted Financial Interpretation No. 46 "Consolidation of Variable Interest Entities" (FIN 46) in 2003. Under FIN 46, our limited purpose trust subsidiary that was formed to issue trust-preferred securities (the "Convertible Preferred Securities") was accounted for on a consolidated basis as of December 31, 2003 since we were the primary beneficiary under FIN 46. Effective January 1, 2004, the FASB revised FIN 46, which we refer to as FIN 46R, and we were required to deconsolidate the accounts of the Convertible Preferred Securities Trust (the "Trust"). As a result, we recorded the $492 million in debentures (Convertible Subordinated Debentures) issued by the Trust and eliminated the $475 million of Convertible Preferred Securities that were previously classified in the mezzanine section of our consolidated balance sheet prior to January 1, 2004. The difference of $17 million was our investment in the Trust, which was included in "Investments in affiliates" on our consolidated balance sheet prior to the conversion and redemption of the Convertible Preferred Securities. Between December 2005 and April 15, 2006, we converted or redeemed all of the Convertible Preferred Securities into approximately 30.8 million common shares and $2 million in cash.

Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition

The following discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

Overview

As of February 23, 2007, we own 123 luxury and upper upscale hotel properties and we are the largest lodging REIT in the National Association of Real Estate Investment Trust's composite index. A REIT is a legal entity that holds real estate interests and, through payments of dividends to stockholders, is permitted to reduce or avoid federal income taxes at the corporate level. Host operates as a self-managed and self-administered REIT and owns approximately 96.5% of the partnership interests of Host Hotels & Resorts, L.P., or Host LP.

Our hotels are operated under brand names that are among the most respected and widely recognized in the lodging industry. The majority of our properties are located in central business districts of major cities, near airports and in resort/convention destinations. The target profile for our portfolio includes luxury and upper upscale hotels in urban and resort/convention destinations that benefit from significant barriers to entry by competitors. Though hotels meeting this target profile will still be subject to competitive pressures, we believe this will allow us to maintain room rate and occupancy premiums over our competitors. We also seek to maximize the value of our portfolio through aggressive asset management by assisting the managers of our hotels in maximizing property operations and by completing strategic capital improvements.

Our Customers

The majority of our customers fall into three broad groups: transient business, group business, and contract business, which made up approximately 54%, 42% and 4%, respectively, of our business in 2006. Similar to the majority of the lodging industry, we further categorize business within these categories based on characteristics they have in common as follows:

Transient demand broadly represents individual business or leisure travelers and is divided into four key sub-categories: premium, corporate, special corporate and discount. Overall, business travelers make up the majority of transient demand at our hotels, with leisure travelers making up the remainder. Therefore, our business will be more significantly affected by trends in business travel versus leisure demand:

- Premium: Sometimes referred to as "rack rate," typically consists of rooms booked close to arrival during high demand periods and is the highest rate category available. Room rates will fluctuate depending on anticipated demand levels (e.g. seasonality, weekday vs. weekend stays).
- Corporate: This is the benchmark rate which a hotel publishes and offers to the general public. It is typically the second highest category, and is for travelers that do not have access to negotiate or discount rates.
- Special Corporate: this is a negotiated rate offered to companies and organizations that provide significant levels of room night demand to the hotel. These rates are typically negotiated annually, at a discount to the anticipated corporate rate.
- Discount: This encompasses all discount programs, such as AAA and AARP discounts, government per diem, rooms booked through wholesale channels, frequent guest program redemptions, and promotional rates and packages offered by a hotel.

Group demand represents clusters of guestrooms booked together, usually with a minimum of 10 rooms. Examples include a company training session or a social event such as a family reunion. Group business is segmented into the following three key sub-categories:

- Association: group business related to national and regional association meetings and conventions.

- Corporate: group business related to corporate meetings (e.g., product launches, training programs, contract negotiations, and presentations).
- Other: group business predominately related to social, military, education, religious, fraternal and youth and amateur sports teams, otherwise known as SMERF business.

The final category is contract demand, which refers to blocks of rooms sold to a specific company for an extended period of time at significantly discounted rates. Contract rates are usually utilized by hotels that are located in markets that are experiencing consistently lower levels of demand. Airline crews are typical generators of contract demand for our hotels.

Understanding Our Performance

Our Revenues and Expenses

Our hotels are operated by third-party managers under long-term agreements under which they typically earn base and incentive management fees related to the revenues and profitability of each individual hotel. We provide operating funds, or working capital, which the managers use to operate the property, including purchasing inventory and paying wages, utilities, property taxes and other expenses. We generally receive a cash distribution, which reflects hotel-level sales less property-level operating expenses (excluding depreciation), from our hotel managers each four-week or monthly accounting period, depending on the manager.

Hotel revenue is approximately 97% of our total revenue. The following table presents the components of our hotel revenue as a percentage of our total revenue:

	% of 2006 Revenues
• Rooms revenue. Occupancy and average daily room rate are the major drivers of rooms revenue. The business mix of the hotel (group versus transient and premium versus discount business) is a significant driver of room rates.	61%
• Food and beverage revenue. Occupancy and the type of customer staying at the hotel are the major drivers of food and beverage revenue (i.e., group business typically generates more food and beverage business through catering functions when compared to transient business, which may or may not utilize the hotel's restaurants).	30%
• Other revenue. Occupancy, the nature of the property (i.e., resort, etc.) and its price point are the main drivers of other ancillary revenue, such as parking, golf course, spa, telephone, entertainment and other guest services.	6%

Hotel operating expenses are approximately 98% of our total operating costs and expenses. The following table presents the components of our hotel operating expenses as a percentage of our total operating costs and expenses:

	% of 2006 Operating Costs and Expenses
• Rooms expense. These costs include housekeeping, reservation systems, room supplies, laundry services and front desk costs. Occupancy is the major driver of rooms expense. These costs can increase based on increases in salaries and wages, as well as the level of service and amenities that are provided.	17%
• Food and beverage expense. These expenses primarily include food, beverage and labor costs. Occupancy and the type of customer staying at the hotel (i.e., catered functions generally are more profitable than outlet sales) are the major drivers of food and beverage expense, which correlates closely with food and beverage revenue.	26%

	% of 2006 Operating Costs and Expenses
• Hotel departmental expense. These expenses include labor and other costs associated with the other ancillary revenues such as parking, golf courses, spas, telephones, entertainment and other guest services, as well as labor and other costs associated with administrative departments, sales and marketing, repairs and minor maintenance and utility costs.	29%
• Management fees. Base management fees are computed as a percentage of gross revenue as set forth in our management contracts. Incentive management fees generally are paid when operating profits exceed threshold levels established in our management agreements.	6%
• Other property-level expenses. These expenses consist primarily of real and personal property taxes, ground rent, equipment rent and property insurance. Many of these expenses are relatively inflexible and do not necessarily change in tandem with changes in revenues at our hotels.	9%
• Depreciation and amortization expense. This is a non-cash expense that is relatively inflexible and changes primarily based on the acquisition and disposition of hotel properties and the level of post-acquisition capital expenditures.	11%

The expense components listed above are based on those presented in our consolidated statement of operations. It is also worth noting that wage and benefit costs are spread among various line items, however, taken separately these costs represent approximately 50% of our total expenses, making wages and benefits the most significant component of our cost structure.

Key Performance Indicators

We have several key indicators that we use to evaluate the performance of our business, including RevPAR, Funds From Operations ("FFO") per diluted share and hotel adjusted operating profit. Revenue per available room, or RevPAR, is a commonly used measure within the hotel industry to evaluate hotel operations. RevPAR is defined as the product of the average daily room rate charged and the average daily occupancy achieved. RevPAR does not include revenues from food and beverage or parking, telephone, or other guest services generated by the property. Although RevPAR does not include these ancillary revenues, it is generally considered the leading indicator of core revenues for many hotels.

RevPAR changes driven predominately by occupancy have different implications on overall revenue levels as well as incremental operating profit than do changes driven predominately by average room rate. For example, increases in occupancy at a hotel would lead to increases in rooms revenues and ancillary revenues, such as food and beverage, as well as additional incremental costs (including housekeeping services, utilities and room amenity costs). RevPAR increases due to higher room rates, however, would not result in these additional room-related costs. For this reason, while operating profit typically increases when occupancy rises, RevPAR increases due to higher room rates would have a greater impact on our profitability.

We also use, among other things, FFO per diluted share as a supplemental measure of company-wide profitability. See "Non-GAAP Financial Measures —FFO per diluted share" for further discussion. Another key profitability indicator we use is hotel adjusted operating profit, which is a non-GAAP measure which we use to evaluate the profitability of our comparable hotels. Hotel adjusted operating profit measures property-level results before debt service and is a supplemental measure of individual property-level profitability. The comparable hotel adjusted operating profit that we discuss is an aggregation of the adjusted operating profit for each of our comparable hotels. See "Non-GAAP Financial Measures—Comparable Hotel Operating Results" for further discussion. Each of the non-GAAP measures should be considered by investors as supplemental measures to GAAP performance measures such as total revenues, operating profit and earnings per share.

Summary of 2006 Operating Results

Total revenue increased $1.1 billion, or 29.8%, to $4.9 billion for the year, which includes $762 million of revenues for the properties acquired from Starwood in April 2006. Net income increased $572 million to $738 million in 2006. Net income includes approximately $416 million in gains from the sale of seven properties. Diluted earnings per share increased $1.10 to $1.48.

For our comparable properties, RevPAR increased 8.5% due to a 9.2% increase in average room rates, partially offset by a slight decrease in occupancy. The improvement in RevPAR was a result of continuing positive trends in both the economy and industry fundamentals. The significant improvement in room rates also helped drive an increase in operating margins. However, the increase in operating margins was partially offset by greater than inflationary increases in the costs of insurance, utilities and employee wages and benefits. Margins were also positively affected by the increase in food and beverage margins as a result of growth in catering and banquet sales. FFO per diluted share increased 33%, to $1.53, for 2006. FFO per diluted share was reduced by $.09 for 2006 due to costs associated with refinancing of senior notes, the redemption of preferred stock and non-recurring costs associated with the Starwood acquisition. By comparison, FFO per diluted share was reduced by $.08 for 2005 due to costs associated with refinancing and preferred stock transactions in 2005.

Acquisition and Disposition Activity

Acquisitions

Consistent with our acquisition strategy, in April 2006 we completed the purchase of 25 domestic and three foreign properties from Starwood for approximately $3.1 billion. The portfolio included properties in 14 states, Washington D.C., Santiago, Chile and Warsaw, Poland that are represented by premium brands such as Westin, Sheraton, W, St. Regis, and The Luxury Collection. The Sheraton Warsaw Hotel & Towers was subsequently contributed by us to the European Joint Venture. Combined with the formation of the European Joint Venture, which currently owns seven properties, we have significantly expanded our geographic and brand diversity, which we believe should create a strong platform for future growth. As a result of these transactions, approximately 56% of our 2007 budgeted hotel sales will be generated by Marriott-branded hotels, 9% by Ritz-Carlton hotels and 8% by Hyatt hotels, while Westin-branded hotels will represent 9% and Sheraton and W-branded hotels, both new brands to our portfolio, will represent 10% and 2%, respectively. Consistent with our previous acquisitions, the Starwood properties are primarily located in urban and convention or resort locations and in markets with significant barriers to entry. In particular, management believes that the European markets are in the early stages of a lodging recovery which should provide the opportunity for additional growth outside of the domestic lodging cycle.

We also continue to pursue single asset acquisitions of luxury and upper upscale hotels where we believe the properties can be acquired at attractive multiples of cash flow and at discounts to replacement cost. In September 2006, we acquired the 732-room Westin Kierland Resort & Spa, which includes a 27-hole golf course and a full-service spa, for approximately $393 million.

Dispositions

During 2006, we took advantage of market conditions to dispose of five non-core properties, where we believed the potential for revenue growth was lower. Proceeds from these sales were approximately $214 million and were used to repay debt, fund acquisitions, invest in our portfolio or for general corporate purposes. Additionally, we disposed of two core assets, the Swissôtel The Drake New York and the Fort Lauderdale Marina Marriott, which we sold for a total of approximately $586 million and recognized a gain of approximately $346 million. In these transactions we were able to capitalize on value enhancement opportunities and apply the proceeds towards the acquisition of the Starwood portfolio. In January 2007, we continued to execute on our disposition strategy through the sale of four additional non-core properties for approximately $119 million.

Debt and Equity Activity

Improving our interest coverage and leverage ratios remains a key management priority. During 2006, we issued approximately $1.3 billion in senior notes, assumed or issued $328 million of mortgage debt and drew $250 million on our credit facility. The proceeds were used to retire, redeem or prepay $828 million of senior notes, $84 million of mortgage debt and approximately $150 million of 10% Class C preferred stock. The remaining proceeds of the debt issuances were used for the asset acquisitions described above, to fund debt prepayment costs and for general corporate purposes. Additionally, we converted to common stock or redeemed for cash the $387 million remaining balance of the Convertible Subordinated Debentures. Overall, our debt balance increased approximately $508 million in 2006. We also increased our stockholders' equity balance by approximately $2.8 billion during the year, primarily through the issuance of common stock as part of the acquisition of the Starwood portfolio and through the conversion of our Convertible Subordinated Debentures. As a result of these debt and equity activities and the continued improvement in the cash flow of our hotels, we significantly improved our interest coverage and leverage ratios during 2006.

2007 Outlook

Management believes that 2007 will be another strong year of growth as a result of continued upward trends in operating fundamentals, including the growth of the U.S. economy and strengthening group and transient business travel. Demand continues to improve though it is expected to grow at a slightly slower rate, while strong industry performance has begun to increase the pace of new supply. However, the majority of new projects scheduled for completion in the near-term are concentrated in the economy and mid-scale segments, are outside of major urban markets and will have less than 200 rooms. For example, a recent survey by Lodging Econometrics indicates that new room supply for luxury and upper upscale hotels in 2007 will be less than 10% of all new supply. Further, only 8.6% of the new supply will be in central business districts, which are our target markets. Supply growth will also continue to be constrained by increasing construction costs and labor market shortages. As a result, we expect that comparable hotel RevPAR will increase approximately 6.5% to 8.5% for the full year 2007.

We also expect to see improvements in RevPAR and operating margins as a result of our significant capital expenditures program at many of our properties, which we believe will enhance their competitive market position and improve their operating performance. In the near-term, some properties may experience temporary business disruption as rooms, common areas and meeting spaces are renovated. We expect to see improvements in the operations of our hotels as we complete the significant repositioning/return on investment projects within our existing portfolio.

Operating margin growth will also benefit from the increase in room rate driven growth in 2007, as well as continued improvement in food and beverage revenues associated with the expected growth in group business. While we expect margins to improve, margin growth will be restrained by continued pressure from above-inflationary growth in costs, including wages and benefits, real estate taxes and property insurance.

We intend to declare a regular quarterly dividend of $.20 in 2007, which will result in an increase over the 2006 total dividends declared. In addition, we intend to declare a special dividend in the fourth quarter based upon our operating performance and the resulting effect on our level of taxable income. Based on the forecasted growth in operations and expected level of capital expenditures, we believe the special dividend will be meaningfully higher than the amount declared in 2006. The amount of any dividend will be determined by Host's Board of Directors.

While we believe the trends discussed above create the opportunity for improvements in our business in 2007, there can be no assurances that any increases in hotel revenues or earnings at our properties will continue for any number of reasons, including, but not limited to, slower than anticipated growth in the economy and changes in travel patterns.

Results of Operations

The following table reflects certain line items from our audited statements of operations and other significant operating statistics (in millions, except operating statistics and percentages):

	2006	2005	% Change 2005 to 2006	2004	% Change 2004 to 2005
Revenues					
Total hotel sales	$ 4,769	$ 3,655	30.5%	$ 3,350	9.1%
Operating costs and expenses:					
Property-level expenses(1)	4,030	3,202	25.9	3,004	6.6
Corporate and other expenses	94	67	40.3	67	—
Gain on insurance settlement	13	9	44.4	3	N/M(4)
Operating profit	777	506	53.6	389	30.1
Interest expense	450	443	1.6	483	(8.3)
Minority interest expense	41	16	N/M(4)	4	N/M(4)
Income (loss) from continuing operations	309	125	N/M(4)	(82)	N/M(4)
Income from discontinued operations	429	41	N/M(4)	82	(50.0)
Net income	738	166	N/M(4)	—	N/M(4)
All hotel operating statistics(2):					
RevPAR	$ 133.48	$121.66	9.7%	$109.51	11.1%
Average room rate	$182.56	$ 167.64	8.9%	$ 152.03	10.3%
Average occupancy	73.1%	72.6%	0.5 pts.	72.0%	0.6 pts.
Comparable hotel operating statistics(3):					
Comparable hotel RevPAR	$ 135.46	$ 124.80	8.5%	N/A	9.5%
Comparable average room rate	$ 184.77	$ 169.23	9.2%	N/A	7.6%
Comparable average occupancy	73.3%	73.7%	(0.4) pts.	N/A	1.2 pts.

(1) Amount represents operating costs and expenses per our statements of operations less corporate and other expenses and the gain on insurance settlement.
(2) Operating statistics are for all properties as of December 31, 2006, 2005 and 2004 and include the results of operations prior to their disposition for hotels we have sold.
(3) Comparable hotel operating statistics for 2006 and 2005 are based on 95 comparable hotels as of December 31, 2006. The percent change from 2004 to 2005 is based on 98 comparable hotels as of December 31, 2005. See “Comparable Hotel Operating Statistics” for further details.
(4) N/M=Not Meaningful

2006 Compared to 2005

Hotel Sales Overview

	2006	2005	% Change
	(in millions)		
Revenues			
Rooms	$2,989	$2,257	32.4%
Food and beverage	1,479	1,155	28.1
Other	301	243	23.9
Total hotel sales	$4,769	$3,655	30.5

Hotel sales increased $1.1 billion, or 30.5%, to approximately $4.8 billion for 2006. Hotel sales include approximately $863 million and $14 million for 2006 and 2005, respectively, of sales from hotels acquired in 2006 and 2005. Hotel sales of approximately $70 million and $176 million for 2006 and 2005, respectively, for properties sold or classified as held for sale at December 31, 2006 have been reclassified as discontinued operations on our consolidated statements of operations. See “Discontinued Operations” below.

We discuss operating results for our hotels on a comparable basis. Comparable hotels are those properties that we have owned for the entirety of the reporting periods being compared. Comparable hotels do not include the results of properties acquired or sold, or that incurred significant property damage and business interruption or large scale capital improvements during these periods. As of December 31, 2006, 95 of our 128 hotels have been classified as comparable hotels. See "Comparable Hotel Operating Statistics" for a complete description of our comparable hotels. The following discussion is of the sales results of our comparable hotels considering property type (i.e. urban, suburban, resort/convention or airport) and geographic region. We also discuss the sales results of our hotels considering the mix of business (i.e. transient, group or contract).

Comparable hotel sales increased 7.6% to approximately $3.8 billion for 2006. The revenue growth reflects the increase in comparable RevPAR of 8.5%, as a result of an increase in average room rates of 9.2% and a slight decrease in occupancy of 0.4 percentage points. The growth in average room rate was driven by a number of positive trends such as strong United States GDP growth, low growth in the supply of new luxury and upper upscale hotels and the strengthening in the group and transient segments of our business. As a result of these trends, our operators were able to significantly increase average daily room rates and continued to manage the mix of business away from lower rated discount and contract business in favor of higher rated corporate transient and corporate and association group business. However, this yield management at our hotels did result in fewer occupied rooms and was the primary factor for the slight occupancy decline. Occupancy was also affected by weakness in individual markets and temporary disruption to certain properties due to our capital expenditure program. For the 27 hotels acquired from Starwood that we consolidate, RevPAR increased 10.9% when compared to the full year 2005.

Food and beverage revenues for our comparable hotels increased 6.6%, primarily due to increased sales from our catering and banquet business. Growth in sales of our food and beverage operations, which historically represent approximately 30% of our revenues, also positively affected overall operating margins, as our managers continue to shift business from outlets to banquet sales. Food and beverage margins increased 2.1 percentage points in 2006. We expect food and beverage revenue to continue to increase, which should contribute to continued growth in our operating margins.

The increase in sales also is affected by our properties market share as measured by the RevPAR penetration index. The RevPAR penetration index reflects each property's RevPAR in relation to the RevPAR for that property's competitive set. The competitive set for our hotels typically is determined through negotiations between our managers and us as certain termination provisions in our management agreements are based on our hotel's performance against their competitive set. Competitive set determinations are subjective and, as a result, our methodology of determining a hotel's competitive set may differ materially from those used by other owners and/or managers. Additionally, RevPAR penetration index often will shift dramatically upon the addition of a new hotel to the competitive set or upon a change in demand for a particular market, regardless of the hotel's performance. As a result, we predominantly use RevPAR penetration index to evaluate the market share of our hotels on an individual basis, as opposed to in the aggregate. We seek to maintain a RevPAR penetration index above 100 for all of our properties, which would indicate that a hotel maintains a RevPAR premium in relation to its competitive set. Currently, approximately three-quarters of our properties achieve a RevPAR penetration index of 100 or higher.

Comparable Hotel Sales by Property Type

The following table sets forth performance information for our comparable hotels by property type as of December 31, 2006 and 2005:

By Property Type

	As of December 31, 2006		Year ended December 31, 2006			Year ended December 31, 2005			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Urban	39	22,680	$197.20	76.8%	$ 151.43	$179.94	76.6%	$137.90	9.8%
Suburban	29	11,138	145.94	67.3	98.27	134.69	67.7	91.12	7.8
Airport	16	7,328	135.31	73.1	98.85	122.41	75.9	92.89	6.4
Resort/ Convention	11	6,825	253.31	71.8	181.91	236.64	71.8	170.00	7.0
All Types	95	47,971	184.77	73.3	135.46	169.23	73.7	124.80	8.5

For 2006, revenues increased across all of our comparable hotel property types, led by our urban hotels, as we benefited from strong performance in several of our downtown markets such as Chicago, New York and Boston. RevPAR growth at our resort/convention hotels was driven by the RevPAR increases at our Naples and Maui resort/convention hotels. The increase in RevPAR at our airport hotels was less than the comparable portfolio as the increase in average room rates of 10.5% was partially offset by decreases in occupancy of 2.8 percentage points due, in part, to renovations at our San Francisco airport hotels. The comparable hotel RevPAR increase for our suburban hotels reflected an increase in average room rates of 8.4%.

Comparable Hotel Sales by Geographic Region

The following tables set forth performance information for our comparable hotels by geographic region as of December 31, 2006 and 2005:

By Region

	As of December 31, 2006		Year ended December 31, 2006			Year ended December 31, 2005			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Pacific	21	11,485	$ 201.76	74.6%	$ 150.44	$ 184.70	76.3%	$ 140.87	6.8%
Florida	10	6,435	192.58	70.9	136.47	177.63	71.8	127.57	7.0
Mid-Atlantic	8	5,865	227.45	79.9	181.76	207.20	78.8	163.22	11.4
DC Metro	13	5,335	185.39	71.8	133.10	173.23	76.4	132.41	0.5
North Central	12	4,906	152.28	72.2	109.89	138.55	69.0	95.58	15.0
South Central	7	4,125	144.72	71.6	103.63	131.25	74.1	97.25	6.6
Atlanta	7	2,625	188.61	70.5	132.97	171.69	69.4	119.13	11.6
New England	6	3,032	170.11	76.9	130.81	155.57	72.9	113.35	15.4
Mountain	6	2,210	132.71	65.5	86.98	119.89	64.3	77.04	12.9
International	5	1,953	151.61	72.0	109.21	134.18	72.2	96.83	12.8
All Regions	95	47,971	184.77	73.3	135.46	169.23	73.7	124.80	8.5

For 2006, the majority of our geographic regions experienced strong growth in comparable hotel RevPAR, with six of the ten regions experiencing double-digit growth rates.

Our New England region was the top performing region. In particular, our downtown Boston hotels continued to benefit from very strong group demand.

The DC region was our worst performing region. Comparable hotel RevPAR in the DC region was negatively affected by the renovations at the JW Marriott, Washington, D.C., which had a significant number of rooms out of service for the first and second quarters of 2006, as well as an overall decrease in congressional activity and a reduction in group business compared to 2005, which included the effect of the Presidential inauguration.

Increases in comparable hotel RevPAR in our Mountain region were due primarily to a 14.7% RevPAR increase at our three comparable hotels in the Denver market. We also experienced 11.5% RevPAR growth at our hotels located in the Phoenix/Scottsdale area.

Increases in comparable hotel RevPAR for our Mid-Atlantic region were driven by the performance at our two New York City hotels with comparable hotel RevPAR growth of 14.3%. Strong group, transient and international demand has contributed to the performance of the New York City market.

Our Pacific region benefited from strong RevPAR growth in the Hawaii and San Diego markets.

Comparable hotel RevPAR growth in our Florida region was primarily due to strong group bookings and improved transient demand at several of our resorts, especially The Ritz-Carlton, Naples.

Comparable hotel RevPAR growth for our Atlanta region was driven by an increase in room rates of 9.9%. The region has benefited from strong in-house group and transient demand.

Increases in comparable hotel RevPAR in the North Central region were primarily due to an increase in the average room rate and the average occupancy. The improvement was the result of strong growth across all segments of demand, particularly group demand at our six hotels in the Chicago market, which benefited from a significant increase in the number of city-wide convention events in 2006.

Comparable hotel RevPAR increases in our South Central region were driven primarily by strong increases in average room rate.

Comparable hotel RevPAR for our international properties increased 12.8% primarily due to the performance of our four Canadian properties.

Comparable hotel sales by business mix. The majority of our customers fall into three broad groups: transient business, group business and contract business. Those traveling as part of an organized group, meeting or convention are referred to as “Group” customers. Individual travelers are referred to as “Transient” customers. Based on 100 of our Marriott, Ritz-Carlton and Starwood hotels for which we have detailed customer demographics, our business in 2006 was approximately 42% group-based and 54% transient-based. Approximately 4% of our business is related to volume contracted business such as airline crews.

In 2006, overall demand was stronger and, therefore, our operators were able to significantly increase average daily room rates, particularly in the corporate transient segments. Overall transient average daily rates increased 10% when compared to last year and our overall group average room rate for these hotels increased almost 7%. The gap between transient rates and group rates widened in 2006, indicating that pricing power remained strong. We expect this trend in strong growth in average daily rates to continue in 2007, particularly in our transient business.

Rental Income. Our rental income represents lease income from our 71 leased HPT Properties and three office property leases, as well as lease income from one upper upscale hotel. The $8 million improvement in rental income primarily is from operations at the leased HPT Properties as a result of investments in the properties by the lessor and improvements in the overall economy.

Property-level Operating Costs

	2006	2005	% Change
	(in millions)		
Rooms	$ 707	$ 543	30.2%
Food and beverage	1,067	854	24.9
Hotel departmental expenses	1,202	1,000	20.2
Management fees	228	166	37.3
Other property-level expenses	367	284	29.2
Depreciation and amortization	459	355	29.3
Total property-level expenses	$ 4,030	$3,202	25.9

Property-level operating costs and expenses increased $0.8 billion, or 25.9%, to approximately $4 billion for 2006. Property-level operating costs and expenses include approximately $680 million and $12 million for 2006 and 2005, respectively, of property-level costs associated with hotels acquired in 2006 and 2005. Property-level operating costs and expenses exclude the costs for hotels we have sold or classified as "held for sale" at December 31, 2006, which are included in discontinued operations. Our operating costs and expenses, which are both fixed and variable, are affected by changes in occupancy, inflation and revenues, though the effect on specific costs will differ. For example, utility costs at our comparable hotels increased 6.4%. We expect operating costs to continue to increase in 2007 as a result of variable costs increasing with occupancy increases, and certain costs increasing at a rate above inflation, particularly wages and benefits, insurance and real estate taxes.

Corporate and Other Expenses. Corporate and other expenses primarily consist of employee salaries and bonuses and other costs such as employee stock-based compensation expense, travel, corporate insurance, audit fees, building rent and system costs. Corporate expenses increased by $27 million, or 40.3%, due to an increase in compensation expense based on the strong performance of our stock price and an increase in overall staffing levels, as well as non-recurring costs associated with the Starwood acquisition of $7 million.

Gain on Insurance Settlement. The gain on insurance settlement in 2006 of $13 million relates to business interruption insurance proceeds received as a result of lost profit at our New Orleans Marriott following Hurricane Katrina in August 2005 and at five of our hotels located in Florida following Hurricane Wilma in October 2005. We received an additional $3 million of business interruption insurance proceeds for the Fort Lauderdale Marina Marriott, which is included in income from discontinued operations, as we sold the hotel during 2006. The gain on insurance settlement in 2005 relates to $9 million of business interruption insurance proceeds for the New Orleans Marriott.

In addition to the business interruption insurance proceeds, our insurance policy provides us with reimbursement for the replacement cost for the damage done to these assets. As a result, we have written off the approximate $38 million book value of the damaged assets, which includes certain repair and clean-up costs. The write off of the assets has been completely offset by the establishment of an insurance receivable and, accordingly, there is no effect on the statement of operations. Further, to the extent that our insurance settlement proceeds are in excess of the amounts written off, we will record a gain on insurance settlement in the period that all contingencies are resolved. To date, we have received approximately $22 million in insurance proceeds related to our property damage claim.

Interest Income. Interest income increased $12 million, primarily due to an increase in our cash balance and increases in the interest rates earned on cash and restricted cash balances.

Interest Expense. Interest expense increased $7 million. The increase in interest expense in 2006 is primarily due to a net increase in debt of approximately $508 million and increased rates for our variable rate debt. The increase was partially offset by a decline from $30 million in 2005 to $17 million in 2006 for call

premiums, accelerated deferred financing costs and original issue discounts and the early termination of our interest rate swap agreements associated with debt prepayments. In addition, interest expense for 2006 includes approximately $5 million of non-recurring bridge loan fees and expenses related to the Starwood acquisition.

Net Gains on Property Transactions. The gains primarily represent the amortization of deferred gains on the sale of the HPT Properties in 1995 and 1996. In 2005, gains also included the pre-tax gain of $69 million on the sale of 85% of our interest in CBM Joint Venture LLC.

Gain (Loss) on Foreign Currency and Derivative Contracts. The gain on foreign currency and derivative contracts in 2005 is primarily due to the $2 million increase in the fair value of the foreign currency exchange contracts on two of our Canadian hotels. These agreements were terminated in the fourth quarter of 2005.

Minority Interest Expense. As of December 31, 2006, we held 96.5% of the partnership interests in Host LP. The increase in our minority interest expense for 2006 primarily is due to the increase in the net income of Host LP, as well as the net income of certain of our consolidated hotel partnerships that are partially owned by third parties.

Equity in Earnings (Losses) of Affiliates. Our share of losses of affiliates increased by $5 million primarily due to the losses recorded from our investment in the European Joint Venture of $8 million, which includes our portion of a foreign currency hedge loss of $7 million, as the venture hedged a portion of its initial investment for the acquisition of six of its hotels.

Discontinued Operations. Discontinued operations consist of the results of operations and the gain or loss on disposition of seven hotels sold in 2006, four hotels classified as held for sale as of December 31, 2006 and five hotels sold in 2005. For 2006 and 2005, revenues for these properties were $70 million and $176 million, respectively, and income before taxes was $13 million, which includes $3 million of business interruption insurance proceeds for the Fort Lauderdale Marina Marriott, and $22 million, respectively. We recognized a gain, net of tax, of $416 million and $19 million for 2006 and 2005, respectively, on the disposition of these hotels.

2005 Compared to 2004

Hotel Sales Overview

	2005	2004	% Change
	(in millions)		
Revenues			
Rooms	$ 2,257	$ 2,034	11.0%
Food and beverage	1,155	1,091	5.9
Other	243	225	8.0
Total hotel sales	3,655	3,350	9.1

Hotel sales increased $305 million, or 9.1%, to approximately $3.7 billion for 2005. Hotel sales include approximately $152 million and $59 million for 2005 and 2004, respectively, of sales from hotels acquired in 2005 and 2004. Sales for properties sold or classified as held for sale at December 31, 2006 have been reclassified as discontinued operations on our condensed consolidated statements of operations. See “Discontinued Operations” below.

We discuss operating results for our hotels on a comparable basis. As of December 31, 2005, 98 of our 107 hotels were classified as comparable hotels. The following discussion is of the sales results of our comparable hotels considering property type (i.e. urban, suburban, resort/convention or airport) and geographic region. See “Comparable Hotel Operating Statistics” for a complete description of our comparable hotels and further detail on these classifications. We also discuss the sales results of our hotels considering the mix of business (i.e. transient, group or contract).

Comparable hotel sales increased 7.7% to approximately $3.6 billion for 2005. The revenue growth reflects the increase in comparable RevPAR of 9.5%, as a result of an increase in average room rates of 7.6% and an increase in occupancy of 1.2 percentage points. Food and beverage revenues for our comparable hotels increased 5.6%, primarily due to an increase in catering and outlet revenues.

Demand was strong in 2005, enabling our operators to significantly increase average daily room rates, particularly in the premium and corporate transient segments. For our comparable Marriott hotels, which represented 78% of our total comparable rooms as of December 31, 2005, premium and corporate transient average daily rates increased 12.6% when compared to last year. Our overall transient average room rate for these hotels increased 10.2%. The gap between transient and group rate widened in 2005 indicating pricing power is strong. Total group room revenue for our comparable Marriott hotels increased 6.2% compared to during 2005, primarily due to an increase in average room rates of approximately 5.0%.

Comparable Hotel Sales by Property Type

The following table sets forth performance information for our comparable hotels by property type as of December 31, 2005 and 2004:

By Property Type

	As of December 31, 2005		Year ended December 31, 2005			Year ended December 31, 2004			
	No. of Properties	No. of Rooms	Average Daily Rate	Average Occupancy Percentages	RevPAR	Average Daily Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Urban	39	22,874	$ 183.26	76.7%	$ 140.63	$ 170.00	75.3%	$127.95	9.9%
Suburban	33	12,195	133.96	67.9	90.93	124.44	66.5	82.71	9.9
Airport	16	7,328	122.41	75.9	92.89	113.12	74.6	84.37	10.1
Resort/ Convention	10	6,388	216.80	70.9	153.82	202.44	71.1	143.97	6.8
All Types	98	48,785	166.80	73.6	122.82	154.96	72.4	112.21	9.5

For 2005, revenues increased significantly across all of our hotel property types, led by our airport hotels with a comparable hotel RevPAR increase of 10.1%, which reflected an average room rate increase of 8.2%. Our urban hotels performed well in 2005, with comparable hotel RevPAR growth of 9.9%. The significant increase in comparable hotel RevPAR at our urban properties was primarily driven by an increase in average room rate of 7.8%, while average occupancy improved by 1.4 percentage points. Our resort/convention hotels had comparable hotel RevPAR growth of 6.8%, with average room rate growth of 7.1%. These hotels include many of our Florida hotels, which experienced a decline in RevPAR in the fourth quarter due to Hurricane Wilma. Our suburban hotels experienced a comparable hotel RevPAR increase of 9.9%, which reflected an average room rate increase of 7.7%.

Comparable Hotel Sales by Geographic Region

The following table sets forth performance information for our comparable hotels by geographic region as of December 31, 2005 and 2004:

By Region

	As of December 31, 2005		Year ended December 31, 2005			Year ended December 31, 2004			
	No. of Properties	No. of Rooms	Average Daily Rate	Average Occupancy Percentages	RevPAR	Average Daily Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Pacific	20	11,035	$ 171.51	75.9%	$ 130.22	$ 160.37	73.7%	$ 118.19	10.2%
Florida	11	7,027	173.99	71.6	124.51	164.70	71.4	117.60	5.9
Mid-Atlantic	10	6,720	209.71	79.2	166.06	189.17	78.3	148.19	12.1
North Central	13	4,923	132.47	67.8	89.78	123.93	67.8	84.06	6.8
DC Metro	11	4,661	181.76	77.2	140.27	163.01	74.8	121.96	15.0
Atlanta	11	3,968	159.13	69.0	109.83	151.79	68.4	103.82	5.8
South Central	6	3,526	134.96	76.3	102.94	125.73	74.9	94.19	9.3
New England	6	3,032	155.57	72.9	113.35	150.48	72.9	109.64	3.4
Mountain	5	1,940	112.93	62.6	70.72	106.70	57.7	61.54	14.9
International	5	1,953	134.18	72.2	96.83	122.86	72.3	88.87	9.0
All Regions	98	48,785	166.80	73.6	122.82	154.96	72.4	112.21	9.5

For full year 2005, the majority of our geographic regions experienced strong growth in comparable hotel RevPAR with the DC Metro, Mountain, Mid-Atlantic and Pacific regions all experiencing double-digit growth rates.

Improvement in our DC Metro region during 2005 was driven by strong performance at all of our hotels in the region, which benefited from solid group and business transient demand. Overall, comparable hotel RevPAR increases for the region reflected an average room rate increase of 11.5% and an average occupancy increase of 2.4 percentage points.

Our Mountain region was led by a 16.2% RevPAR increase at our three comparable hotels in the Denver market. We also experienced an 11.2% RevPAR growth at our hotels located in the Phoenix/Scottsdale area.

Comparable hotel RevPAR for our Mid-Atlantic region was driven by the performance at our three New York City hotels with comparable hotel RevPAR growth of 17.0%, which was the strongest RevPAR growth in any of our major urban markets for the year. Strong group, transient and international demand has strengthened the performance in the New York City market.

Our Pacific region experienced strong RevPAR growth in the Los Angeles, Hawaii and San Diego markets.

Comparable RevPAR for our Florida region grew 5.9% during 2005, as strong performance from our properties in the Tampa Bay and Miami markets were partially offset by a decline in group bookings at our Orlando World Center Marriott hotel. The results were also negatively affected by the business interruption due to Hurricane Wilma, which struck southern Florida in October 2005.

During the year, Atlanta generally had modest comparable RevPAR growth due to weak convention activity in the region. This was offset by an increase in demand in the fourth quarter due to the relocation of group and transient business from New Orleans and Florida, which were severely affected by the active hurricane season. As a result, overall RevPAR growth for the year was approximately 5.8%.

Our New England region underperformed with comparable RevPAR growth of 3.4% during 2005 due to weak convention activity during the year, particularly in the Boston market.

The increase in comparable RevPAR for our North Central region was led by our Chicago hotels, were comparable RevPAR increased 7.9%.

Overall, comparable hotel results in our South Central region, which includes Texas and Louisiana, were not significantly affected by Hurricane Katrina. However, the operations of the New Orleans Marriott, which is considered a non-comparable hotel, have been, and will continue to be, affected by the large-scale devastation in New Orleans. RevPAR in the region grew by 9.3%, driven primarily by strong increases in occupancy and average room rate at our three properties in Houston, which benefited from business resulting from the evacuation of the Gulf Coast in the aftermath of Hurricane Katrina.

Comparable hotel RevPAR for our international properties was driven by our four Canadian properties, which experienced an increase in comparable hotel RevPAR of 10.4%.

Rental Income. Our rental income represents lease income from our 71 leased HPT Properties and three office property leases, as well as lease income from one upper upscale hotel. The $5 million improvement in rental income primarily is from operations at the leased HPT Properties which have continued to improve as a result of the stronger economy and the completion of major renovation projects at most of these properties in 2004.

Property-level Operating Costs

	2005	2004	% Change
	(in millions)		
Rooms	$ 543	$ 503	8.0%
Food and beverage	854	816	4.7
Hotel departmental expenses	1,000	930	7.5
Management fees	166	137	21.2
Other property-level expenses	284	282	.7
Depreciation and amortization	355	336	5.7
Total property-level expenses	$3,202	$3,004	6.6

Property-level operating costs and expenses increased 6.6% to approximately $3.2 billion for 2005. Property-level operating costs and expenses exclude the costs for hotels we have sold and held for sale as of December 31, 2006, which are included in discontinued operations. Our operating costs and expenses, which are both fixed and variable, are affected by changes in occupancy, inflation and revenues, though the effect on specific costs will differ. For example, utility costs increased 15.8%, primarily due to increases in oil and gas prices, while the increase in management fees of 21.2% were a direct result of the growth in the revenues and profitability of our properties.

Corporate and Other Expenses. Corporate and other expenses, which totaled $67 million in both 2005 and 2004, primarily consist of employee salaries and bonuses and other costs such as employee stock-based compensation expense, corporate insurance, audit fees, building rent and system costs.

Gain on Insurance Settlement. The gain on insurance settlement in 2005 relates to $9 million of business interruption insurance proceeds received as a result of lost profit at our New Orleans Marriott following Hurricane Katrina in August 2005. In 2004, the gain on insurance settlement represents $3 million of business interruption proceeds that we received in connection with the loss of business at our Toronto hotels due to the outbreak of Severe Acute Respiratory Syndrome (SARS).

Interest Income. Interest income increased $10 million, primarily due to increases in the interest rates earned on cash and restricted cash balances.

Interest Expense. Interest expense decreased $40 million as a result of the decrease in our interest-bearing obligations from 2004 and 2005 debt repayments and refinancings, as well as a decline in the amount of prepayment penalties associated with debt repayments and refinancings. Specifically, interest expense includes $30 million for 2005 and $55 million for 2004 for the call premiums and the acceleration of deferred financing costs and original issue discounts associated with debt prepayments. These declines in interest expense were partially offset by increased interest rates for our variable rate debt.

Net Gains on Property Transactions. Net gains on property transactions increased $63 million, primarily due to the pre-tax gain of $69 million on the sale of 85% of our interest in CBM Joint Venture LLC.

Gain (Loss) on Foreign Currency and Derivative Contracts. The gain on foreign currency and derivative contracts primarily is due to the $2 million increase in the fair value of the foreign currency exchange contracts on two of our Canadian hotels. These agreements were terminated in the fourth quarter of 2005. The $6 million loss in 2004 is primarily due to the $7 million decline in the fair value of the contracts.

Minority Interest Expense. As of December 31, 2005, we held approximately 95% of the partnership interests in Host LP. The increase in our minority interest expense is due to the increase in the net income of Host LP, as well as the net income of certain of our consolidated hotel partnerships that are partially owned by third parties.

Equity in Earnings (Losses) of Affiliates. Equity in losses of affiliates decreased by $15 million due to the sale of 85% of our interest in CBM Joint Venture LLC during March 2005 and because the joint venture, which had recorded net losses throughout 2004, had net income in 2005.

Benefit from (provision for) income taxes. The increase in the provision for income taxes primarily reflects the $28 million tax expense from the sale of 85% of our interest in CBM Joint Venture LLC.

Discontinued Operations. Discontinued operations consist of the results of operations and the gain or loss on disposition of seven hotels sold in 2006, four hotels classified as held for sale at December 31, 2006, five hotels sold in 2005 and nine hotels sold in 2004. For 2005 and 2004, revenues for these properties were $176 million and $313 million, respectively, and income before taxes was $22 million and $30 million, respectively. We recognized a gain, net of tax, of $19 million and $52 million for 2005 and 2004, respectively, on the disposition of these hotels.

Liquidity and Capital Resources

Cash Requirements

We use cash for acquisitions, capital expenditures, debt payments, operating costs, corporate and other expenses and dividends to stockholders. As a REIT, we are required to distribute at least 90% of our taxable income (excluding net capital gain) to our stockholders in the form of dividends. Funds used to make these dividends are provided from Host LP. Our sources of cash are cash from operations, proceeds from the sale of assets, borrowing under our credit facility and our ability to obtain additional financing through various capital markets. We depend primarily on external sources of capital to finance future growth, including acquisitions.

Cash Balances. As of December 31, 2006, we had $364 million of cash and cash equivalents, which was an increase of $180 million from December 31, 2005. Approximately $133 million of the December 31, 2006 cash balance was used to pay our fourth quarter dividends in January 2007. As a result of the current operating environment and the flexibility and capacity provided by our credit facility, we would be comfortable with reducing our cash balances closer to the $100 million to $150 million level that we have historically maintained.

Approximately $84 million of mortgage debt was prepaid prior to its maturity in 2006. Principal amortization of mortgage debt totaled approximately $59 million for 2006. Approximately $215 million of mortgage debt matures in 2007, $88 million of which was refinanced in the first quarter of 2007 with a

$134 million, 5.55% loan that does not require principal amortization. An additional $54 million of principal amortization is expected in 2007. We also expect to repay a mortgage secured by four hotels for $190 million in October 2007, at which time the interest rate on the loan substantially increases and all excess cash flow is used to pay down the mortgage. We believe we have sufficient cash or availability under our line of credit to deal with our near-term maturities, as well as any unexpected decline in the cash flow from our business.

On December 28, 2006, we borrowed approximately $250 million under our credit facility to retire the Series G senior notes. We repaid $75 million of the draw in January 2007 and, as a result, we currently have $400 million of availability under our credit facility. We expect to repay the amounts outstanding under the credit facility with the proceeds from asset sales, debt refinancings and available cash during the first quarter of 2007.

Acquisitions and Dispositions. On April 10, 2006, we acquired 25 domestic hotels and three foreign hotels from Starwood. For the 28 hotels included in the initial closing, the total consideration paid by Host to Starwood and its stockholders included the issuance of $2.27 billion of equity (133,529,412 shares of Host common stock) to Starwood stockholders, the assumption of $77 million in debt and the cash payment of approximately $750 million, which includes closing costs. An exchange price of Host common stock of $16.97 per share was calculated based on guidance set forth in Emerging Issues Task Force Issue No. 99-12, as the average of the closing prices of Host common stock during the range of trading days from two days before and after the November 14, 2005 announcement date.

We entered into the European Joint Venture to acquire hotels in Europe with ABP and GIC RE. Host LP is a limited partner and also serves as the general partner of the European Joint Venture. The percentage interest of the parties in the European Joint Venture is 19.9% for ABP, 48% for GIC RE and 32.1% for Host LP (including its limited and general partner interests). The initial term of the European Joint Venture is ten years subject to two one-year extensions with partner approval. As of December 31, 2006, the European Joint Venture owns seven hotels in four countries. We have invested approximately €106 million ($137 million) in the European Joint Venture, which includes the contribution of the Sheraton Warsaw Hotel & Towers on May 2, 2006, which was acquired from Starwood on April 10, 2006. Under the partnership agreement, if the European Joint Venture is fully funded, our total contribution is expected to be approximately €171 million, or an additional €65 million ($86 million).

In addition to the acquisition of the Starwood portfolio and the properties included in the European Joint Venture, we acquired The Westin Kierland Resort & Spa in Scottsdale, Arizona for approximately $393 million, which includes the assumption of a $135 million mortgage. We also completed the sale of seven properties during 2006 for total proceeds of approximately $800 million and recorded gains on the dispositions of approximately $416 million, net of tax. A portion of the proceeds was used to fund the acquisition of the Starwood portfolio. For 2007, we expect to complete the sale of an additional $300 million to $500 million of non-core assets in addition to the $119 million of sales completed in January 2007. We would also expect to complete a similar amount of acquisitions during the year.

We may acquire additional properties through various structures, including transactions involving portfolios, single assets, joint ventures and acquisitions of all or substantially all of the securities or assets of other REITs or similar real estate entities. We anticipate that our acquisitions will be financed through a combination of methods, including proceeds from sales of properties from our existing portfolio, the incurrence of debt, available cash, advances under our credit facility, proceeds from equity offerings of Host, or issuance of OP units by Host LP. Additionally, the number of potential acquirers for individual hotel properties has increased due to the improvement of both the capital markets and the lodging industry and, as a result, the cost of acquiring properties has increased.

Debt Repayments and Refinancings. We seek to maintain a capital structure and liquidity profile with an appropriate balance of debt and equity to provide financial flexibility given the inherent volatility in the lodging industry, the debt capacity to buy assets in a downturn in the lodging cycle and the ability to continue to pay common stock dividends in the event that operations decline.

During 2006, we took advantage of the strong capital markets to reduce our leverage, improve our interest coverage and maintain a balanced maturity schedule. We issued the 6 3/4% Series P senior notes due in 2016 and 6 7/8% Series R senior notes due in 2014 for total proceeds of approximately $1.3 billion (both of which were subsequently exchanged for Series Q senior notes and Series S senior notes, respectively, that are registered under the Securities and Exchange Act of 1933 and, therefore, are freely transferable by the holders). We used the proceeds to fund a portion of our acquisitions, redeem the $150 million 10% Class C preferred stock, repay the remaining $136 million of 7 7/8% Series B senior notes, which were due in August 2008, and repay the $450 million 9 1/2% Series I senior notes, which were due in January 2007. Additionally, in December 2006, we drew approximately $250 million on our credit facility, which currently has a floating rate of interest at LIBOR plus 2% (7.38% at December 31, 2006), and, with available cash, repaid the $242 million, 9 1/4% Series G senior notes, which were due in October 2007, and the related prepayment costs. During the year, we also assumed approximately $212 million of mortgage debt in conjunction with hotel acquisitions and issued $116 million of mortgage debt that is secured by our four Canadian hotels. We also repaid an additional $84 million of mortgage debt related to the Boston Marriott Copley Place. In the first quarter of 2006, we also converted to common stock or redeemed for cash the remaining $387 million of Convertible Subordinated Debentures. The remaining proceeds of the senior note and mortgage debt issuances were used for the asset acquisitions described above and for general corporate purposes. While the net effect of these transactions resulted in a net increase in our debt balances of approximately $508 million, we increased our stockholders' equity balance by approximately $2.8 billion during 2006, primarily through the issuance of common stock as part of the acquisition of the Starwood portfolio and through the conversion of our Convertible Subordinated Debentures. Additionally, in February of 2007, we refinanced the $88 million 8.58% mortgage loan on the Harbor Beach Marriott Resort and Spa and obtained a $134 million, seven year mortgage with a 5.55% interest rate and no principal amortization. The excess proceeds will likely be used for ROI/repositioning and value enhancement capital expenditures at the property.

We may continue to redeem or refinance senior notes and mortgage debt from time-to-time to take advantage of favorable market conditions. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. Repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Any refinancing or retirement before the maturity date would affect earnings and FFO per diluted share because of the payment of any applicable call premiums and the acceleration of previously deferred financing costs. Specifically, interest expense includes $17 million and $30 million for 2006 and 2005, respectively, for the call premiums, the acceleration of deferred financing costs and original issue discounts and the termination of related swap agreements associated with debt prepayments.

Capital Expenditures. During 2006, our renewal and replacement capital expenditures were approximately $275 million, an increase of $33 million over the amount we spent in 2005. Our renewal and replacement capital expenditures are generally funded by the furniture, fixture and equipment funds established at most of our hotels (typically funded with approximately 5% of property revenues) and by our available cash. We expect to spend approximately $300 million to $315 million for renewal and replacement capital expenditures in 2007.

In 2006, we also spent approximately $255 million on ROI/repositioning projects, an increase of $148 million over the amount we spent in 2005. These projects include work performed on the development of an exhibit hall for the Orlando Marriott World Center hotel, where we expect to invest a total of approximately $70 million and a major rooms repositioning, meeting space expansion and the repositioning of the food and beverage platform at the Atlanta Marriott Marquis, where we intend to spend approximately $81 million. ROI/repositioning projects have historically generated strong returns and, in 2007, we expect to spend approximately $325 million to $335 million on such investments.

Sources and Uses of Cash

Cash Provided by Operations. Our cash provided by operations for 2006 increased $367 million to $881 million from $514 million in 2005 due primarily to the increase in operating profit in 2006.

Cash Used in Investing Activities. Cash used in investing activities for 2006 increased by 424 million to $855 million when compared to 2005. The primary use of cash in investing activities was the acquisition of the Starwood portfolio. During the year, we also contributed approximately $78 million of cash to the European Joint Venture for its purchase of five hotels from Starwood and the Hotel Arts Barcelona. We also contributed the Sheraton Warsaw Hotel & Towers to the European Joint Venture as part of our initial investment.

During January 2007, we sold four properties for total proceeds of approximately $119 million: the Sheraton Providence Airport Hotel, the Sheraton Milwaukee Brookfield Hotel and the Capitol Hill Suites, Washington, D.C. were acquired as part of the Starwood portfolio in 2006. The fourth hotel, the Marriott Mountain Shadows Resort, has been closed since the fourth quarter of 2004 and was sold as part of our value enhancement strategy. Proceeds from the sales were used to repay $75 million of our credit facility and for general corporate purposes. During February 2007, we sold the Fairview Park Marriott for total proceeds of approximately $109 million. The net proceeds from any dispositions have been, or will be, used to repay debt, including amounts outstanding under our credit facility, fund acquisitions or ROI/repositioning projects or for other general corporate purposes.

The following table summarizes significant investing activities that have been completed since the beginning of fiscal year 2005 (in millions):

Transaction Date		Description of Transaction	(Investment) Sale Price
Acquisitions			
September	2006	Purchase of The Westin Kierland Resort & Spa(1)	$ (393)
July	2006	Investment in European Joint Venture(2)	(61)
May/June	2006	Investment in European Joint Venture(3)	(72)
April	2006	Purchase of 28 hotels from Starwood(4)	(3,070)
September	2005	Purchase of the 834-room Hyatt Regency Washington on Capitol Hill in Washington, D.C.	(274)
		Total acquisitions	$ (3,870)
Dispositions			
February	2007	Sale of the Fairview Park Marriott	$ 109
January	2007	Sale of Sheraton Milwaukee Brookfield Hotel	28
January	2007	Sale of Sheraton Providence Airport Hotel	10
January	2007	Sale of Capitol Hill Suites	39
January	2007	Sale of Marriott Mountain Shadows Resort	42
September	2006	Sale of The Ritz-Carlton, Atlanta	80
September	2006	Sale of Detroit Marriott Livonia	21
March	2006	Sale of Swissôtel The Drake, New York	440
February	2006	Sale of Marriott at Research Triangle Park	28
February	2006	Sale of Chicago Marriott Suites Deerfield	27
January	2006	Sale of Albany Marriott	58
January	2006	Sale of Fort Lauderdale Marina Marriott	146
October	2005	Sale of Charlotte Marriott Executive Park	21
March	2005	Sale of 85% of our interest in CBM Joint Venture LLC	92
January	2005	Sale of Torrance Marriott	62
January	2005	Sale of Hartford Marriott at Farmington, Tampa Westshore Marriott and Albuquerque Marriott(5)	66
		Total dispositions	$ 1,269

(1) Investment price includes assumption of $135 million of mortgage debt.

(2) During the third quarter of 2006, we invested approximately $61 million, or €46 million, in the European Joint Venture to fund a portion of the acquisition of the Hotel Arts Barcelona.
(3) Investment price includes the contribution of the Sheraton Warsaw Hotel & Towers valued at $59 million on May 2, 2006, which was acquired from Starwood on April 10, 2006, and cash to the European Joint Venture.
(4) Investment price includes the assumption of $77 million of mortgage debt and the issuance of $2.27 billion of Host common stock (representing approximately 133.5 million shares of Host common stock) and excludes transaction expenses.
(5) Sale price includes the assumption by the buyer of $20 million of mortgage debt.

Cash Provided by/Used in Financing Activities. Cash provided by financing activities, net, was $154 million for 2006 and cash used in financing activities, net, was $246 million for 2005. During 2006 and 2005, cash provided by financing activities included the issuance of debt securities and draws on the credit facility for approximately $1.6 billion and $658 million, respectively, net of financing costs. Cash used in financing activities in 2006 and 2005 primarily consisted of debt prepayments of approximately $913 million and $631 million, respectively, and the redemption of $150 million and $100 million of preferred stock, respectively. In connection with the redemptions of senior notes in 2006 and the redemptions of senior notes and mortgage debt in 2005, we paid premiums and interest rate swap termination payments totaling approximately $15 million and $27 million, respectively. These amounts exclude non-cash charges of $2 million and $3 million, respectively, for the acceleration of deferred financing costs and original issue discounts.

During 2006, we increased our common stock dividend payments by $189 million to $291 million due to our strong growth in operations that resulted in an increase in taxable income. We also paid $18 million of dividends on our preferred stock, which declined by $12 million when compared to 2005 due to the redemption of $150 million of our 10% Class C preferred stock in May 2006 and $100 million of our 10% Class B preferred stock in May 2005.

The table below summarizes significant debt (net of deferred financing costs) and equity transactions since January 2005 (not including the conversions of our Convertible Subordinated Debentures in 2005 and 2006 into 30.8 million common shares or the approximately 133.5 million shares of Host common stock issued in the Starwood acquisition, as these are non-cash transactions) (in millions):

Transaction Date		Description of Transaction	Transaction Amount
Debt			
February	2007	Proceeds from 5.55% Harbor Beach Marriott mortgage refinancing	$ 134
February	2007	Repayment of 8.58% Harbor Beach mortgage	(88)
January	2007	Repayment of the Credit Facility	(75)
December	2006	Draw on the Credit Facility	250
December	2006	Redemption of 9 1/4% Series G senior notes	(242)
December	2006	Redemption of 9 1/2% Series I senior notes	(450)
November	2006	Proceeds from the issuance of 6 7/8% Series R senior notes(1)	490
September	2006	Assumption of mortgage debt on The Westin Kierland Resort & Spa	135
June	2006	Repayment of 8.39% mortgage on the Boston Marriott Copley Place	(84)
May	2006	Redemption of the remaining 7 7/8% Series B senior notes	(136)
April	2006	Assumption of mortgage debt from Starwood	77
April	2006	Redemption of outstanding Convertible Preferred Securities	(2)
March	2006	Proceeds from the issuance of 6 3/4% Series P senior notes(1)	787
January	2006	Proceeds from the issuance of 5.195% Canadian mortgage loan	116
January	2006	Repayment of the Credit Facility	(20)
November	2005	Repayment of the Credit Facility	(80)
October	2005	Draw on the Credit Facility	100
October	2005	Prepayment of the 6.7% Canadian mortgage loan(2)	(19)
May	2005	Prepayment of the 9% mortgage debt on two Ritz-Carlton hotels	(140)
April	2005	Discharge of the remaining 8 3/8% Series E senior notes	(20)
April	2005	Partial redemption of 7 7/8% Series B senior notes	(169)
March	2005	Partial redemption of 8 3/8% Series E senior notes	(280)
March	2005	Proceeds from the issuance of 6 3/8% Series N senior notes	639
January	2005	8.35% mortgage on the Hartford Marriott at Farmington assumed by buyer	(20)
2006/2005		Principal amortization	(117)
		Net debt transactions	$ 786
Equity			
May	2006	Redemption of 5.98 million shares of 10% Class C preferred stock	$ (151)
May	2005	Redemption of 4 million shares of 10% Class B preferred stock	(101)
		Net equity transactions	$ (252)

(1) The Series R senior notes were exchanged for Series S senior notes in February 2007. The Series P senior notes were exchanged for Series Q senior notes in August 2006.
(2) The Canadian mortgage had floating interest rate based on LIBOR plus 275 basis points. The interest rates shown reflect the rate as of the date of the transactions.

Financial Condition

As of December 31, 2006, our total debt was $5.9 billion with a weighted average interest rate of approximately 6.8% and a weighted average maturity of 5.9 years. Approximately 94% of our debt has a fixed rate of interest.

As of December 31, 2006 and 2005, our debt was comprised of (in millions):

	December 31, 2006	December 31, 2005
Series B senior notes, with a rate of 7 7/8% due August 2008(1)	$ —	$ 136
Series G senior notes, with a rate of 9 1/4% due October 2007(1)(2)	—	236
Series I senior notes, with a rate of 9 1/2% due January 2007(1)(3)	—	451
Series K senior notes, with a rate of 7 1/8% due November 2013	725	725
Series M senior notes, with a rate of 7% due August 2012	347	346
Series O senior notes, with a rate of 6 3/8% due March 2015	650	650
Series Q senior notes, with a rate of 6 3/4% due June 2016	800	—
Series R senior notes with a rate of 6 7/8% due November 2014(4)	496	—
Exchangeable Senior Debentures, with a rate of 3.25% due April 2024	495	493
Senior notes, with an average rate of 9.7%, maturing through May 2012	13	13
Total senior notes	3,526	3,050
Credit Facility(5)	250	20
Mortgage debt (non-recourse) secured by $3.3 billion of real estate assets, with an average interest rate of 7.5% and 7.8% at December 31, 2006 and 2005, respectively, maturing through December 2023	2,014	1,823
Convertible Subordinated Debentures, with a rate of 6 3/4% due December 2026	—	387
Other	88	90
Total debt	$ 5,878	$ 5,370

(1) We redeemed all remaining Series B, Series G and Series I senior notes during 2006.
(2) Includes the fair value of interest rate swap agreement of $(6) million as of December 31, 2005.
(3) Includes the fair value of an interest rate swap agreement of $1 million as of December 31, 2005.
(4) The Series R senior notes were exchanged for Series S senior notes in February 2007.
(5) On January 17, 2007, we repaid $75 million of the credit facility with proceeds from the sale of assets.

Senior Notes

General. The following summary is a description of the material provisions of the indentures governing our various senior notes issues by Host LP, which we refer to collectively as the senior notes indenture. Under the terms of our senior notes indenture, our senior notes are equal in right of payment with all of Host LP's unsubordinated indebtedness and senior to all subordinated obligations of Host LP. The notes outstanding under our senior notes indenture are guaranteed by certain of our existing subsidiaries and currently are secured by pledges of equity interests in many of our subsidiaries. The guarantees and pledges ratably benefit the notes outstanding under our senior notes indenture, as well as our credit facility, certain other senior debt, and interest rate swap agreements and other hedging agreements with lenders that are parties to the credit facility. As with the prior facility, the pledges are permitted to be released in the event that our leverage ratio falls below 6.0x for two consecutive fiscal quarters. We pay interest on each series of our outstanding senior notes semi-annually in arrears at the respective annual rates indicated on the table above.

Restrictive Covenants. Under the terms of the senior notes indenture, our ability to incur indebtedness and pay dividends is subject to restrictions and the satisfaction of various conditions, including the achievement of an EBITDA-to-interest coverage ratio of at least 2.0x by Host LP. Effective with the redemption of the Series G senior notes in December 2006, Host LP is able to make distributions to enable Host to pay dividends on its

preferred stock under the senior notes indenture when our EBITDA-to-interest coverage ratio is above 1.7 to 1.0. This ratio is calculated in accordance with our senior notes indenture and excludes from interest expense items such as interest on our Convertible Subordinated Debentures, call premiums and deferred financing charges that are included in interest expense on our consolidated statement of operations. Additionally, the calculation is based on our pro forma results for the four prior fiscal quarters giving effect to transactions, such as acquisitions, dispositions and financings, as if they occurred at the beginning of the period. Other covenants limiting our ability to incur indebtedness and pay dividends include maintaining total indebtedness of less than 65% of adjusted total assets (using undepreciated real estate values) and secured indebtedness of less than 45% of adjusted total assets. So long as we maintain the required level of interest coverage and satisfy these and other conditions in the senior notes indenture, we may pay preferred or common dividends and incur additional debt under the senior notes indenture, including debt incurred in connection with an acquisition. Our senior notes indenture also imposes restrictions on customary matters, such as limitations on capital expenditures, acquisitions, investments, transactions with affiliates and the incurrence of liens.

Exchangeable Senior Debentures. On March 16, 2004, we issued $500 million of 3.25% Exchangeable Senior Debentures and received proceeds of $484 million, net of underwriting fees and expenses and an original issue discount. These debentures were issued under our senior notes indenture, and are the only series of senior notes that are exchangeable into common stock. The Exchangeable Senior Debentures mature on April 15, 2024 and are equal in right of payment with all of our unsubordinated debt. We can redeem for cash all, or part of, the Exchangeable Senior Debentures at any time subsequent to April 19, 2009 upon 30 days notice at the applicable redemption price as set forth in the indenture. If we elect to redeem the debentures and the trading price of our common stock exceeds the cash redemption price on a per share basis, we would expect holders to elect to exchange their debentures for common stock rather than receive the cash redemption price. Holders have the right to require us to repurchase the Exchangeable Senior Debentures on April 15, 2010, April 15, 2014 and April 15, 2019 at the issue price. Holders may exchange their Exchangeable Senior Debentures prior to maturity under certain conditions, including at any time at which the closing sale price of the common stock is more than 120% of the exchange price per share, for at least 20 of 30 trading days. Because this condition has currently been satisfied, the Exchangeable Senior Debentures are exchangeable into shares of common stock at a rate of 58.0682 shares for each $1,000 of principal amount of the debentures, or a total of approximately 29 million shares, which is equivalent to an exchange price of $17.22 per share of common stock. The exchange rate is adjusted under certain circumstances, including the payment of common dividends.

The debentures will remain exchangeable until April 9, 2007 (the last day of the current exchange period). The debentures will remain exchangeable after April 9, 2007, if the trading price of Host common stock continues to exceed 120% of the exchange price for 20 out of the 30 trading days during the related exchange period or if other conditions for exchange are satisfied.

Credit Facility

General. On September 10, 2004, we entered into an amended and restated credit facility. The credit facility provides aggregate revolving loan commitments in the amount of $575 million. The credit facility also includes sub-commitments for the issuance of letters of credit in an aggregate amount of $10 million and loans to certain of our Canadian subsidiaries in Canadian Dollars in an aggregate amount of $150 million. The credit facility has an initial scheduled maturity in September 2008. We have an option to extend the maturity for an additional year if certain conditions are met at the time of the initial scheduled maturity. We also have the option to increase the amount of the credit facility by up to $100 million to the extent that any one or more lenders, whether or not currently party to the credit facility, commits to be a lender for such amount. Currently, we have approximately $175 million outstanding under our credit facility.

The debt under the amended credit facility is guaranteed by certain of our existing subsidiaries and currently is secured by pledges of equity interests in many of our subsidiaries. The guarantees and pledges ratably benefit our credit facility as well as the notes outstanding under our senior notes indenture, certain other senior debt, and interest rate swap agreements and other hedging agreements with lenders that are parties to the credit facility.

The pledges are permitted to be released in the event that our leverage ratio falls below 6.0x for two consecutive fiscal quarters, as noted above. Since we are currently below the 6.0x leverage ratio, we have the right to release all pledges and have exercised this right for pledges of capital stock that otherwise would have been required subsequent to October 2005. We may in the future exercise this right with pledges in place as of October 2005. In the event our leverage ratio subsequently exceeds 6.0x for two consecutive quarters, we will be required to reinstate the pledges.

Dual Tranche Structure. The revolving loan commitment under the amended credit facility is divided into two separate tranches: (1) a Revolving Facility a tranche of $385 million and (2) a Revolving Facility B tranche of $190 million. Subject to compliance with the facility's financial covenants, amounts available for borrowing under Revolving Facility A vary depending on our leverage ratio, with $385 million being available when our leverage ratio is less than 6.5x, $300 million being available when our leverage ratio equals or exceeds 6.5x but is less than 6.75x, $150 million being available when our leverage ratio equals or exceeds 6.75x but is less than 7.0x, and no amounts being available when our leverage ratio equals or exceeds 7.0x. By contrast, the entire amount of Revolving Facility B is available for borrowing at any time that our unsecured interest coverage ratio equals or exceeds 1.5x and our leverage ratio does not exceed levels ranging from 7.5x to 7.0x. Specifically, prior to the end of our third quarter of 2007, we are permitted to make borrowings and maintain amounts outstanding under Revolving Facility B so long as our leverage ratio is not in excess of 7.5x; the maximum leverage ratio applicable to Revolving Facility B is then reduced to 7.25x from the end of the third quarter of 2007 until the day prior to end of our third quarter of 2008, and is reduced to 7.0x thereafter.

Financial Covenants. We are subject to different financial covenants depending on whether amounts are borrowed under Revolving Facility A or Revolving Facility B, and we are permitted to convert amounts borrowed under either tranche into amounts borrowed under the other tranche. While the financial covenants applicable under Revolving Facility A are generally comparable to those contained in our prior facility (including covenants for leverage, fixed charge coverage and unsecured interest coverage), the financial covenants applicable to Revolving Facility B are limited to leverage and unsecured interest coverage, and are set at less restrictive levels than the corresponding covenants applicable to Revolving Facility A. As a result of this structure, we have gained flexibility to make and maintain borrowings in circumstances where adverse changes to our financial condition could have prohibited the maintenance of borrowings under the prior facility. The financial covenants for the Revolving Facility A and Revolving Facility B do not apply when there are no borrowings under the respective tranche. Hence, so long as there are no amounts outstanding we are not in default of the credit facility if we do not satisfy the financial covenants and we do not lose the potential to draw under the amended credit facility in the future if we were ever to come back into compliance with the financial covenants. We are in compliance with all our covenants as of December 31, 2006.

The following table summarizes the financial tests contained in the credit facility:

	Facility A—Financial Covenant Levels		
Year	Minimum unsecured interest coverage ratio	Maximum leverage ratio	Minimum fixed charge coverage ratio
2006	1.50	6.75	1.00
2007	1.55	6.50	1.05
2008	1.65	6.00	1.10
Thereafter	1.75	5.75	1.15

	Facility B—Financial Covenant Levels	
Quarter	Minimum unsecured interest coverage ratio	Maximum leverage ratio
2006 to Second Quarter 2007	1.50	7.50
Third Quarter 2007 to Second Quarter 2008	1.50	7.25
Thereafter	1.50	7.00

Interest and Fees. We pay interest on borrowings under the Revolving Facility A at floating interest rates plus a margin (which, in the case of LIBOR-based borrowings, ranges from 2.00% to 3.00%) that is set with reference to our leverage ratio. Borrowings under Revolving Facility B are subject to a margin that is 0.5% higher than the corresponding margin applicable to Revolving Facility A borrowings and .75% higher when our leverage ratio is greater than 7.0x. To the extent that amounts under the amended credit facility remain unused, we pay a quarterly commitment fee on the unused portion of the loan commitment.

Other Covenants. Our amended credit facility imposes restrictions on customary matters that were also restricted in our prior facility, such as limitations on capital expenditures, acquisitions, investments, the incurrence of debt and the payment of dividends. While such restrictions are generally similar to those contained in our prior facility, we have modified certain covenants to become less restrictive at any time that our leverage ratio falls below 6.0x. In particular, at any time that our leverage ratio is below 6.0x, we will not be subject to limitations on capital expenditures, and the limitations on acquisitions, investments and dividends will be replaced by the generally less restrictive corresponding covenants in our senior notes indenture. We are in compliance with all of our debt covenants as of December 31, 2006.

Mortgage and Other Debt

General. As of December 31, 2006, we had 29 assets that were secured by mortgage debt. Substantially all of our mortgage debt is recourse solely to specific assets except in instances of fraud, misapplication of funds and other customary recourse provisions. As of December 31, 2006, secured debt represented approximately 34% of our total debt and our aggregate secured debt had an average interest rate of 7.5% and an average maturity of 4.1 years. Certain of these assets are secured by mortgage debt that contains restrictive covenants that require the mortgage servicer or lender to retain and hold in escrow the cash flow after debt service when it declines below specified operating levels. Currently, all of the specified operating levels have been met and, therefore, no cash is being held in escrow under these restrictive covenants.

The following table summarizes our outstanding debt and scheduled amortization and maturities related to mortgage and other debt as of December 31, 2006 (in millions):

	Balance as of December 31, 2006	2007	2008	2009	2010	2011	Thereafter
Mortgage Debt							
CMBS Loan, 7.60%, due 8/1/2009(1)	$ 522	$ 24	$ 28	$ 470	$—	$—	$ —
Orlando Marriott World Center, 7.48%, due 1/1/2008	214	4	210	—	—	—	—
Host Hotel Properties II, 8.22%, due 10/11/2017(2)(3)	198	10	8	9	10	11	150
San Diego Marriott Hotel and Marina, 8.45%, due 7/1/2009	180	3	3	174	—	—	—
Atlanta Marriott Marquis, 7.4%, due 2/11/2023(4)	137	4	4	5	5	5	114
The Westin Kierland, 5.08% due 12/1/2009	133	—	—	133	—	—	—
Harbor Beach Marriott Resort and Spa, 8.58%, due 3/1/2007(5)	88	88	—	—	—	—	—
JW Marriott Washington, D.C., 6.5%, due 9/15/2006(6)	88	88	—	—	—	—	—
Desert Springs, a JW Marriott Resort and Spa, 7.8%, due 12/11/2022(4)	86	3	3	3	3	4	70
Philadelphia Marriott Downtown, 8.49%, due 4/1/2009	77	2	2	73	—	—	—
The Westin Tabor Center, 8.51% due 12/11/2023	45	1	1	1	1	2	39
Other mortgage debt(7)	246	35	40	21	1	110	39
Total mortgage debt	2,014	262	299	889	20	132	412
Other Debt							
Philadelphia Airport Marriott industrial revenue bonds, 7 3/4%,due 12/1/2017	40	—	—	—	—	—	40
Capital leases and other(8)	48	—	—	—	—	—	48
Total other debt	88	—	—	—	—	—	88
Total mortgage and other debt	$ 2,102	$262	$299	$889	$ 20	$ 132	$ 500

(1) This mortgage debt is secured by eight hotel properties and has certain restrictive covenants. In conjunction with the sale of the Swissôtel, The Drake in 2006, the Hyatt Regency Washington was substituted as collateral under the loan.

(2) This mortgage debt is secured by first mortgages on three hotels, as well as a pledge of our limited partnership interest in the Santa Clara Partnership.

(3) Beginning in 2007, the interest rate on this loan increases a minimum of 200 basis points and all excess cash (as defined in the loan agreement) generated by the partnership is applied to principal; however, the loan can be repaid without a premium or penalty on that date. The amortization presented in this table is the minimum principal payment considering the increase in interest rate, but does not include additional principal payments based on excess cash flow.

(4) Beginning in 2010, the interest rate on these loans increases a minimum of 200 basis points and all excess cash (as defined in the loan agreement) generated by the partnerships that own these two properties is applied to principal; however, the loans can be repaid without a premium or penalty on that date. The amortization presented is the minimum principal payment considering the increase in interest rate, but does not include additional principal payments based on excess cash flow.

(5) This mortgage debt was refinanced on February 8, 2007. The new debt has a fixed interest rate of 5.55% and matures in 2014 with no principal amortization required over the term of the loan.

(6) This floating rate mortgage is based on LIBOR plus 2.10%. The rate shown is as of December 31, 2006. Also, this mortgage has an interest rate cap derivative with a maximum rate of 8.1%. During August 2006, we exercised the second of three one-year extension options under the loan agreement. Certain requirements must be met in order to exercise the third one-year option.

(7) Other mortgage debt consists of individual mortgage debt amounts that are less than $40 million, have an average interest rate of 6.8% at December 31, 2006 and mature through 2022.

(8) Capital leases and other consist of three loans with an average interest rate of 7.1% that mature through 2016, and capital leases with varying interest rates and maturity dates.

Credit Ratings

Currently, we have approximately $3.5 billion of senior notes outstanding and $100 million of preferred stock that are rated by Moody's Investors Service, Standard & Poor's and Fitch Ratings. Standard & Poor's rating on our senior debt is BB and the rating on our preferred stock is B. Moody's rating on our senior notes debt is Ba1 and our preferred stock is Ba2. Fitch's rating on our senior notes debt is BB. If our operations or our credit ratios were to decline, the ratings on our securities could be reduced. If we were unable to subsequently improve our credit ratings, our cost to issue additional senior notes, either in connection with a refinancing or otherwise, or additional preferred stock would likely increase.

Dividend Policy

Host is required to distribute at least 90% of its annual taxable income, excluding net capital gain, to its stockholders to qualify as a REIT, including taxable income recognized for tax purposes but with regard to which we do not receive corresponding cash. Funds used by Host to pay dividends on its common and preferred stock are provided through distributions from Host LP. For every share of common and preferred stock of Host, Host LP has issued to Host a corresponding common OP unit and preferred OP unit. As of February 23, 2007, Host is the owner of substantially all of the preferred OP units and approximately 96.5% of the common OP units. The remaining 3.5% of the common OP units are held by various third-party limited partners.

Investors should take into account the 3.5% minority position in Host LP common OP units when analyzing common and preferred dividend payments by Host to its stockholders, as these holders share, on a pro rata basis, in amounts being distributed by Host LP to holders of its corresponding common and preferred OP units. When Host pays a common or preferred dividend, Host LP pays an equivalent per unit distribution on all common or corresponding preferred OP units. For example, if Host paid a $1 per share dividend on its common stock, it would be based on payment of a $1 per unit distribution by Host LP to Host, as well as to other common OP unit holders.

Host's current policy on common dividends is generally to distribute 100% of its annual taxable income. Going forward, Host intends to pay a regular quarterly dividend of $0.20 per share, and, in addition, to declare a special dividend during the fourth quarter, the amount of which will vary depending on Host's level of taxable income. Host currently intends to continue paying dividends on its preferred stock, regardless of the amount of taxable income, unless contractually restricted. The amount of any dividends will be determined by Host's Board of Directors.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

We are party to various transactions, agreements or other contractual arrangements with unconsolidated entities (which we refer to as "off-balance sheet arrangements") under which we have certain contingent liabilities and guarantees. As of December 31, 2006, we are party to the following material off-balance sheet arrangements:

Unconsolidated Investments. We have invested approximately €106 million in the European Joint Venture with ABP and GIC RE to acquire hotels located in Europe. Under the agreement, the aggregate size of the European Joint Venture can increase to approximately €533 million of equity (of which approximately €171 million would be contributed by Host LP) and, once all funds have been invested, would be approximately €1.5 billion of assets. The European Joint Venture currently has €621 million of debt outstanding, none of which is recourse to Host.

As of December 31, 2006, the aggregate size of the European Joint Venture was approximately €1.0 billion ($1.3 billion), including total capital contributions of approximately €332 million ($425 million), of which a total of approximately €106 million ($137 million) was from the contribution by us of cash and the Sheraton Warsaw

Hotel & Towers, which we acquired on April 10, 2006. In connection with the European Joint Venture, the partners agreed that they would not make investments that are consistent with the European Joint Venture's investment parameters for a period of two years (three years in the case of Host) or until at least 90% of its committed capital is called or reserved for use prior to such date.

We also have other unconsolidated investments with a total of $839 million in debt with various partners. For additional detail, see Note 3, "Investments in Affiliates," and Note 7, "Leases," in the accompanying consolidated financial statements.

Tax Sharing Arrangements. Under tax sharing agreements with former affiliated companies (such as Marriott International, HMS Host and Barceló Crestline Corporation), we are obligated to pay certain taxes (federal, state, local and foreign, including any related interest and penalties) relating to periods in which the companies were affiliated with us. For example, a taxing authority could adjust an item deducted by a former affiliate during the period that this former affiliate was owned by us. This adjustment could produce a material tax liability that we may be obligated to pay under the tax sharing agreement. Additionally, under the partnership agreement between Host and Host LP, Host LP is obligated to pay certain taxes (federal, state, local and foreign, including any related interest and penalties) incurred by Host, as well as any liabilities the IRS may successfully assert against Host. We do not expect any amounts paid under the tax sharing arrangements to be material.

Tax Indemnification Agreements. For reasons relating to federal and state income tax considerations of the former and current owners of five hotels, we have agreed to restrictions on selling the hotels, or repaying or refinancing the mortgage debt for varying periods depending on the hotel. These agreements require that we indemnify the owners for their tax consequences resulting from our selling the hotel or refinancing the mortgage debt during the period under the agreement. We also have agreed not to sell more than 50% of the original allocated value attributable to a portfolio of 11 additional hotels, or to take other actions that would result in the recognition and allocation of gain to the former owners of such hotels for income tax purposes. Because the timing of these potential transactions is within our control, we believe that the likelihood of any material indemnification to be remote and, therefore, not material to our financial statements. On average, these restrictions will generally expire, or cease to be significant, in 2009.

Guarantees. We have certain guarantees, which consist of commitments we have made to third parties for leases or debt, that are not on our books due to various dispositions, spin-offs and contractual arrangements, but that we have agreed to pay in the event of certain circumstances including default by an unrelated party. We consider the likelihood of any material payments under these guarantees to be remote. The largest guarantees (by dollar amount) are listed below:

- We remain contingently liable for rental payments on certain divested non-lodging properties. These primarily represent divested restaurants that were sold subject to our guarantee of the future rental payments. The aggregate amount of these future rental payments is approximately $27 million as of December 31, 2006.
- In 1997, we owned Leisure Park Venture Limited Partnership, which owns and operates a senior living facility. We no longer have an ownership interest in the partnership, but we remain obligated under a guarantee of interest and principal with regard to $14.7 million of municipal bonds issued by the New Jersey Economic Development Authority through their maturity in 2027. However, to the extent we are required to make any payments under the guarantee, we have been indemnified by Barceló Crestline Corporation, who, in turn, is indemnified by the current owner of the facility.
- In connection with the sale of two hotels in January 2005, we remain contingently liable for the amounts due under the respective ground leases. The future minimum lease payments are approximately $14 million through the full term of the leases, including renewal options. We believe that any liability related to these ground leases is remote, and in each case, we have been indemnified by the purchaser of the hotel.

Information on other guarantees and other off-balance sheet arrangements may be found in Note 17 to our consolidated financial statements.

Contractual Obligations

The table below summarizes our obligations for principal and estimated interest payments on our debt, future minimum lease payments on our operating and capital leases, projected capital expenditures and other long-term liabilities, each as of December 31, 2006 (in millions):

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long-term debt obligations(1)	$7,671	$ 653	$ 2,100	$ 1,158	$ 3,760
Capital lease obligations	3	1	2	—	—
Operating lease obligations(2)	1,583	119	228	196	1,040
Purchase obligations(3)	401	300	101	—	—
Other long-term liabilities reflected on the balance sheet(4)	2	—	—	—	2
Total	$9,660	$1,073	$ 2,431	$ 1,354	$ 4,802

(1) The amounts shown include amortization of principal, debt maturities and estimated interest payments. Interest payments have been included in the long-term debt obligations based on the weighted average interest rate for both fixed and variable debt. For variable rate debt, we have used the applicable percentage interest rate as of December 31, 2006.

(2) Future minimum lease payments have not been reduced by aggregate minimum sublease rentals from restaurants and the HPT subleases of approximately $12 million and $420 million, respectively, payable to us under non-cancelable subleases.

(3) Our only purchase obligations consist of commitments for capital expenditures at our hotels. Under our contracts, we have the ability to defer some of these expenditures into later years and some of the 2007 amount reflects prior year contracts that were deferred or not completed. See "Capital Expenditures."

(4) The amounts shown include deferred management fees. Under terms of our management agreements, we have deferred payment of management fees to our hotel managers for some of our properties that have not achieved the required income thresholds for payment of owner's priority to us. The timing of the payments, if any, is based on future operations, the termination of the management agreement or the sale of the hotel, and, is therefore, not determinable.

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amount 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 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, including those related to the impairment of long-lived assets, on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies are disclosed in the notes to our consolidated financial statements. The following represent certain critical accounting policies that require us to exercise our business judgment or make significant estimates:

- *Purchase Price Allocations to Hotels*. Investments in hotel properties are stated at acquisition cost and allocated to land, property and equipment, identifiable intangible assets and assumed debt and other liabilities at fair value in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*. Any remaining unallocated acquisition costs would be treated as goodwill. Property and equipment are recorded at fair value based on current replacement cost for similar capacity and allocated to buildings, improvements, furniture, fixtures and equipment using appraisals and valuations performed by management and independent third parties. Identifiable intangible assets are typically contracts including ground and retail leases and management and franchise agreements, which are recorded at fair value, although no value is generally allocated to contracts which are at market terms. Above-market and below-market contract values are based on the present value of the difference between contractual amounts to be paid pursuant to the contracts acquired and our estimate of the fair value of contract rates for corresponding contracts measured over the period equal to the

remaining non-cancelable term of the contract. Intangible assets are amortized using the straight-line method over the remaining non-cancelable term of the related agreements. In making estimates of fair values for purposes of allocating purchase price, we may utilize a number of sources that may be obtained in connection with the acquisition or financing of a property and other market data, including third-party appraisals and valuations.

- *Impairment testing*. We are required by GAAP to record an impairment charge when we believe that one or more of our hotels has been impaired, whereby, future undiscounted cash flows for the hotel would be less than the net book value of the hotel. For impaired assets, we record an impairment charge when a property's fair value is less than its net book value. We test for impairment in several situations, including when current or projected cash flows are less than historical cash flows, when it becomes more likely than not that a hotel will be sold before the end of its previously estimated useful life, as well as whenever an asset is classified as "held for sale" or events or changes in circumstances indicate that a hotel's net book value may not be recoverable. In the evaluation of the impairment of our hotels, we make many assumptions and estimates, including:
  - projected cash flows
  - holding period
  - expected useful life
  - future capital expenditures
  - fair values, including consideration of capitalization rates, discount rates and comparable selling prices.

Changes in these estimates, assumptions, future changes in economic conditions, or property-level results could require us to record additional impairment charges, which would be reflected in operations in the future.

- *Classification of Assets as "Held for Sale."* Our policy for the classification of a hotel as held for sale is intended to ensure that the sale of the asset is probable, will be completed within one year and that actions required to complete the sale are unlikely to change or that the planned sale will be withdrawn. This policy is consistent with our experience with real estate transactions under which the timing and final terms of a sale are frequently not known until purchase agreements are executed, the buyer has a significant deposit at risk and no financing contingencies exist which could prevent the transaction from being completed in a timely manner. Specifically, we will typically classify properties that we are actively marketing as held for sale when all of the following conditions are met:
  - our Board of Directors has approved the sale (to the extent the dollar amount of the sale requires Board approval);
  - a binding agreement to purchase the property has been signed;
  - the buyer has committed a significant amount of non-refundable cash; and
  - no significant financing contingencies exist which could cause the transaction not to be completed in a timely manner.

To the extent a property is classified as held for sale and its fair value less selling costs is lower than the net book value of the property, we will record an impairment loss. See the discussion above concerning the use of estimates and judgments in determining fair values for impairment tests.

- *Depreciation and Amortization Expense.* Depreciation expense is based on the estimated useful life of our assets and amortization expense for leasehold improvements is the shorter of the lease term or the estimated useful life of the related assets. The lives of the assets are based on a number of assumptions including cost and timing of capital expenditures to maintain and refurbish the assets, as well as specific market and economic conditions. While management believes its estimates are reasonable, a change in the estimated lives could affect depreciation expense and net income (loss) or the gain or loss on the sale of any of our hotels.

- *Valuation of Deferred Tax Assets.* We have approximately $97 million, net of a valuation allowance of $22 million, of consolidated deferred tax assets as of December 31, 2006. The objective of financial accounting and reporting standards for income taxes is to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in a company's financial statements or tax returns. We have considered various factors, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies in determining a valuation allowance for our deferred tax assets, and we believe that it is more likely than not that we will be able to realize the $97 million of deferred tax assets in the future. When a determination is made that all, or a portion, of the deferred tax assets may not be realized, an increase in income tax expense would be recorded in that period.
- *Valuation of Derivative Contracts.* We had three interest rate swap agreements which were terminated during 2006. Our interest rate swap agreements were designated as fair value hedges, as described in Note 1 to our consolidated financial statements. We also have an interest rate cap agreement that is fair valued each quarter and the increase or decrease in fair value is recorded in net income (loss). We estimate the fair value of these instruments through the use of third party valuations, which utilize the market standard methodology of netting the discounted future cash receipts and the discounted expected cash payments. The variable cash flow streams are based on an expectation of future interest and exchange rates derived from observed market interest and exchange rate curves. The values of these instruments will change over time as cash receipts and payments are made and as market conditions change. Any event that impacts the level of actual and expected future interest or exchange rates will impact our valuations. The fair value of our derivatives is likely to fluctuate from year to year based on changing levels of interest and exchange rates and shortening terms to maturity. The fair value of the interest rate cap at December 31, 2006 and its effect on net income was immaterial during 2006.
- *Stock Compensation.* We recognize costs resulting from our share-based payment transactions in our financial statements over their vesting periods. We classify share-based payment awards granted in exchange for employee services as either equity classified awards or liability classified awards. The classification of our restricted stock awards as either an equity award or a liability award is primarily based upon cash settlement options. Equity classified awards are measured based on the fair value on the date of grant. Liability classified awards are remeasured to fair value each reporting period. The value of these restricted stock awards, less estimated forfeitures, is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for awards for which employees do not render the requisite service. All restricted stock awards to senior executives have been classified as liability awards, primarily due to settlement features that allow the recipient to have a percentage of the restricted stock awards withheld to meet tax requirements in excess of the statutory minimum withholding. Restricted stock awards to our upper-middle management have been classified as equity awards as these awards do not have the optional tax withholding feature.

  We utilize a simulation, or Monte Carlo, model to determine the fair value of our restricted stock awards classified as liability awards. The utilization of this model requires us to make certain estimates related to the volatility of the share price of our common stock, risk-free interest rates, the risk profile of our common shares compared to our peer group and the amount of our awards expected to be forfeited. We have recorded approximately $33 million of compensation expense related to our share-based payment awards during 2006.
- *Consolidation Policies.* Judgment is required with respect to the consolidation of partnership and joint venture entities in the evaluation of control, including assessment of the importance of rights and privileges of the partners based on voting rights, as well as financial interests that are not controllable through voting interests. Currently, we have investments in entities that own hotel properties and other investments which we record using the equity method of accounting. These entities are considered to be voting interest entities. The debt on these investments is non-recourse to us and the effect of their

operations on our results of operations is not material. While we do not believe we are required to consolidate any of our current partnerships or joint ventures, if we were required to do so, then all of the results of operations and the assets and liabilities would be included in our financial statements.

Application of New Accounting Standards

In July 2006, the FASB issued FASB Interpretation Number 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109,* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. The Company must determine whether it is "more-likely-than-not" that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the more-likely-than-not recognition threshold, the position is measured to determine the amount of benefit to recognize in the financial statements. FIN 48 applies to all tax positions related to income taxes subject to FASB Statement No. 109, *Accounting for Income Taxes.* We will adopt the provisions of this statement beginning in the first quarter of 2007. The cumulative effect of applying the provisions of FIN 48 will be reported as an increase to the opening balance of retained earnings on January 1, 2007 of approximately $11 million.

Comparable Hotels Operating Statistics

We discuss operating results for our hotels on a comparable basis. Comparable hotels are those properties that we have owned for the entirety of the reporting periods being compared. Comparable hotels do not include the results of properties acquired or sold, or that incurred significant property damage and business interruption or large scale capital improvements during these periods. The following discussion is of the sales results of our comparable hotels considering the mix of business (i.e. transient, group or contract), property type (i.e. urban, suburban, resort/convention or airport) and geographic region. See "Comparable Hotel Operating Statistics" for a complete description of our comparable hotels and further detail on these classifications. We also discuss the sales results of our hotels considering the mix of business (i.e., transit, group or contract).

We present certain operating statistics (i.e., RevPAR, average daily rate and average occupancy) and operating results (revenues, expenses and adjusted operating profit) for the periods included in this report on a comparable hotel basis. We define our comparable hotels as properties (i) that are owned or leased by us and the operations of which are included in our consolidated results, whether as continuing operations or discontinued operations for the entirety of the reporting periods being compared and (ii) that have not sustained substantial property damage or business interruption, or undergone large-scale capital projects during the reporting periods being compared.

Of the 128 hotels that we owned on December 31, 2006, 95 have been classified as comparable hotels. The operating results of the following hotels that we owned as of December 31, 2006 are excluded from comparable hotel results for these periods:

- Marriott Mountain Shadows Resort and Golf Club (closed September 2004 and sold in the first quarter of 2007);
- The Westin Kierland Resort & Spa (acquired in September 2006);
- The 27 hotels acquired from Starwood on April 10, 2006 that we consolidated as of December 31, 2006 (three of which were sold in the first quarter of 2007);
- Newport Beach Marriott Hotel & Spa (major renovation completed December 2005);
- Hyatt Regency Washington on Capitol Hill, Washington, D.C. (acquired in September 2005);
- Atlanta Marriott Marquis (major renovation started August 2005); and
- New Orleans Marriott (property damage and business interruption from Hurricane Katrina in August 2005).

Additionally, the operating results of the 12 hotels we disposed of in 2006 and 2005 also are not included in comparable hotel results for the periods presented herein. Moreover, because these statistics and operating results are for our hotel properties, they exclude results for our non-hotel properties and other real estate investments.

We evaluate the operating performance of our comparable hotels based on both geographic region and property type. These divisions are generally consistent groupings generally recognized in the lodging industry.

Geographic regions consist of the following (only states in which we own hotels are listed):

- Pacific—California, Hawaii, Oregon and Washington;
- Mountain—Arizona and Colorado;
- North Central—Illinois, Indiana, Michigan, Minnesota, Missouri and Ohio;
- South Central—Louisiana, Tennessee and Texas;
- New England—Connecticut, Massachusetts and New Hampshire;
- Mid-Atlantic—Pennsylvania, New Jersey and New York;
- DC Metro—Maryland, Virginia and Washington, D.C.;
- Atlanta—Georgia and North Carolina;
- Florida—Florida; and
- International—Canada, Mexico and Chile.

Property types consist of the following:

- Urban—Hotels located in primary business districts of major cities;
- Suburban—Hotels located in office parks or smaller secondary markets;
- Resort/convention—Hotels located in resort/convention destinations such as Florida, Hawaii and Southern California; and
- Airport—Hotels located at or near airports.

Reporting Periods

For Consolidated Statement of Operations. The results we report are based on results of our hotels reported to us by our hotel managers. Our hotel managers use different reporting periods. Marriott, the manager of a significant percentage of our properties, uses a year ending on the Friday closest to December 31 and reports twelve weeks of operations for the first three quarters and sixteen or seventeen weeks for the fourth quarter of the year for its Marriott-managed hotels. In contrast, other managers of our hotels, such as Hyatt and Starwood, report results on a monthly basis. Host, as a REIT, is required by federal income tax law to report results on a calendar year. As a result, we elected to adopt the reporting periods used by Marriott modified so that our fiscal year always ends on December 31 to comply with REIT rules. Our first three quarters of operations end on the same day as Marriott but our fourth quarter ends on December 31 and our full year results, as reported in our statement of operations, always includes the same number of days as the calendar year.

Two consequences of the reporting cycle we have adopted are: (1) quarterly start dates will usually differ between years, except for the first quarter which always commences on January 1, and (2) our first and fourth quarters of operations and year-to-date operations may not include the same number of days as reflected in prior years. For example, set forth below are the quarterly start and end dates for 2007, 2006 and 2005. Note that the second and third quarters of each year both reflect twelve weeks of operations. In contrast, the first and fourth quarters reflect differing days of operations.

	2007		2006		2005	
	Start-End Dates	No. of Days	Start-End Dates	No. of Days	Start-End Dates	No. of Days
First Quarter	January 1—March 23	82	January 1—March 24	83	January 1—March 25	84
Second Quarter	March 24—June 15	84	March 25—June 16	84	March 26—June 17	84
Third Quarter	June 16—September 7	84	June 17—September 8	84	June 18—September 9	84
Fourth Quarter	September 8—December 31	115	September 9—December 31	114	September 10—December 31	113

While the reporting calendar we adopted is more closely aligned with the reporting calendar used by Marriott, another consequence of our calendar is we are unable to report the month of operations that ends after our fiscal quarter-end until the following quarter because our hotel managers using a monthly reporting period do not make mid-month results available to us. Hence, the month of operation that ends after our fiscal quarter-end is included in our quarterly results of operations in the following quarter for those hotel managers (covering approximately 44% (based on total revenues) of our hotels). As a result, our quarterly results of operations include results from hotel managers reporting results on a monthly basis as follows: first quarter (January, February), second quarter (March to May), third quarter (June to August) and fourth quarter (September to December). While this does not affect full year results, it does affect the reporting of quarterly results.

For Hotel Operating Statistics and Comparable Hotel Results. In contrast to the reporting periods for our consolidated statement of operations, our hotel operating statistics (i.e., RevPAR, average daily rate and average occupancy) and our comparable hotel results are always reported based on the reporting cycle used by Marriott for our Marriott-managed hotels. This facilitates year-to-year comparisons, as each reporting period will be comprised of the same number of days of operations as in the prior year (except in the case of fourth quarters comprised of seventeen weeks (such as fiscal year 2002) versus sixteen weeks). This means, however, that the reporting periods we use for hotel operating statistics and our comparable hotel results may differ slightly from the reporting periods used for our statements of operations for the first and fourth quarters and the full year. Set forth below are the quarterly start and end dates that are used for our hotel operating statistics and comparable hotel results reported herein. Results from hotel managers reporting on a monthly basis are included in our operating statistics and comparable hotel results consistent with their reporting in our consolidated statement of operations.

Hotel Result Reporting Periods for Operating Statistics and Comparable Hotel Results—for Marriott Managed Properties

	2007		2006		2005	
	Start-End Dates	No. of Days	Start-End Dates	No. of Days	Start-End Dates	No. of Days
First Quarter	December 30—March 23	84	December 31—March 24	84	January 1—March 25	84
Second Quarter	March 24—June 15	84	March 25—June 16	84	March 26—June 17	84
Third Quarter	June 16—September 7	84	June 17—September 8	84	June 18—September 9	84
Fourth Quarter	September 8—December 28	112	September 9—December 29	112	September 10—December 30	112

Non-GAAP Financial Measures

We use certain "non-GAAP financial measures," which are measures of our historical financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. They are as follows: (i) Funds From Operations (FFO) per diluted share, and (ii) Comparable Hotel Operating Results. The following discussion defines these terms and presents why we believe they are useful measures of our performance.

FFO Per Diluted Share

We present FFO per diluted share as a non-GAAP measure of our performance in addition to our earnings per share (calculated in accordance with GAAP). We calculate FFO per diluted share for a given operating period as our FFO (defined as set forth below) for such period divided by the number of fully diluted shares outstanding during such period. The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income (calculated in accordance with GAAP) excluding gains (or losses) from sales of real estate, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization and adjustments for unconsolidated partnerships and joint ventures. FFO is presented on a per share basis after making adjustments for the effects of dilutive securities, including the payment of preferred stock dividends, in accordance with NAREIT guidelines.

We believe that FFO per diluted share is a useful supplemental measure of our operating performance and that presentation of FFO per diluted share, when combined with the primary GAAP presentation of earnings per share, provides beneficial information to investors. By excluding the effect of real estate depreciation, amortization and gains and losses from sales of real estate, all of which are based on historical cost accounting and which may be of lesser significance in evaluating current performance, we believe that such measure can facilitate comparisons of operating performance between periods and between other REITs, even though FFO per diluted share does not represent an amount that accrues directly to holders of our common stock. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. As noted by NAREIT in its April 2002 "White Paper on Funds From Operations," since real estate values have historically risen or fallen with market conditions, many industry investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. For these reasons, NAREIT adopted the definition of FFO in order to promote an industry-wide measure of REIT operating performance.

We calculate FFO per diluted share, in accordance with standards established by NAREIT, which may not be comparable to measures calculated by other companies who do not use the NAREIT definition of FFO or calculate FFO per diluted share in accordance with NAREIT guidance. In addition, although FFO per diluted share is a useful measure when comparing our results to other REITs, it may not be helpful to investors when comparing us to non-REITs. This information should not be considered as an alternative to net income, operating profit, cash from operations, or any other operating performance measure prescribed by GAAP. Cash expenditures for various long-term assets (such as renewal and replacement capital expenditures) and other items have been and will be incurred and are not reflected in the FFO per diluted share presentations. 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 and cash flows include depreciation, capital expenditures and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures. Additionally, FFO per diluted share should not be considered as a measure of our liquidity or indicative of funds available to fund our cash needs, including our ability to make cash distributions. In addition, FFO per diluted share does not measure, and should not be used as a measure of, amounts that accrue directly to our stockholders' benefit.

The following tables provide a reconciliation of net income available to common shareholders per share to FFO per diluted share (in millions, except per share amounts):

Reconciliation of Net Income Available to Common Stockholders to Funds From Operations per Diluted Share

	Year ended December 31,					
	2006			2005		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Net income available to common stockholders	$ 718	481.8	$ 1.49	$135	353.0	$ .38
Adjustments:						
Gain on dispositions, net	(416)	—	(.87)	(60)	—	(.17)
Amortization of deferred gains	(1)	—	—	(8)	—	(.02)
Depreciation and amortization	462	—	.96	371	—	1.05
Partnership adjustments	34	—	.07	10	—	.03
FFO of minority partners of Host LP	(30)	—	(.06)	(24)	—	(.07)
Adjustments for dilutive securities:						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	2.0	(.01)	—	2.5	(.01)
Assuming conversion of Exchangeable Senior Debentures	19	29.0	(.05)	19	28.1	(.04)
Assuming conversion of Convertible Subordinated Debentures	2	1.9	—	32	30.9	—
FFO per diluted share(a)(b)	$ 788	514.7	$ 1.53	$475	414.5	$ 1.15

(a) FFO per diluted share in accordance with NAREIT is adjusted for the effects of dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, those preferred OP units held by minority partners, convertible debt securities and other minority interests that have the option to convert their limited partnership interest to common OP units. No effect is shown for securities if they are anti-dilutive.

(b) FFO per diluted share and earnings per diluted share for certain periods presented were significantly affected by certain transactions, the effect of which is shown in the table below (in millions, except per share amounts):

	Year ended December 31,			
	2006		2005	
	Net Income	FFO	Net Income	FFO
Non-recurring Starwood acquisition costs(1)	$ (17)	$ (17)	$ —	$—
Senior notes redemptions and debt prepayments(2)	(22)	(22)	(34)	(34)
Preferred stock redemptions(3)	(8)	(8)	(4)	(4)
Gain on sale of CBM Joint Venture LLC interest(4)	—	—	41	—
Gain on hotel dispositions	416	—	19	—
Minority interest benefit (expense)(5)	(14)	2	(1)	2
Total	$ 355	$ (45)	$ 21	$ (36)
Per diluted share	$ .73	$(.09)	$ .06	$ (.08)

(1) Represents non-recurring costs incurred in conjunction with the acquisition of the Starwood portfolio that are required to be expensed under GAAP, including start-up costs, bridge loan fees and expenses and the Company's portion of a foreign currency hedge loss by the European Joint Venture as the venture hedged a portion of its initial investment for the acquisition of six of its European hotels.

(2) Represents call premiums, the acceleration of original issue discounts and deferred financing costs, the termination costs of interest rate swaps, as well as incremental interest during the call or prepayment notice period included in interest expense in the consolidated statements of operations. We recognized these costs in conjunction with the prepayment or refinancing of senior notes and mortgages during certain periods presented.

(3) Represents the original issuance costs and incremental dividends during the redemption notice period associated with the redemption of the Class C preferred stock in 2006 and the redemption of the Class B preferred stock in 2005.
(4) Represents the gain, net of tax, on the sale of 85% of our interest in CBM Joint Venture LLC.
(5) Represents the portion of the significant transactions attributable to minority partners in Host LP.

Comparable Hotel Operating Results

We present certain operating results for our hotels, such as hotel revenues, expenses, and adjusted operating profit, on a comparable hotel, or "same store" basis as supplemental information for investors. Our comparable hotel operating results present operating results for hotels owned during the entirety of the periods being compared without giving effect to any acquisitions or dispositions, significant property damage or large scale capital improvements incurred during these periods. We present these comparable hotel operating results by eliminating corporate-level costs and expenses related to our capital structure, as well as depreciation and amortization. We eliminate corporate-level costs and expenses to arrive at property-level results because we believe property-level results provide investors with more specific insight into the ongoing operating performance of our hotels. We eliminate depreciation and amortization, because even though depreciation and amortization 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 industry investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves.

As a result of the elimination of corporate-level costs and expenses and depreciation and amortization, the comparable hotel operating results we present do not represent our total revenues, expenses or operating profit and these comparable hotel operating results 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.

We present these hotel operating results on a comparable hotel basis because we believe that doing so provides investors and management with useful information for evaluating the period-to-period performance of our hotels and facilitates comparisons with other hotel REITs and hotel owners. In particular, these measures assist management and investors in distinguishing whether increases or decreases in revenues and/or expenses are due to growth or decline of operations at comparable hotels (which represent the vast majority of our portfolio) or from other factors, such as the effect of acquisitions or dispositions. While management believes that presentation of comparable hotel results is a "same store" supplemental measure that provides useful information in evaluating our ongoing performance, this measure is not used to allocate resources or assess the operating performance of these hotels, as these decisions are based on data for individual hotels and are not based on comparable portfolio hotel results. For these reasons, we believe that comparable hotel operating results, when combined with the presentation of GAAP operating profit, revenues and expenses, provide useful information to investors and management.

The following table presents certain operating results and statistics for our comparable hotels for the periods presented herein:

Comparable Hotel Results
(in millions, except hotel statistics)

	Year ended December 31, 2006	2005
Number of hotels	95	95
Number of rooms	47,971	47,971
Percent change in Comparable Hotel RevPAR	8.5%	— %
Comparable hotel sales		
Room	$ 2,367	$ 2,181
Food and beverage	1,206	1,132
Other	255	246
Comparable hotel sales(a)	3,828	3,559
Comparable hotel expenses		
Room	555	524
Food and beverage	864	835
Other	150	155
Management fees, ground rent and other costs	1,228	1,163
Comparable hotel expenses(b)	2,797	2,677
Comparable hotel adjusted operating profit	1,031	882
Non-comparable hotel results, net(c)	286	32
Comparable hotels classified as held for sale	(5)	—
Office buildings and HPT Properties, net(d)	8	5
Depreciation and amortization	(459)	(355)
Corporate and other expenses	(94)	(67)
Gain on insurance settlement for non-comparable hotels	10	9
Operating profit per the consolidated statements of operations	$ 777	$ 506

(a) The reconciliation of total revenues per the consolidated statements of operations to the comparable hotel sales is as follows (in millions):

	Year ended December 31, 2006	2005
Revenues per the consolidated statements of operations	$ 4,888	$ 3,766
Revenues of hotels classified as held for sale	20	2
Non-comparable hotel sales	(1,037)	(167)
Hotel sales for the property for which we record rental income	53	49
Rental income for office buildings and HPT Properties	(89)	(84)
Adjustment for hotel sales for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	(7)	(7)
Comparable hotel sales	$ 3,828	$ 3,559

(b) The reconciliation of operating costs per the consolidated statements of operations to the comparable hotel expenses is as follows (in millions):

	Year ended December 31,	
	2006	2005
Operating costs and expenses per the consolidated statements of operations	$ 4,111	$ 3,260
Operating costs of hotels classified as held for sale	15	2
Non-comparable hotel expenses	(753)	(137)
Hotel expenses for the property for which we record rental income	53	49
Rent expense for office buildings and HPT Properties	(81)	(79)
Adjustment for hotel expenses for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	(5)	(5)
Depreciation and amortization	(459)	(355)
Corporate and other expenses	(94)	(67)
Gain on insurance settlement for non-comparable hotels	10	9
Comparable hotel expenses	$ 2,797	$ 2,677

(c) Non-comparable hotel results, net, includes the following items: (i) the results of operations of our non-comparable hotels whose operations are included in our consolidated statements of operations as continuing operations and (ii) the difference between the number of days of operations reflected in the comparable hotel results and the number of days of operations reflected in the consolidated statements of operations.

(d) Represents rental income less rental expense for HPT Properties and office buildings.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The majority of our outstanding debt has a fixed interest rate. We use some derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings.

The table below provides information about our debt obligations that are sensitive to changes in interest rates. The table presents scheduled maturities and related weighted average interest rates by expected maturity dates.

	Expected Maturity Date							Fair
	2007	2008	2009	2010	2011	Thereafter	Total	Value
	($ in millions)							
Liabilities								
Debt:								
Fixed rate	$180	$ 300	$890	$515	$ 132	$3,523	$5,540	$5,865
Average interest rate	6.7%	6.7%	6.6%	6.8%	7.0%	7.0%		
Variable rate								
Variable rate	$ 88	$250	$—	$ —	$—	$ —	$ 338	$ 338
Average interest rate	7.2%	7.4%	— %	— %	— %	— %		
Total debt							$5,878	$ 6,203

As of December 31, 2006, approximately 94% of our debt bears interest at fixed rates. This debt structure largely mitigates the impact of changes in interest rates. Our mortgage on the JW Marriott, Washington, D.C. and our credit facility are sensitive to changes in interest rates. The interest rate on our credit facility is based on a spread over LIBOR, ranging from 2% to 3%. There was $250 million outstanding on our credit facility at December 31, 2006, $75 million of which was repaid in January 2007.

In August 2006, we exercised our option to extend the $88 million mortgage on the JW Marriott, Washington, D.C., for one year through September 2007. Additionally, we purchased an interest rate cap that caps the floating interest rate of the loan at 8.1% through September 2007. The cap represents a derivative that is marked to market each period and the gains and losses from changes in the market value of the cap are recorded in gain (loss) on foreign currency and derivative contracts. The fair value of the interest rate cap was immaterial at December 31, 2006.

During the fourth quarter of 2006, we terminated our interest rate swap agreements we had entered into in conjunction with our Series G and I senior notes. Under the agreements, we received fixed rate payments and paid floating rate payments. We designated the interest rate swaps as fair value hedges for both financial reporting and tax purposes and the amounts paid or received under the swap agreements were recognized over the life of the agreements as an adjustment to interest expense. In connection with the redemption of the Series G and Series I senior notes, we terminated the related interest rate swap agreements and recorded losses on the termination of the related debt instrument which has been included in interest expense. The swaps were terminated at a cost equivalent to their fair value at the respective termination dates, or approximately $1 million for the Series I senior notes swap on December 4, 2006 and approximately $3 million for the Series G senior notes swaps on December 29, 2006. The fair values of the Series G interest rate swap and the Series I interest rate swaps were $(6) million and $1 million, respectively, at December 31, 2005.

If market rates of interest on our variable rate debt increase or decrease by 100 basis points, the change in interest expense would change future earnings and cash flows by approximately $3 million on an annual basis.

Exchange Rate Sensitivity

As we have non-U.S. operations (specifically, the ownership of hotels in Canada, Mexico, Chile and our European Joint Venture), currency exchange risk arises as a normal part of our business. To manage the currency exchange risk applicable to ownership in non-U.S. hotels, where possible, we may enter into forward or option contracts. The foreign currency exchange agreements that we have entered into in the past were strictly to hedge foreign currency risk and not for trading purposes. As of December 31, 2006, we have no outstanding foreign currency contracts.

Item 8. Financial Statements and Supplementary Data

The following financial information is included on the pages indicated:

Host Hotels & Resorts, Inc.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, 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, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management has used the framework set forth in the report entitled "Internal Control—Integrated Framework" published by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission to evaluate the effectiveness of the company's internal control over financial reporting. Management has concluded that the company's internal control over financial reporting was effective as of the end of the most recent fiscal year. KPMG LLP has issued an attestation report on management's assessment of the company's internal control over financial reporting.

/s/ Christopher J. Nassetta
Christopher J. Nassetta
President and Chief Executive Officer

/s/ W. Edward Walter
W. Edward Walter
Executive Vice President and Chief Financial Officer

February 26, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Host Hotels & Resorts, Inc.:

We have audited the accompanying consolidated balance sheets of Host Hotels & Resorts, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2006. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule III as listed in the index as item 15(a)(ii). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Host Hotels & Resorts, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Host Hotels & Resorts, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia
February 26, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Host Hotels & Resorts, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Host Hotels & Resorts, Inc. (the Company) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control—Integrated Framework* issued by the COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2006 and 2005 and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for each of the years in the three-year period ended December 31, 2006 of Host Hotels & Resorts, Inc. and subsidiaries and our report dated February 26, 2007, expressed an unqualified opinion on these financial statements.

/s/ KPMG LLP

McLean, Virginia
February 26, 2007

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2006 and 2005
(in millions, except per share amounts)

	2006	2005
ASSETS		
Property and equipment, net	$10,584	$ 7,434
Assets held for sale	96	73
Due from managers	51	41
Investments in affiliates	160	41
Deferred financing costs, net	60	63
Furniture, fixtures and equipment replacement fund	100	90
Other	199	157
Restricted cash	194	162
Cash and cash equivalents	364	184
Total assets	$11,808	$ 8,245
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt		
Senior notes, including $495 million and $493 million, net of discount, of Exchangeable Senior Debentures, respectively	$ 3,526	$ 3,050
Mortgage debt	2,014	1,823
Credit facility	250	20
Convertible Subordinated Debentures	—	387
Other	88	90
Total debt	5,878	5,370
Accounts payable and accrued expenses	243	165
Other	252	148
Total liabilities	6,373	5,683
Interest of minority partners of Host Hotels & Resorts, L.P.	185	119
Interest of minority partners of other consolidated partnerships	28	26
Stockholders' equity		
Cumulative redeemable preferred stock (liquidation preference $100 million and $250 million, respectively), 50 million shares authorized; 4.0 million and 10.0 million shares issued and outstanding, respectively	97	241
Common stock, par value $.01, 750 million shares authorized; 521.1 million shares and 361.0 million shares issued and outstanding, respectively	5	4
Additional paid-in capital	5,680	3,080
Accumulated other comprehensive income	25	15
Deficit	(585)	(923)
Total stockholders' equity	5,222	2,417
Total liabilities and stockholders' equity	$11,808	$ 8,245

See Notes to Consolidated Financial Statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2006, 2005 and 2004
(in millions, except per common share amounts)

	2006	2005	2004
REVENUES			
Rooms	$2,989	$2,257	$ 2,034
Food and beverage	1,479	1,155	1,091
Other	301	243	225
Total hotel sales	4,769	3,655	3,350
Rental income	119	111	106
Other income	—	—	1
Total revenues	4,888	3,766	3,457
EXPENSES			
Rooms	707	543	503
Food and beverage	1,067	854	816
Hotel departmental expenses	1,202	1,000	930
Management fees	228	166	137
Other property-level expenses	367	284	282
Depreciation and amortization	459	355	336
Corporate and other expenses	94	67	67
Gain on insurance settlement	(13)	(9)	(3)
Total operating costs and expenses	4,111	3,260	3,068
OPERATING PROFIT	777	506	389
Interest income	33	21	11
Interest expense	(450)	(443)	(483)
Net gains on property transactions	1	80	17
Gain (loss) on foreign currency and derivative contracts	—	2	(6)
Minority interest expense	(41)	(16)	(4)
Equity in losses of affiliates	(6)	(1)	(16)
INCOME (LOSS) BEFORE INCOME TAXES	314	149	(92)
(Provision for) benefit from income taxes	(5)	(24)	10
INCOME (LOSS) FROM CONTINUING OPERATIONS	309	125	(82)
Income from discontinued operations	429	41	82
NET INCOME (LOSS)	738	166	—
Less: Dividends on preferred stock	(14)	(27)	(37)
Issuance costs of redeemed preferred stock	(6)	(4)	(4)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ 718	$ 135	$ (41)
BASIC EARNINGS (LOSS) PER COMMON SHARE:			
Continuing operations	$ .60	$ .26	$ (.36)
Discontinued operations	.89	.12	.24
BASIC EARNINGS (LOSS) PER COMMON SHARE	$ 1.49	$ .38	$ (.12)
DILUTED EARNINGS (LOSS) PER COMMON SHARE:			
Continuing operations	$ .60	$ .26	$ (.36)
Discontinued operations	.88	.12	.24
DILUTED EARNINGS (LOSS) PER COMMON SHARE:	$ 1.48	$ .38	$ (.12)

See Notes to Consolidated Financial Statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2006, 2005 and 2004
(in millions)

Shares Outstanding								
Preferred	Common		Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)
14.1	321.4	Balance, December 31, 2003	$ 339	$ 3	$ 2,617	$ (851)	$ 28	
—	—	Net loss	—	—	—	—	—	$ —
—	—	Other comprehensive income (loss):						
		Foreign currency translation adjustment	—	—	—	—	(15)	(15)
—	—	Foreign currency forward contracts	—	—	—	—	1	1
—	—	Unrealized loss on HMS Host common stock to net income	—	—	—	—	(1)	(1)
—	—	Comprehensive loss						$ (15)
—	2.4	Common stock issued for the comprehensive stock and employee stock purchase plans	—	—	29	—	—	
—	—	Dividends on common stock	—	—	—	(19)	—	
—	—	Dividends on preferred stock	—	—	—	(37)	—	
—	2.6	Redemptions of limited partner interests for common stock	—	—	14	—	—	
4.0	—	Issuance of Class E Preferred Stock	98	—	—	—	—	
(4.1)	—	Redemption of Class A Preferred Stock	(100)	—	—	(4)	—	
—	25.0	Issuance of common stock	—	—	301	—	—	
—	—	Minority interest liability adjustment for third party OP unitholders	—	—	(8)	—	—	
14.0	351.4	Balance, December 31, 2004	337	3	2,953	(911)	$ 13	
—	—	Net income	—	—	—	166	—	$ 166
—	—	Other comprehensive income (loss):						
		Foreign currency translation adjustment	—	—	—	—	3	3
—	—	Unrealized loss on HMS Host common stock to net income	—	—	—	—	(1)	(1)
—	—	Comprehensive income						$ 168
—	1.7	Common stock issued for the comprehensive stock and employee stock purchase plans	—	—	20	—	—	
—	—	Dividends on common stock	—	—	—	(147)	—	
—	—	Dividends on preferred stock	—	—	—	(27)	—	
—	1.1	Redemptions of limited partner interests for common stock	—	—	7	—	—	
(4.0)	—	Redemption of Class B Preferred Stock	(96)	—	—	(4)	—	
—	6.8	Issuance of common stock	—	1	102	—	—	
—	—	Minority interest liability adjustment for third party OP unitholders	—	—	(2)	—	—	
10.0	361.0	Balance, December 31, 2005	241	4	3,080	(923)	15	
—	—	Net income	—	—	—	738	—	$ 738
—	—	Other comprehensive income (loss):						
		Foreign currency translation adjustment	—	—	—	—	10	10
—	—	Comprehensive income						$ 748
—	1.5	Common stock issued for the comprehensive stock and employee stock purchase plans	—	—	25	—	—	
—	—	Dividends on common stock	—	—	—	(380)	—	
—	—	Dividends on preferred stock	—	—	—	(14)	—	
—	1.1	Redemptions of limited partner interests for common stock	—	—	8	—	—	
(6.0)	—	Redemption of Class C Preferred Stock	(144)	—	—	(6)	—	
—	157.5	Issuance of common stock	—	1	2,624	—	—	
—	—	Minority interest liability adjustment for third party OP unitholders	—	—	(57)	—	—	
4.0	521.1	Balance, December 31, 2006	$ 97	$ 5	$ 5,680	$ (585)	$ 25	

See Notes to Consolidated Financial Statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2006, 2005 and 2004
(in millions)

	2006	2005	2004
OPERATING ACTIVITIES			
Net income (loss)	$ 738	$ 166	$ —
Adjustments to reconcile to cash provided by operations:			
Discontinued operations:			
Gain on dispositions	(418)	(19)	(52)
Depreciation	4	18	30
Depreciation and amortization	459	355	336
Amortization of deferred financing costs	15	14	16
Deferred income taxes	(5)	17	(20)
Net gains on property transactions	(1)	(75)	(5)
(Gain) loss on foreign currency and derivative contracts	—	(2)	6
Equity in losses of affiliates	6	1	16
Distributions from equity investments	3	2	6
Minority interest expense	41	16	4
Change in due from managers	(11)	8	(15)
Change in accrued interest payable	(18)	7	9
Changes in other assets	18	1	20
Changes in other liabilities	50	5	19
Cash provided by operating activities	881	514	370
INVESTING ACTIVITIES			
Proceeds from sales of assets, net	780	122	246
Proceeds from the sale of interest in CBM Joint Venture, LLC, net of expenses	—	90	—
Acquisitions	(270)	(284)	(503)
Starwood acquisition, net of cash acquired	(750)	—	—
Deposits for hotel acquisitions	(1)	—	—
Investment in affiliates	(78)	—	—
Capital expenditures:			
Renewals and replacements	(275)	(242)	(207)
Repositionings and other investments	(255)	(107)	(44)
Change in furniture, fixtures & equipment (FF&E) reserves	(12)	(1)	2
Change in restricted cash designated for FF&E reserves	(16)	8	(5)
Note receivable collections	—	—	47
Other	22	(17)	(47)
Cash used in investing activities	(855)	(431)	(511)
FINANCING ACTIVITIES			
Financing costs	(27)	(12)	(16)
Issuances of debt	1,412	650	837
Credit facility, repayments and draws, net	230	20	—
Debt prepayments	(913)	(631)	(1,230)
Prepayment of Canadian currency forward contracts	—	(18)	—
Scheduled principal repayments	(59)	(58)	(61)
Issuances of common stock	—	—	301
Issuances of cumulative redeemable preferred stock, net	—	—	98
Redemption of cumulative redeemable preferred stock	(150)	(100)	(104)
Dividends on common stock	(291)	(102)	(19)
Dividends on preferred stock	(18)	(30)	(37)
Distributions to minority interests	(19)	(10)	(7)
Change in restricted cash other than FF&E replacement	(11)	45	(38)
Cash provided by (used in) financing activities	154	(246)	(276)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	180	(163)	(417)
CASH AND CASH EQUIVALENTS, beginning of year	184	347	764
CASH AND CASH EQUIVALENTS, end of year	$ 364	$ 184	$ 347

See Notes to Consolidated Financial Statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2006, 2005 and 2004
(in millions)

Supplemental schedule of noncash investing and financing activities:

During 2006 and 2005, we issued approximately 24.0 million shares and 6.8 million shares, respectively, upon the conversion of 7.4 million and 2.1 million convertible subordinated debentures, respectively. The debentures that were converted during 2006 and 2005 were valued at $368 million and $105 million, respectively. No debentures were converted in 2004.

During 2006, 2005 and 2004, we issued approximately 1.1 million, 1.1 million and 2.6 million shares, respectively, upon the conversion of Host LP units, or OP units, held by minority partners valued at $21.8 million, $19 million and $35 million, respectively.

On September 1, 2006, we acquired the Westin Kierland Resort & Spa in Scottsdale, Arizona for approximately $393 million, including the assumption of $135 million of mortgage debt with a fair value of $133 million.

On May 2, 2006, we contributed the Sheraton Warsaw Hotel & Towers, which we acquired on April 10, 2006 for approximately $59 million, along with cash to the European Joint Venture in exchange for a 32.1% general and limited partnership interest. See Note 12 for additional information.

On April 10, 2006, we acquired 28 hotels from Starwood Hotels & Resorts Worldwide, Inc. (“Starwood”) for a purchase price of approximately $3.1 billion. The total consideration included the issuance of $2.27 billion in equity (133.5 million shares of our common stock) and the assumption of $77 million of mortgage debt, which had a fair value of $86 million on April 10, 2006.

On January 6, 2005, we sold the Hartford Marriott at Farmington for a purchase price of approximately $25 million, including the assumption of approximately $20 million of mortgage debt by the buyer.

On January 3, 2005, we transferred $47 million of preferred units of Vornado Realty Trust, which we had purchased on December 30, 2004, in redemption of a minority partner’s interest in a consolidated partnership.

On September 22, 2004, we acquired the Scottsdale Marriott at McDowell Mountains, for a purchase price of approximately $58 million, including the assumption of approximately $34 million in mortgage debt.

See Notes to Consolidated Financial Statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Business

On April 17, 2006, the Company changed its name from Host Marriott Corporation to Host Hotels & Resorts, Inc., or Host, a Maryland corporation, operating through an umbrella partnership structure. Host is primarily the owner of hotel properties. We operate as a self-managed and self-administered real estate investment trust, or REIT, with our operations conducted solely through an operating partnership, Host Hotels & Resorts, L.P. (formerly known as Host Marriott, L.P.), or Host LP and its subsidiaries. We are the sole general partner of Host LP and as of this date, own approximately 96.5% of the partnership interests, which are referred to as OP units.

As of December 31, 2006, we owned, or had controlling interests in, 128 luxury and upper upscale, hotel lodging properties located throughout the United States, Toronto and Calgary, Canada, Mexico City, Mexico and Santiago, Chile operated primarily under the Marriott®, Ritz-Carlton®, Hyatt®, Fairmont®, Four Seasons®, Hilton®, Westin® Sheraton®, W®, St. Regis® and Luxury Collection® brand names.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and controlled affiliates. We consolidate entities (in the absence of other factors determining control) when we own over 50% of the voting shares of another company or, in the case of partnership investments, when we own a majority of the general partnership interest. The control factors we consider include the ability of minority stockholders or other partners to participate in or block management decisions. Additionally, if we determine that we are an owner in a variable interest entity and that our variable interest will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both, then we will consolidate the entity. All material intercompany transactions and balances have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, or 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.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents.

Restricted Cash

Restricted cash includes reserves for debt service, real estate taxes, insurance, furniture and fixtures, as well as cash collateral and excess cash flow deposits due to mortgage debt agreement restrictions and provisions. For purposes of the statement of cash flows, changes in restricted cash that are used for furniture, fixture and equipment reserves controlled by our lenders will be shown as an investing activity. The remaining changes in restricted cash are the direct result of restrictions under our loan agreements, and as such, will be reflected in cash from financing activities.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table represents our restricted cash balances as of December 31, 2006 and 2005, which are restricted as a result of lender requirements (in millions):

	2006	2005
Debt service	$ 32	$ 31
Real estate taxes	29	26
Insurance	2	2
Cash collateral	15	33
Excess cash flow requirements	7	7
Furniture, fixtures and equipment reserves controlled by lenders	70	53
Special projects reserve	29	3
Other	10	7
Total	$194	$162

Property and Equipment

Property and equipment is recorded at cost. For newly developed properties, cost includes interest and real estate taxes incurred during development and construction. Replacements and improvements and capital leases are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and three to ten years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease term or the useful lives of the related assets.

We capitalize certain inventory (such as china, glass, silver, linen) at the time of a hotel opening, or when significant inventory is purchased (in conjunction with a major rooms renovation or when the number of rooms or meeting space at a hotel is expanded). These amounts are then fully amortized over the estimated useful life of three years. Subsequent replacement purchases are expensed when opened and placed in service. Food and beverage inventory items are recorded at the lower of FIFO cost or market and expensed as utilized.

We maintain a furniture, fixtures and equipment replacement fund for renewal and replacement capital expenditures at certain hotels, which is generally funded with approximately 5% of property revenues.

We assess impairment of our real estate properties based on whether it is probable that estimated undiscounted future cash flows from each individual property are less than its net book value. If a property is impaired, a loss is recorded for the difference between the fair value and net book value of the hotel.

We will classify a hotel as held for sale when the sale of the asset is probable, will be completed within one year and that actions to complete the sale are unlikely to change or that the sale will be withdrawn. Accordingly, we typically classify assets as held for sale when our Board of Directors has approved the sale, a binding agreement to purchase the property has been signed under which the buyer has committed a significant amount of nonrefundable cash and no significant financing contingencies exist which could prevent the transaction from being completed in a timely manner. If these criteria are met, we will record an impairment loss if the fair value less costs to sell is lower than the carrying amount of the hotel and will cease incurring depreciation. We will classify the loss, together with the related operating results, including interest expense on debt assumed by the buyer or that is required to be repaid as a result of the sale, as discontinued operations on our consolidated statement of operations and classify the assets and related liabilities as held for sale on the balance sheet. Gains on sales of properties are recognized at the time of sale or deferred and recognized as income in subsequent periods as conditions requiring deferral are satisfied or expire without further cost to us.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As a result of the adoption of FIN 47, we recognize the fair value of any liability for conditional asset retirement obligations when incurred, which is generally upon acquisition, construction, or development and/or through the normal operation of the asset, if sufficient information exists to reasonably estimate the fair value of the obligation.

Intangible Assets

In conjunction with our acquisition of hotel properties, we may identify intangible assets such as management or lease agreements that are based on legal or contractual rights that are not licensed, but can be sold, transferred, rented or exchanged separately. We record the intangible assets at their estimated fair value and amortize the balance over the life of the agreement or the associated asset, whichever is shorter.

Minority Interest

The percentage of Host LP owned by third parties is presented as interest of minority partners of Host LP in the consolidated balance sheets and was $185 million and $119 million as of December 31, 2006 and 2005, respectively. We adjust the interest of the minority partners of Host LP each period to maintain a proportional relationship between the book value of equity associated with our common stockholders relative to that of the unitholders of Host LP since Host LP units may be exchanged into common stock on a one-for-one basis. Net income is allocated to the minority partners of Host LP based on their weighted average ownership percentage during the period.

Third party partnership interests in consolidated investments of Host LP that have finite lives are included in interest of minority partners of other consolidated partnerships in the consolidated balance sheets and totaled $28 million and $26 million as of December 31, 2006 and 2005, respectively. As of December 31, 2006, none of our partnerships have infinite lives as defined in SFAS 150.

Income Taxes

We account for income taxes in accordance with SFAS 109 “Accounting for Income Taxes.” Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted.

We have elected to be treated as a REIT under the provisions of the Internal Revenue Code and, as such, are not subject to federal income tax, provided we distribute all of our taxable income annually to our stockholders and comply with certain other requirements. In addition to paying federal and state income tax on any retained income, we are subject to taxes on “built-in-gains” on sales of certain assets. Additionally, our taxable REIT subsidiaries are subject to federal, state and foreign income tax. The consolidated income tax provision or benefit includes the income tax provision or benefit related to the operations of the taxable REIT subsidiaries, state income and franchise taxes incurred by Host and Host LP and foreign income taxes incurred by Host LP, as well as each of their respective subsidiaries.

Deferred Charges

Financing costs related to long-term debt are deferred and amortized over the remaining life of the debt.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Foreign Currency Translation

As of December 31, 2006, our foreign operations consist of four properties located in Canada, one property located in Mexico, two in Chile and an investment in a joint venture in Europe. The operations of these properties and our investment are maintained in the local currency and then translated to U.S. dollars using the average exchange rates for the period. The assets and liabilities of the properties and the investment are translated to U.S. dollars using the exchange rate in effect at the balance sheet date. The resulting translation adjustments are reflected in accumulated other comprehensive income.

Derivative Instruments

We are subject to exposure from interest rate fluctuations, which affect the interest payments for our variable rate debt and the fair value of our fixed rate debt. Therefore, we may purchase interest rate swaps or interest rate caps, which would be considered derivative instruments. Currently, we have interest rate caps which are considered derivative instruments. If the requirements for hedge accounting are met, amounts paid or received under these agreements are recognized over the life of the agreements as adjustments to interest expense, and the fair value of the derivatives is recorded on the accompanying balance sheet, with offsetting adjustments or charges recorded to the underlying debt. Otherwise the instruments are marked to market, and the gains and losses from the changes in the market value of the contracts are recorded in gain (loss) on foreign currency and derivative contracts. Upon early termination of an interest rate swap, gains or losses are deferred and amortized as adjustments to interest expense of the related debt over the remaining period covered by the terminated swap. Once the related debt is repaid, gains or losses from the interest rate swap are included in that period's income statement.

We are also subject to exposure from fluctuations in foreign currencies relating to our properties located in Canada, Mexico and Chile. We may purchase currency forward contracts related to our foreign properties, which would be considered derivative instruments. Gains and losses on contracts that meet the requirements for hedge accounting are recorded on the balance sheet at fair value, with offsetting changes recorded to accumulated other comprehensive income.

Other Comprehensive Income

The components of total accumulated other comprehensive income in the balance sheet are as follows (in millions):

	2006	2005
Unrealized gain on HM Services common stock	$ 4	$ 4
Foreign currency translation	21	11
Total accumulated other comprehensive income	$25	$15

Revenues

Our consolidated results of operations reflect revenues and expenses of our hotels. Revenues are recognized when the services are provided.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per common share is computed by dividing net income (loss) available to common stockholders as adjusted for potentially dilutive securities, by the weighted average number of shares of common stock outstanding plus other potentially dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, those preferred OP units held by minority partners, other minority interests that have the option to convert their limited partnership interests to common OP units and convertible debt securities. No effect is shown for any securities that are anti-dilutive.

	Year ended December 31,								
	2006			2005			2004		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
	(in millions, except per share amounts)								
Net income	$ 738	481.8	$ 1.53	$166	353.0	$ .47	$—	337.3	$ —
Dividends on preferred stock	(14)	—	(.03)	(27)	—	(.08)	(37)	—	(.11)
Issuance costs of redeemed preferred stock(1)	(6)	—	(.01)	(4)	—	(.01)	(4)	—	(.01)
Basic earnings (loss) available to common stockholders	718	481.8	1.49	135	353.0	.38	(41)	337.3	(.12)
Assuming distribution of common shares granted under the comprehensive stock plan, less shares assumed purchased at average market price	—	2.0	(.01)	—	2.5	—	—	—	—
Diluted earnings (loss) available to common stockholders	$718	483.8	$ 1.48	$ 135	355.5	$ .38	$ (41)	337.3	$ (.12)

(1) Represents the original issuance costs associated with the Class C preferred stock in 2006, the Class B preferred stock in 2005 and the Class A preferred stock in 2004.

Accounting for Stock-Based Compensation

At December 31, 2006, we maintained two stock-based employee compensation plans, which are described more fully in Note 8. Prior to 2002, we accounted for those plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Effective January 1, 2002, we adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," or SFAS 123, and applied it prospectively to all employee awards granted, modified or settled after January 1, 2002. Awards under our employee stock option plan generally vest over four years. Therefore, the cost related to stock-based employee compensation included in the determination of net income or loss for 2005 and 2004 is less than that which would have been recognized if the fair value based method had been applied to these awards since the original effective date of SFAS 123. The adoption of SFAS 123 did not change the calculation of stock-based employee compensation costs for shares granted under our deferred stock and restricted stock plans. The following table illustrates the effect on net income (loss) and earnings (loss) per share if the fair value based method had been applied to all of our outstanding and unvested awards in each period.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Year Ended December 31,	
	2005	2004
	(in millions, except per share amounts)	
Net income, as reported	$ 166	$ —
Add: Total stock-based employee compensation expense included in reported net income, net of related tax effects	22	24
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(22)	(25)
Pro forma net income (loss)	166	(1)
Dividends on preferred stock	(27)	(37)
Issuance costs of redeemed preferred stock(1)	(4)	(4)
Pro forma net income (loss) available to common stockholders	$ 135	$ (42)
Earnings (loss) per share		
Basic—as reported	$ .38	$ (.12)
Diluted—as reported	$ .38	$ (.12)
Basic—pro forma	$ .38	$ (.12)
Diluted—pro forma	$ .38	$ (.12)

(1) Represents the original issuance costs associated with the Class B preferred stock in 2005 and the Class A preferred stock in 2004.

Concentrations of Credit Risk

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

Application of New Accounting Standards

In July 2006, the FASB issued FASB Interpretation Number 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109,* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. The Company must determine whether it is "more-likely-than-not" that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the more-likely-than-not recognition threshold, the position is measured to determine the amount of benefit to recognize in the financial statements. FIN 48 applies to all tax positions related to income taxes subject to FASB Statement No. 109, *Accounting for Income Taxes.* We will adopt the provisions of this statement beginning in the first quarter of 2007. The cumulative effect of applying the provisions of FIN 48 will be reported as an increase to the opening balance of retained earnings on January 1, 2007 of approximately $11 million.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform with the current year presentation.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2. Property and Equipment

Property and equipment consists of the following as of December 31:

	2006	2005
	(in millions)	
Land and land improvements	$ 1,622	$ 864
Buildings and leasehold improvements	10,695	8,163
Furniture and equipment	1,414	1,176
Construction in progress	166	179
	13,897	10,382
Less accumulated depreciation and amortization	(3,313)	(2,948)
	$ 10,584	$ 7,434

3. Investments in Affiliates

We own investments in voting interest entities which we do not consolidate and, accordingly, are accounted for under the equity method of accounting. The debt of these affiliates is non-recourse to, and not guaranteed by, us. Investments in affiliates consists of the following:

	As of December 31, 2006			
	Ownership Interests	Our Investment	Debt	Assets
		(in millions)		
HHR Euro CV	32.1%	$ 138	$ 819	Seven hotels located in Europe
HHR TRS CV	9.8%	1	2	Lease agreements for hotels
CBM Joint Venture L.P.	3.6%	4	839	owned by HHR Euro CV 116
Tiburon Golf Ventures, L.P.	49.0%	17	—	Courtyard hotels 36-hole golf
Other	1.0%	—	—	club Three hotels
Total		$ 160	$1,660	

	As of December 31, 2005			
	Ownership Interests	Our Investment	Debt	Assets
		(in millions)		
Host Marriott Financial Trust	100%	$ 17	$ 370	$387 million of Convertible
CBM Joint Venture L.P.	3.6%	7	841	Subordinated Debentures 120
Tiburon Golf Ventures, L.P.	49%	17	—	Courtyard hotels 36-hole golf
Other	1%	—	—	club Three hotels
Total		$ 41	$1,211	

European Joint Venture

We entered into an Agreement of Limited Partnership in March 2006, forming a joint venture, HHR Euro CV, to acquire hotels in Europe (the "European Joint Venture") with Stichting Pensioenfonds ABP, the Dutch pension fund ("ABP"), and Jasmine Hotels Pte Ltd, an affiliate of GIC Real Estate Pte Ltd ("GIC RE"), the real estate investment company of the Government of Singapore Investment Corporation Pte Ltd (GIC). We serve as

the general partner for the European Joint Venture. The percentage interest of the parties in the European Joint Venture is 19.9% for ABP, 48% for GIC RE and 32.1% for Host LP (including our limited and general partner interests). The initial term of the European Joint Venture is ten years subject to two one-year extensions with partner approval. HHR Euro CV has leased six of its hotels to HHR TRS CV, whose partnership interests are owned 9.8% by Host LP (including our general and limited partner interests), 19.9% by ABP and 70.3% by GLC RE. Due to the ownership structure and the non-Host limited partners' rights to cause the dissolution and liquidation of the European Joint Venture and HHR TRS CV at any time, they are not consolidated in our financial statements. The partners in the European Joint Venture agreed to increase its aggregate size to approximately €533 million of equity, of which our total contribution is expected to be approximately €171 million, or an additional €65 million ($86 million). Additionally, after giving effect to indebtedness that the European Joint Venture would be expected to incur, its aggregate size, once all funds are invested, would be approximately €1.5 billion. As general partner, we also earn a management fee based on the amount of equity commitments and equity investments. In 2006, we recorded approximately $3 million of management fees.

Host Marriott Financial Trust

In accordance with FIN 46R, we determined Host Marriott Financial Trust (the "Trust") was a variable interest entity, which was created solely to issue 11 million shares of 6 3/4% convertible quarterly income preferred securities (the "Convertible Preferred Securities"). Accordingly, on January 1, 2004, we recognized the $492 million of 6 3/4% convertible subordinated debentures due December 2026 (the "Convertible Subordinated Debentures") issued by the Trust as debt and recognized, as an equity investment, the $17 million invested in the Trust. Additionally, we classified the related payments as interest expense on our consolidated statements of operations. During 2005 and 2006, all of the Convertible Preferred Securities were converted to common shares or were redeemed for cash and, as a result, the Trust was liquidated in the second quarter of 2006. For further information on the Trust and the Convertible Preferred Securities, see Note 4.

CBM Joint Venture LP

CBM Joint Venture Limited Partnership owns 116 Courtyard by Marriott hotels, which are operated by Marriott International pursuant to long-term management agreements. During March 2005, we sold 85% of our interest in CBM Joint Venture LLC for approximately $92 million and recorded a gain on the sale, net of taxes, of approximately $41 million. In conjunction with the sale of our interest, CBM Joint Venture LLC was recapitalized and converted into a limited partnership, CBM Joint Venture Limited Partnership with Marriott International and affiliates of Sarofim Realty Advisors. Post-recapitalization, we own a 3.6% limited partner interest. We have the right to cause CBM Joint Venture LP to redeem our remaining interest, under certain conditions, between December 2007 and December 2009. Thereafter, the general partner of CBM Joint Venture LP has the right to redeem our remaining interest.

Other Investments

We have a 49% limited partner interest in Tiburon Golf Ventures, L.P., which owns the golf club surrounding The Ritz-Carlton, Naples Golf Resort. We also own minority interests in three partnerships that directly or indirectly own three hotels. The total carrying value of these partnerships is less than $500,000, and we do not have any guarantees or commitments in relation to these partnerships.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Combined summarized balance sheet information as of December 31 for our affiliates follows:

	2006	2005
	(in millions)	
Property and equipment, net	$ 2,508	$ 1,270
Convertible Subordinated Debentures due from Host Hotels & Resorts, Inc.	—	387
Other assets	250	131
Total assets	$2,758	$1,788
Debt	$1,660	$ 841
Other liabilities	191	31
Convertible Preferred Securities	—	370
Equity	907	546
Total liabilities and equity	$2,758	$1,788

Combined summarized operating results for our affiliates for the years ended December 31 follows:

	2006	2005	2004
		(in millions)	
Total revenues	$ 594	$ 482	$ 441
Operating expenses			
Expenses	(460)	(348)	(325)
Depreciation and amortization	(53)	(46)	(57)
Operating profit	81	88	59
Interest income	2	33	33
Interest expense	(60)	(60)	(92)
Dividends on Convertible Preferred Securities	(2)	(31)	(32)
Net income (loss)	$ 21	$ 30	$ (32)

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Debt

Debt consists of the following:

	December 31, 2006	December 31, 2005
	(in millions)	
Series B senior notes, with a rate of 7 7/8% due August 2008	$ —	$ 136
Series G senior notes, with a rate of 9 1/4% due October 2007(1)	—	236
Series I senior notes, with a rate of 9 1/2% due January 2007(2)	—	451
Series K senior notes, with a rate of 7 1/8% due November 2013	725	725
Series M senior notes, with a rate of 7% due August 2012	347	346
Series O senior notes, with a rate of 6 3/8% due March 2015	650	650
Series Q senior notes, with a rate of 6 3/4% due June 2016	800	—
Series R senior notes, with a rate of 6 7/8% due November 2014	496	—
Exchangeable Senior Debentures with a rate of 3.25% due April 2024	495	493
Senior notes, with an average rate of 9.7% maturing through May 2012	13	13
Total senior notes	3,526	3,050
Mortgage debt (non-recourse) secured by $3.3 billion of real estate assets, with an average interest rate of 7.5% and 7.8% at December 31, 2006 and 2005, respectively, maturing through December 2023	2,014	1,823
Credit facility	250	20
Convertible Subordinated Debentures, with a rate of 6 3/4% due December 2026	—	387
Other	88	90
Total debt	$5,878	$5,370

(1) Includes the fair value of interest rate swap agreements of $(6) million as of December 31, 2005.
(2) Includes the fair value of an interest rate swap agreement of $1 million as of December 31, 2005.

Senior Notes

General. Under the terms of our senior notes indenture, our senior notes are equal in right of payment with all of Host LP's unsubordinated indebtedness and senior to all subordinated obligations of Host LP. The face amount of our outstanding senior notes as of December 31, 2006 and 2005 was $3.5 billion and $3.1 billion, respectively. The outstanding senior notes balance as of December 31, 2006 and 2005 includes discounts of approximately $12 million and $11 million, respectively, and fair value adjustments for interest rate swap agreements of approximately $(5) million as of December 31, 2005 that are discussed in further detail below. The notes outstanding under our senior notes indenture are guaranteed by certain of our existing subsidiaries and are currently secured by pledges of equity interests in many of our subsidiaries. The guarantees and pledges ratably benefit the notes outstanding under our senior notes indenture, as well as our credit facility, certain other senior debt, and interest rate swap agreements and other hedging agreements with lenders that are parties to the credit facility. We pay interest on each series of our outstanding senior notes semi-annually in arrears at the respective annual rates indicated on the table above.

Restrictive Covenants. Under the terms of the senior notes indenture, our ability to incur indebtedness and pay dividends is subject to restrictions and the satisfaction of various conditions, including the achievement of an EBITDA-to-interest coverage ratio of at least 2.0 to 1.0 by Host LP. Effective with the redemption of Series G senior notes in December 2006, Host LP is able to make distributions to enable Host to pay dividends on its preferred stock under the senior notes indenture when the EBITDA-to-interest coverage ratio is above 1.7 to 1.0.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

This ratio is calculated in accordance with our senior notes indenture and excludes from interest expense items such as call premiums and deferred financing charges that are included in interest expense on our consolidated statement of operations. In addition, the calculation is based on our pro forma results for the four prior fiscal quarters giving effect to the transactions, such as acquisitions, dispositions and financings, as if they occurred at the beginning of the period. Other covenants limiting our ability to incur indebtedness and pay dividends include maintaining total indebtedness of less than 65% of adjusted total assets (using undepreciated real estate values) and secured indebtedness of less than 45% of adjusted total assets). So long as we maintain the required level of interest coverage and satisfy these and other conditions in the senior notes indenture, we may pay preferred or common dividends and incur additional debt under the senior notes indenture, including debt incurred in connection with an acquisition. Our senior notes indenture also imposes restrictions on customary matters, such as limitations on capital expenditures, acquisitions, investments, transactions with affiliates and incurrence of liens. As of December 31, 2006, we are in compliance with our senior notes covenants.

Issuances and Redemptions. During 2006 and 2005, we have had three private issuances of debt under our senior notes indentures all of which are listed below. Each of the series of senior notes has been subsequently exchanged for other series of senior notes whose terms are substantially identical in all aspects to each of the exchanged series, respectively, except that the new series are registered under the Securities Act of 1933 and are, therefore, freely transferable by the holders.

- On November 2, 2006, we issued $500 million of 6 7/8% Series R senior notes maturing November 1, 2014 and received net proceeds of approximately $490 million after discounts and costs. Interest on the Series R senior notes is payable semi-annually in arrears on May 1 and November 1 beginning on May 1, 2007. We used the proceeds of the Series R senior notes to redeem our 9 1/2% Series I senior notes and for general corporate purposes. The Series R senior notes were exchanged for Series S senior notes in February 2007.
- On April 4, 2006, we issued $800 million of 6 3/4% Series P senior notes maturing June 1, 2016 and received net proceeds of approximately $787 million. Interest is payable semi-annually in arrears on June 1 and December 1 beginning on December 1, 2006. We used the proceeds of the Series P senior notes for the Starwood and The Westin Kierland acquisitions, the redemption of our 7 7/8% Series B senior notes and related prepayment premiums, the redemption of the $150 million 10% Class C preferred stock and accrued dividends and for general corporate purposes. The Series P senior notes were exchanged for Series Q senior notes in August 2006.
- On March 10, 2005, we issued $650 million of 6 3/8% Series N senior notes maturing March 15, 2015 and received net proceeds of approximately $639 million. Interest is payable semi-annually in arrears on March 15 and September 15. We used the proceeds of the Series N senior notes for the redemption of $300 million of our 8 3/8% Series E senior notes, $169 million of 7 7/8% Series B senior notes and the related premiums and the repayment of $140 million of mortgage debt secured by two of our properties and for general corporate purposes. The Series N senior notes were exchanged for Series O senior notes in July 2005.

In addition to the above activity, in December 2006, we redeemed $242 million of our 9 1/4% Series G senior notes that were due in October 2007 with the proceeds from a draw on our credit facility. and we terminated the related interest rate swap agreements. As a result of all of the above redemptions, we recorded a loss of $17 million and $30 million on the early extinguishment of debt in 2006 and 2005, respectively, which includes the payment of call premiums, the acceleration of related deferred financing fees and original issue discounts and the termination of related interest rate swap agreements.

Exchangeable Senior Debentures. On March 16, 2004, we issued $500 million of 3.25% Exchangeable Senior Debentures (the “Debentures”) and received net proceeds of $484 million, after discounts, underwriting

fees and expenses. The Debentures mature on April 15, 2024 and are equal in right of payment with all of our unsubordinated debt and senior to all of our subordinated obligations. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. We can redeem for cash all, or part of, the Debentures at any time subsequent to April 19, 2009 upon 30 days notice at the applicable redemption price as set forth in the indenture. If we elect to redeem the debentures and the trading price of our common stock exceeds the cash redemption price on a per share basis, we would expect holders to elect to exchange their debentures for shares rather than receive the cash redemption price. Holders have the right to require us to repurchase the Debentures on April 15, 2010, April 15, 2014 and April 15, 2019 at the issue price. The Debentures are currently exchangeable into shares of our common stock at a rate of 58.0682 shares for each $1,000 of principal amount of the debentures, or a total of approximately 29 million shares, which is equivalent to an exchange price of $17.22 per share of our common stock. The exchange rate is adjusted for, among other things, the payment of dividends to our common stockholders. Holders may exchange their Debentures prior to maturity under certain conditions, including at any time at which the closing sale price of our common stock is more than 120% of the exchange price per share, for at least 20 of 30 trading days. The Debentures and the common stock issuable upon exchange of the debentures have not been registered under the Securities Act and may not be offered or sold except to qualified institutional buyers, as defined.

As of September 25, 2006, holders of the debentures were able to exchange their debentures for Host common stock as the closing price for Host common stock exceeded 120% of the exchange price for 20 out of the 30 trading days during the period ending on September 25, 2006. The debentures will remain exchangeable until April 9, 2007. The debentures will remain exchangeable after April 9, 2007, if the trading price of Host common stock continues to exceed 120% of the exchange price for 20 out of the 30 trading days during the period ending on April 10, 2007, or if other conditions for exchange are satisfied.

Convertible Subordinated Debentures. As of December 31, 2005, Host Marriott Financial Trust, a wholly owned subsidiary, held approximately 7.4 million shares of $6^{3}/_{4}$% convertible quarterly income preferred securities, with a liquidation preference of $50 per share (for a total liquidation amount of $370 million). The Convertible Preferred Securities represented an undivided beneficial interest in the assets of the Trust. Each of the Convertible Preferred Securities and the related Convertible Subordinated Debentures were convertible at the option of the holder into shares of our common stock.

During 2005, the holders of 2.1 million Convertible Preferred Securities, with a liquidation value of $105 million, exercised their right to convert and, as a result, we issued approximately 6.8 million shares of our common stock. Between January 1, 2006 and February 10, 2006, $368 million of Convertible Subordinated Debentures and corresponding Convertible Preferred Securities were converted into approximately 24 million common shares. On April 5, 2006, we redeemed the remaining $2 million of outstanding Convertible Subordinated Debentures held by third parties for cash.

Amended and Restated Credit Facility. On September 10, 2004, we entered into an amended and restated credit facility (the "Credit Facility") with Deutsche Bank Trust Company Americas, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Citicorp North America Inc., Société Générale and Calyon New York Branch, as Co-Documentation Agents and certain other lenders. The Credit Facility provides aggregate revolving loan commitments in the amount of $575 million with an option to increase the amount of the facility by up to $100 million to the extent that any one or more lenders, whether or not currently party to the Credit Facility, commits to be a lender for such amount. The revolving loan commitment under the facility is divided into two separate tranches: (1) a Revolving Facility A tranche of $385 million and (2) a Revolving Facility B tranche of $190 million. Subject to compliance with the facility's financial covenants, amounts available for borrowing under Revolving Facility A vary depending on our leverage ratio, with $385 million being available when our leverage ratio is less than 6.5x, $300 million being available when our leverage ratio equals or exceeds

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

6.5x but is less than 6.75x, $150 million being available when our leverage ratio equals or exceeds 6.75x but is less than 7.0x, and no amounts being available when our leverage ratio equals or exceeds 7.0x. By contrast, the entire amount of Revolving Facility B is available for borrowing at any time that our unsecured interest coverage ratio equals or exceeds 1.5x and our leverage ratio does not exceed levels ranging from 7.5x to 7.0x. The Credit Facility also includes sub-commitments for the issuance of letters of credit in an aggregate amount of $10 million and loans to our Canadian subsidiaries in Canadian Dollars in an aggregate amount of $150 million. The Credit Facility has an initial scheduled maturity in September 2008. We have an option to extend the maturity for an additional year if certain conditions are met at the time of the initial scheduled maturity. We pay interest on borrowings under the Revolving Facility A at floating interest rates plus a margin (which, in the case of LIBOR-based borrowings, ranges from 2.00% to 3.00%) that is set with reference to our leverage ratio. Borrowings under Revolving Facility B are subject to a margin that is 0.5% higher than the corresponding margin applicable to Revolving Facility A borrowings and .75% higher when our leverage ratio is greater than 7.0x. The rate will vary based on our leverage ratio. We are required to pay a quarterly commitment fee that will vary based on the amount of unused capacity. Currently, the commitment fee is .55% on an annual basis. On December 28, 2006, we drew $250 million to redeem our 9 $^{1}/_{4}$% Series G senior notes. In January 2007, we repaid $75 million of the outstanding balance.

Mortgage Debt. All of our mortgage debt is recourse solely to specific assets except for fraud, misapplication of funds and other customary recourse provisions. As of December 31, 2006, we have 29 assets that are secured by mortgage debt with an average interest rate of 7.5%.

In connection with the acquisition of The Westin Kierland Resort & Spa, Scottsdale, Arizona, on September 1, 2006, we assumed $135 million of mortgage debt with a fair value of $133 million at the date of acquisition and an interest rate of 5.08%. Interest is payable on the first of each month and the mortgage matures on December 1, 2009.

On June 1, 2006, we repaid the $84 million mortgage debt on the Boston Marriott Copley Place. Additionally, in August 2006, we exercised the second one-year extension option under the loan agreement for the $88 million JW Marriott Washington, D.C. mortgage, which extended the maturity of the loan to September 2007.

On April 10, 2006, in connection with the Starwood transaction, we assumed a $41 million mortgage with a rate of 8.51% and a fair value of approximately $46 million secured by The Westin Tabor Center, and a mortgage of approximately $36 million with a rate of 9.21% and a fair value of approximately $40 million secured by The Westin Indianapolis. The Westin Tabor Center mortgage matures on December 11, 2023 and The Westin Indianapolis mortgage matures on March 11, 2022.

On January 10, 2006, we issued mortgage debt in the amount of $135 million Canadian Dollars ($116 million US Dollars based on the exchange rate on the date of issuance) with a fixed rate of 5.195% that is secured by our four Canadian properties. The mortgage matures on March 1, 2011.

On October 17, 2005, we retired a mortgage secured by two of our Canadian properties with the prepayment of approximately $19 million. In addition to the prepayment of the mortgage debt secured by our Canadian properties, we prepaid $140 million, with the net proceeds from the Series O senior notes, of mortgage debt secured by two of our properties and had $20 million of mortgage debt assumed by the buyer in conjunction with a property disposition in 2005.

Derivative Instruments. In connection with the mortgage debt secured by the JW Marriott, Washington, D.C., we purchased an interest rate cap with a notional amount of $88 million, which capped the floating interest rate at 8.1% for the first three years of the loan. In August 2006, we exercised our option to extend the mortgage

for one year through September 2007. Additionally, we purchased a similar interest rate cap that caps the floating interest rate of the loan at 8.1% through September 2007. The cap represents a derivative that is marked to market each period and the gains and losses from changes in the market value of the cap are recorded in gain (loss) on foreign currency and derivative contracts. The fair value of the interest rate cap was immaterial at December 31, 2006 and December 31, 2005.

In connection with the issuance of our Series G and I senior notes, we had entered into interest rate swap agreements that effectively converted the senior notes to floating-rate debt. Under the swaps, we received fixed-rate payments and we made floating-rate payments based on LIBOR. We designated the interest rate swaps as fair value hedges for both financial reporting and tax purposes and the amounts paid or received under the swap agreements were recognized over the life of the agreements as an adjustment to interest expense. We recorded the changes in the fair value of the swaps and our Series G and I senior notes in the balance sheet as another asset and an increase in the respective senior notes balance, which had no income statement effect. The fair value of these interest rate swaps was $(5) million at December 31, 2005. We terminated the interest rate swap agreements for approximately $4 million in connection with the redemption of our Series G and I senior notes in December 2006.

Prior to the repayment in October 2005, the mortgage loan on our Canadian properties was denominated in U.S. dollars and the functional currency of the Canadian subsidiaries was the Canadian dollar. At the time of the origination of the loan, each of the subsidiaries entered into 60 separate forward currency contracts to buy U.S. dollars at a fixed price. These forward contracts hedged the currency exposure of converting Canadian dollars to U.S. dollars on a monthly basis to cover debt service payments, including the final balloon payment. The forward contracts represented derivatives that were marked to market each period with the gains and losses from changes in the market values of the contracts recorded in gain (loss) on foreign currency and derivative contracts. In 2005, we terminated the remaining foreign currency contracts for approximately $18 million and prepaid the remaining outstanding balance of the loan for approximately $19 million.

Aggregate Debt Maturities. Aggregate debt maturities at December 31, 2006 are as follows (in millions):

2007	$ 268
2008	550
2009	890
2010	521
2011	132
Thereafter	3,526
	5,887
Discount on senior notes	(12)
Capital lease obligations	3
	$5,878

Interest. During 2006, 2005 and 2004, we made cash interest payments of $459 million, $393 million and $419 million, respectively, which includes capitalized interest of $5 million, $5 million and $3 million, respectively, related to qualifying property construction activities. We recorded losses, which have been included in interest expense on our consolidated statements of operations, during 2006, 2005 and 2004, of approximately $17 million, $30 million and $55 million, respectively, on the early extinguishment of debt, which includes prepayment premiums, the acceleration of the related discounts and deferred financing costs and the termination of related interest rate swap agreements. Deferred financing costs amounted to $60 million and $63 million, net of accumulated amortization, as of December 31, 2006 and 2005, respectively. Amortization of deferred financing costs totaled $15 million, $14 million and $16 million in 2006, 2005 and 2004, respectively.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Amortization of property and equipment under capital leases totaled $2 million, $3 million and $2 million in 2006, 2005 and 2004, respectively, and is included in depreciation and amortization on the accompanying consolidated statements of operations.

5. Stockholders' Equity

Seven hundred fifty million shares of common stock, with a par value of $0.01 per share, are authorized, of which 521.1 million and 361.0 million were outstanding as of December 31, 2006 and 2005, respectively. Fifty million shares of no par value preferred stock are authorized, with 4.0 million shares and 10.0 million shares outstanding as of December 31, 2006 and 2005, respectively.

Dividends. We are required to distribute at least 90% of our taxable income, excluding net capital gain, to qualify as a REIT. However, our policy on common dividends is generally to distribute 100% of our taxable income, including net capital gain, unless otherwise contractually restricted. For our preferred dividends, we will generally pay the quarterly dividend, regardless of the amount of taxable income, unless similarly contractually restricted. The amount of any dividends will be determined by Host's Board of Directors.

The table below presents the amount of common and preferred dividends declared per share as follows:

	2006	2005	2004
Common stock	$ .76	$ .41	$ .05
Class A preferred stock 10%	—	—	1.38
Class B preferred stock 10%	—	.87	2.50
Class C preferred stock 10%	.625	2.50	2.50
Class E preferred stock 8 7/8%	2.22	2.22	1.37

Common Stock.

On April 16, 2006, we also issued approximately 133.5 million common shares for the acquisition of hotels from Starwood Hotels & Resorts. See Note 12, Acquisitions—Starwood Acquisition.

During 2006 and 2005, we converted our Convertible Subordinated Debentures into approximately 24 million and 6.8 million, shares of common stock, respectively. The remainder was redeemed for $2 million in April 2006. See Note 4, Convertible Subordinated Debentures.

Preferred Stock. We currently have one class of publicly-traded preferred stock outstanding: 4,034,400 shares of 8 7/8% Class E preferred stock. Holders of the preferred stock are entitled to receive cumulative cash dividends at 8 7/8% per annum of the $25.00 per share liquidation preference, which are payable quarterly in arrears. After June 2, 2009, we have the option to redeem the Class E preferred stock for $25.00 per share, plus accrued and unpaid dividends to the date of redemption. The preferred stock ranks senior to the common stock and the authorized Series A junior participating preferred stock (discussed below), and at parity with each other. The preferred stockholders generally have no voting rights. Accrued preferred dividends at December 31, 2006 and 2005 were approximately $2 million and $6 million, respectively.

During 2006, 2005 and 2004, we redeemed, at par, all of our then outstanding shares of Class C, B and A cumulative preferred stock, respectively. The fair value of the preferred stock (which was equal to the redemption price) exceeded the carrying value of the Class C, B and A preferred stock by approximately $6 million, $4 million and $4 million, respectively. These amounts represent the original issuance costs. The original issuance costs for the Class C, B and A preferred stock have been reflected in the determination of net income available to common stockholders for the purpose of calculating our basic and diluted earnings per share in the respective years of redemption.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stockholders Rights Plan. In 1998, the Board of Directors adopted a stockholder rights plan under which a dividend of one preferred stock purchase right was distributed for each outstanding share of our common stock. Each right when exercisable entitles the holder to buy 1/1,000 th of a share of a Series A junior participating preferred stock of ours at an exercise price of $55 per share, subject to adjustment. The rights are exercisable 10 days after a person or group acquired beneficial ownership of at least 20%, or began a tender or exchange offer for at least 20%, of our common stock. Shares owned by a person or group on November 3, 1998 and held continuously thereafter are exempt for purposes of determining beneficial ownership under the rights plan. The rights are non-voting and expire on November 22, 2008, unless exercised or previously redeemed by us for $.005 each. If we were involved in a merger or certain other business combinations not approved by the Board of Directors, each right entitles its holder, other than the acquiring person or group, to purchase common stock of either our company or the acquiror having a value of twice the exercise price of the right.

6. Income Taxes

During 1998, we restructured ourselves to enable us to qualify for treatment as a REIT effective January 1, 1999, pursuant to the U.S. Internal Revenue Code of 1986, as amended. In general, a corporation that elects REIT status and meets certain tax law requirements regarding the distribution of its taxable income to its stockholders as prescribed by applicable tax laws and complies with certain other requirements (relating primarily to the nature of its assets and the sources of its revenues) is generally not subject to federal and state income taxation on its operating income distributed to its stockholders. In addition to paying federal and state income taxes on any retained income, we are subject to taxes on "built-in-gains" on sales of certain assets. Additionally, our taxable REIT subsidiaries are subject to federal, state and foreign income tax. The consolidated income tax provision or benefit includes the income tax provision or benefit related to the operations of the taxable REIT subsidiaries, state income and franchise taxes incurred by Host and Host LP and foreign income taxes incurred by Host LP, as well as each of their respective subsidiaries.

Where required, deferred income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting bases of assets and liabilities and their respective tax bases and for operating loss, capital loss and tax credit carryforwards based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies.

Total deferred tax assets and liabilities at December 31, 2006 and 2005 are as follows (in millions):

	2006	2005
Deferred tax assets	$119	$118
Less: Valuation allowance	(22)	(22)
Subtotal	97	96
Deferred tax liabilities	(94)	(91)
Net deferred tax assets	$ 3	$ 5

We have recorded a valuation allowance under SFAS 109 equal to approximately $2 million (100%) of our domestic capital loss carryforward deferred tax asset. In addition, we have recorded a valuation allowance equal to approximately $19 million (100%) of our Mexican net operating loss and asset tax credit carryforwards deferred tax asset and approximately $1 million (18%) of our Canadian net operating loss carryforward deferred

tax asset. Any subsequent reduction in the valuation allowance related to a net operating loss, capital loss or tax credit carryforward will be recorded as a reduction of income tax expense. The primary components of our net deferred tax assets are as follows (in millions):

	2006	2005
Investment in hotel leases	$ 9	$ 18
Accrued related party interest	16	25
Net operating loss and capital loss carryforwards	32	39
Alternative minimum tax credits	3	3
Safe harbor lease investments	(18)	(19)
Property and equipment depreciation	(6)	(7)
Investments in affiliates	(61)	(65)
Deferred incentive management fees	—	11
Holdover period rent expense	(9)	—
Prepaid revenue	37	—
Net deferred tax assets	$ 3	$ 5

At December 31, 2006, we have aggregate gross domestic and foreign net operating loss, capital loss and tax credit carryforwards of approximately $143 million. We have deferred tax assets related to these loss and tax credit carryforwards of approximately $57 million and established a valuation allowance of approximately $22 million. Our net operating loss carryforwards expire through 2024, our domestic capital loss carryforward expires in 2010, and our foreign capital loss carryforwards have no expiration period. Our domestic tax credits have no expiration period and our foreign asset tax credits expire though 2016.

Our U.S. and foreign income (loss) from continuing operations before income taxes was as follows (in millions):

	2006	2005	2004
U.S. income (loss)	$297	$ 141	$ (88)
Foreign income (loss)	7	8	(4)
Total	$ 304	$149	$(92)

The provision (benefit) for income taxes for continuing operations consists of (in millions):

	2006	2005	2004
Current—Federal	$—	$—	$—
—State	2	2	2
—Foreign	8	5	7
	10	7	9
Deferred—Federal	—	18	(16)
—State	(5)	2	(2)
—Foreign	—	(3)	(1)
	(5)	17	(19)
Income tax provision (benefit)—continuing operations	$ 5	$ 24	$ (10)

The total provision (benefit) for income taxes, including the amounts associated with discontinued operations, was $7 million, $25 million and $(10) million in 2006, 2005 and 2004, respectively.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The differences between the income tax provision (benefit) calculated at the statutory federal income tax rate of 35 percent and the actual income tax provision (benefit) recorded each year for continuing operations are as follows (in millions):

	2006	2005	2004
Statutory federal income tax provision (benefit)	$ 110	$ 57	$(26)
Nontaxable (income) loss of Host REIT	(110)	(35)	12
State income tax provision (benefit), net	2	2	(1)
Tax contingencies	(5)	(5)	(1)
Foreign income tax provision	8	5	6
Income tax provision (benefit)—continuing operations	$ 5	$ 24	$ (10)

In 2006, 2005 and 2004, we recognized an income tax benefit of $5 million, $5 million and $1 million, respectively, relating to the reduction of previously accrued income taxes after an evaluation of the exposure items and the expiration of related statutes of limitation. Cash paid for income taxes, net of refunds received, was $8 million, $8 million and $10 million in 2006, 2005 and 2004, respectively.

7. Leases

Hotel Leases. We lease substantially all of our hotels (the "Leases") to a wholly owned subsidiary that qualifies as a taxable REIT subsidiary due to federal income tax restrictions on a REIT's ability to derive revenue directly from the operation and management of a hotel.

Hospitality Properties Trust Relationship. In a series of related transactions in 1995 and 1996, we sold and leased back 53 Courtyard by Marriott ("Courtyard") properties and 18 Residence Inn by Marriott ("Residence Inn") properties to Hospitality Properties Trust ("HPT"). These leases, which are accounted for as operating leases and are included in the table below, have initial terms expiring between 2010 and 2012 and are renewable at our option. Minimum rent payments are $57 million annually for the Courtyard properties and $19 million annually for the Residence Inn properties, and additional rent based upon sales levels are payable to HPT under the terms of the leases.

In 1998, we sublet the HPT properties (the "Subleases") to separate sublessee subsidiaries of Barceló Crestline Corporation (the "Sublessee"), subject to the terms of the applicable HPT lease. The term of each Sublease expires simultaneously with the expiration of the initial term of the HPT lease to which it relates and automatically renews for the corresponding renewal term under the HPT lease, unless either we or the Sublessee elect not to renew the Sublease provided, however, that neither party can elect to terminate fewer than all of the Subleases in a particular pool of HPT properties (one for the Courtyard properties and one for the Residence Inn properties). Rent payable by the Sublessee under the Subleases consists of the minimum rent payable under the HPT lease and an additional percentage rent payable to us. The percentage rent payable by the Sublessee is generally sufficient to cover the additional rent due under the HPT lease, with any excess being retained by us. The rent payable under the Subleases is guaranteed by the Sublessee, up to a maximum amount of $30 million, which is allocated between the two pools of HPT properties.

Other Lease Information. As of December 31, 2006, all or a portion of 38 of our hotels are subject to ground leases, generally with multiple renewal options, all of which are accounted for as operating leases. For lease agreements with scheduled rent increases, we recognize the lease expense on a straight-line basis over the term of the lease. Certain of these leases contain provisions for the payment of contingent rentals based on a percentage of sales in excess of stipulated amounts. We also have leases on facilities used in our former

restaurant business, some of which we subsequently subleased. These leases and subleases contain one or more renewal options, generally for five or ten-year periods. Our lease activities also include leases entered into by our hotels for various types of equipment, such as computer equipment, vehicles and telephone systems. The restaurant and equipment leases are accounted for as either operating or capital leases, depending on the characteristics of the particular lease arrangement. The amortization charge applicable to capitalized leases is included in depreciation expense in the accompanying consolidated statements of operations.

The following table presents the future minimum annual rental commitments required under non-cancelable leases for which we are the lessee as of December 31, 2006. Minimum payments for the operating leases have not been reduced by aggregate minimum sublease rentals from restaurants and the Sublessee of approximately $12 million and $420 million, respectively, payable to us under non-cancelable subleases.

	Capital Leases	Operating Leases
	(in millions)	
2007	$ 1	$ 119
2008	1	117
2009	1	111
2010	—	108
2011	—	88
Thereafter	—	1,040
Total minimum lease payments	3	$1,583
Less: amount representing interest	—	
Present value of minimum lease payments	$ 3	

We remain contingently liable on certain leases relating to divested non-lodging properties. Such contingent liabilities aggregated $27 million as of December 31, 2006. However, management considers the likelihood of any material funding related to these leases to be remote.

Rent expense consists of:

	2006	2005	2004
		(in millions)	
Minimum rentals on operating leases	$125	$119	$123
Additional rentals based on sales	28	19	18
Less: sublease rentals	(88)	(85)	(83)
	$ 65	$ 53	$ 58

8. Employee Stock Plans

We maintain two stock-based compensation plans, the comprehensive stock plan (the “Comprehensive Plan”), whereby we may award to participating employees (i) restricted shares of our common stock, (ii) options to purchase our common stock and (iii) deferred shares of our common stock and the employee stock purchase plan. At December 31, 2006, there were approximately 7.9 million shares of common stock reserved and available for issuance under the Comprehensive Plan.

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment (“SFAS 123 R”). As required under this statement, we recognize costs resulting from our share-based payment transactions in our financial

statements over their vesting periods. We classify share-based payment awards granted in exchange for employee services as either equity classified awards or liability classified awards. The classification of our restricted stock awards as either an equity award or a liability award is primarily based upon cash settlement options. Equity classified awards are measured based on the fair value on the date of grant. Liability classified awards are remeasured to fair value each reporting period. The value of all restricted stock awards, less estimated forfeitures, is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for awards for which employees do not render the requisite service. All restricted stock awards to senior executives have been classified as liability awards, primarily due to settlement features that allow the recipient to have a percentage of the restricted stock awards withheld to meet tax requirements in excess of the statutory minimum withholding. Restricted stock awards to our upper-middle management have been classified as equity awards as these awards do not have this optional tax withholding feature.

We adopted the fair value provisions of SFAS 123 in 2002 and, therefore, have recognized the costs associated with all share-based payment awards granted after January 1, 2002. Effective January 1, 2006, we instituted a new restricted stock program, which is accounted for using the provisions of SFAS 123R.

Restricted Stock. During the first quarter of 2006, we granted shares to senior executives to be distributed over the next three years in annual installments. Vesting for these shares is determined both on continued employment, as well as market performance based on the achievement of total shareholder return on an absolute and relative basis. For the shares that vest solely on continued employment, we recognize compensation expense over the requisite period based on the market price at the balance sheet date. For shares that vest based on market performance, we recognize compensation expense over the requisite service period based on the fair value of the shares at the balance sheet date, which is estimated using a simulation or Monte Carlo method. For the purpose of the simulation, we assumed a volatility of 20.2%, which is calculated based on the volatility of our stock price over the last three years, a risk-free interest rate of 4.74%, which reflects the yield on a 3-year Treasury bond, and a stock beta of 0.901 compared to the REIT composite index based on three years of historical price data. The number of shares issued is adjusted for forfeitures. All shares earned under the prior stock plan were fully vested for the year ended December 31, 2005.

We made an additional grant of shares to senior executives in February 2006 (“2006 supplemental grant”). Twenty-five percent of this award vested immediately and was expensed during the first quarter, while the remaining 75% vest over a three-year period based on continued employment. We recognize compensation expense for the outstanding portion of this grant based on the market price at the balance sheet date.

During 2006, 2005 and 2004, we recorded compensation expense of approximately $32 million, $20 million and $23 million respectively, related to the restricted stock awards to senior executives. The total unrecognized compensation cost, based on the valuation criteria above, that relates to nonvested restricted stock awards at December 31, 2006 was approximately $37 million, which, if earned, will be recognized over the weighted

average of 1.3 years. The following table is a summary of the status of our senior executive plans for the three years ended December 31, 2006. The fair values for the awards below are based on the fair value at the respective transaction dates, as the awards are classified as liability awards.

	2006		2005		2004	
	Shares (in millions)	Fair Value (per share)	Shares (in millions)	Fair Value (per share)	Shares (in millions)	Fair Value (per share)
Balance, at beginning of year	—	$ —	1.2	$ 17	2.5	$ 12
Granted	3.5	16	—	—	—	—
Vested(1)	(1.1)	24	(1.1)	19	(1.3)	16
Forfeited/expired	—	—	(.1)	17	—	—
Balance, at end of year	2.4	19	—	—	1.2	17
Issued in calendar year(1)	.7	19	.6	17	.7	12

(1) Shares that vest at December 31 of each year are issued to the employees in the first quarter of the following year, although the requisite service period is complete. Accordingly, the .7 million shares issued in 2006 include the shares vested at December 31, 2005, after adjusting for shares withheld to meet employee tax requirements. The withheld shares for employee tax requirements were valued at $11.7 million, $7.7 million and $6.6 million, for 2006, 2005 and 2004, respectively.

We also maintain a restricted stock program for our upper-middle management. Vesting for these shares is determined based on continued employment and, accordingly, we recognize compensation expense ratably over the service period of three years. We recorded compensation expense related to these shares of approximately $1.5 million, $1.4 million and $1.0 million during 2006, 2005 and 2004, respectively. The total unrecognized compensation cost, measured on the grant date, that relates to nonvested restricted stock awards at December 31, 2006 was approximately $.4 million, which, if earned, will be recognized over the weighted average remaining service period of 1 year. The following table is a summary of the status of our upper-middle management plan for the three years ended December 31, 2006. The fair values for the awards below are based on the fair value at the grant date of the respective awards, as the awards are classified as equity awards.

	2006		2005		2004	
	Shares (in thousands)	Fair Value (per share)	Shares (in thousands)	Fair Value (per share)	Shares (in thousands)	Fair Value (per share)
Balance, at beginning of year	25	$ 16	21	$ 13	—	$ —
Granted	78	20	89	16	89	13
Vested (1)	(74)	19	(80)	15	(58)	13
Forfeited/expired	(7)	18	(5)	15	(10)	13
Balance, at end of year	22	20	25	16	21	13
Issued in calendar year (1)	47	17	37	16	24	13

(1) Shares that vest at December 31 of each year are issued to the employees in the first quarter of the following year, although the requisite service period is complete. Accordingly, the 47,000 shares issued in 2006 include the shares vested at December 31, 2005, after adjusting for shares withheld to meet employee tax requirements. The value of shares withheld for employee tax requirements was not material for all periods presented.

Employee Stock Purchase Plan. Under the terms of the employee stock purchase plan, eligible employees may purchase common stock through payroll deductions at 90% of the lower of market value at the beginning or end of the plan year, which runs from February 1 through January 31. We record compensation expense for the

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

employee stock purchase plan based on the fair value of the employees' purchase rights, which is estimated using an option-pricing model with the following assumptions for the 2006, 2005 and 2004 plan years, respectively; Risk-free interest rate of 4.7%, 4.3% and 2.9%, volatility of 33%, 34% and 34%, expected life of one year for all periods. We assume a dividend yield of 0% for these grants, as no dividends are accrued during the one year vesting period. We issued approximately 16,000, 14,000 and 16,000 shares, for the 2006, 2005 and 2004 plan years, respectively. The weighted average fair value of these shares granted was $4.73, $4.27 and $3.02 in 2006, 2005 and 2004, respectively. The compensation expense reflected in net income was not material for all periods presented.

Employee Stock Options. Effective January 1, 2002, we adopted the expense recognition provisions of SFAS 123 for employee stock options granted on or after January 1, 2002 only. We did not grant any stock options after December 2002. All options granted are fully vested as of December 31, 2006.

The fair value of the 2002 stock options was estimated on the date of grant using an option-pricing model. Compensation expense for the stock options is recognized on a straight-line basis over the vesting period. The weighted average fair value per option granted during 2002 was $1.41. We recorded compensation expense of approximately $229,000, $244,000 and $280,000 for 2006, 2005 and 2004, which represents the expense for stock options granted during 2002. As of December 31, 2006, all outstanding options were exercisable. The aggregate intrinsic value of the outstanding and exercisable options at December 31, 2006 was approximately $12.9 million.

The following table is a summary of the status of our stock option plans that have been approved by our stockholders for the three years ended December 31, 2006. We do not have stock option plans that have not been approved by our stockholders.

	2006		2005		2004	
	Shares (in millions)	Weighted Average Exercise Price	Shares (in millions)	Weighted Average Exercise Price	Shares (in millions)	Weighted Average Exercise Price
Balance, at beginning of year	1.4	$ 6	2.6	$ 6	4.5	$ 6
Granted	—	—	—	—	—	—
Exercised	(.7)	6	(1.1)	6	(1.6)	7
Forfeited/expired	—	—	(.1)	6	(.3)	8
Balance, at end of year	.7	6	1.4	6	2.6	6
Options exercisable at year-end	.7		1.2		2.0	

The following table summarizes information about stock options at December 31, 2006:

	Options Outstanding and Exercisable		
Range of Exercise Prices	Shares (in millions)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$1 – 3	.3	1	$ 3
4 – 6	.1	2	6
7 – 9	.3	9	8
	.7		

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In connection with the Host Marriott Services ("HM Services") spin-off in 1995, outstanding options held by our current and former employees were redenominated in both our and HM Services stock and the exercise prices of the options were adjusted based on the relative trading prices of shares of the common stock of the two companies. Pursuant to the distribution agreement between us and HM Services, we originally had the right to receive up to 1.4 million shares of HM Services' common stock or an equivalent cash value subsequent to exercise of the options held by certain former and current employees of Marriott International. On August 27, 1999, Autogrill Acquisition Co., a wholly owned subsidiary of Autogrill SpA of Italy, acquired HM Services. Since HM Services is no longer publicly traded (and has been renamed HMS Host), all future payments to us will be made in cash. As of December 31, 2006 and 2005, the receivable balance was approximately $1 million and $2 million, respectively, which is included in other assets in the accompanying consolidated balance sheets.

Deferred Stock. Deferred stock incentive plan shares granted to officers and key employees after 1990 generally vest over 10 years in annual installments commencing one year after the date of grant. Certain employees may elect to defer payments until termination or retirement. We accrue compensation expense on a straight-line basis over the vesting period for the fair market value of the shares on the date of grant, less estimated forfeitures. No shares were granted under this plan since 2003. The compensation cost that has been charged against income for deferred stock was not material for all periods presented. The implementation of SFAS No. 123 had no impact on the calculation of compensation expense for the deferred stock incentive plan.

9. Profit Sharing and Postemployment Benefit Plans

We contribute to defined contribution plans for the benefit of employees meeting certain eligibility requirements and electing participation in the plans. The discretionary amount to be matched by us is determined annually by the Board of Directors. We provide medical benefits to a limited number of retired employees meeting restrictive eligibility requirements. Our recorded liability for this obligation is not material. Payments for these items were not material for the three years ended December 31, 2006.

10. Discontinued Operations

Assets Held For Sale. As of December 31, 2006, four hotels were classified as held for sale, all of which were sold during January 2007. As of December 31, 2005, two hotels were classified as held for sale, both of which were sold in 2006. We reclassified the assets and liabilities relating to these hotels as held for sale in our consolidated balance sheets as of December 31, 2006 and 2005, respectively, as detailed in the following table (in millions):

	2006	2005
Property and equipment, net	$ 95	$ 62
Other assets	1	11
Total assets	$ 96	$ 73
Other liabilities	—	—
Total liabilities	$—	$—

Dispositions. We sold seven hotels in 2006, five hotels in 2005 and nine hotels in 2004, and classified four hotels as held for sale as of December 31, 2006. The following table summarizes the revenues, income before taxes, and the gain on dispositions, net of tax, of the hotels which have been reclassified to discontinued operations in the consolidated statements of operations for the periods presented (in millions):

	2006	2005	2004
Revenues	$ 70	$176	$313
Income before taxes	13	22	30
Gain on disposals, net of tax	416	19	52

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Gain on Insurance Settlement

Eight of our properties sustained damage from hurricanes during 2005, with two, the New Orleans Marriott and the Fort Lauderdale Marina Marriott, having extensive damage which required us to temporarily close all or part of these hotels. The current range of estimates to repair the damage at all of the properties is approximately $60 million to $80 million, substantially all of which will be covered by insurance. Our insurance coverage for the properties entitles us to receive recoveries for damage to the hotels, as well as payments for business interruption. Gains resulting from insurance proceeds will not be recognized until all contingencies are resolved. As of December 31, 2005, we recorded an insurance receivable of approximately $35 million which reflected the book value of the property and equipment written off and repairs and clean-up costs incurred as a result of the hurricane damage which will be covered by insurance. During 2006, we received approximately $22 million of insurance proceeds, which reduced our receivable to approximately $14 million as of December 31, 2006. During 2006 and 2005, we received approximately $16 million and $9 million of business interruption proceeds related to the operations of the hotels for which all contingencies have been resolved.

In 2004, the gain on insurance settlement includes $3 million of business interruption proceeds that we received in connection with the loss of business at our Toronto hotels due to the outbreak of Severe Acute Respiratory Syndrome (SARS).

12. Acquisitions

Starwood Acquisition

On April 10, 2006, we acquired 25 domestic hotels and three foreign hotels from Starwood Hotels & Resorts Worldwide, Inc., or Starwood. The acquisition was completed pursuant to the Master Agreement and Plan of Merger, dated as of November 14, 2005, and amended as of March 24, 2006, (the "Master Agreement") among Host, Starwood and certain of their respective subsidiaries.

For the 28 hotels included in the initial closing, the total consideration paid by Host to Starwood and its stockholders included the issuance of $2.27 billion of equity (133,529,412 shares of Host common stock) to Starwood stockholders, the assumption of $77 million in debt and the cash payment of approximately $750 million, which includes closing costs. An exchange price of Host common stock of $16.97 per share was calculated based on guidance set forth in Emerging Issues Task Force Issue No. 99-12, as the average of the closing prices of Host common stock during the range of trading days from two days before and after the November 14, 2005 announcement date.

The purchase price of the acquired assets and liabilities has been recorded based on fair value. Property and equipment has been recorded on a stepped-up basis from historical costs and the fair value of assumed debt has been based on expected future debt service payments discounted at risk-adjusted rates. Other assets and liabilities are recorded at historical costs, which is believed to be equivalent to fair value. We have substantially completed our process of allocating the purchase price among individual hotels and evaluating the fair value of the allocation of the purchase price among each individual hotel's assets and liabilities, including land, property and equipment items, other assets and liabilities, and assumed agreements, including ground and retail space leases and other intangible assets. While the purchase price allocations are substantially complete, they may be subject to refinement, which would likely affect the amount of depreciation expense recorded. The operating results of each of the consolidated acquired hotels are included in our statement of operations from the date acquired.

In conjunction with our acquisition of the Starwood properties, we evaluated various operating, license, ground and retail lease agreements to determine if the terms were at, above or below market in accordance with SFAS 141. We identified five agreements which we determined were not on market terms and recorded each of

these agreements at their fair value as either an intangible asset or liability on the accompanying balance sheet. We recognized an intangible asset for a ground lease with a fair value of approximately $3 million that is recorded in other assets on our balance sheet. Additionally, we recorded an intangible liability for four unfavorable ground and retail lease agreements with a total fair value of approximately $8 million that is included in other liabilities on the accompanying balance sheet. The intangible asset and liabilities will be amortized over the life of the related agreements, with the income or expense recorded in other property level expenses.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed in the Starwood transaction, less the Sheraton Warsaw Hotel & Towers, which was contributed to the European Joint Venture on May 2, 2006 (see Note 3 for further information) (in millions):

Property and equipment, net	$ 3,058
Other assets	10
Total assets	3,068
Debt (a)	(77)
Other liabilities	(19)
Net assets acquired	$2,972

(a) We assumed $77 million of mortgage debt from Starwood with a fair value of $86 million in the transaction.

Our summarized unaudited consolidated pro forma results of operations, assuming the Starwood acquisition occurred on January 1, 2005, are as follows (in millions, except per share amounts):

	2006	2005
Revenues	$5,136	$4,690
Income from continuing operations	325	227
Net income	754	268
Net income available to common shareholders	734	237
Basic earnings per common share:		
Continuing operations	.59	.40
Discontinued operations	.82	.09
Basic earnings per common share	$ 1.41	$ .49
Diluted earnings per common share:		
Continuing operations	.58	.40
Discontinued operations	.82	.08
Diluted earnings per common share	$ 1.40	$ .48

Other Acquisitions

On September 1, 2006, we acquired The Westin Kierland Resort & Spa in Scottsdale, Arizona, for approximately $393 million, including the assumption of the $135 million of mortgage debt with a fair value of $133 million. In connection with the acquisition, we recorded an intangible asset with a fair value of approximately $9 million, which is included in other assets on the accompanying balance sheet. The intangible asset will be amortized over the life of the hotel management agreement.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Starwood and The Westin Kierland acquisitions, the amount of amortization income and expense for intangible assets and liabilities were both immaterial for the period ended December 31, 2006. The intangibles that we assumed have an amortization period of three to 70 years. Additionally, the estimated aggregate net amortization for the next five years is expected to be less than $1 million.

On September 30, 2005, we acquired the 834-room Hyatt Regency Washington on Capitol Hill in Washington, D.C. for a purchase price of approximately $274 million.

On December 30, 2004, we received approximately $47 million in payment of a note receivable from a minority partner in a consolidated subsidiary that owns two hotels. At the request of the minority partner, the partnership purchased preferred units of Vornado Realty Trust (the "Vornado Preferred Units), which we held as of December 31, 2004. As the Vornado Preferred Units are not publicly traded, we have recorded them in other assets at their cost basis in our consolidated balance sheet. On January 3, 2005, these securities were transferred to the minority partner, in redemption of his partnership interest, and we also paid approximately $14 million to a second partner for the remaining minority interests in the partnership. No gain or loss was recognized on this transaction.

On September 22, 2004, we acquired the 270-suite Scottsdale Marriott at McDowell Mountains for a purchase price of approximately $58 million, including the assumption of approximately $34 million of mortgage debt on the hotel. On July 15, 2004, we acquired the 450-suite Fairmont Kea Lani Maui for approximately $355 million. On April 27, 2004, we purchased the 455-suite Chicago Embassy Suites, Downtown-Lakefront for approximately $89 million.

The pro forma statements of operations have not been provided for The Westin Kierland Resort & Spa acquisition in 2006, and the acquisitions completed in 2005 and 2004, as the effect of the acquisitions is not material.

13. Fair Value of Financial Instruments

The fair value of certain financial assets and liabilities and other financial instruments are shown below:

	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Financial assets				
Notes receivable	$ 9	$ 9	$ 7	$ 7
Financial liabilities				
Senior notes (excluding fair value of swaps)	3,031	3,033	2,562	2,621
Exchangeable Senior Debentures	495	737	493	582
Credit Facility	250	250	20	20
Mortgage debt and other, net of capital leases	2,100	2,181	1,910	2,068
Convertible Subordinated Debentures	—	—	387	473

Notes receivable and other financial assets are valued based on the expected future cash flows discounted at risk-adjusted rates. Valuations for secured debt are determined based on the expected future payments discounted at risk-adjusted rates. Senior notes and the Convertible Subordinated Debentures 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.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. Relationship with Marriott International

We have entered into various agreements with Marriott, including the management of approximately 60% of our hotels, as well as franchised properties; financing for joint ventures or partnerships including the acquisition in 1996 of two hotels (one of which was sold on January 30, 2004) in Mexico City, Mexico and the 2000 acquisition of CBM Joint Venture LLC (see Note 3) and certain limited administrative services.

In 2006, 2005 and 2004, we paid Marriott $165 million, $148 million and $129 million, respectively, in hotel management fees and $1 million, $1 million and $2 million, respectively, in franchise fees. Included in the management fees paid are amounts paid to The Ritz-Carlton Hotel Company, LLC (Ritz-Carlton), Courtyard Management Corporation and Residence Inn Management Corporation.

We negotiated amendments to various management agreements with Marriott and agreed, among other matters, to waive performance termination tests through the end of fiscal year 2009, to modify certain extension tests which condition the manager's ability to renew the management agreements, and to extend certain contracts for ten additional years. As part of this negotiation, Marriott agreed to make cash payments to us, over time, to reduce an existing cap on the costs and expenses related to chain services that are provided on a centralized basis, as well as to establish a cap on certain other costs, to provide us with an incentive to increase our capital expenditures at the hotels through 2008, to waive certain deferred management fees, and to modify the incentive management fee on certain contracts. In addition, we agreed to use a portion of Marriott's cash payments for brand reinvestment projects at various hotels in our portfolio.

15. Hotel Management Agreements and Operating and License Agreements

Our hotels are subject to management agreements under which various operators, including Marriott, Ritz-Carlton, Hyatt, Swissôtel, Hilton, Four Seasons, Fairmont and Starwood, operate our hotels for the payment of a management fee. The agreements generally provide for both base and incentive management fees based on hotel sales and operating profit, respectively. As part of the management agreements, the manager furnishes the hotels with certain chain services which are generally provided on a central or regional basis to all hotels in the manager's hotel system. Chain services include central training, advertising and promotion, national reservation systems, computerized payroll and accounting services, and such additional services as needed which may be more efficiently performed on a centralized basis. Costs and expenses incurred in providing such services are allocated among the hotels managed, owned or leased by the manager on a fair and equitable basis. In addition, our managers will generally have a guest rewards program which will be charged to all of the hotels that participate in the program.

We are obligated to provide the manager with sufficient funds, generally 5% of revenue generated at the hotel, to cover the cost of (a) certain non-routine repairs and maintenance to the hotels which are normally capitalized; and (b) replacements and renewals to the hotels' furniture, fixtures and equipment. Under certain circumstances, we will be required to establish escrow accounts for such purposes under terms outlined in the agreements.

Marriott International

Of our hotels, 72 are subject to management agreements under which Marriott or one of their subsidiaries manages the hotels, generally for an initial term of 15 to 20 years with one or more renewal terms at the option of Marriott. Marriott typically receives a base fee of three percent of gross revenues and incentive management fees generally equal to 20% operating profit after we have received a priority return. We have the option to terminate certain management agreements if specified performance or extension thresholds are not satisfied. A single agreement may be canceled under certain conditions, although such cancellation will not trigger the cancellation of any other agreement.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Additionally, we have agreed with Marriott that a pool of hotels currently subject to existing management agreements may be sold over time unencumbered by a Marriott management agreement without the payment of termination fees, subject to certain restrictions. The remaining pool includes 23 hotels. Approximately 70% of this pool (as measured by EBITDA) may be sold free and clear of their existing management agreements without the payment of a termination fee, provided the hotels maintain the Marriott brand affiliation through a franchise agreement. A percentage of these hotels may also be sold free and clear of their existing management agreements and brand affiliation without a termination fee.

We have a franchise agreement with Marriott for one hotel. Pursuant to the franchise agreement, we pay a franchise fee based on a percentage of room sales and food and beverage sales, as well as certain other fees for advertising and reservations. Franchise fees for room sales are approximately six percent of sales, while fees for food and beverage sales are approximately three percent of sales. The franchise agreement has a term of 30 years.

Ritz-Carlton

We hold management agreements with Ritz-Carlton, a wholly-owned subsidiary of Marriott, to manage nine of our hotels. These agreements have an initial term of 15 to 25 years with one or more renewal terms at the option of Ritz-Carlton. Base management fees vary from two to five percent of sales and incentive management fees, if any, are generally equal to 20% of available cash flow or operating profit, after we have received a priority return as defined in the agreements.

Starwood

As of December 31, 2006, 27 of our hotels are subject to operating and license agreements with Starwood under which Starwood operates the hotels, for an initial term of 20 years, with two renewal terms of 10 years each. Starwood receives compensation in the form of a base fee of 1% of annual gross operating revenues, and an incentive fee of 20% of annual gross operating profit, after we have received a priority return of 10.75% on our purchase price and other investments in the hotels.

The license agreements address matters relating to the subject brand, including rights to use service marks, logos, symbols and trademarks, such as those associated with Westin, Sheraton. W, Luxury Collection and St. Regis, as well as matters relating to compliance with certain standards and policies and (including through other agreements in the case of certain hotels) the provision of certain system program and centralized services. The license agreements have an initial term of 20 years each, with two renewal terms of 10 years each at the option of the licensor. Licensors receive compensation in the form of license fees of 5% of room sales and 2% of food and beverage sales.

We have the right to terminate the operating agreements on 17 specified hotels as of December 31, 2006 upon the sale of those hotels. With respect to eight hotels as of December 31, 2006, we have the right to sell no more than three annually free and clear of their existing operating agreements without the payment of a termination fee, and we have a limited right to terminate one license agreement annually. With respect to the remaining nine hotels, we have the right beginning in 2016 to sell 35% of the hotels (measured by EBITDA) free and clear of the existing operating agreement over a period of time without the payment of a termination fee. With respect to any termination of an operating agreement on sale, the proposed purchaser would need to meet the requirements for transfer under the applicable license agreement.

Other Managers

We also hold management agreements with hotel management companies such as Hyatt, Hilton, Four Seasons and Fairmont for 17 of our hotels. These agreements generally provide for an initial term of 10 to 20 years with renewal terms at the option of either party or, in some cases, the hotel management company of up to

an additional one to 15 years. The agreements generally provide for payment of base management fees equal to one to four percent of sales. Sixteen of the seventeen agreements also provide for incentive management fees generally equal to 10 to 30 percent of available cash flow, operating profit, or net operating income, as defined in the agreements, after we have received a priority return.

16. Geographic and Business Segment Information

We consider each one of our hotels to be an operating segment, none of which meets the threshold for a reportable segment. We also allocate resources and assess operating performance based on individual hotels. All of our other real estate investment activities (primarily our leased hotels and office buildings) are immaterial, and thus, we report one business segment: hotel ownership. Our foreign operations consist of four properties located in Canada, two properties located in Chile and one property located in Mexico. There were no intercompany sales between us and the foreign properties. The following table presents revenues and long-lived assets for each of the geographical areas in which we operate (in millions):

	2006		2005		2004	
	Revenues	Property and Equipment	Revenues	Property and Equipment	Revenues	Property and Equipment
United States	$ 4,739	$ 10,384	$ 3,648	$ 7,286	$ 3,346	$ 7,148
Canada	107	112	94	110	87	111
Chile	16	53	—	—	—	—
Mexico	26	35	24	38	24	39
Total	$ 4,888	$ 10,584	$ 3,766	$ 7,434	$ 3,457	$ 7,298

17. Guarantees and Contingencies

We have certain guarantees which consist of commitments we have made to third parties for leases or debt that are not on our books due to various dispositions, spin-offs and contractual arrangements, but that we have agreed to pay in the event of certain circumstances including default by an unrelated party. We consider the likelihood of any material payments under these guarantees to be remote. The guarantees are listed below:

- We remain contingently liable for rental payments on certain divested non-lodging properties. These primarily represent divested restaurants that were sold subject to our guarantee of the future rental payments. The aggregate amount of these future rental payments is approximately $27 million as of December 31, 2006.
- In 1997, we owned Leisure Park Venture Limited Partnership, which owns and operates a senior living facility. We spun-off the partnership to Barceló Crestline Corporation, formerly Crestline Capital Corporation, in the REIT conversion, but we remain obligated under a guarantee of interest and principal with regard to $14.7 million of municipal bonds issued by the New Jersey Economic Development Authority through their maturity in 2027. However, to the extent we are required to make any payments under the guarantee, we have been indemnified by Barceló Crestline Corporation, who, in turn, is indemnified by the current owner of the facility.
- In connection with the sale of two hotels in January 2005, we remain contingently liable for the amounts due under the respective ground leases. The future minimum lease payments are approximately $14 million through the full term of the leases, including renewal options. We believe that any liability related to these ground leases is remote, and in each case, we have been indemnified by the purchaser of the hotel.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- In connection with the Starwood acquisition, we identified four properties with environmental liabilities, primarily asbestos in non-public areas of the properties, for which we have recorded the present value of the liability, or approximately $2.3 million, in accordance with FIN 47 "Accounting for Conditional Asset Retirement Obligations". The amount is based on management's estimate of the timing and future costs to remediate the liability. We will record the accretion expense over the period we intend to hold the hotel or until the item is remediated.

18. Related Party Transactions

In December 2006, the insurance trust which holds split-dollar life insurance policies for Mr. J. Willard Marriott, Jr. exercised its rights under its Split-Dollar Life Insurance Policies Agreement with the Company to purchase our interest in the policy. We received approximately $4.5 million, which equaled the premiums paid on the policy since 1996 (inception) in accordance with the terms of the agreement.

19. Mandatorily Redeemable Non-controlling Interests of All Entities

We consolidate four majority-owned partnerships, the Philadelphia Market Street HMC Host Limited Partnership; the Pacific Gateway, Ltd; the Lauderdale Beach Association; and the Marriott Mexico City Partnership G.P., all of which have finite lives ranging from 77 to 100 years that terminate between 2061 and 2097.

As of December 31, 2006, the minority interest holders in two of the partnerships have settlement alternatives in which they could be issued a total of 2.4 million OP units based on their ownership percentages as stipulated in their partnership agreements. At December 31, 2006 and 2005, the OP units issuable were valued at $60 million and $39 million, respectively. Two of these partnerships do not have any settlement alternatives. At December 31, 2006 and 2005, the fair values of the minority interests in these partnerships were approximately $129 million and $121 million, respectively.

20. Quarterly Financial Data (unaudited)

	2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions, except per share amounts)			
Revenues	$ 840	$1,195	$1,119	$1,734
Income from continuing operations	17	94	31	167
Income from discontinued operations	155	236	9	29
Net income	172	330	40	196
Net income available to common stockholders	166	320	38	194
Basic earnings per common share:				
Continuing operations	.03	.17	.05	.32
Discontinued operations	.41	.48	.02	.05
Net income	.44	.65	.07	.37
Diluted earnings per common share:				
Continuing operations	.03	.17	.05	.31
Discontinued operations	.41	.45	.02	.05
Net income	.44	.62	.07	.36

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions, except per share amounts)			
Revenues	$ 783	$ 948	$ 805	$1,230
Income (loss) from continuing operations	(10)	85	(8)	58
Income from discontinued operations	16	6	3	16
Net income (loss)	6	91	(5)	74
Net income (loss) available to common stockholders	(2)	80	(11)	68
Basic earnings (loss) per common share:				
Continuing operations	(.05)	.21	(.04)	.15
Discontinued operations	.04	.02	.01	.04
Net income (loss)	(.01)	.23	(.03)	.19
Diluted earnings (loss) per common share:				
Continuing operations	(.05)	.20	(.04)	.15
Discontinued operations	.04	.02	.01	.04
Net income (loss)	(.01)	.22	(.03)	.19

The sum of the basic and diluted earnings (loss) per common share for the four quarters in all years presented differs from the annual earnings per common share due to the required method of computing the weighted average number of shares in the respective periods.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

As required by Rules 13a-15 under the Securities Exchange Act of 1934, management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

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

Internal Control over Financial Reporting

See Item 8 for Management's Report on Internal Control over Financial Reporting.

Item 9B. ***Other Information***

None.

PART III

Certain information called for by Items 10-14 is incorporated by reference from our 2007 Annual Meeting of Stockholders Notice and Proxy Statement (to be filed pursuant to Regulation 14A not later than 120 days after the close of our fiscal year).

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item with respect to directors is incorporated by reference to the section of Host's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders entitled "Proposal No. 1: Election of Directors." See Part I of this Annual Report for information regarding Host's executive officers.

The information required by this item with respect to compliance with Section 16(a) of the Exchange Act is incorporated by reference to the section of Host's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders entitled "Section 16(a) Beneficial Ownership Reporting Compliance."

The information required by this item with respect to Host's Audit Committee and Audit Committee Financial Experts is incorporated by reference to the section of Host's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders entitled "The Board of Directors and Committees of the Board." There have been no material changes to the procedures by which stockholders may recommend nominees to the Board of Directors since our last annual report.

We have adopted a Code of Business Conduct and Ethics that applies to all employees. In compliance with the applicable rules of the SEC, special ethics obligations of our Chief Executive Officer, Chief Financial Officer, Corporate Controller and other employees who perform financial or accounting functions are set forth in Section 8 of the Code of Business Conduct and Ethics, entitled *Special Ethics Obligations of Employees with Financial Reporting Obligations*. The Code is available at the Investor Information/Corporate Governance section of our website at www.hosthotels.com. A copy of the Code is available in print, free of charge, to stockholders upon request to the Company at the address set forth in Item 1, Attn: Secretary. We intend to satisfy the disclosure requirements under the Securities and Exchange Act of 1934, as amended, regarding an amendment to or waiver from our Code of Business Conduct and Ethics by posting such information on our web site.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference to the sections of Host's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders entitled: "Compensation Discussion and Analysis," "Executive Officer Compensation," "Compensation of Directors," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The Information required by this item is incorporated by reference to the sections of Host's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders entitled: "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information."

Item 13. *Certain Relationships and Related Transactions*

The Information required by this item is incorporated by reference to the section of Host's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders entitled "Certain Relationships and Related Transactions."

Item 14. *Principal Accounting Fees and Services*

The information required by this item is incorporated by reference to the section of Host's definitive Proxy Statement for its 2007 Annual Meeting of Stockholders entitled "Auditor Fees."

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) LIST OF DOCUMENTS FILED AS PART OF THIS REPORT

(i) FINANCIAL STATEMENTS

All financial statements of the registrant are set forth under Item 8 of this Report on Form 10-K.

(ii) FINANCIAL STATEMENT SCHEDULES

The following financial information is filed herewith on the pages indicated.

Financial Schedules:

All other schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(b) EXHIBITS

Exhibit No.	Description
2.1	Master Agreement and Plan of Merger among Host Marriott Corporation, Host Marriott, L.P., Horizon Supernova Merger Sub, L.L.C., Horizon SLT Merger Sub, L.P., Starwood Hotels & Resorts Worldwide, Inc., Starwood Hotels & Resorts, Sheraton Holding Corporation and SLT Realty Limited Partnership dated as of November 14, 2005 (incorporated by reference from Annex A to the proxy statement/prospectus contained in Host Marriott Corporation's Registration Statement on Form S-4 (Registration No. 333-130249) filed on December 9, 2005).
2.2	Indemnification Agreement among Host Marriott Corporation, Host Marriott L.P. and Starwood Hotels & Resorts Worldwide, Inc. dated November 14, 2005 (incorporated by reference from Annex B to the proxy statement/prospectus contained in Host Marriott Corporation's Registration Statement on Form S-4 (Registration No. 333-130249) filed on December 9, 2005).
2.3	Tax Sharing and Indemnification Agreement among Host Marriott Corporation, Host Marriott, L.P., Horizon Supernova Merger Sub, L.L.C., Horizon SLT Merger Sub, L.P., Starwood Hotels & Resorts Worldwide, Inc., Starwood Hotels & Resorts, Sheraton Holding Corporation and SLT Realty Limited Partnership dated as of November 14, 2005 (incorporated by reference from Annex C to the proxy statement/prospectus contained in Host Marriott Corporation's Registration Statement on Form S-4 (Registration No. 333-130249) filed on December 9, 2005).
2.4	Amendment Agreement, dated March 24, 2006, amending the master agreement and plan of merger, the indemnification agreement and the tax sharing and indemnification agreement by and among Host Marriott Corporation, Host Marriott, L.P., Horizon Supernova Merger Sub, L.L.C., Horizon SLT Merger Sub, L.P., Starwood Hotels & Resorts Worldwide, Inc., Starwood Hotels & Resorts, Sheraton Holding Corporation and SLT Realty Limited Partnership, each dated November 14, 2005 (incorporated by reference to Exhibit 2.4 of Host Marriott Corporation's Current Report on Form 8-K, filed March 28, 2006).
3.1	Articles of Restatement of Articles of Incorporation of Host Marriott Corporation (incorporated by reference to Exhibit 3.1 of Host Marriott Corporation's Report on Form 10-Q, filed October 17, 2005).

Exhibit No.	Description
3.2	Articles of Amendment of Articles of Incorporation of Host Hotels & Resorts, Inc. (incorporated by reference to Exhibit 3.3 of Host Hotels & Resorts, Inc. Current Report on Form 10-K, filed on April 19, 2006).
3.3	Amended and Restated Bylaws of Host Hotels & Resorts, Inc., effective October 25, 2006 (incorporated by reference to Exhibit 3.1 of Host Hotels & Resorts, Inc. Current Report on Form 8-K, filed on October 31, 2006).
4.1	Form of Common Stock Certificate (incorporated herein by reference to Exhibit 4.7 to Host Marriott Corporation's Amendment No. 4 to its Registration Statement on Form S-4 (SEC File No. 333-55807) filed on October 2, 1998).
4.2	Rights Agreement between Host Marriott Corporation and The Bank of New York as Rights Agent, dated as of November 23, 1998 (incorporated by reference to Exhibit 4.1 of Host Marriott Corporation's Registration Statement on Form 8-A, filed on December 11, 1998).
4.3	Amendment No. 1 to Rights Agreement between Host Marriott Corporation and The Bank of New York, as Rights Agent, dated as of December 18, 1998 (incorporated by reference to Exhibit 4.2 of Host Marriott Corporation's Current Report on Form 8-K, filed on December 24, 1998).
4.4	Amendment No. 2 to Rights Agreement between Host Marriott Corporation and The Bank of New York, as Rights Agent, dated as of August 21, 2002 (incorporated by reference to Exhibit 4.3 to Host Marriott Corporation's Report on Form 10-Q for the quarter ended September 6, 2002, filed on October 21, 2002).
4.5	Form of Rights Certificate (incorporated by reference to Exhibit 4.3 of Host Marriott Corporation's Registration Statement on Form 8-A (SEC File No. 333-55807) filed on December 11, 1998).
4.6	Amended and Restated Indenture dated as of August 5, 1998, by and among HMH Properties, Inc., as Issuer, and the Subsidiary Guarantors named therein, and Marine Midland Bank, as Trustee (incorporated by reference to Host Marriott Corporation Current Report on Form 8-K dated August 6, 1998).
4.7	Third Supplemental Indenture, dated as of December 14, 1998, by and among HMH Properties Inc., Host Marriott, L.P., the entities identified therein as New Subsidiary Guarantors and Marine Midland Bank, as Trustee, to the Amended and Restated Indenture, dated as of August 5, 1998, among the Company, the Guarantors named therein, Subsidiary Guarantors named therein and the Trustee (incorporated by reference to Exhibit 4.3 of Host Marriott, L.P.'s Current Report on Form 8-K filed with the Commission on December 31, 1998).
4.8	Ninth Supplemental Indenture, dated as of December 14, 2001, among Host Marriott, L.P. the Subsidiary Guarantors signatory thereto and HSBC Bank USA (formerly Marine Midland Bank, as Trustee to the Amended and Restated Indenture, dated as of August 5, 1998, as amended and supplemented through the date of the Ninth Supplemental Indenture (incorporated by reference to Exhibit 4.2 of Host Marriott, L.P.'s Registration Statement on Form S-4 (SEC File No. 333-76550) filed with the Commission on January 10, 2002).
4.9	Amended and Restated Twelfth Supplemental Indenture, dated as of July 28, 2004, by and among Host Marriott, L.P., the Subsidiary Guarantors signatures thereto and The Bank of New York, as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee to the Amended and Restated Indenture, dated August 5, 1998 (incorporated by reference to Exhibit 4.17 of Host Marriott Corporation's Report on Form 10-Q for the quarter ended September 10, 2004, filed on October 19, 2004).
4.10	Thirteenth Supplemental Indenture, dated as of March 16, 2004, by and among Host Marriott, L.P., the Subsidiary Guarantors signatories thereto, and The Bank of New York, as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.17 of Host Marriott Corporation's Report on Form 10-Q for the quarter ended March 26, 2004, filed on May 3, 2004).

Exhibit No.	Description
4.11	Fourteenth Supplemental Indenture, dated August 3, 2004, by and among Host Marriott, L.P., the Subsidiary Guarantors named therein and The Bank of New York as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.10 of Host Marriott, L.P.'s Registration Statement on Form S-4 (SEC File No. 333-121109) filed with the Commission on December 9, 2004).
4.12	Sixteenth Supplemental Indenture, dated March 10, 2005, by and among Host Marriott, L.P., the Guarantors named therein and The Bank of New York as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.19 of Host Marriott, L.P.'s Report on Form 8-K, dated March 10, 2005).
4.13	Seventeenth Supplemental Indenture dated March 17, 2005, by and among Host Marriott, L.P., the Subsidiary Guarantors signatories thereto and The Bank of New York, as successor to HSBC Bank USA (formerly Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.20 of Host Marriott, L.P.'s Report on Form 8-K, dated March 16, 2005).
4.14	Nineteenth Supplemental Indenture, dated April 4, 2006, by and among Host Marriott, L.P., the Subsidiary Guarantors named therein and The Bank of New York as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.26 of Host Marriott Corporation's Current Report on Form 8-K, filed April 10, 2006).
4.15	Twenty-Second Supplemental Indenture, dated November 2, 2006, by and among Host Hotels & Resorts, L.P., the Subsidiary Guarantors named therein and The Bank of New York as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.27 of Host Hotels & Resorts, Inc. Current Report on Form 8-K filed November 7, 2006).
4.16	Registration Rights Agreement, dated as of March 16, 2004, among Host Marriott Corporation, Host Marriott, L.P. and Goldman, Sachs & Co. as representatives of the several Initial Purchasers named therein related to the 3.25% Exchangeable debentures due 2024 (incorporated by reference to Exhibit 4.10 of Host Marriott Corporation's Registration Statement on Form S-3 (SEC File No. 333-117229) filed with the Commission on July 8, 2004).
4.17	Loan agreement, dated as of July 8, 1999, among BRE/Swiss L.L.C., HMC Cambridge LLC, HMC Reston LLC, HMC Burlingame Hotel LLC, and HMC Times Square Hotel LLC, as borrowers, and Bankers Trust Company, as lender (incorporated by reference to Exhibit 4.23 to Host Marriott Corporation's Annual Report on Form 10-K, filed on March 1, 2005).
4.18	First Amendment to Loan Agreement, dated as of August 18, 1999, among BRE/Swiss L.L.C., HMC Cambridge LLC, HMC Reston LLC, HMC Burlingame Hotel LLC, and HMC Times Square Hotel LLC, as borrowers, and Bankers Trust Company and Morgan Stanley Mortgage Capital Inc., as lenders (incorporated by reference to Exhibit 4.24 to Host Marriott Corporation's Annual Report on Form 10-K, filed on March 1, 2005).
10.1*	Third Amended and Restated Agreement of Limited Partnership of Host Hotels & Resorts, L.P.
10.2	Distribution Agreement dated as of September 15, 1993 between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference from Host Marriott Corporation Current Report on Form 8-K dated October 25, 1993).

Exhibit No.	Description
10.3	Amendment No. 1 to the Distribution Agreement dated December 29, 1995 by and among Host Marriott Corporation, Host Marriott Services Corporation and Marriott International, Inc. (incorporated by reference to Host Marriott Corporation Current Report on Form 8-K dated January 16, 1996).
10.4	Amendment No. 2 to the Distribution Agreement dated June 21, 1997 by and among Host Marriott Corporation, Host Marriott Services Corporation and Marriott International, Inc. (incorporated by reference to Exhibit 10.8 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).
10.5	Amendment No. 3 to the Distribution Agreement dated March 3, 1998 by and among Host Marriott Corporation, Host Marriott Services Corporation, Marriott International, Inc. and Sodexho Marriott Services, Inc. (incorporated by reference to Exhibit 10.9 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).
10.6	Amendment No. 4 to the Distribution Agreement by and among Host Marriott Corporation and Marriott International Inc. (incorporated by reference to Exhibit 10.10 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).
10.7	Amendment No. 5 to the Distribution Agreement, dated December 18, 1998, by and among Host Marriott Corporation, Host Marriott Services Corporation and Marriott International Inc. (incorporated by reference to Exhibit 10.14 of Host Marriott Corporation's Form 10-K for the year ended December 31, 1998).
10.8	Amendment No. 6, dated as of January 10, 2001, to the Distribution Agreement dated as of September 15, 1993 between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference to Exhibit 10.14 of Host Marriott Corporation's Annual Report on Form 10-K for 2003, filed March 2, 2004).
10.9	Amendment No. 7, dated as of December 29, 2001, to the Distribution Agreement dated as of December 15, 1993 between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference to Exhibit 10.38 of Host Marriott Corporation's Report on Form 10-Q for the quarter ended September 6, 2002).
10.10	Distribution Agreement dated December 22, 1995 by and between Host Marriott Corporation and Host Marriott Services Corporation (incorporated by reference to Exhibit 2.1 of Host Marriott Corporation's Current Report on Form 8-K filed with the Commission on January 16, 1996).
10.11	Amendment to Distribution Agreement dated December 22, 1995 by and between Host Marriott Corporation and Host Marriott Services Corporation (incorporated by reference to Exhibit 10.16 of Host Marriott Corporation's Form Report on 10-K for the year ended December 31, 1998).
10.12	Tax Sharing Agreement dated as of October 5, 1993 by and between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference to Host Marriott Corporation Current Report on Form 8-K dated October 25, 1993).
10.13	Tax Administration Agreement dated as of October 8, 1993 by and between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference to Host Marriott Corporation Current Report on Form 8-K dated October 25, 1993).
10.14	Restated Noncompetition Agreement dated March , 1998 by and among Host Marriott Corporation, Marriott International, Inc. and Sodexho Marriott Services, Inc. (incorporated by reference to Exhibit 10.17 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).

Exhibit No.	Description
10.15	First Amendment to Restated Noncompetition Agreement by and among Host Marriott Corporation, Marriott International, Inc. and Sodexho Marriott Services, Inc. (incorporated by reference to Exhibit 10.18 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).
10.16	Employee Benefits and Other Employment Matters Allocation Agreement dated as of December 29, 1995 by and between Host Marriott Corporation and Host Marriott Services Corporation (incorporated by reference to Exhibit 99.4 of Host Marriott Corporation's Current Report on Form 8-K filed with the Commission on January 16, 1996).
10.17	Tax Sharing Agreement dated as of December 29, 1995 by and between Host Marriott Corporation and Host Marriott Services Corporation (incorporated by reference to Host Marriott Corporation Current Report on Form 8-K filed with the Commission on January 16, 1996).
10.18	Contribution Agreement dated as of April 16, 1998 among Host Marriott Corporation, Host Marriott, L.P. and the contributors named therein, together with Exhibit B (incorporated by reference to Exhibit 10.18 of Host Marriott Corporation Registration Statement No. 333-55807).
10.19	Amendment No. 1 to Contribution Agreement dated May 8, 1998 among Marriott Corporation, Host Marriott, L.P. and the contributors named therein (incorporated by reference to Exhibit 10.19 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-55807) filed with the Commission on September 11, 1998).
10.20	Amendment No. 2 to Contribution Agreement dated May 18, 1998 among Host Marriott Corporation, Host Marriott, L.P. and the contributors named therein (incorporated by reference to Exhibit 10.20 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-55807) filed with the Commission on September 11, 1998).
10.21	Employee Benefits and Other Employment Matters Allocation Agreement between Host Marriott Corporation, Host Marriott, L.P. and Crestline Capital Corporation (incorporated by reference to Exhibit 10.25 of Host Marriott Corporation's Amendment No. 2 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 10, 1998).
10.22	Amendment to the Employee Benefits and Other Employment Matters Allocation Agreement effective as of December 29, 1998 by and between Host Marriott Corporation, Marriott International, Inc., Sodexho Marriott Services, Inc., Crestline Capital Corporation and Host Marriott, L.P. (incorporated by reference to Exhibit 10.34 of Host Marriott Corporation's Report on Form 10-K for the year ended December 31, 1998).
10.23	Amended and Restated Noncompetition Agreement among Host Marriott Corporation, Host Marriott, L.P. and Crestline Capital Corporation, dated December 28, 1998 (incorporated by reference to Exhibit 10.19 of Host Marriott Corporation's Annual Report on Form 10-K dated December 31, 1998).
10.24	First Amendment, dated as of December 28, 1998, to the Restated Noncompetition Agreement dated March 3, 1998 by and among Host Marriott Corporation, Marriott International, Inc. and Crestline Capital Corporation (incorporated by reference to Exhibit 10.32 of Host Marriott Corporation's Annual Report on Form 10-K for 2003, filed March 2, 2004).
10.25	Amended and Restated Credit Agreement, dated as of September 10, 2004, among Host Marriott, L.P., Certain Canadian Subsidiaries of Host Marriott, L.P., Deutsche Bank Trust Company Americas, Bank of America, N.A., Citicorp North America, Inc., Société Générale, Calyon New York Branch, and Various Lenders (incorporated by reference to Host Marriott Corporation's Form 8-K filed on September 16, 2004).

Exhibit No.	Description
10.26	Amended and Restated Pledge and Security Agreement, dated as of September 10, 2004, among Host Marriott, L.P., the other Pledgors named therein and Deutsche Bank Trust Company Americas, as Pledgee (incorporated by reference to Host Marriott Corporation's Form 8-K filed on September 16, 2004).
10.27	Amended and Restated Subsidiaries Guaranty, dated as of September 10, 2004, by the subsidiaries of Host Marriott, L.P. named as Guarantors therein (incorporated by reference to Host Marriott Corporation's Form 8-K filed on September 16, 2004).
10.28	Amendment No. 1, dated January 30, 2006, amending the Amended and Restated Credit Agreement, dated as of September 10, 2004 among Host Marriott, L.P., a certain Canadian subsidiaries of Host Marriott, L.P., Deutsche Bank Trust Company Americas, as administrative Agent, and various Lenders named therein, and amending the Amended and Restated Pledge and Security Agreement, dated as of September 10, 2004, among Host Marriott, L.P. and other Pledgers named therein and Deutsche Bank Trust Company Americas, as Pledgee (incorporated by reference to Exhibit 10.46 of Host Marriott Corporation's Current Report on Form 8-K filed February 1, 2006).
10.29	Acquisition and Exchange Agreement dated November 13, 2000 by Host Marriott, L.P. and Crestline Capital Corporation (incorporated by reference to Exhibit 99.2 of Host Marriott, L.P.'s Form 8-K/A filed December 14, 2000).
10.30	Host Marriott, L.P. Executive Deferred Compensation Plan as amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.2 of Host Marriott Corporation's Report on Form 8-K filed January 6, 2005).
10.31	Trust Agreement between T. Rowe Price Trust Company and Host Marriott, L.P., dated November 23, 2005, relating to the Host Marriott, L.P. Executive Deferred Compensation Plan. (incorporated by reference to Exhibit 10.38 of Host Marriott Corporation's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 13, 2006.)
10.32	Host Marriott Corporation and Host Marriott, L.P. 1997 Comprehensive Stock and Cash Incentive Plan, as amended and restated December 29, 1998, as amended January 2004 (incorporated by reference to Exhibit 10.7 of Host Marriott Corporation's Annual Report on Form 10-K in 2003, filed March 2, 2004).
10.33	Host Marriott, L.P. Retirement and Savings Plan effective January 1, 2004, as amended and restated as of May 20, 2004 (incorporated by reference to Exhibit 10.47 of Host Marriott Corporation's Report on Form 10-Q for the quarter ended September 10, 2004, filed on October 19, 2004).
10.34	Host Marriott Corporation's Non-Employee Director's Deferred Stock Compensation Plan as amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.1 of Host Marriott Corporation's Report on Form 8-K filed January 6, 2005).
10.35	Host Marriott Corporation's Severance Plan for Executives effective March 6, 2003, as amended as of May 20, 2004 (incorporated by reference to Exhibit 10.46 of Host Marriott Corporation's Report on Form 10-Q for the quarter ended September 10, 2004, filed October 19, 2004).
10.36	Form of Indemnification Agreement for officers and directors of Host Marriott Corporation (incorporated by reference to Exhibit 10.35 of Host Marriott Corporation's Current Report on Form 8-K, filed December 7, 2004).
10.37	Host Marriott Corporation Issuance Agreement dated as of December 29, 1998, by and between Host Marriott Corporation and Richard E. Marriott, as amended October 12, 2005 (incorporated by reference to Exhibit 10.45 of Host Marriott Corporation's Report on Form 10-Q for the quarter ended September 9, 2005, filed October 17, 2005).

Exhibit No.	Description
10.39	Form of Restricted Stock Agreement for the period 2006-2008 for use under the 1997 Host Marriott Corporation and Host Marriott, L.P. Comprehensive Stock and Cash Incentive Plan (incorporated by reference to Exhibit 10.46 of Host Marriott Corporation's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 10, 2006).
10.40	Form of Restricted Stock Agreement for 2005 Shareholder Value Award under the 1997 Host Marriott Corporation and Host Marriott, L.P. Comprehensive Stock and Cash Incentive Plan (incorporated by reference to Exhibit 10.47 of Host Marriott Corporation's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 10, 2006).
10.41*#	Amended and Restated Agreement of Limited Partnership of HHR EURO CV, dated as of December 8, 2006, by and among HST GP EURO B.V., HST LP EURO B.V., Stichting Pensioenfonds ABP and Jasmine Hotels PTE Ltd.
12*	Computation of Ratios of Earnings to Fixed Charges and Preferred Stock Dividends.
21*	List of Subsidiaries of Host Hotel & Resorts, Inc.
23*	Consent of KPMG LLP.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification 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.†

* Filed herewith.
# Confidential treatment requested.
† 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.

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Bethesda, State of Maryland, on February 26, 2007.

HOST HOTELS & RESORTS

By: /s/ W. EDWARD WALTER
W. Edward Walter
Executive Vice President, Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ RICHARD E. MARRIOTT **Richard E. Marriott**	Chairman of the Board of Directors	February 26, 2007
/s/ CHRISTOPHER J. NASSETTA **Christopher J. Nassetta**	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2007
/s/ W. EDWARD WALTER **W. Edward Walter**	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 26, 2007
/s/ LARRY K. HARVEY **Larry K. Harvey**	Senior Vice President, Chief Accounting Officer (Principal Accounting Officer)	February 26, 2007
/s/ ROBERT M. BAYLIS **Robert M. Baylis**	Director	February 26, 2007
/s/ TERENCE C. GOLDEN **Terence C. Golden**	Director	February 26, 2007
/s/ ANN MCLAUGHLIN KOROLOGOS **Ann McLaughlin Korologos**	Director	February 26, 2007
/s/ JUDITH A. MCHALE **Judith A. McHale**	Director	February 26, 2007
/s/ JOHN B. MORSE, JR. **John B. Morse, Jr.**	Director	February 26, 2007

SCHEDULE III
Page 1 of 6

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2006
(in millions)

Description(1)	Debt	Initial Costs		Subsequent Costs Capitalized	Gross Amount at December 31, 2006			Accumulated Depreciation	Date of Completion of Construction	Date Acquired	Depreciation Life
		Land	Buildings & Improvements		Land	Buildings & Improvements	Total				
Hotels:											
The Ritz-Carlton, Amelia Island, Florida	$—	$ 25	$ 115	$ 25	$ 25	$ 140	$165	$ 27	—	1998	40
Four Seasons, Atlanta, Georgia	33	5	48	16	6	63	69	14	—	1998	40
Grand Hyatt, Atlanta, Georgia	—	8	88	13	8	101	109	22	—	1998	40
Atlanta Marquis, Georgia	138	12	184	66	16	246	262	48	—	1998	40
Atlanta Midtown Suites, Georgia	—	—	26	4	—	30	30	8	—	1996	40
Westin Buckhead, Georgia	29	5	84	18	6	101	107	22	—	1998	40
Miami Biscayne Bay, Florida	—	—	26	5	—	31	31	10	—	1998	40
Boston Marriott Copley Place, Massachusetts	—	—	202	22	—	224	224	29	—	2002	40
Boston/Newton, Massachusetts	—	3	31	15	3	46	49	31	—	1997	40
Hyatt, Boston, Massachusetts	30	15	69	25	17	92	109	19	—	1998	40
Hyatt Regency, Burlingame, California	60	16	119	32	20	147	167	31	—	1998	40
Calgary, Canada	31	5	18	11	5	29	34	9	—	1996	40
Hyatt Regency, Cambridge, Massachusetts	43	18	84	11	19	94	113	20	—	1998	40
Chicago/Downtown Courtyard, Illinois	—	7	27	3	7	30	37	11	—	1992	40
Chicago Embassy Suites, Illinois	—	—	86	—	—	86	86	6	—	2004	40
Chicago O'Hare, Illinois	—	4	26	35	4	61	65	33	—	1998	40
Chicago O'Hare Suites, Illinois	—	4	36	5	4	41	45	9	—	1997	40
Swissôtel, Chicago, Illinois	51	29	132	8	30	139	169	31	—	1998	40
Coronado Island Resort, California	—	—	53	6	—	59	59	15	—	1997	40
Costa Mesa Suites, California	—	3	19	3	3	22	25	6	—	1996	40
Dallas Quorum, Texas	—	14	27	12	14	39	53	13	—	1994	40
Dayton, Ohio	—	2	30	2	2	32	34	7	—	1998	40
Hyatt DC Capitol Hill, Washington, D.C.	58	40	230	1	40	231	271	7	—	2006	40
The Ritz-Carlton, Dearborn, Michigan	—	8	51	4	8	55	63	12	—	1998	40
Denver Tech Center, Colorado	—	7	26	18	6	45	51	13	—	1994	40
Westin Tabor Center, Colorado	45	—	89	—	—	89	89	2	—	2006	40
Desert Springs Resort and Spa, California	86	14	143	76	14	219	233	50	—	1997	40

SCHEDULE III
Page 2 of 6

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2006
(in millions)

Description(1)	Debt	Initial Costs: Land	Initial Costs: Buildings & Improvements	Subsequent Costs Capitalized	Gross Amount at December 31, 2006: Land	Gross Amount at December 31, 2006: Buildings & Improvements	Gross Amount at December 31, 2006: Total	Accumulated Depreciation	Date of Completion of Construction	Date Acquired	Depreciation Life
Fairview Park, Virginia	—	9	39	7	9	46	55	9	—	1998	40
Gaithersburg/Washingtonian Center, Maryland	—	7	22	2	7	24	31	8	—	1993	40
Hanover, New Jersey	—	4	30	14	5	43	48	13	—	1997	40
Harbor Beach Resort, Florida	88	—	62	54	—	116	116	35	—	1997	40
Houston Airport, Texas	—	—	10	11	—	21	21	12	—	1984	40
Houston Medical Center, Texas	—	—	19	10	—	29	29	8	—	1998	40
Westin Indianapolis, Indiana	38	12	100	1	12	101	113	2	—	2006	40
JW Marriott Hotel at Lenox, Georgia	—	16	21	14	16	35	51	15	—	1990	40
JW Marriott Houston, Texas	—	4	26	17	8	39	47	14	—	1994	40
JWDC, Washington, D.C.	88	26	105	21	26	126	152	22	—	2003	40
Kansas City Airport, Missouri	—	—	8	20	—	28	28	22	—	1993	40
Westin Kierland, Arizona	133	98	273	—	98	273	371	2	—	2006	40
Fairmont Kea Lani, Hawaii	—	55	294	5	55	299	354	19	—	2003	40
Key Bridge, Virginia	—	—	38	14	—	52	52	34	—	1997	40
Manhattan Beach, California	—	8	29	10	—	47	47	14	—	1997	40
Marina Beach, California	—	—	13	20	—	33	33	9	—	1995	40
Maui Hyatt, Hawaii	—	92	212	5	92	217	309	18	—	2003	40
Memphis, Tennessee	—	—	16	29	—	45	45	12	—	1998	40
Mexico/Polanco, Mexico	5	11	35	3	10	39	49	17	—	1996	40
McDowell Mountains, Arizona	34	8	48	—	8	48	56	3	—	2004	40
Miami Airport, Florida	—	—	7	48	—	55	55	37	—	1972	40
Minneapolis City Center, Minnesota	—	—	27	18	—	45	45	27	—	1986	40
Minneapolis Southwest, Minnesota	—	5	24	5	5	29	34	6	—	1998	40
New Orleans, Louisiana	81	16	96	68	16	164	180	41	—	1996	40
New York Financial Center, New York	—	19	79	17	19	96	115	28	—	1997	40
New York Marquis, New York	213	—	552	110	—	662	662	309	—	1986	40
Newark Airport, New Jersey	—	—	30	25	—	55	55	34	—	1984	40
Newport Beach, California	—	11	13	110	11	123	134	43	—	1975	40
Orlando Marriott World Center, Florida	214	18	156	205	29	350	379	85	—	1997	40
Pentagon City Residence Inn, Virginia	—	6	29	4	6	33	39	9	—	1996	40
Philadelphia Airport, Pennsylvania	—	—	42	4	1	45	46	13	—	1995	40

SCHEDULE III
Page 3 of 6

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2006
(in millions)

Description(1)	Debt	Initial Costs: Land	Initial Costs: Buildings & Improvements	Subsequent Costs Capitalized	Gross Amount at December 31, 2006: Land	Gross Amount at December 31, 2006: Buildings & Improvements	Gross Amount at December 31, 2006: Total	Accumulated Depreciation	Date of Completion of Construction	Date Acquired	Depreciation Life
Philadelphia Convention Center, Pennsylvania	97	3	143	20	5	161	166	48	—	1995	40
Four Seasons, Philadelphia, Pennsylvania	—	26	60	16	27	75	102	16	—	1998	40
Portland, Oregon	—	6	40	9	6	49	55	16	—	1994	40
Hyatt Regency, Reston, Virginia	39	11	78	13	12	90	102	19	—	1998	40
The Ritz-Carlton, Phoenix, Arizona	—	10	63	3	9	67	76	16	—	1998	40
The Ritz-Carlton, Tysons Corner, Virginia	—	—	89	10	—	99	99	23	—	1998	40
The Ritz-Carlton, San Francisco, California	—	31	123	10	31	133	164	29	—	1998	40
San Antonio Rivercenter, Texas	66	—	86	47	—	133	133	34	—	1996	40
San Antonio Riverwalk, Texas	—	—	45	6	—	51	51	15	—	1995	40
San Diego Hotel and Marina, California	180	—	202	108	—	310	310	84	—	1996	40
San Diego Mission Valley, California	—	4	23	7	4	30	34	7	—	1998	40
San Francisco Airport, California	—	11	48	24	13	70	83	22	—	1994	40
San Francisco Fisherman's Wharf, California	—	6	20	9	6	29	35	13	—	1994	40
San Francisco Moscone Center, California	—	—	278	44	—	322	322	122	—	1989	40
San Ramon, California	18	—	22	10	—	32	32	9	—	1996	40
Santa Clara, California	32	—	39	(4)	—	35	35	16	—	1989	40
Seattle SeaTac Airport, Washington	—	4	41	10	3	52	55	16	—	1998	40
Tampa Waterside, Florida	—	—	—	98	11	87	98	16	2000	—	40
The Ritz-Carlton, Buckhead, Georgia	—	14	81	30	15	110	125	30	—	1996	40
The Ritz-Carlton, Marina del Rey, California	—	—	52	15	—	67	67	18	—	1997	40
The Ritz-Carlton, Naples, Florida	—	19	127	69	21	194	215	57	—	1996	40
The Ritz-Carlton, Naples Golf Lodge, Florida	—	6	—	64	6	64	70	8	2002	—	40
Toronto Airport, Canada	22	5	24	3	5	27	32	8	—	1996	40
Toronto Eaton Center, Canada	33	—	27	2	—	29	29	9	—	1995	40
Toronto Delta Meadowvale, Canada	29	4	20	9	4	29	33	12	—	1996	40
Dulles Airport, Washington, D.C.	—	—	3	27	—	30	30	25	—	1970	40
Washington Dulles Suites, Washington, D.C.	—	3	24	4	3	28	31	7	—	1996	40
Washington Metro Center, Washington D.C.	—	20	24	8	20	32	52	11	—	1994	40
Westfields, Virginia	—	7	32	6	7	38	45	12	—	1994	40
Sheraton Boston, Massachusetts	—	42	262	2	42	264	306	5	—	2006	40

SCHEDULE III
Page 4 of 6

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2006
(in millions)

		Initial Costs			Gross Amount at December 31, 2006						
Description(1)	Debt	Land	Buildings & Improvements	Subsequent Costs Capitalized	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Completion of Construction	Date Acquired	Depreciation Life
Sheraton, Indianapolis, Indiana	—	3	51	—	3	51	54	1	—	2006	40
Sheraton New York Hotel & Towers, New York	—	346	409	13	346	422	768	8	—	2006	40
Sheraton Parsippany, New Jersey	—	8	30	—	8	30	38	1	—	2006	40
Sheraton Santiago Hotel & Convention Center, Chile	—	19	11	(1)	18	11	29	—	—	2006	40
Sheraton Stamford Hotel, Connecticut	—	6	20	1	6	21	27	—	—	2006	40
St. Regis Hotel, Houston, Texas	—	6	33	—	6	33	39	1	—	2006	40
W New York, New York	—	138	102	—	138	102	240	2	—	2006	40
W Seattle, Washington	—	11	125	—	11	125	136	2	—	2006	40
Westin Grand, Washington, D.C.	—	16	80	—	16	80	96	1	—	2006	40
Westin Los Angeles Airport, California	—	—	102	—	—	102	102	2	—	2006	40
Westin Mission Hills Resort, California	—	38	49	—	38	49	87	1	—	2006	40
Westin Seattle, Washington	—	39	175	—	39	175	214	3	—	2006	40
Westin South Coast Plaza, California	—	—	46	2	—	48	48	1	—	2006	40
Westin Waltham Boston, Massachusetts	—	9	59	—	9	59	68	1	—	2006	40
Sheraton San Diego Marina, California	—	—	328	—	—	328	328	6	—	2006	40
Sub total:	2,014	1,540	8,220	2,001	1,578	10,183	11,761	2,178			
Sub total—other hotels less than 5% of total:	—	33	314	201	44	504	548	179		various	40
Total hotels:	2,014	1,573	8,534	2,202	1,622	10,687	12,309	2,357			
Other properties, each less than 5% of total	—	—	6	2	—	8	8	6		various	various
Total properties	2,014	1,573	8,540	2,204	1,622	10,695	12,317	2,363			
Held for sale properties	—	21	78	(28)	15	56	71	1		various	—
TOTAL	$2,014	$1,594	$ 8,618	$ 2,176	$1,637	$ 10,751	$ 12,388	$ 2,364			

(1) Each hotel is operated as a Marriott-brand hotel unless otherwise indicated by its name.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2006

(in millions)

Notes:

(A) The change in total cost of properties for the fiscal years ended December 31, 2006, 2005 and 2004 is as follows:

Balance at December 31, 2003	$ 8,394
Additions:	
Acquisitions	525
Capital expenditures and transfers from construction-in-progress	137
Deductions:	
Dispositions and other	(181)
Assets held for sale	(127)
Balance at December 31, 2004	8,748
Additions:	
Acquisitions	276
Capital expenditures and transfers from construction-in-progress	146
Deductions:	
Dispositions and other	(70)
Assets held for sale	(73)
Balance at December 31, 2005	9,027
Additions:	
Acquisitions	3,415
Capital expenditures and transfers from construction-in-progress	378
Deductions:	
Dispositions and other	(403)
Assets held for sale	(100)
Balance at December 31, 2006	$12,317

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2006

(in millions)

(B) The change in accumulated depreciation and amortization of real estate assets for the fiscal years ended December 31, 2006, 2005 and 2004 is as follows:

Balance at December 31, 2003	$1,697
Depreciation and amortization	256
Dispositions and other	(60)
Depreciation on assets held for sale	(23)
Balance at December 31, 2004	1,870
Depreciation and amortization	270
Dispositions and other	(19)
Depreciation on assets held for sale	(18)
Balance at December 31, 2005	2,103
Depreciation and amortization	334
Dispositions and other	(66)
Depreciation on assets held for sale	(8)
Balance at December 31, 2006	$ 2,363

(C) The aggregate cost of properties for federal income tax purposes is approximately $9,090 million at December 31, 2006.

(D) The total cost of properties excludes construction-in-progress properties.

Exhibit 10.1

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

TABLE OF CONTENTS

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

THIS THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP, dated as of February 22, 2007 (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, 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 Second A&R Partnership Agreement and to delete provisions that are no longer applicable;

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

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 Prior 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.

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

"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. If 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 Corporation, 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 of 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 with the Securities and Exchange Commission under the Securities Act of 1933, as amended (File No. 333-55807).

"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 securityholders 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.

"Rights Agreement" means the agreement dated November 23, 1998, as amended, between the General Partner and the Bank of New York as rights agent.

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

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

"Series A Junior Participating Preferred Units" means Units that are specifically designated by the General Partner as Series A Junior Participating Preferred Units in accordance with Section 4.2.C.

"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, Series A Junior Participating Preferred 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 Office 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 6903 Rockledge Drive, Bethesda, Maryland 20817, 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 Term

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 (i) 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 "Series A Junior Participating Preferred Units," and such additional classes of Units as may be created pursuant to Section 4.2.A. The Partnership shall issue to the General Partner Series A Junior Participating Preferred Units concurrently with any issuance by the General Partner from time to time of a like number of shares of its Series A Junior Participating Preferred Stock pursuant to the Rights Agreement. The Series A Junior Participating Preferred Units shall have the designations, preferences, rights, restrictions and limitations set forth in Exhibit F hereto. 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 G hereto.

F. Class E 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 E Preferred Units" (the "Class E Preferred Units"). Class E Preferred Units shall have the designations, preferences, rights, powers, restrictions and limitations set forth in Exhibit H 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 (including, without limitation, any Series A Junior Participating Preferred Units) 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 B_1" and "Series B_2" would be as follows:

(1) Series B_1 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 B_2 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) "B_1" equals the number of Units in Series B_1 outstanding on the Partnership Record Date for such Distribution Period; (ii) "B_2" equals the number of Units in Series B_2 outstanding on the Partnership Record Date for such Distribution Period; (iii) "X_1" equals the number of days in the Distribution Period for which the Units in Series B_1 were issued and outstanding; and (iv) "X_2" equals the number of days in the Distribution Period for which the Units in Series B_2 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(iv) exceed the Net Income previously allocated to the General Partner pursuant to this Section 6.1.A(i);

(ii) second, to the General Partner to the extent that Net Losses previously allocated to the General Partner pursuant to Section 6.1.B(iii) exceed the sum of (A) Net Income previously allocated to the General Partner pursuant to this Section 6.1.A(ii) and (B) gross income specially allocated to the General Partner pursuant to Section 6.1.E;

(iii) third 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(iii);

(iv) fourth 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 the 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(iv);

(v) fifth, 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(v), 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

(vi) sixth, 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 Partner's Series AM Preferred Capital and the Partner's Class E Preferred Capital) of each such Partner is zero;

(ii) second, to each Limited Partner who holds Series AM Preferred Units, pro rata in proportion to the respective Percentage Interest in such series of Units as of the last day of the period for which the allocation is being made, until the Adjusted Capital Account of such Limited Partner is zero;

(iii) third, to the General Partner as holder of the Class E Preferred Units until the Adjusted Capital Account (ignoring for this purpose any amounts the General 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)) of the General Partner is zero; and

(iv) fourth, 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.

E. Gross Income Allocation. Notwithstanding Section 6.1.A and Section 6.1.B, but subject to the special allocations set forth in Section 1 of Exhibit C, to the extent the General Partner's Adjusted Capital Account does not equal at least the sum of the Class E Preferred Capital after taking into account the allocations set forth in Section 6.1.A and Section 6.1.B, then the General Partner shall be specially allocated items of gross income in an amount that causes the General Partner's Capital Account to be equal to the sum of the Class E Preferred Capital.

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 non-voting 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 of 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 New York Stock Exchange.

(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 for federal income tax purposes. Pursuant to Section 6223(c)(3) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters 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.

B. Powers. The tax matters partner is authorized, but not required:

(1) 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 tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who

(within the time prescribed pursuant to the Code and Regulations) 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 Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);

(2) if a notice of a final administrative adjustment 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 tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the 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;

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

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

(5) to enter into an agreement with the IRS 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; and

(6) to take any other action on behalf of the Partners of the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 shall be fully applicable to the tax matters partner in its capacity as such.

C. Reimbursement. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its 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 firm and/or law firm to assist the tax matters partner in discharging its duties hereunder, so long as the compensation paid by the Partnership for such services is reasonable.

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

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 New York Stock Exchange or, if such Shares are not listed or admitted to trading on the New York Stock Exchange, 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)-(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

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

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 (15) 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) though (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.

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: /s/ Gregory J. Larson
Name: Gregory J. Larson
Title: Senior Vice President

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

By: /s/ Gregory J. Larson
Name: Gregory J. Larson
Title: Senior Vice President

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 l.704-l(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 l.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)(l)(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 Contribution; (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-l(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) In accordance with Regulations Section 1.704- l(b)(2)(iv)(e), the Carrying Value of Partnership assets distributed in kind shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as of the time any such asset is distributed.

(4) In determining Unrealized Gain or Unrealized Loss for purposes of this Exhibit B, the aggregate cash amount and fair market value of 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 l.704-l(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 l.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.

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-l(b)(2)(ii)(d)(4), l.704-1(b)(2)(ii)(d)(5), or 1.704- l(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 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-l(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:

(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 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 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).

EXHIBIT D

NOTICE OF REDEMPTION

The undersigned hereby irrevocably (i) redeems _____ Units in Host Hotels & Resorts, L.P. in accordance with the terms of the Third 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 below, and if Shares are to be delivered, such Shares be registered or placed in the name(s) and at the address(es) specified below. 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.

Dated: _____

Name of Limited Partner: _____

_____
(Signature of Limited Partner)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signature Guaranteed by:

_____

If Shares are to be issued, issue to:

Name:

Please insert social security or identifying number:

EXHIBIT F

DESIGNATION OF THE PREFERENCES AND OTHER RIGHTS, RESTRICTIONS AND LIMITATIONS OF THE SERIES A JUNIOR PARTICIPATING PREFERRED UNITS

The Series A Junior Participating Preferred Units shall have the following designations, preferences, rights, restrictions and limitations:

Section 1. Designation and Amount. The shares of such series of Preferred Units shall be designated as "Series A Junior Participating Preferred Units" and the number of Units constituting such series shall be 650,000. Such number of Units may be increased or decreased by the General Partner; provided, that no decrease shall reduce the number of Series A Junior Participating Preferred Units to a number less than the number of shares of the General Partner's Series A Junior Participating Preferred Stock (the "Series A Preferred Stock") then outstanding plus the number of shares of Series A Preferred Stock reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the General Partner convertible into Series A Preferred Stock.

Section 2. Distributions.

(A) The General Partner, in its capacity as the holder of the then outstanding Series A Junior Participating Preferred Units, shall be entitled to receive out of funds legally available therefor, when, as and if declared by the General Partner, quarterly distributions payable in cash on the 15th day of April, July, October and January in each year (each such date being referred to herein as a "Quarterly Distribution Payment Date" at the rate per Series A Junior Participating Preferred Unit equal to the greater of (a) $10.00 or (b) subject to the provision for adjustment hereinafter set forth, one thousand (1,000) times the aggregate per unit amount of all cash distributions, and one thousand (1,000) times the aggregate per unit amount (payable in kind) of all non-cash or other distributions (other than a distribution payable in Class A Units or Class B Units, or a subdivision of the outstanding Class A Units or Class B Units (by reclassification or otherwise)) declared on the Class A and Class B Units, since the immediately preceding Quarterly Distribution Payment Date, or, with respect to the first Quarterly Distribution Payment Date, since the first issuance of any Series A Junior Participating Preferred Units or a fraction thereof. In the event the General Partner shall at any time after November 23, 1998 (the "Rights Declaration Date") (i) declare or pay any distribution on Class A Units or Class B Units payable in Class A Units or Class B Units, (ii) subdivide the outstanding Class A Units or Class B Units, or (iii) combine the outstanding Class A Units or Class B Units into a smaller number of units, then in each such case the amount to which holders of Series A Junior Participating Preferred Units were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of Class A and Class B Units outstanding immediately after such event and the denominator of which is the number of Class A and Class B Units that were outstanding immediately prior to such event.

(B) The General Partner shall declare a distribution on the Series A Junior Participating Preferred Units as provided in paragraph (A) above immediately after it declares a distribution on any Class A or Class B Units (other than a distribution payable in Class A or Class B Units); provided that, in the event no distribution shall have been declared on the Class A and Class B Units during the period between any Quarterly Distribution Payment Date and the next subsequent Quarterly Distribution Payment Date, a distribution of $10.00 per unit on the Series A Junior Participating Preferred Units shall nevertheless be payable on such subsequent Quarterly Distribution Payment Date.

(C) Distributions shall begin to accrue and be cumulative on outstanding Series A Junior Participating Preferred Units from the Quarterly Distribution Payment Date next preceding the date of issue of such Series A Junior Participating Preferred Units, unless the date of issue of such units is prior to the record date set for the first Quarterly Distribution Payment Date, in which case distributions on such units shall begin to accrue from the date of issue of such units, or unless the date of issue is a Quarterly Distribution Payment Date or is a date after the record date for the determination of holders of Series A Junior Participating Preferred Units entitled to receive a quarterly distribution and before such Quarterly Distribution Payment Date, in either of which events such distributions shall begin to accrue and be cumulative from such Quarterly Distribution Payment Date. Accrued but unpaid distributions shall not bear interest. Distributions paid on the Series A Junior Participating Preferred Units in an amount less than the total amount of such distributions at the time accrued and payable on such units shall be allocated pro rata on a unit-by-unit basis among all such units at the time outstanding. The Board of Directors of the General Partner may fix a record date for the determination of holders of Series A Junior Participating Preferred Units entitled to receive payment of a distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

Section 3. Certain Restrictions.

(A) Whenever distributions payable on the Series A Junior Participating Preferred Units as provided in Section 2 are not paid, thereafter and until such distributions, whether or not declared, on Series A Junior Participating Preferred Units outstanding shall have been paid in full, the Partnership shall not:

(i) declare or pay distributions on, or redeem or purchase or otherwise acquire for consideration any units ranking junior (either as to distributions or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Units; or

(ii) declare or pay distributions on any units ranking on a parity (either as to distributions or upon liquidation, dissolution or winding up) (the “Parity Units”) with the Series A Junior Participating Preferred Units, except distributions paid ratably on the Series A Junior Participating Preferred Units and all such Parity Units on which distributions are payable in proportion to the total amounts to which the holders of all such units are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration any Parity Units, provided that the General Partner may at any time redeem, purchase or otherwise acquire any such Parity Units in exchange for any units of the General Partner ranking junior (either as to distributions or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Units; or

(iv) redeem or purchase or otherwise acquire for consideration any Series A Junior Participating Preferred Units, or any Parity Units, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors of the General Partner) to all holders of such units upon such terms as the Board of Directors of the General Partner, after consideration of the respective annual distribution rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Partnership shall not permit any subsidiary of the Partnership to purchase or otherwise acquire for consideration any units unless the Partnership could, under paragraph (A) of this Section 3, purchase or otherwise acquire such units at such time and in such manner.

Section 4. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Partnership, no distribution shall be made to the holders of units ranking junior (either as to distributions or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Units unless, prior thereto, the holders of Series A Junior Participating Preferred Units shall have received (i) $55,000 per Unit, plus (ii) any unpaid distributions accrued and unpaid thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of Series A Junior Participating Preferred Units unless, prior thereto, the holders of Class A and Class B Units shall have received an amount per unit (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as unit splits, unit distributions and recapitalizations with respect to the Class A and Class B Units) (such number in clause (ii) immediately above as so adjusted being referred to as the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding Series A Junior Participating Preferred Units and Class A and Class B Units, respectively, holders of Series A Junior Participating Preferred Units and holders of Class A and Class B Units shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to one (1) with respect to such Series A Junior Participating Preferred Units and Class A and Class B Units, on a per unit basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred units, if any, which rank on a parity

with the Series A Junior Participating Preferred Units, then such remaining assets shall be distributed ratably to the holders of such Parity Units in proportion to their respective liquidation preferences. In the event, however, that there are sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Class A and Class B Units.

(C) In the event the Partnership shall at any time after the Rights Declaration Date (i) declare any distribution on Class A Units or Class B Units payable in Class A Units or Class B Units, (ii) subdivide the outstanding Class A Units or Class B Units, or (iii) combine the outstanding Class A Units or Class B Units into a smaller number of units, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction, the numerator of which is the number of Class A and Class B Units outstanding immediately after such event and the denominator of which is the number of Class A and Class B Units that were outstanding immediately prior to such event.

Section 5. Consolidation, Merger, Etc. In case the Partnership shall enter into any consolidation, merger, combination or other transaction in which Class A Units or Class B Units are exchanged for or changed into other units or securities, cash and/or any other property, then in any such case the Series A Junior Participating Preferred Units shall at the same time be similarly exchanged or changed into such units or securities, cash and/or any other property in an amount per unit (subject to the provision for adjustment hereinafter set forth) equal to one thousand (1,000) times the aggregate amount of units, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each Class A Unit or Class B Unit is changed or exchanged. In the event the Partnership shall at any time after the Rights Declaration Date (i) declare any distribution on Class A Units or Class B Units payable in Class A Units or Class B Units, (ii) subdivide the outstanding Class A Units or Class B Units, or (iii) combine the outstanding Class A Units or Class B Units into a smaller number of units, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of Series A Junior Participating Preferred Units (as previously adjusted, if any prior adjustment has occurred) shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of Class A Units or Class B Units outstanding immediately after such event and the denominator of which is the number of Class A Units or Class B Units that were outstanding immediately prior to such event.

Section 6. Redemption. The outstanding Series A Junior Participating Preferred Units may be redeemed as a whole, but not in part, at any time, or from time to time, at the option of the Board of Directors of the General Partner, at a cash price per share equal to 105 percent of (i) the product of the Adjustment Number times the Average Market Value of the Class A Units or Class B Units, plus (ii) all distributions which on the redemption date are payable on the Class A Units or Class B Units to be redeemed and have not been paid, earned or declared and a sum sufficient for the payment thereof set apart, without interest. The “Average Market Value” of a Class A Unit or Class B unit shall for purposes hereof equal the average of the closing sale prices of the Common Stock of the General Partner during the 30 day period immediately preceding the date before the redemption date on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such

stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the average of the closing sale prices with respect to a share of Common Stock during such 30 day period, as quoted on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value of the Common Stock as determined by the Board in good faith.

Section 7. Ranking. Notwithstanding anything contained herein to the contrary, the Series A Junior Participating Preferred Units shall rank junior to all other series of the General Partner's preferred units as to the payment of distributions and the distribution of assets in liquidation, unless the terms of any such series shall provide otherwise.

Section 8. General. The rights of the General Partner, in its capacity as the holder of the Series A Junior Participating Preferred Units, are in addition to and not in limitation on any other rights or authority of the General Partner, in any other capacity, under the Partnership Agreement. In addition, nothing contained in this Exhibit F shall be deemed to limit or otherwise restrict any rights or authority of the General Partner under the Partnership Agreement, other than in its capacity as the holder of the Series A Junior Participating Preferred Units.

* * * *

EXHIBIT G

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

The Series AM Cumulative Redeemable Preferred Units of Limited Partnership Interest ("Series AM 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 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 Third 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 that 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 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 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 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 AM

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 H

DESIGNATION OF THE PREFERENCES, CONVERSION AND OTHER RIGHTS, VOTING POWERS, RESTRICTIONS AND LIMITATIONS AS TO CLASS E PREFERRED UNITS

The Class E Preferred Units ("Class E 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 E Preferred Units shall have the respective meanings set forth below:

"**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.

"**Class E Preferred Stock**" means the 8 7/8% Class E Cumulative Redeemable Preferred Stock, par value $.01 per share, liquidation preference $25.00 per share, of the General Partner.

"**Distribution Junior Units**" means Class A Units, Class B Units, the Series AM Preferred Units, the Series A Junior Participating 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 E 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 E 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 June 2, 2004, and except that the Distribution Period during which any Class E 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, the Series A Junior Participating 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 E 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 E Preferred Units in the payment of distributions.

"**Fully Junior Units**" means the Class A Units, the Class B Units, the Series AM Preferred Units, the Series A Junior Participating 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 E Preferred Units, the date such Units are issued by the Partnership.

"**Junior Units**" means the Class A Units, Class B Units, the Series AM Preferred Units, the Series A Junior Participating 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.

"**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 E Preferred Units shall mean placing such funds in a separate account for the Class E Preferred Units or delivering such funds to a disbursing, paying or other similar agent for the Class E Preferred Units.

"**Subject Date**" means (a) any date on which any distributions are authorized, declared or paid or set apart for payment or made upon 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.

(2) Distributions.

(A) Each holder of Class E Preferred Units shall be entitled to receive out of Available Cash, when, as and if declared by the General Partner, cumulative cash distributions at the rate of 8 7/8% per annum of the $25.00 liquidation preference per Class E Preferred Unit (equivalent to an annual rate of $2.21875 per Class E 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 July 15, 2004 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 date, to the holder of the Class E Preferred Units on such date as may be fixed by the General Partner. Any distribution made on the Class E Preferred Units shall first be credited against the earliest accrued but unpaid distribution due with respect to the Class E Preferred Units which remain payable. Notwithstanding any of the foregoing, each outstanding Class E Preferred Unit will be entitled to receive a distribution equal to the distribution paid with respect to each other Class E Preferred Unit that is outstanding on the date of such distribution.

(B) The amount of any distributions on the Class E 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 July 15, 2004 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 E 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 E 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 E Preferred Units for all past Distribution Periods (including, without limitation, any Distribution Period that terminates on a Subject Date). When such cumulative distributions are not paid in full or a sum sufficient for such full payment is not set apart on the Class E Preferred Units and any class or series of Dividend Parity Units, all distributions authorized and declared upon the Class E Preferred Units and any other 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 E 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 E Preferred Units and such other class or series of Dividend Parity Units bear to each other.

(D) Except as provided in the immediately preceding paragraph, so long as any Class E Preferred Units are outstanding, unless full cumulative distributions on all outstanding Class E 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 E Preferred Units for all past Distribution Periods (including without limitation, any Distribution Period that terminates on a Subject Date), 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 except (i) by redemption or exchange of such Units for Fully Junior Units, (ii) by redemption or exchange of such Units by the General Partner for Shares ranking junior to the Shares of Class E Preferred Stock as to dividends and as to distributions of assets upon the General Partner's liquidation, dissolution and winding up and (iii) 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.

(E) No distributions on the Class E 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 law. Notwithstanding the foregoing, distributions on the Class E 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.

(F) All references to "accrued" or "accrued and unpaid" distributions on the Class E 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 E Preferred Units; and all references to "accrued" or "accrued and unpaid" distributions on any class or series of Units other than the Class E 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 E Preferred Units shall be entitled to receive $25.00 per Class E 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 E Liquidation Preference"). Until the holders of the Class E Preferred Units have been paid the Class E 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 E Preferred Units shall be insufficient to pay in full the Class E 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 E 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 E Liquidation Preference for all outstanding Class E Preferred Units shall have been made to the holders of the Class E 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 E Preferred Units, as such, shall not be entitled to share therewith. After payment of the full amount of the Class E Liquidation Preference for each outstanding Class E Preferred Unit, the holders of the Class E 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 E 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. If, and only if, shares of Class E Preferred Stock are redeemed (whether automatically or at the option of the General Partner or otherwise), the Partnership shall, on the date set for redemption of such shares of Class E Preferred Stock, redeem an equal number of Class E Preferred Units at a redemption price equal to the product of (i) the number of Class E Preferred Units being redeemed and (ii) the sum of $25.00 and all distributions (whether or not earned or declared) accumulated, accrued and unpaid on each Class E Preferred Unit to the date fixed for redemption of such Units.

(5) Ranking. Any class or series of Units shall be deemed to rank:

(A) prior to the Class E 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 E Preferred Units;

(B) on a parity with the Class E 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 E 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 E 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 E 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 case may be, if such class or series of Units shall be Junior Units; and

(D) junior to the Class E 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 General Partner, as holder of the Class E Preferred Units, the Partnership's items of income, gain, loss and deduction shall be allocated to the General Partner, as holder of the Class E 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 E Preferred Units shall not have any voting or consent rights in respect of their partnership interest represented by the Class E Preferred Units.

(8) Transfer Restrictions. Except as set forth in Section 11.2 of the Partnership Agreement, the Class E Preferred Units shall not be transferable.

Exhibit 10.41

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR THE REDACTED PORTIONS. THE CONFIDENTIAL REDACTED PORTIONS HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE SUCH REDACTIONS.

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

of

HHR EURO CV

Dated as of December 8, 2006

TABLE OF CONTENTS

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
HHR EURO CV

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP dated as of December 8, 2006 (this "**Agreement**") of HHR Euro CV (the "**Partnership**").

WITNESSETH:

WHEREAS, the parties are party to that certain Agreement of Limited Partnership dated as of March 24, 2006 (the " **Original Partnership Agreement**"), as amended by that certain First Amendment to Agreement of Limited Partnership dated as of July 21, 2006 (" **Amendment No. 1**") and that certain Second Amendment to Agreement of Limited Partnership dated as of December 8, 2006 but effective July 21, 2006 (" **Amendment No. 2**");

WHEREAS, the parties desire to enter into this Agreement to continue the Partnership and to make certain amendments to the Original Partnership Agreement, including to Schedule A (Capital Commitments) and to certain other provisions, including those relating to the governance of the operations of the Partnership; and

WHEREAS, HST GP Euro B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with its corporate seat in Amsterdam, The Netherlands, is the general partner of the Partnership.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1
GENERAL PROVISIONS

Section 1.01. *Definitions; Interpretation.* (a) Capitalized terms used herein without definition have the meanings assigned to them in Appendix A hereto.

(b) In construing this Agreement, unless otherwise specified:

(i) references to sections, parties, schedules and recitals are to sections of, and the parties, schedules and recitals to, this Agreement;

(ii) use of any gender includes the other genders;

(iii) words denoting the singular include the plural and vice versa;

(iv) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted;

(v) a reference to a date which is not a Business Day is to be construed as a reference to the next succeeding Business Day;

(vi) a reference to an agreement or other document is a reference to that agreement or document as supplemented, amended or novated from time to time;

(vii) headings and titles are for convenience only and do not affect the interpretation of this Agreement;

(viii) the rule known as the *ejusdem generis* rule shall not apply and accordingly general words introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things;

(ix) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words (and accordingly "including" means including without limitation); and

(x) references to "writing" include fax transmission and, include email and similar electronic means of communication.

Section 1.02. *Partnership Name.* The name of the Partnership is HHR Euro CV.

Section 1.03. *Seat.* (a) The seat of the Partnership will be located in Amsterdam, The Netherlands. To the extent necessary, the parties declare that when the Partnership was formed, the center of its external activities (*centrum van optreden naar buiten*) was located in the Netherlands.

(b) The address of the Partnership and of the General Partner shall be Rokin 55, 1012 KK Amsterdam, The Netherlands, or such other place in The Netherlands as the General Partner shall determine in its discretion. If the General Partner shall determine to change its business address, it shall notify the Limited Partners in advance in writing.

Section 1.04. *Formation of the Partnership.* The parties hereby agree to continue the Partnership as a limited partnership (*commanditaire vennootschap*) under and pursuant to Dutch law. This Agreement amends and restates the

Original Partnership Agreement, as amended by Amendment No. 1 and Amendment No. 2. Legal title to assets of the Partnership shall be formally held (*goederenrechtelijk*) by the General Partner for the benefit of all the Partners. All Partners are beneficially entitled to the assets. This Agreement is to be construed such that the Partnership does not qualify as an open limited partnership (*open commanditaire vennootschap*) as defined in article 2, paragraph 3, sub c of the General Tax Act (*Algemene wet inzake rijksbelastingen*). The Partnership is a closed limited partnership (*besloten commanditaire vennootschap*) for Dutch tax purposes.

Section 1.05. *Purposes of the Partnership.* The purposes of the Partnership are (a) to identify potential Partnership Investments, (b) to acquire, improve, maintain, hold, operate, manage, supervise, lease, finance, mortgage, pledge, exchange, divide, combine, sell, transfer, convey, assign, grant options with respect to, dispose of or otherwise deal in and transact business with respect to Partnership Investments, (c) pending utilization or disbursement of funds, to invest such funds in accordance with the terms of this Agreement, (d) to participate in and to otherwise acquire or maintain an interest in the management of other business enterprises that deal in and transact business with respect to Real Estate Assets, (e) to provide financing to affiliates and third parties in connection with Real Estate Assets, (f) to provide security, guaranty or otherwise undertake the obligations of third parties in connection with Real Estate Assets, and (g) to conduct all activities which are incidental to any of the foregoing. The Partnership shall have the power to do any and all acts necessary, appropriate, desirable, incidental or convenient to or for the furtherance of the purposes described in this Section 1.05, including any and all of the powers that may be exercised on behalf of the Partnership by the General Partner pursuant to this Agreement.

Section 1.06. *Liability of the Partners Generally.* (a) The General Partner shall have unlimited liability to third parties for any and all liabilities of the Partnership as its general partner (*beherend vennoot*). All obligations of the Partnership to third parties shall be in the General Partner's name.

(b) Except as otherwise provided in this Agreement or under the CV Law, no Limited Partner (or former Limited Partner) shall be obligated to make any contribution to the Partnership or have any liability for the debts and obligations of the Partnership.

(c) The General Partner shall at all times act in good faith and in the best interests of the Partnership. In managing the affairs of the Partnership, subject to the rights of the Limited Partners, and in its dealing with the Limited Partners, the General Partner shall be subject to the standard of care a general partner is required to use with respect to a limited partnership and its limited partners under the CV Law, which standard of care shall include: (a) a duty of loyalty, which requires the General Partner to carry out its responsibilities with

loyalty, honesty, good faith and fairness toward the Partnership and the Limited Partners and (b) a duty of care, which requires the General Partner to discharge its duties with the diligence, care and skill that a general partner would be required under the CV Law to exercise under similar circumstances, including actions with respect to the safekeeping of and use of all funds, assets and records of the Partnership. Unless expressly stated otherwise, the standard of performance applicable to the General Partner as set forth in this Section 1.06(c) shall be applicable to the General Partner in performing its obligations under each provision of this Agreement. The General Partner has not engaged and will not engage in any activities unrelated to the Partnership or the Partnership Investments.

Section 1.07. *Admission of Limited Partners; Additional Limited Partners; Increase of Capital Commitments*. (a) On the date of the Original Partnership Agreement, counterparts of the Original Partnership Agreement were executed and delivered by (or, pursuant to a power of attorney, on behalf of) each of HST LP Euro B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with its corporate seat in Amsterdam, The Netherlands ("**Host**"), Stichting Pensioenfonds ABP, a Dutch foundation (*stichting*) ("**ABP**"), and Jasmine Hotels Pte Ltd, a Singapore private company limited by shares ("**JHPL**"), each such party's subscription for a limited partner interest in the Partnership was accepted by the General Partner and approved by the Limited Partners, and each such party became a Limited Partner (and was shown as such on the books and records of the Partnership).

(b) At any time, subject to the prior written unanimous consent of the Partners, the General Partner may cause the Partnership to admit additional Limited Partners or to allow any existing Limited Partner to increase its original Capital Commitment, and in connection therewith, shall cause the value of the assets of the Partnership to be determined pursuant to Section 11.02. The General Partner shall deliver to each Limited Partner a notice (a " **NCP Notice**") setting forth (i) the value of the Partnership's assets giving effect to the admission of the New Commitment Partner or increase in Capital Commitment of an existing Limited Partner, minus the Partnership's liabilities (the "**Partnership Net Asset Value**"), (ii) the amount of the Capital Contribution to be made by the New Commitment Partner, and (iii) the resulting Capital Commitment, Investment Percentages, Commitment Percentages, Available Commitment Percentages, Capital Commitments and Capital Contributions taking into account the proposed admission of an additional Limited Partner (or an increase in any existing Limited Partner's Capital Commitment). The resulting Investment Percentage for the New Commitment Partner (defined below) is herein referred to as the "**NCP Investment Percentage**". *********
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********** ********** ********** ********** ********** A Person shall become an additional Limited Partner (and shall be shown as such on the books and records of the Partnership) upon execution and delivery by (or, pursuant to a power of attorney, on behalf of) such Person and the General Partner of counterparts of this Agreement, subject to the terms of this Section 1.07.

(c) Any Limited Partner admitted to the Partnership pursuant to Section 1.07(b) on any Closing Date other than the First Closing Date (and, including, other than in the case of a pro rata increase by all Limited Partners in their Commitments, any Limited Partner so increasing its Capital Commitment to the extent of any increase in its Capital Commitment on any such subsequent Closing Date) (each such Limited Partner, a " **New Commitment Partner**") shall:

(i) make a Capital Contribution in the amount set forth in the NCP Notice;

(ii) make a Capital Contribution in an amount equal to the aggregate amount of Capital Contributions that would have been made by such New Commitment Partner pursuant to Section 4.02(a) in respect of Organizational Expenses had such New Commitment Partner been admitted to the Partnership on the First Closing Date ********** **********

(iii) make a Capital Commitment equal to the Capital Commitment set forth in the NCP Notice;

provided that, with respect to any New Commitment Partner that is a Limited Partner increasing its Capital Commitment on such Closing Date, the amount payable by such New Commitment Partner pursuant to Section 1.07(c)(i) or 1.07(c)(ii) shall be decreased by the aggregate amount of Capital Contributions theretofore made by such New Commitment Partner.

(d) The amount contributed by each New Commitment Partner pursuant to Section 1.07(c)(i) on any Closing Date other than the First Closing Date shall not be available for distribution to the Partners until the second anniversary of such subsequent Closing Date but shall be available to the General Partner for application to Partnership Expenses and investment in Partnership Investments.

(e) As promptly as practicable after any Closing Date after the First Closing Date, the Partnership shall distribute to the Limited Partners their pro rata share of the aggregate amounts contributed by the New Commitment Partners pursuant to Section 1.07(c)(ii) on such subsequent Closing Date.

(f) It is a condition to the admission of any New Commitment Partner that such New Commitment Partner shall be simultaneously admitted to the TRS CV pursuant to the Corresponding Provision.

Section 1.08. *Transparency.* Notwithstanding anything in this Agreement to the contrary, each Partner represents, as of the date hereof, that it is not an entity which is transparent for Dutch corporate income and dividend tax purposes and covenants that it will not transfer any interest to such an entity, it being agreed that no partner in this Partnership may be an entity which is transparent for Dutch corporate income and dividend tax purposes. Each Partner agrees that in the event that, if, as a result of any change in Dutch tax law or otherwise, it may become or becomes an entity that is transparent for Dutch corporate income and dividend tax purposes, it shall promptly take all necessary action to continue to be or become again non-transparent, including a transfer of its interest in the Partnership to a wholly-owned entity that is non-transparent from a Dutch tax perspective. Prior to such transfer, the Partner shall consult with the General Partner and external Dutch tax counsel to review and confirm that this transfer does not cause the Partnership to become non-transparent from a Dutch tax perspective, it being understood that such transfer is subject to the transfer restrictions set forth in this Agreement.

ARTICLE 2
MANAGEMENT AND OPERATIONS OF THE PARTNERSHIP

Section 2.01. *Management Generally.* (a) The management and control of the Partnership shall be vested in the General Partner; however, the Limited Partners shall have certain rights with respect to certain matters of the Partnership as described in this Agreement. The Limited Partners shall have no authority or right to act on behalf of the Partnership in connection with any matter and shall not engage in any way in the day-to-day business of the Partnership.

(b) The General Partner shall have the right to delegate certain management and administrative responsibilities set forth in Section 2.02 to one or more of its Affiliates, which in no event shall be a Limited Partner. Any delegation of management and administrative responsibilities by the General Partner to a Person who is not an Affiliate of the General Partner shall be subject to the unanimous consent of the Limited Partners.

Section 2.02. *Authority and Duties of the General Partner.* The General Partner shall have the power and, to the extent the following are necessary or

advisable to further the purposes of the Partnership described in Section 1.05, the duty, on behalf of and in the name of the Partnership, subject to the limitations contained in this Agreement, to:

(a) identify, acquire, improve, maintain, renovate, rehabilitate, reposition, own, hold, operate, manage, lease, finance, mortgage, pledge, exchange, divide, combine, sell, transfer, convey, assign, grant options with respect to, dispose of or otherwise deal in and transact business with respect to Partnership Investments;

(b) borrow money, issue (or guarantee) evidences of recourse and non-recourse indebtedness and obtain lines of credit, loan commitments and letters of credit for the account of the Partnership, or any Person in which it has a direct or indirect ownership interest; *provided* the indebtedness incurred by the General Partner for the benefit of the Partnership, by any Portfolio Company or by any Partnership Investment Vehicle may be secured by pledges, mortgages or other liens on any and all of the assets (excluding a pledge by the General Partner of all or a portion of the aggregate Available Capital Commitments of the Limited Partners, other than in connection with a Credit Facility) held by the General Partner for the benefit of the Partners, by any Portfolio Company or by any Partnership Investment Vehicle, and may be supported by guarantees made by the General Partner for the benefit of the Partners, by any Portfolio Company or Partnership Investment Vehicle in accordance with this Agreement;

(c) prepay in whole or in part, refinance, recast, increase, modify or extend any existing liabilities affecting any Partnership Investment (or any underlying assets) and in connection therewith execute any extensions or renewals of encumbrances on any or all of the Partnership Investments (or any underlying assets);

(d) negotiate, execute and take any action under any deed, lease, easement, mortgage, deed of trust, mortgage note, promissory note, bill of sale, contract, certificate or other instrument or undertaking in connection with the acquisition, holding, financing, management, maintenance, operation, lease, pledge, sale or other disposition of a Partnership Investment (or any underlying assets) or as the General Partner shall determine, in its discretion, to be necessary or desirable to further the purposes of the Partnership, including granting or refraining from granting any waivers, consents and approvals with respect to any of the foregoing and any matters incident thereto;

(e) subsequent to the Partnership's initial investment in any Partnership Investment, make additional investments in the assets comprising such Partnership Investment (including investments for capital improvements or other improvements or alterations to any property constituting a Partnership Investment or otherwise to protect the Partnership's investment in any Partnership Investment or to provide working capital for any Partnership Investment) (the "**Follow-On Investments**");

(f) hold Partnership Investments in its name for the benefit of the Partnership and its Partners;

(g) obtain representation in the management of Portfolio Companies (and otherwise, if applicable, in connection with other Partnership Investments), which may involve, without limitation, securing representation on boards of directors of Portfolio Companies, creditors' committees, management committees of partnerships, property owners' associations or other entities or other similar boards, committees or other governing bodies in respect of such companies or investments, or the employment on behalf of the Partnership of experts to render managerial assistance to such companies or investments;

(h) lend money or other assets of the Partnership upon such terms and with (or without) such security as the General Partner shall deem appropriate to any Portfolio Company or Partnership Investment Vehicle;

(i) use the services of any and all persons providing legal, accounting, engineering, brokerage, consulting, appraisal, investment advisory, financial advisory, property management, leasing brokers, artisan, construction, repair or custodian services to the Partnership, or such other Persons as the General Partner deems necessary or desirable for the management and operation of the Partnership and its Partnership Investments (and any underlying assets), including the General Partner and the Affiliates of the General Partner and Persons who are also otherwise employed or hired by any Affiliate of the General Partner; *provided*, however, this shall not include the power to employ or hire persons for or on behalf of the Partnership, *provided, further*, nothing herein shall preclude any Portfolio Company from hiring employees, including as may be necessary or recommended in any jurisdiction in which a Hotel Property is located or such Portfolio Company is a resident, including in order to establish tax residency in a jurisdiction;

(j) incur and pay all expenses, fees and obligations incident to the operation and management of the Partnership, any Portfolio Company or Partnership Investment Vehicle or that may be applicable in connection with any transactions entered into by or on behalf of the Partnership, any Portfolio Company or Partnership Investment Vehicle, including the services referred to in clause (i), taxes, interest, travel, rent, insurance and supplies;

(k) make interim investments (which may be made through an agent) of cash reserves and other liquid assets of the Partnership as provided in Section 2.10 prior to their use for Partnership purposes or distribution to the Partners;

(l) acquire and enter into any contract of insurance necessary or desirable for the protection or conservation of the Partnership and its assets or otherwise in the interest of the Partnership as the General Partner shall determine, in respect of any liabilities for which the General Partner or any other Indemnified Person would be entitled to indemnification under this Agreement;

(m) open and close accounts and deposit, maintain and withdraw funds in the name of the Partnership, any Portfolio Company and any Partnership Investment Vehicle in banks, savings and loan associations, brokerage firms or other financial institutions and draw checks or other orders for the payment of monies;

(n) distribute funds to the General Partner and the Limited Partners by way of cash or otherwise, all in accordance with the provisions of this Agreement;

(o) bring and defend actions and proceedings at law or equity before any court or governmental, administrative or other regulatory agency, body or commission or otherwise;

(p) prepare and cause to be prepared reports, statements and other relevant information for distribution to the General Partner and the Limited Partners;

(q) prepare and file all necessary tax returns, elections and statements and pay all taxes, assessments and other impositions applicable to the assets of the Partnership and withhold amounts with respect thereto from funds otherwise distributable to the General Partner or any Limited Partner;

(r) effect a dissolution of the Partnership and carry out the liquidation of the Partnership following such dissolution;

(s) make all elections, investigations, evaluations and decisions, binding the Partnership thereby, that may, in the discretion of the General Partner, be necessary or desirable for the acquisition, management or disposition of investments by the Partnership;

(t) maintain records and accounts of all operations and expenditures of the Partnership;

(u) determine the accounting methods and conventions to be used in the preparation of any accounting or financial records of the Partnership, *provided* that such records shall be maintained in Euros and in accordance with international financial reporting standards (" **IFRS**");

(v) convene meetings of the Limited Partners for any purpose;

(w) form and structure Partnership Investments through Partnership Investment Vehicles pursuant to Section 3.03 and incorporate or form additional subsidiaries and transfer the shares or interests in any existing subsidiary or subsidiaries to such newly-formed subsidiaries, *provided* that without the prior written consent of the Limited Partners, no transfer of shares or interests in any existing subsidiary shall be made to any subsidiary that is not wholly owned (directly or indirectly) by the Partnership (or the General Partner on behalf of the Partners);

(x) enter into any hedging transaction for interest rate risk as the General Partner shall determine to be necessary or desirable to further the purposes of the Partnership;

(y) enter into any hedging transaction, including any forward contracts, for currency risk as is necessary or desirable to further the purposes of the Partnership;

(z) assume liabilities on behalf of the Partnership in respect of Real Estate Assets;

(aa) enforce the Asset Management Agreement on behalf of the Partners; and

(bb) act for and on behalf of the Partnership in all matters incidental to the foregoing.

Section 2.03. *Other Authority; Major Decisions, Etc.* (a) The General Partner agrees to use its commercially reasonable efforts to operate the Partnership in such a way that (i) the Partnership will not be an "investment company" within the meaning of the Investment Company Act (except for purposes of Sections 12(d)(1)(A)(i) and (B)(i) thereunder), (ii) the General Partner will be in compliance with the Advisers Act, (iii) none of the Partnership's assets would be deemed "plan assets" for purposes of ERISA, and (iv) each of the Partnership and the General Partner will be in compliance with any applicable law, regulation or guideline, issued by a regulatory authority, government body or recognized securities exchange, in each case a violation of which would have a material adverse effect on the Partnership. The General Partner is hereby authorized to take any action it has determined to be necessary or desirable in order for (i) the Partnership not to be in violation of the Investment Company Act, (ii) the General Partner not to be in violation of the Advisers Act, (iii) the Partnership's assets not to be deemed "plan assets" for purposes of ERISA, or (iv) each of the Partnership and the General Partner not to be in violation of any applicable material law, regulation or guideline, issued by a regulatory authority, government body or recognized securities exchange, including (A) making structural, operating or other changes in the Partnership by amending this Agreement or otherwise, (B) requiring the sale in whole or in part

of any Partnership Investment or other asset or (C) dissolving the Partnership (*provided* that any such amendment, sale or dissolution to cure any violation of such law, regulation or guideline of the Partnership may only be made if such amendment, sale or dissolution of the Partnership is necessary or advisable to cure the items described in clauses (i)-(iv) above and such amendment, sale or dissolution of the Partnership does not (x) increase or lead to violation of the obligations (including regulatory obligations) or liabilities (including with respect to tax exposure) of any Limited Partner, (y) adversely affect any Limited Partner's economic rights hereunder or (z) adversely affect its status as a tax-exempt entity or pension fund (if appropriate); *provided, further,* that the General Partner shall consult with the Limited Partners (other than any Host Limited Partner) to determine if the consequences described in the foregoing clauses (x)-(z) would result). The General Partner shall notify the Limited Partners of any action taken pursuant to this Section 2.03(a).

(b) In addition to any other matters for which the Partners are provided with voting rights under this Agreement, the following powers of the Partnership shall be exercised by the General Partner only with the required vote of the Partners:

(i) the following decisions, which decisions shall require the prior written unanimous consent of the Partners:

(A) the recapitalization of the Partnership;

(B) entering into a financing transaction that is either (1) a "cash-out" financing (i.e., the loan proceeds realized are in an aggregate amount in excess of the principal amount of the debt being refinanced) but is not entered into as part of the acquisition of a Real Estate Asset or contemplated by the relevant approved Budget, or (2) as described in Section 3.02, with respect to any Real Estate Asset that is not incurred in connection with the acquisition of such Real Estate Asset and is not a refinancing of any such acquisition financing;

(C) causing the merger of the Partnership with or into another entity, or otherwise reorganizing or restructuring the Partnership;

(D) causing an initial public offering of interest in the Partnership;

(E) repositioning a Partnership Investment which will result in the closing of an entire Hotel Property (unless a Consolidation Event shall have occurred, in which case the vote of the Required Limited Partners shall be required);

(F) causing in one or more transactions a Disposition of all or substantially all of the Partnership Investments (including shares of any Portfolio Company or Partnership Investment Vehicle);

(G) the General Partner commencing (on its own behalf or on behalf of the Partnership) a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the General Partner, the Partnership or debts of the General Partner or the Partnership under any bankruptcy, insolvency, reorganization or other similar law; or the appointment of a trustee, administrator, receiver or other entity for the purpose of disposing of the Partnership Investments for the benefit of creditors; or any other transfer of Partnership Investments, whether voluntary or involuntary, for the benefit of creditors;

(H) transfers of limited partnership interests as described in Section 5.03, Section 5.04, Section 10.01, Section 10.02 and Section 10.05 of this Agreement (it being understood that any admission or substitution, whether in full or in part, absolute or relative, of a limited partnership interest requires the prior written consent of all Partners (except for the consent of a Defaulting Limited Partner pursuant to Section 5.03), and transactions not compliant with this approval requirement are void);

(I) the admission of New Commitment Partners as described in Section 1.07(b) (it being understood that any such admission requires the prior written consent of all Partners (except for the consent of a Defaulting Limited Partner pursuant to Section 5.03), and transactions not compliant with this approval requirement are void);

(J) the deviation from investment and/or leverage limitations and guidelines as described in Section 3.02;

(K) the acquisition of real property that is not a Real Estate Asset;

(L) confessing, consenting to or appealing against a judgment against the Partnership in connection with any threatened or pending Proceeding; or commencing or settling any Proceeding in the name of the Partnership or with respect to the Partnership Investments, in each case if the amount in dispute is in excess **********;

(M) the extension of the Commitment Period as described in Section 5.01(d);

(N) any amendment or waiver of provisions in the Asset Management Agreement;

(O) the extension of the term of this Agreement as described in Section 9.01;

(P) any amendment of this Agreement, except as provided in Section 11.01(a);

(Q) the development of a Hotel Property;

(R) the payment of the early promote to the General Partner from capital contributions pursuant to Section 6.03(c)(i); and

(S) other than in connection with a Credit Facility, any agreement pursuant to which all or a portion of the aggregate Available Capital Commitments of all Limited Partners is pledged, assigned or otherwise provided as security by the General Partner.

(ii) the following decisions, which decisions shall require the consent or approval of the Required Limited Partners:

(A) provided no Consolidation Event shall have occurred, the acquisitions of Real Estate Assets;

(B) provided no Consolidation Event shall have occurred, as described in Section 3.02, entering into financing transactions related to the acquisition of Real Estate Assets and any refinancing thereof (except for financing transactions contemplated by Section 2.03(b)(i)(B));

(C) adoption of the Business Plan and the Budgets, in each case, as contemplated by Section 2.12;

(D) provided no Consolidation Event shall have occurred, Dispositions of Partnership Investments (except for Dispositions of all or substantially all of the Partnership Investments, in which case Section 2.03(b)(i)(F) shall control), *provided* that the General Partner shall be authorized to transfer the shares in HHR Euro Funding B.V. to a newly-formed private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with its corporate seat in Amsterdam, The Netherlands, that is owned and continues to be owned by the General Partner;

(E) approval or disapproval of an Approved Accountant, Approved Appraiser, Approved Industry Consultant or Approved Investment Bank; and

(F) the dissolution of the Partnership as described in Section 9.02(a), *provided* if a Consolidation Event shall occur, the dissolution of the Partnership shall require the prior written unanimous consent of the Partners pursuant to clause (i) above; and

(G) any currency hedging transaction, other than as required by a third-party lender to (1) the Partnership, (2) any Portfolio Company or (3) any Partnership Investment Vehicle.

(c) In this Agreement, the words "approval" and "consent" shall mean the prior written consent or approval of the Partners having the right to consent or approve, which consent or approval shall not be, other than as provided in this Agreement, unreasonably withheld or delayed, unless in connection with any transfer of limited partnership interest, (relative or absolute) substitution of a limited partner, deemed capital contribution or forced sale of a limited partnership interest or admission of a New Commitment Partner or Substituted Limited Partner. It is understood that in determining whether to withhold or delay its consent or approval, a Limited Partner shall be entitled to consider its own interest as a partner in the Partnership.

(d) The General Partner shall cause the Manager to employ or cause its sub-asset manager to employ a managing director, or an individual in such capacity, **********. In the event the employment of the managing director ends or terminates, the General Partner shall cause the Manager to engage or cause its sub-asset manager to engage a replacement managing director within ninety (90) days of such time, *provided* without the prior written consent of the Limited Partners, no sub-asset manager shall be other than a wholly-owned subsidiary of the Manager.

(e) The Partners acknowledge that each of Host and the General Partner is or will be an indirect subsidiary or Affiliate of Host Euro Business Trust, Host Holding Corporation and Host Hotels & Resorts, Inc. (each, a " **Host REIT**"), each a "real estate investment trust" under the Code (a " **REIT**"). The Partnership will conduct its activities in a manner consistent with each Host REIT's status as a REIT and so as to permit such Host REIT (i) to maintain continuous compliance with the requirements of REIT status and (ii) to minimize any U.S. federal income or excise tax in respect of operations. Without limiting the generality of the foregoing, it is understood that the Partnership's hotel properties will generally be

leased to separate entities that will constitute "taxable REIT subsidiaries" for purposes of the REIT requirements (each, a " **TRS**" and collectively, the "**TRS**") and will be operated in a manner consistent with those requirements.

(f) As between the General Partner, on the one hand, and the Partnership, on the other hand, the General Partner shall be solely responsible for and shall pay any and all expenses incurred by Host or by the General Partner (whether or not on behalf of the Partnership) to maintain the REIT status of any Host REIT.

(g) In the event of a change in law, regulation or other form of binding guidance with respect to REITs, issued by a regulatory authority or governmental body, the General Partner shall have the right to restructure the Partnership and any Partnership Investment consistent with the purposes of the Partnership described in Section 1.05, *provided* such restructuring does not (i) increase or lead to violation of the obligations (including regulatory obligations) or liabilities (including with respect to tax exposure) of any Limited Partner, (ii) adversely affect any Limited Partner's economic rights hereunder, (iii) adversely affect its status as a tax-exempt entity or pension fund (if appropriate), or (iv) lead to the involuntary substitution or removal of any Limited Partner. The Limited Partners agree to cooperate reasonably with the General Partner in effecting such a restructuring. The General Partner shall pay any expenses incurred by the Partnership or the Limited Partners in connection with such a restructuring. To the extent such restructuring entails the (absolute or relative) substitution of a Limited Partner or the admission of a New Commitment Partner or Substituted Limited Partner, the prior written unanimous consent of all Partners is required.

Section 2.04. *Exclusivity.* (a) The General Partner shall devote such time and attention to the business or affairs of the Partnership as is necessary effectively to carry out the operations of the Partnership and perform its duties to the Partnership.

(b) The General Partner and each Limited Partner acknowledge and agree that:

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(ii) except in connection with the transactions contemplated by the Implementation Agreement, the Asset Management Agreement or in connection with the acquisition of the Initial Hotel Properties pursuant to the Master Agreement, without the unanimous consent of the Partners, the Partnership and the General Partner shall not purchase property or obtain services from, sell property or provide services to, or otherwise enter into any transaction, with the General Partner, any Affiliate of the General Partner, any Limited Partner, any Portfolio Company, or any Affiliate of any of the foregoing Persons.

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(c) Nothing contained in this Agreement shall be deemed to limit in any respect the ability of any Limited Partner (or Affiliate thereof), in its individual capacity, from making investments in any Portfolio Company or in any Person in which Investments are proposed to be made or in any Affiliate of any such Person or from providing financing thereto, in addition to such Limited Partner's Capital Contributions, if any, pursuant to this Agreement.

(d) Each of the parties to this Agreement shall use commercially reasonable efforts to advise each other on all potential transactions covered by Section 2.04(b)(i)(A), Section 2.04(b)(i)(C), Section 2.04(b)(i)(D), Section 2.04(b)(i)(E) and Section 2.04(b)(i)(F) subject to any confidentiality requirements then binding on such party.

Section 2.05. *Books and Records; Fiscal Year.* (a) The General Partner shall keep or cause to be kept at the address of the General Partner (or at such other place as the General Partner shall advise the other Partners in writing) the books and records of the Partnership. Each Limited Partner shall be shown as a limited partner of the Partnership on such books and records. Such books and records shall be available, upon five (5) Business Days' notice to the General

Partner, for inspection at the offices of the General Partner (or such other location designated by the General Partner, in its reasonable discretion) at reasonable times during business hours on any Business Day by each Limited Partner for a purpose reasonably related to such Limited Partner's interest in the Partnership. Each Limited Partner agrees that such books and records contain confidential information relating to the Partnership and its affairs and the affairs of each Limited Partner.

(b) Unless otherwise required by law, the taxable year of the Partnership shall end on December 31st. Except as otherwise determined by the General Partner in its reasonable discretion, the fiscal year of the Partnership (the " **Fiscal Year**") for purposes of its financial statements shall be the same as the taxable year of the Partnership.

Section 2.06. *Partnership Tax Returns.* (a) The General Partner shall cause to be prepared and filed on a timely basis all tax returns required to be filed for the Partnership. The General Partner shall send such information as a Limited Partner may reasonably request for the filing of any required tax returns or reports in respect of such Limited Partner's interest in the Partnership and the Partnership Investments, including the French three percent (3%) annual tax imposed pursuant to Sections 990D et seq. of the French General Tax Code. As part of its investigation of any proposed Partnership Investment, the General Partner shall investigate with reasonable diligence any tax filing requirements imposed on the Partners solely as a result of investing in such proposed Partnership Investment and shall furnish to the Limited Partners any such information acquired.

(b) The Limited Partners agree to cooperate reasonably with the General Partner regarding the filing of forms (including, without limitation, Forms 8832 and 8875) and U.S. partnership returns with the Internal Revenue Service, *provided* that, in connection with the foregoing, (i) the General Partner shall bear all out-of-pocket costs of preparing and filing such documents and (ii) no Limited Partner will be required to disclose any proprietary information (*provided* that the Limited Partners' name, address, and other identifying information shall not be considered proprietary for purposes of this Section 2.06(b)).

(c) Each Partner shall cause to be prepared and filed on a timely basis all tax returns required by law to be filed by such Partner. Each Partner shall, to the fullest extent permitted by applicable law, indemnify and hold harmless the other Partners against any losses, claims, damages or liabilities arising from, related to or in connection with such Partner's failure to make such filings.

(d) The General Partner is hereby designated as the Partnership's "tax matters partner." The General Partner is specifically directed and authorized to take whatever steps the General Partner, in its discretion, deems necessary or desirable to perfect such designation, including filing any forms or documents and taking such other action as may from time to time be required under applicable

tax law. Expenses of any administrative proceedings undertaken by the Tax Matters Partner shall be Partnership Expenses. Each Limited Partner who elects to participate in such proceedings shall be responsible for any expenses incurred by such Limited Partner in connection with such participation. The cost of any resulting audits or adjustments of a Limited Partner's tax return shall be borne solely by the affected Limited Partner. Notwithstanding the foregoing, the General Partner shall not bind any Limited Partner to an extension of such Limited Partner's statute of limitations or to a closing agreement or settlement agreement for tax purposes without such Limited Partner's prior written consent.

Section 2.07. *Confidentiality; Press Release.* (a) Each Partner agrees to keep confidential, and not to make any use of (other than for purposes reasonably related to its interest in the Partnership or for purposes of filing such Partner's tax returns or for other routine matters required by law) nor to disclose to or discuss with any Person (including any co-venturers or managers of other investments in real property but other than Affiliates of such Partner), any information or matter relating to the Partnership, the TRS CV, the Partners and their affairs, or any information obtained in relation to the other Partners, and any information or matter related to any Partnership Investment, including, among other things, the estimated value or terms and conditions of any potential transaction which the Partnership is actively pursuing (other than disclosure to such Partner's employees, agents, accountants, advisors (including financial advisors) or representatives responsible for matters relating to the Partnership (each such Person being hereinafter referred to as an " **Authorized Representative**")); *provided* that such Partner and its Authorized Representatives may make such disclosure to the extent that (i) the information being disclosed is publicly known at the time of proposed disclosure by such Partner or Authorized Representative, (ii) such disclosure is required by law or regulation or (iii) such disclosure is required by any regulatory authority or self-regulatory organization having jurisdiction over such Partner, including filings with the trade register at the Chamber of Commerce and Industry in Amsterdam, the Netherlands (the " **Chamber of Commerce**"). Prior to making any disclosure required by law, regulation, regulatory authority or self-regulatory organization, each Partner shall (to the extent permitted by applicable law) use its commercially reasonable efforts to promptly notify the General Partner (and the affected Partner, if any) of such disclosure. Prior to any disclosure to any Authorized Representative, each Partner shall advise such Authorized Representative of the obligations set forth in this Section 2.07. Each Partner shall be liable for any breach of such obligations by an Authorized Representative, unless such Authorized Representative has executed an agreement, for the benefit of the General Partner, to be bound by the terms of such obligations.

(b) Without obtaining the consent of the other Partners, a Partner will not issue any press release or make any public statement relating to any of the matters provided for or referred to in this Agreement or any ancillary matter, unless required by law or by any regulatory authority, government body or recognized securities exchange.

Section 2.08. *Meetings of the Partners.* (a) The General Partner shall meet with the Limited Partners at least twice annually on dates convenient to the Limited Partners. Each meeting shall take place in Amsterdam or such other place as unanimously agreed by the Partners. For any meeting of the Partners, the General Partner shall cause a written notice to be sent to the Partners at least ten (10) Business Days prior to the meeting. Such notice shall contain a detailed list of the items on the agenda. The General Partner shall cause to be delivered to the other Partners any materials material to the discussion of the items on the agenda at least five (5) Business Days prior to the meeting.

(b) Meetings of the Partners to vote upon any matters which the Partners are authorized to vote on under this Agreement may be called at any time by a Partner by delivering written notice to the General Partner. Within ten (10) days following receipt of such request, the General Partner shall cause a written notice of a meeting to be given to the Partners entitled to vote, such meeting to be held at a place and time fixed by the General Partner on a date convenient to the Limited Partners. This meeting shall take place in Amsterdam or such other place as unanimously agreed to by the Partners. Any Partner may participate in any meeting called in accordance with this Section 2.08(b) by telephone or other form of telephonic communication. A detailed statement of the proposed action, including a verbatim statement of the wording of any resolution proposed for adoption by the Partners, shall be included with the notice of a meeting.

(c) In lieu of a meeting called in accordance with Section 2.08(b) to vote on any matter which the Partners are authorized to vote under this Agreement, the General Partner shall submit the proposed action in writing to each of the Partners entitled to vote. Each such Partner shall give its written response to the proposed action to the General Partner within fifteen (15) days of the date of the giving of the General Partner's notice to such Partner of such proposal. Any such notice shall specify the date upon which such fifteen (15)-day period for response ends. Any Partner failing to respond within such fifteen (15)-day period shall be deemed to have disapproved such proposed action.

Section 2.09. *Reliance by Third Parties.* Persons dealing with the Partnership are entitled to rely conclusively upon the power and authority of the General Partner as set forth in this Agreement and as a summary of such power and authority is registered with the trade register of the Chamber of Commerce.

Section 2.10. *Temporary Investment of Funds.* Subject to a determination by the General Partner in its discretion as to the amount of cash required in connection with the conduct of the Partnership's business, the General Partner shall invest all cash held by the Partnership in interest bearing instruments or accounts as contemplated by the Budget or as otherwise reasonably selected by

the General Partner. Cash held by the Partnership includes all amounts being held by the Partnership for future investment in Partnership Investments, payment of Partnership Expenses or distribution to the Partners.

Section 2.11. *Removal of the General Partner.* (a) The Required Limited Partners (other than any Defaulting Limited Partner or any Limited Partner that is an Affiliate of the General Partner) may remove the General Partner if a final order of a court of competent jurisdiction has been entered determining that a Cause Event has occurred by delivering written notice to the General Partner of their election pursuant to this Section 2.11(a). The General Partner shall notify the Limited Partners of any removal notice it receives pursuant to this Section 2.11(a). In connection with the removal of the General Partner pursuant to this Section 2.11(a), the Required Limited Partners (other than any Defaulting Limited Partner or any Limited Partner that is an Affiliate of the General Partner) shall appoint a replacement general partner of the Partnership. Such replacement general partner shall be admitted as a general partner of the Partnership prior to the effective date of the removal of the General Partner upon its execution of a counterpart to this Agreement and shall continue the Partnership without dissolution. ********** **********

(b) In the event that the General Partner is removed pursuant to Section 2.11(a), the removed General Partner shall cease to have any rights, powers, obligations or duties provided to it under this Agreement (except for its rights, powers, obligations and duties under Article 8) and under applicable law after the effective date of such removal. In connection with the removal of the General Partner, the Limited Partners shall have the right to either (A) purchase the partnership interest of the General Partner at a price equal to ********** ********** of the General Partner as of the effective date of such removal, such ********** ********** and from and after the effective date of its removal as the General Partner and following the admission of the replacement general partner as described above, the General Partner shall no longer be a Partner in the Partnership, or (B) following the admission of the replacement general partner as described above, convert the General Partner's interest in the Partnership into a limited partner interest in the Partnership with a Capital Account equal to the value set forth in clause (A) above. It is understood that the unanimous written consent of the Partners is required in the event the purchase of the partnership interest of the General Partner causes a relative substitution among the Limited Partners. It is moreover understood that the unanimous written consent of the Partners is required in respect of the conversion of the general partner's interest into a limited partner interest and the admission of the general partner as a Limited Partner. It shall be a condition to any purchase of the General Partner's interest that the entire interest of the general partner under the TRS CV Agreement shall have been simultaneously purchased under the

Corresponding Provision. Any amount paid to the General Partner pursuant to clause (A) above shall be paid in cash. In the event the General Partner's interest is converted into a limited partner interest, the General Partner shall be treated for all purposes as a Limited Partner from the date of conversion with respect to future distributions made by the Partnership and all other rights to which the Limited Partners are entitled under this Agreement.

Section 2.12. *Business Plan and Budgets*. (a) The General Partner shall submit the draft business plan for the operation of the Partnership Investments to the Limited Partners for approval no later than sixty (60) days after the First Closing Date. No later than December 15 of each Fiscal Year the General Partner shall submit to the Limited Partners for approval a revised and updated business plan for the period ending on the last day of the next succeeding Fiscal Year. The business plan shall include the following:

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(ii) a report of potential acquisition and disposition transactions;

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********** (clauses (i)-(iv) collectively, the " **Business Plan**").

(b) The General Partner shall prepare and present to the Limited Partners for each Fiscal Year for their approval the following budgets: (i) a consolidated capital budget for the Partnership, any Partnership Investment Vehicle and any Portfolio Company, setting forth in reasonable detail the estimated Capital Expenses with respect to each Partnership Investment for such Fiscal Year (the "**Partnership Capital Budget**") and (ii) a consolidated operating budget for the Partnership, any Partnership Investment Vehicle and any Portfolio Company, setting forth in reasonable detail the estimated operating costs and expenses with respect to each Partnership Investment, including estimated Partnership Investment Expenses and Partnership Administrative Expenses (the "**Partnership Operating Budget**"; together with the Partnership Capital Budget, each a "**Budget**" and collectively, the "**Budgets**"). The draft of each Budget for the balance of the 2006 Fiscal Year Fiscal Year shall be presented to the Limited

Partners for approval prior to sixty (60) days after the First Closing Date. Each Budget for each subsequent Fiscal Year shall be in the form of the Budget for the prior Fiscal Year. A first draft of each Budget for the subsequent years shall be presented to the Limited Partners prior to ********** of such Fiscal Year and a final draft shall be presented to the Limited Partners prior to February 15 of such Fiscal Year. Within twenty (20) days of its receipt of each of the initial draft and the final draft of a Budget, each Limited Partner shall deliver a notice to the General Partner approving or objecting to such Budget. Any notice objecting to a proposed Budget shall include a detailed explanation of the items to which such Limited Partner objects. If at any time the General Partner has not obtained the approval of the Required Limited Partners with respect to any proposed Budget, the parties shall meet and work in good faith to resolve such disagreement. If within thirty (30) days a resolution to such disagreement is not reached, the dispute shall be resolved by an Approved Industry Consultant in accordance with Section 11.02.

(c) The Partners agree that any Business Plan or Budget required to be delivered by the General Partner under this Agreement may be combined with the business plan and budgets required to be delivered pursuant to the TRS CV Agreement. The Partnership Capital Budget and the Partnership Operating Budget shall each be updated by the General Partner and presented to the Limited Partner for approval in accordance with the above provisions of Section 2.12(b) within ********** of the acquisition of a Partnership Investment.

(d) With respect to any Budget, if the General Partner determines at any time during a Fiscal Year that it is in the best interests of the Partnership to incur any discretionary cost or obligation with respect to an item of expense, contemplated by such Budget, in an amount in excess of *** above the budgeted item of expense, the General Partner shall, subject to Section 2.12(e), obtain the approval of the Required Limited Partners prior to incurring any such discretionary cost or obligation. In addition, the General Partner shall obtain the approval of the Required Limited Partners prior to incurring any discretionary costs or obligations if the aggregate of the expenses incurred is in an amount in excess of *** above the expenses contemplated by the Budget.

(e) Notwithstanding the foregoing, the General Partner shall be authorized to incur on behalf of the Partnership any non-discretionary item of expense, which shall include, without limitation, (i) an expense arising in the event of an emergency (life-threatening or otherwise) or is necessary to comply with legal requirements or to avoid criminal liability, civil liability or the imposition of a fine or other penalty, (ii) any expense required to be incurred pursuant to any Hotel Operating Agreement or lease with a third party for any Partnership Investment, other than in connection with any obligation to maintain “brand” standards (which the Partners agree will need to be approved by the Partners in a Budget or otherwise) and (iii) any expense required to be incurred

pursuant to a budget included as part of an acquisition proposal approved by the Partners. For the purposes of this Section 2.12, an "item of expense" shall refer to each category of expense identified in the applicable Budget.

Section 2.13. *Credit Facility.* (a) The General Partner is authorized to enter into one or more credit facilities (each, a " **Credit Facility**") to pay expenses and fees, to finance the acquisition and ownership of Partnership Investments, including, without limitation, in lieu of, in advance of, or contemporaneously with, Capital Contributions and otherwise to carry out the business and activities permitted under this Agreement. Such Credit Facilities may be secured by an assignment and pledge by the General Partner of all or a portion of the aggregate Available Capital Commitments of all Limited Partners, including upon the continuance of an event of default (as defined in a Credit Facility), the right of the lender to deliver Drawdown Notices and enforce all remedies against any Limited Partner that fails to fund their respective Capital Commitments pursuant to Drawdown Notices and in accordance with the terms of this Agreement. In connection with any such Credit Facility, all such Capital Contributions shall be payable to the account designated by the lender.

(b) Each Limited Partner understands, acknowledges and agrees, in connection with any Credit Facility and for the benefit of any lender thereunder, (i) that the General Partner may from time to time request delivery, within ninety (90) days after the end of such Limited Partner's fiscal year, of a copy of such Limited Partner's annual report, if publicly available, or such Limited Partner's balance sheet as of the end of such fiscal year and the related statements of operations for such fiscal year, in each case to the extent publicly available, prepared or reviewed by independent public accountants in connection with such Limited Partner's annual reporting requirements; (ii) that the General Partner may from time to time request a certificate confirming (x) the remaining amount of such Limited Partner's Available Capital Commitment and/or (y) that the Limited Partner has not and will not pledge, collaterally assign, encumber or otherwise grant a security interest in its rights and obligations against the General Partner or the Partnership; and (iii) that such Limited Partner's obligation to fund its Available Capital Commitment is without defense, counterclaim or offset of any kind, other than any rights or claims available to such Limited Partner under this Agreement. In addition, each Limited Partner agrees (A) to deliver to the lender under any Credit Facility an acknowledgement of such Limited Partner's Capital Commitment in such lender's customary form as may be negotiated between such lender and such Limited Partner, and (B) to deliver, upon the request of the General Partner or lender, an opinion of counsel to the effect that this Agreement is a valid and binding agreement of such Limited Partner (and/or an appropriate corporate or similar resolution authorizing such Limited Partner's investment in the Partnership).

ARTICLE 3
INVESTMENTS

Section 3.01. *Partnership Investments Generally; Initial Hotel Properties.* (a) Subject to Section 3.02 and Article 6, the General Partner may cause the Partnership to invest, directly or indirectly, in such Partnership Investments as the General Partner shall identify based on an objective that at the termination of the Commitment Period, the Partnership shall not have invested
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(b) The Limited Partners acknowledge and agree that an Affiliate of the General Partner has entered into an agreement to acquire certain hotel properties, including those properties identified on Schedule B (the "**Initial Hotel Properties**"), and that such properties are suitable Partnership Investments for the Partnership and acceptable to the Limited Partners notwithstanding any investment limitations or parameters set forth in this Agreement. The General Partner shall have the right to, or cause its Affiliate or a third-party seller (as applicable) to, transfer the Initial Hotel Properties to the General Partner for the benefit of the Partners at the respective prices set forth in Schedule B (each such price, the "**Initial Hotel Property Price**"); *provided* that the Poland Hotel Property shall be contributed to the Partnership pursuant to Section 5.01(b).

Section 3.02. *Investment and Leverage Limitations.* (a) With the approval of the Required Limited Partners, the Partnership or any Partnership Investment Vehicle or any Portfolio Company may incur debt in connection with and in order to finance the acquisition of Partnership Investments (as well as to refinance such debt), *provided* the approval of the Partners is not required for the assumption of debt by the Partnership, any Partnership Investment Vehicle or any Portfolio Company to the extent all associated rights to receive payment in respect of such debt is held by the Partnership, any Partnership Investment Vehicle or any Portfolio Company (as applicable). With the unanimous consent of the Partners, the Partnership, any Partnership Investment Vehicle or any Portfolio Company may incur any other debt with respect to Partnership Investments.

(b) Without the unanimous consent of the Limited Partners, the aggregate amount of debt incurred by the Partnership, any Partnership Investment Vehicle and any Portfolio Company attributable to a single Investment shall not exceed 75% of the fair market value on the date of such Partnership Investment based on an appraisal by an independent third party; *provided* the intent of the Partners is that the amount of debt incurred by the Partnership, any Partnership Investment Vehicle and any Portfolio Company to finance, operate or own Partnership Investments shall not exceed, as of the last day of the Commitment Period and thereafter, 65% of the aggregate fair market value of the Partnership

Investments taken as a whole (without deduction for any debt to which such Investments are subject) based on the last annual appraisal; *provided further*, if such 65% limit is exceeded, the Partners shall confer and agree on the course of action with respect to such debt.

(c) Unless otherwise agreed to by the unanimous consent of the Limited Partners, with respect to a Partnership Investment in a single asset, the minimum gross asset value of such Partnership Investment shall not be less than ************ Unless otherwise agreed to by the unanimous consent of the Partners, with respect to a Partnership Investment consisting of a portfolio of assets, the minimum gross asset value of such portfolio shall not be less than ************ (with no minimum gross asset value required for any single asset within such portfolio).

(d) Without the unanimous consent of the Limited Partners, the Partnership shall not invest in Real Estate Assets with (i) a projected stabilized Yield of less than *** per annum or (ii) a projected IRR of less than *********** ********************** ** in each case as reasonably projected by the General Partner. For the purpose of this Section 3.02(d), a Hotel Property shall be considered operating on a "stabilized" basis when the cash flow from operations (on a pro forma basis) is projected to increase at an annual rate that is not materially greater than the applicable rate of inflation. ** ** ***.

Section 3.03. *Structuring of Investments Generally*. Except as expressly provided otherwise in this Agreement, any Partnership Investment under this Agreement pursuant to any investment opportunity shall be made by the Partnership directly or through one or more Partnership Investment Vehicles.

Section 3.04. *Parallel Investments Generally.* With the unanimous consent of the Limited Partners, the General Partner may structure an investment outside the Partnership as a parallel or co-investment either directly or indirectly through any entity formed for such purpose (a "**Parallel Investment Vehicle**"). The specific terms applicable to each parallel investment shall be set forth in an agreement or agreements among the Partnership, the General Partner and any investors participating in such parallel investment.

ARTICLE 4
EXPENSES

Section 4.01. *Definition and Payment of General Partner Expenses.* As between the General Partner, on the one hand, and the Partnership, on the other hand, the General Partner shall be solely responsible for and shall pay all General Partner Expenses pursuant to this Agreement. As used herein, the term "**General Partner Expenses**" means:

(a) all Organizational Expenses and Partnership Investment Expenses in excess of the amount payable by the Partnership pursuant to Sections 4.02(a)(i) and 4.02(a)(ii), respectively;

(b) all salaries and employee benefit expenses of employees caused by the General Partner to be hired by the Manager and related overhead expenses (including rent, utilities, office equipment, necessary administrative and clerical functions and other similar overhead expenses, including internal costs associated with the preparation of reports required hereunder) and travel expenses (excluding travel expenses described in Section 4.02(b)(i)) resulting from the activities of such employees on behalf of the Partnership or in connection with this Agreement;

(c) costs payable by the General Partner pursuant to Section 7.02(b);

(d) any expenses to be paid by the General Partner pursuant to Section 2.03(f), Section 2.03(g) and Section 2.06(b);

(e) with respect to any contemplated financing, to the extent required by a lender to the Partnership, any Partnership Investment Vehicle or any Portfolio Company, any currency hedging costs in connection with any hedge relating to the currency exchange risk due to the fact that such loan would be denominated in Euros but the cash to be received from hotel operations will be in the currency of the country in which such Hotel Property is located; and

(f) Partnership Investment Expenses to the extent directly attributable to the Initial Hotel Properties and incurred by the General Partner or any Affiliate of the General Partner prior to the date hereof.

Section 4.02. *Definition and Payment of Partnership Expenses.* (a) The Partnership shall be responsible for and shall pay all Partnership Expenses. As used herein, the term "**Partnership Expenses**" means all expenses or obligations of the Partnership or otherwise reasonably incurred by the General Partner in connection with this Agreement (other than General Partner Expenses and the obligation of the Partnership to pay the purchase price for any Partnership Investment), including:

(i) all expenses of organizing, registering, qualifying, exempting and otherwise in connection with the Partnership, the General Partner, and any Partnership Investment Vehicle and any Portfolio Company related to the acquisition of the Initial Properties (the " **Organizational Expenses**"), ******************** (aggregated with any expenses under any Corresponding Provision);

(ii) all expenses directly attributable to, and reasonably incurred in respect of, (A) any Partnership Investment and (B) any proposed Partnership Investment that is ultimately not made by the Partnership, including, in each case, all expenses incurred in connection with the making (including sales commissions, brokerage fees and legal and diligence costs), structuring, holding, managing, financing, refinancing, pledging, hedging, sale or other disposition or proposed financing, refinancing, pledging, hedging, sale or other disposition of all or any portion of such Partnership Investment, and any Borrowing Costs, Partnership Investment Vehicle Expenses, and Indemnification Obligations arising with respect to such Partnership Investment (collectively, "**Partnership Investment Expenses**"), not to exceed, ** ** *** *************************************;

(iii) all other expenses of the Partnership reasonably incurred in connection with the ongoing operation and administration of the Partnership (collectively, "**Partnership Administrative Expenses**"), including (A) expenses reasonably incurred in connection with the maintenance of the Partnership's books and records; the preparation and delivery to the Limited Partners of financial reports and other information pursuant to this Agreement; and the holding of annual meetings of the Partnership, (B) expenses reasonably incurred in connection with the dissolution and liquidation of the Partnership, (C) any Indemnification Obligation arising other than with respect to any Partnership Investment, (D) the Management Fee, (E) Borrowing Costs that do not constitute Partnership Investment Expenses, (F) amounts of principal and other amounts, if any, due and owing under any loan to the Partnership, any Portfolio Company or any Partnership Investment Vehicle, including under a Credit Facility, (G) subject to approval by the Required Limited Partners any extraordinary expenses that would not otherwise be Partnership Investment Expenses, (H) expenses consisting of salaries of employees of any Portfolio Company as may be necessary or recommended pursuant to the applicable laws of any jurisdiction in which such Portfolio Company is a resident, as approved by the Required

Limited Partners or as contemplated in the Budgets, and (I) any expense identified as a Partnership Expense in a Budget approved by the Limited Partners in accordance with Section 2.12; and

(iv) any costs payable by the Partnership pursuant to Section 7.02(b).

(b) The parties agree that all of the following constitute Partnership Expenses, and are some, but not necessarily all, of the types of expenses that may constitute Partnership Investment Expenses, Partnership Administrative Expenses or Organizational Expenses, depending upon the context in which such expenses are incurred:

(i) reasonable travel expenses directly attributable to (A) any Partnership Investment and (B) any proposed Partnership Investment that is ultimately not made by the Partnership, it **********
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(ii) expenses reasonably incurred in connection with obtaining legal, tax, and accounting advice and the advice of other consultants and experts on behalf of the Partnership;

(iii) out-of-pocket expenses reasonably incurred in connection with the collection of amounts due to the Partnership from any Person;

(iv) expenses reasonably incurred in connection with the preparation of amendments or waivers to this Agreement;

(v) any taxes imposed on the Partnership, excluding the taxes described in Section 6.02(c), but including any taxes imposed on the Partnership or the General Partner in the capacity of withholding agent with respect to a Limited Partner (and any interest, penalties or expenses relating to any such taxes), but only to the extent such Limited Partner has not paid such amounts pursuant to Section 8.01 and the General Partner has been unable to withhold such amounts pursuant to Section 6.05(c) and any expenses incurred in connection with tax proceedings that are not characterized as General Partner Expenses pursuant to Section 2.06(b);

(vi) expenses reasonably incurred in connection with any Proceeding involving the Partnership (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith; *provided* that any such expenses which, if incurred by any Indemnified Person, would not be indemnifiable under Article 8, shall not constitute Partnership Expenses;

(vii) any Indemnification Obligation and any other indemnity, contribution, or reimbursement obligations of the Partnership with respect to any Person, whether payable in connection with a Proceeding involving the Partnership or otherwise, unless such Indemnification Obligation arises as a result of the willful misconduct or gross negligence of any Indemnified Person or as a result of an Uncured Breach or an Uncured Material Violation of Law by any Indemnified Person;

(viii) **********; and

(ix) any post-closing working capital adjustment amount required to be paid in connection with any Partnership Investment, including with respect to the Initial Hotel Properties.

(c) If an audit is conducted pursuant to Section 7.02 and such audit determines that there has been an overcharge and/or overallocation of costs to the Partnership, the General Partner shall pay or cause to be paid such overcharge and/or overallocation in accordance with Section 7.02(c). If such audit determines that there has been an undercharge and/or underallocation of costs to the Partnership, each Limited Partner shall pay to the General Partner or its designee its pro rata share of such undercharge and/or underallocation in accordance with Section 7.02(c).

Section 4.03. *Responsibility for Partnership Expenses Among the Partners.* The Partners agree that, as among the Partners, responsibility for Partnership Expenses shall be determined as set forth in this Section 4.03 and shall be paid out of the funds set forth in Section 4.04 at such time after such Partnership Expenses arise as the General Partner determines in its discretion:

(a) *General Rule for Funding of Partnership Expenses.* Except as set forth in Section 4.03(b), any Partnership Expense shall be funded by the Partners *pro rata* in accordance with their respective Commitment Percentages.

(b) *Exceptions to the General Rule for Funding of Partnership Expenses.* Notwithstanding Section 4.03(a):

(i) [intentionally omitted]

(ii) in the event that any Limited Partner initiates any Proceeding against the Partnership or any Indemnified Person and a judgment or order not subject to further appeal or discretionary review is

rendered in respect of such Proceeding in favor of the Partnership or such Indemnified Person, as the case may be, such Limited Partner shall be solely liable for all reasonable legal fees and expenses of the Partnership or such Indemnified Person, as the case may be, attributable thereto;

(iii) subject to clause (iv), the Partners' respective shares of Partnership Expenses shall be adjusted to reflect the share of Partnership Expenses of any New Commitment Partner pursuant to Section 1.07(c); and

(iv) with the unanimous consent of the Limited Partners, the Limited Partners may agree that any Partnership Expense shall be funded by the Partners on a basis other than that set forth in the foregoing provisions of this Section 4.03.

Section 4.04. *Sources of Funds for Funding by the Partners of Partnership Expenses.* The Partners acknowledge that Partnership Expenses shall be funded by or for the account of the Partners, to the extent provided in Section 4.03, through any one or more of the following sources of funds of the Partnership, determined by the General Partner in its discretion:

(i) Capital Contributions by the Partners in accordance with Article 5;

(ii) the withholding, pursuant to Section 6.05(c), of amounts (whether realized through the sale of Partnership assets or otherwise) distributable to the Partners;

(iii) reserves set aside pursuant to Section 6.05(e); and

(iv) amount borrowed by the General Partner for the benefit of the Partners pursuant to a Credit Facility in accordance with Section 2.13.

ARTICLE 5
CAPITAL COMMITMENTS AND CAPITAL CONTRIBUTIONS

Section 5.01. *Capital Commitments.* (a) Each Limited Partner hereby agrees to make Capital Contributions required to be made in respect of Partnership Investments and Partnership Expenses from time to time as hereinafter set forth in this Article 5; *provided* that the applicable Drawdown Notice with respect to any Capital Contribution by a Limited Partner in respect of a Partnership Investment is delivered to such Limited Partner prior to the termination of the Commitment Period, except that such Drawdown Notice may be delivered to such Limited Partner after the termination of the Commitment Period if such Drawdown Notice (A) relates to a Partnership Investment that the Partnership committed to make prior to the termination of the Commitment

Period as evidenced by a letter of intent, agreement in principle or definitive agreement to invest or (B) relates to Follow-On Investments to the extent such Follow-On Investments have been disclosed to and approved by the Limited Partners prior to the last day of the Commitment Period. The General Partner shall not deliver any Drawdown Notice until the First Closing Date other than with respect to the payment of Organizational Expenses described in Section 4.02(a)(i).

(b) Host contributed to the Partnership (x) all of its interest in and to the Poland Hotel Property, which contribution was effected through a transfer of the beneficial interest in HHR Warsaw B.V., and (y) the Poland Hotel Property Note, and in exchange therefore, Host received a limited partner interest with a Capital Account equal to the Initial Hotel Property Price for the Poland Hotel Property plus the net asset value of HHR Warsaw B.V. equal to €18,151. Each of the General Partner and each Limited Partner hereby consents to the admission of Host as Limited Partner.

(c) Notwithstanding anything contained in this Agreement, no Limited Partner shall be required to make any Capital Contribution if, at the time such Capital Contribution is to be made, such Capital Contribution exceeds such Limited Partner's then Available Capital Commitment.

(d) Subject to the unanimous consent of the Partners, the General Partner may extend the Commitment Period for ******** period, *provided* it shall be a condition to any extension by a Limited Partner of the Commitment Period that such Limited Partner shall have simultaneously extended the commitment period under the Corresponding Provision. Subject to Section 10.03, a Limited Partner may terminate the Commitment Period with respect to its Capital Commitment, **********
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********** by notice to the General Partner (the " **Commitment Period Termination Notice**"), *provided* it shall be a condition to any termination by a Limited Partner of the Commitment Period as described above that such Limited Partner shall have simultaneously terminated the commitment period of the TRS CV under the Corresponding Provision.

(e) The General Partner shall contribute to the Partnership the economic ownership of all shares or ownership interests in the capital of any subsidiaries formed by it and receive credit for such contribution (as a deemed capital contribution) in an amount equal to the paid-up capital of each such direct subsidiary as well as the paid-up capital of any indirect subsidiaries. Without limiting the generality of the foregoing, in connection with the financing of the Initial Hotel Properties, the Limited Partners acknowledge that the General Partner (A) formed HHR Euro Funding B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with a corporate

seat in Amsterdam, the Netherlands (the "**Original Dutch Subsidiary Shares**"), (B) incorporated an additional subsidiary, HHR Euro Holding B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with its corporate seat in Amsterdam, The Netherlands ("**HHR Holding**"), (C) contributed to the Partnership the economic ownership of all shares in the share capital of HHR Holding, and (D) transferred the Original Dutch Subsidiary Shares to HHR Holding. For the avoidance of doubt, the General Partner shall be deemed to have contributed to the Partnership the nominal issued and paid-up capital of HHR Euro Funding B.V., HHR Holding and of the following subsidiaries of HHR Euro Funding B.V.: HHR Italy B.V., HHR U.K. B.V. and HHR Spain B.V. For the avoidance of doubt, the foregoing shall not mean that the Original Dutch Subsidiary Shares, the shares in HHR Holding after the transfers referred to above, or the shares or interests in any other direct or indirect subsidiary will be legally owned by the Limited Partners. The Capital Commitment of the General Partner at any time shall be equal to 0.100556% of the aggregate amount of the Capital Commitments of the Partners at such time. The Capital Commitment of the General Partner is set forth on Schedule A.

(f) The Capital Commitment of each Partner is set forth on Schedule A (it being understood and confirmed by all Partners that Schedule A is being amended and restated to increase the Capital Commitments of the Partners, correct certain typographical errors and set forth unrounded Capital Commitments to the nearest Euro and the related unrounded Commitment Percentages).

(g) Host shall be permitted to reduce its initial Capital Commitment in accordance with Section 5.04.

Section 5.02. *Drawdown Procedures.* (a) *Generally*. Each Limited Partner shall make Capital Contributions in such amounts and at such times as the General Partner shall specify in notices ("**Drawdown Notices**") delivered from time to time to such Limited Partner. All Capital Contributions shall be paid to the Partnership in immediately available funds in Euros (and/or U.S. Dollars with respect to the Initial Hotel Properties, as specifically set forth in Schedule A) by noon (Amsterdam time) on the date specified in the applicable Drawdown Notice (the " **Drawdown Date**") which date shall be at least ten (10) Business Days from and including the date of delivery of the Drawdown Notice. If any Limited Partner fails to pay by the Drawdown Date the required Capital Contribution to be made by such Limited Partner, the General Partner shall provide notice of such failure to such Limited Partner on the Drawdown Date. Capital Contributions may include amounts that the General Partner determines, in its reasonable discretion, are necessary or desirable to establish reserves in respect of Partnership Investments or Partnership Expenses. To the extent a Capital Contribution made under this Article 5 will cause a relative change (relative substitution) in the amount credited on the Limited Partners' Capital Accounts, the prior written unanimous consent of all Partners is required.

The Partners acknowledge and agree that their respective initial Capital Commitments as set forth on Schedule A are denominated in U.S. Dollars and will be funded to the General Partner in U.S. Dollars, provided that ABP may, at its option elect to contribute its cash contribution in Euros notwithstanding that all or a portion of ABP's Capital Commitment is denominated in U.S. Dollars (any such actual contribution of Euros, being referred to as an " **ABP Euro Exchanged Contribution**"). With respect to any ABP Euro Exchanged Contribution, ABP agrees that it shall contribute an amount of Euros sufficient for the General Partner to immediately exchange on such Drawdown Date for U.S. Dollars in the amount of the Drawdown for ABP (the " **U.S. Dollar Equivalent Contribution Amount**"). To the extent any Drawdown Notice requires a Drawdown of a portion of a Limited Partner's Available Capital Commitment that is denominated in U.S. Dollars, the Capital Contribution of U.S. Dollars by any Partner other than ABP and the U.S. Dollar Equivalent Contribution Amount for ABP shall be deemed converted to Euros upon contribution to the Partnership using the exchange rate quoted on www.bloomberg.com as of the close of trading in New York on the closing date of the contribution to the Partnership or the acquisition by the Partnership (as applicable) of the relevant Real Estate Asset (ie., May 3, 2006 for the contribution of the Poland Hotel Property and for the acquisition by the Partnership of Sheraton Skyline, Sheraton Roma, Westin Palace Madrid and Westin Palace Milan and June 13, 2006 for the acquisition of Westin Europa & Regina), *provided* that, for purposes of determining the contributing Partner's Available Capital Commitment, such contribution shall be deemed converted to Euros upon contribution to the Partnership using the exchange rate of €1.00 to U.S. $1.195.

For the avoidance of doubt, the Partners acknowledge that only the initial Capital Commitments (set forth in the first column of Schedule A) were denominated in U.S. Dollars and that as of the date of this Agreement, all remaining Capital Commitments are denominated solely in Euros.

The General Partner shall make Capital Contributions in such amounts as hereinafter set forth in this Article 5 and at the same times and in the same manner as the Limited Partner who are required to make related Capital Contributions.

(b) *Regular Drawdowns*.

(i) *Drawdown Notices*. Except as otherwise provided in Section 5.02(c), each Drawdown Notice for a Drawdown shall specify:

(A) the manner in which, and the expected date on which, such Drawdown is to be applied;

(B) if all or any portion of such Drawdown is to be applied to make one or more Partnership Investments, with respect to each proposed Partnership Investment, (w) the name and business description of the Person (if any) that is, directly or indirectly, the subject of such proposed Partnership Investment, (x) the Investment Drawdown Amount in respect of such Partnership Investment, and, as provided in Section 5.02(a), whether such Capital Contribution shall be made in U.S. Dollars or Euros, (y) a description of the Real Estate Assets that are the subject of such Investment and (z) the purpose of such Drawdown;

(C) if all or any portion of such Drawdown is to be applied in respect of any Partnership Expenses, the Expenses Drawdown Amount;

(D) the required Capital Contribution to be made by such Limited Partner;

(E) the Drawdown Date; and

(F) the Person and the account to which such Capital Contribution shall be paid.

(ii) *Amount of Required Capital Contribution in Respect of Partnership Investments* .

(A) As of the later to occur of the General Partner contributing to the Partnership the economic ownership of the shares in its subsidiaries as described in Section 5.01(e) and Host contributing to the Partnership its interest in the Poland Hotel Property and the Poland Hotel Property Note pursuant to Section 5.01(b), the combined Investment Percentage for the General Partner and Host was greater than 32.100556% (the " **Host Optimal Investment Percentage**"), however, as a result of subsequent Capital Contributions of the Limited Partners other than Host, subject to Section 5.02(c), Host's Investment Percentage has been reduced to equal the Host Optimal Investment Percentage. Subject to the immediately preceding sentence and Section 5.02(c), with respect to each Partnership Investment covered by any Drawdown, the General Partner and each Limited Partner shall be required to make a Capital Contribution equal to the product of (x) such Person's Available Commitment Percentage and (y) the Investment Drawdown Amount.

(B) With respect to each Follow-On Investment covered by any Drawdown, each Partner in the original Partnership Investment to which such Follow-On Investment relates shall be required to make a Capital Contribution equal to the product of (x) such Partner's Commitment Percentage in respect of such original Partnership Investment *and* (y) the Investment Drawdown Amount in respect of such Follow-On Investment.

(iii) *Amount of Required Capital Contributions in Respect of Expenses* . With respect to the portion of the Expenses Drawdown Amount to be applied to pay Partnership Expenses, each Partner (including the General Partner) shall be required to make a Capital Contribution equal to the amount of such Partnership Expenses payable by such Partner as determined pursuant to Section 4.03.

(iv) *Limitation on Drawdowns*. **********
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(c) *Intentionally Omitted.*

(d) *Special Drawdowns*. If, in connection with the making of any Partnership Investment or the payment of any Partnership Investment Expense in respect of which a Drawdown Notice has been delivered, the General Partner shall determine, in its discretion, that it is necessary or desirable to increase the required Capital Contribution to be made by any Limited Partner in connection therewith, the General Partner shall deliver an additional Drawdown Notice to such Limited Partner amending the original Drawdown Notice and specifying:

(i) the amount of any increase in any Investment Drawdown Amount or in the Expenses Drawdown Amount, as the case may be;

(ii) the amount of the increase in the required Capital Contribution to be made by such Limited Partner;

(iii) the Drawdown Date with respect to the amount of the increase in the required Capital Contribution if different from the Drawdown Date specified in the original Drawdown Notice; *provided* that the Drawdown Date with respect to the amount of such increase shall be at least ten Business Days after delivery of such additional Drawdown Notice; and

(iv) the reason for such increase.

For the avoidance of doubt, the Partners agree that a Limited Partner shall never be required to make Capital Contributions pursuant to this Section 5.02(c) in excess of its then Available Capital Commitment. Any increase in the required Capital Contribution of any Limited Partner pursuant to Section 5.03 shall be calculated in the manner set forth therein. Any increase in the required Capital Contribution of the General Partner and each Limited Partner due to an increase in any Investment Drawdown Amount or the Expenses Drawdown Amount, as the case may be, specified in the original Drawdown Notice shall be calculated in accordance with Section 5.02(b)(ii) and Section 5.02(b)(iii) (after giving effect to Section 5.03, as appropriate) with respect to the amount of such increase.

Section 5.03. *Default by Limited Partners.* (a) Each of the General Partner and each Limited Partner agrees that time is of the essence as to the payment of its required Capital Contributions, that any Default by any Limited Partner would cause injury to the Partnership and to the General Partner and the Limited Partners and that the amount of damages caused by any such injury would be extremely difficult to calculate. Accordingly, the amount of such Default (the "**Default Amount**") shall accrue interest commencing on the Drawdown Date at the Default Rate and ending on the date paid or contributed as a Default Contribution or loaned as a Total Drawdown Default Loan or Default Loan. Upon the occurrence of any Default, the General Partner shall promptly notify the Limited Partner who has committed such Default (the " **Defaulting Limited Partner**") of the occurrence of such Default. Upon the occurrence of any Event of Default, the General Partner shall promptly notify all Limited Partners other than the Defaulting Limited Partner (the " **Non-Defaulting Limited Partners**") of the occurrence of such Event of Default and of the course or courses of action it is electing to take as provided below.

(b) Upon the occurrence of an Event of Default, the General Partner, in its sole discretion, may elect to exercise one or more of the following remedies:

(i) cause the Defaulting Limited Partner to forfeit all or any portion of distributions from the Partnership made or to be made after such Event of Default that relate to any Partnership Investments in respect of which such Limited Partner made Capital Contributions prior to such Event of Default;

(ii) request the Non-Defaulting Limited Partners to provide a loan to the Partnership (each, a " **Total Drawdown Default Loan**") in the aggregate amount of the Drawdown required in the applicable Drawdown Notice (the " **Total Drawdown Amount**"), and which shall bear interest from the date the sum is paid into the Partnership until the date it is repaid at the Default Rate (or such lower rate as is the maximum rate permitted by law); *provided* that notwithstanding Article 6, Proceeds shall be utilized first to pay any outstanding Total Drawdown Default Loans (and any accrued interest thereon) and there shall be no distributions to the Partners pursuant to Article 6 until the principal of and interest on all outstanding Total Drawdown Default Loans have been paid in full by the Partnership; *provided further*, to the extent a Non-Defaulting Limited Partner has made a Capital Contribution prior to making a Total Drawdown Default Loan, subject to such Non-Defaulting Limited Partner's consent, such Capital Contribution shall be deemed to be its pro rata share of funding such Total Drawdown Default Loan. For the avoidance of doubt, the Partners agree that a Limited Partner shall never be required to make a loan to the Partnership;

(iii) request the Non-Defaulting Limited Partners to provide a loan to the Partnership in the amount of the Default Amount (the " **Default Loan**") and which shall bear interest from the date the sum is paid into the Partnership until the date it is repaid at the Default Rate (or such lower rate as is the maximum rate permitted by law); *provided* that:

(A) subject to the prior written unanimous consent of the Partners (other than the Defaulting Limited Partner), such Non-Defaulting Limited Partners shall be deemed to have purchased for their respective accounts (as provided in Section 5.03(d)), a percentage of the Defaulting Limited Partner's partnership interest equal to the percentage derived by dividing an amount equal to ********** (and any unpaid interest thereon accrued to the date of such deemed purchase) by the aggregate ********** made by the Defaulting Limited Partner as of such date plus the **********; *provided* that in no instance shall the Defaulting Limited Partner be deemed to have sold more than all of its partnership interest. For illustrative purposes only, **********
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********** sale, *provided* that in the event that there are more than one Non-Defaulting Limited Partners making Default Loans, the purchased Commitment Percentage shall be allocated among such Limited Partners in proportion to loans made by such Limited Partners as further described below in Section 5.03(d);

(B)**********
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(C) notwithstanding Article 6, Proceeds shall be utilized first to pay any outstanding Default Loans (and any accrued interest thereon) and there shall be no distributions to the Partners pursuant to Article 6 until the principal of and interest on all outstanding Default Loans have been paid in full by the Partnership;

For the avoidance of doubt, the Partners agree that a Limited Partner shall never be required to make a Default Loan;

(iv) request additional contributions of capital from the Non-Defaulting Limited Partners (pro rata based on their respective Commitment Percentages) in an amount equal to the ********** (the " **Default Contribution**"), in which event, subject to Section 10.02 and the prior written unanimous consent of all Partners (other than the Defaulting Limited Partner), the Defaulting Limited Partner shall be deemed to have sold, and the contributing Non-Defaulting Limited Partners shall be deemed to have purchased for their respective accounts (as provided in Section 5.03(d)), a percentage of the Defaulting Limited Partner's partnership interest equal to the percentage derived by dividing an amount equal to
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(v) cause distributions that would otherwise be made to the Defaulting Limited Partner to be credited against the Default Amount, as applicable (and any interest accruing thereon) pursuant to Section 6.05(c);

(vi) cause the Defaulting Limited Partner to forfeit its right to participate in any Partnership Investments made after such Event of Default;

(vii) in the event Non-Defaulting Limited Partners are not willing to make Default Contributions, Total Drawdown Default Loans or Default Loans in an aggregate amount equal to the Default Amount or Total Drawdown Amount (as applicable), with respect to any Defaulting Limited Partner, subject to the prior written unanimous consent of all the Partners (other than the Defaulting Limited Partner), cause a forced sale of the Defaulting Limited Partner's interest in the Partnership to any Person, at such price as the General Partner, in its sole discretion, shall determine to be fair and reasonable under the circumstances; and

(viii) institute proceedings to recover the Defaulting Limited Partner's share of the Total Drawdown Amount or Default Amount, as applicable (and any interest accruing thereon).

It is a condition to any Non-Defaulting Limited Partner making a Total Drawdown Default Loan, Default Loan or a Default Contribution that such loan or contribution be made under the Corresponding Provision in the same percentage of the Total Drawdown Amount or Default Amount (as applicable), unless otherwise agreed by the Non-Defaulting Partners. A transfer of the Defaulting Limited Partner's interest (including, for the avoidance of doubt, all rights and obligations of such Defaulting Limited Partner under this Agreement) pursuant to a forced sale shall be effectuated by way of assumption of contract (*contractsoverneming*) within the meaning of Section 6:159 of the Dutch Civil Code. The Defaulting Limited Partner hereby gives its cooperation in advance to such assumption of contract and agrees that its cooperation cannot be revoked.

(c) The General Partner may take either or both of the following actions in respect of the Available Capital Commitment of any Defaulting Limited Partner:

(i) seek commitments of capital from existing Limited Partners up to the amount of the Defaulting Limited Partner's Available Capital Commitment and, if existing Limited Partners do not increase their Capital Commitments up to the full amount of the Defaulting Limited Partner's Available Capital Commitment, from additional investors. If any such commitment is received from any existing Limited Partner, subject to the prior written unanimous consent of the Partners (other than the Defaulting Limited Partner), such Limited Partner's Capital Commitment and Available Capital Commitment shall be increased accordingly. If any such commitment is received from an investor that is not an existing Limited Partner, such investor shall, after executing such instruments and delivering such opinions and other documents as are in form and substance satisfactory to the General Partner and subject to the prior written unanimous consent of the Partners (other than the Defaulting Limited Partner), be admitted to the Partnership as a Substituted Limited Partner and shown as such on the books and records of the Partnership and shall be deemed to have a Capital Commitment and an Available Capital Commitment equal to the commitment for which such investor has subscribed. After the appropriate adjustment of the Capital Commitment and the Available Capital Commitment of the Limited Partner or admission of the Substituted Limited Partner, the Capital Commitment and Available Capital Commitment of the Defaulting Limited Partner shall be decreased accordingly; and

(ii) subject to the prior written unanimous consent of the Partners (other than the Defaulting Limited Partner), reduce or cancel the Available Capital Commitment of the Defaulting Limited Partner on such terms as the General Partner determines in its discretion (which may include leaving such Defaulting Limited Partner obligated to make Capital Contributions with respect to Partnership Expenses).

(d) If the aggregate amount of the Total Drawdown Default Loan, Default Loan or Default Contribution, as the case may be (and any accrued interest thereon), committed by the Non-Defaulting Limited Partners pursuant to the Default notice is: (i) equal to or less than one hundred percent (100%) of the Total Drawdown Amount or Default Amount, as applicable (and any accrued interest thereon), then each such Non-Defaulting Limited Partners shall make a Total Drawdown Default Loan, Default Loan or Default Contribution (as the case may be) in an amount committed to in its Default Election Notice, or (ii) in excess of one hundred percent (100%) of the Total Drawdown Amount or Default Amount, as applicable, then, subject to the prior written unanimous consent of the Partners (other than the Defaulting Limited Partner), each such Non-Defaulting Limited Partner shall make a Total Drawdown Default Loan, Default Loan or Default Contribution (as the case may be) in an amount equal to the sum of (A) the lesser of (y) the amount committed in the Default Election Notice or (z) the

product of the Total Drawdown Amount or Default Amount, as applicable (and any accrued interest thereon) and the Commitment Percentage of each electing Non-Defaulting Limited Partner, plus (B) the Total Drawdown Amount or Default Amount, as applicable (and any accrued interest thereon) not lent or contributed under clause (A) above multiplied by a fraction, the numerator of which is the amount requested in the Default Election Notice by each Non-Defaulting Limited Partner that such Limited Partner did not loan or contributed under clause (A) above, and the denominator of which is the aggregate amounts requested in the Default Election Notices by all Non-Defaulting Limited Partners that such Limited Partners did not loan or contribute under clause (A) above. The amount of any Default Contribution shall reduce the Commitment of a Defaulting Limited Partner and shall not reduce the Commitment of the contributing Non Defaulting Limited Partners. In no event shall a Total Drawdown Default Loan, Default Loan or Default Contribution release the Defaulting Limited Partner from its obligations to fund the remainder of its Commitment.

(e) The rights and remedies referred to in this Section 5.03 shall be in addition to, and not in limitation of, any other rights available to the General Partner or the Partnership under this Agreement or at law or in equity. An Event of Default by any Limited Partner in respect of any Capital Contribution shall not relieve any other Limited Partner of its obligation to make Capital Contributions under this Agreement. In addition, unless the Available Capital Commitment of any Defaulting Limited Partner is decreased to zero pursuant to Section 5.03(c), an Event of Default by such Defaulting Limited Partner shall not relieve such Limited Partner of its obligation to make Capital Contributions subsequent to such Event of Default.

(f) Any Non-Defaulting Limited Partner who has or is deemed to have acquired any or all of the partnership interest of a Defaulting Partner pursuant to this Section 5.03 shall be deemed a Substituted Limited Partner with respect to such acquired interest.

Section 5.04. **********
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Section 5.05. *Extraordinary* Loans. (a) At any time either (i) after the Commitment Period or (ii) that a Drawdown would exceed the aggregate Available Capital Commitment of the Limited Partners, and in either case, the General Partner has determined in its good faith judgment that additional funds are necessary in connection with operating shortfalls or emergency repairs, the General Partner may deliver to the Limited Partners a notice (an " **Extraordinary Drawdown Notice**") setting forth the information generally required to be included in a Drawdown Notice, including the aggregate amount of the operating or capital shortfall (the "**Total Extraordinary Drawdown Amount**") and requesting that each Limited Partner make a loan with interest at a rate per annum equal to ********** as approved unanimously by the Limited Partners, but absent such approval, ********** *** (an "**Extraordinary Loan**") to the Partnership. Each Limited Partner shall deliver a notice (the " **Extraordinary LP Response**") to the General Partner within ten (10) days of its receipt of the Extraordinary Drawdown Notice indicating whether it will elect to make such Extraordinary Loan and, if applicable, the amount of the Extraordinary Loan to be committed. For the avoidance of doubt, no Limited Partner shall be obligated to make any Extraordinary Loans and nothing in this Section 5.05 is intended to detract from the limitations set forth in the proviso in Section 5.01(a) and Section 5.01(c). Proceeds shall be utilized first to pay any outstanding Extraordinary Loans (after the repayment of any outstanding Default Loans or Total Drawdown Default Loans) (and any accrued interest thereon) and there shall be no distributions to the Partners pursuant to Article 6 until the principal of and interest on all outstanding Extraordinary Loans have been paid in full by the Partnership.

(b) If the aggregate amount of the Extraordinary Loan, as the case may be (and any accrued interest thereon), committed by the Limited Partners pursuant to their Extraordinary LP Responses is: (i) equal to or less than one hundred percent (100%) of the Total Extraordinary Drawdown Amount (and any accrued interest thereon), then each such electing Limited Partners shall make an Extraordinary Loan in an amount committed to in its Extraordinary LP Response,

or (ii) in excess of one hundred percent (100%) of the Total Extraordinary Drawdown Amount, then, each such electing Limited Partner shall make an Extraordinary Loan (as the case may be) in an amount equal to the sum of (A) the lesser of (y) the amount committed in the Extraordinary LP Response or (z) the product of the Total Extraordinary Drawdown Amount (and any accrued interest thereon) and the Commitment Percentage of each electing Limited Partner, plus (B) the Total Extraordinary Drawdown Amount (and any accrued interest thereon) not lent or contributed under clause (A) above multiplied by a fraction, the numerator of which is the amount requested in the Extraordinary Drawdown Notice that such Limited Partner did not loan under clause (A) above, and the denominator of which is the aggregate amounts requested in the Extraordinary Drawdown Notices that such Limited Partners did not loan under clause (A) above.

ARTICLE 6
DISTRIBUTIONS; ALLOCATIONS; CAPITAL ACCOUNTS

Section 6.01. *Distributions Generally.* (a) Subject to the provisions of Sections 5.03, Section 5.05 and 9.04, distributions of Proceeds shall be made in accordance with this Article 6.

Section 6.02. *Distributions of Proceeds of Partnership Investments.* (a) Subject to Sections 5.03(b)(iii)(C), Section 5.05, 6.03 and Section 6.05(c), the Investment Percentage of any Proceeds from any Partnership Investment attributable to any Limited Partner shall be distributed as follows:

(i)**********;

(ii)**********;

(iii)**********;

(iv)**********; and

(v)**********.

For purposes of the foregoing determinations, and of allocations to the General Partner pursuant to Section 6.07, distributions pursuant to Section 9.04 shall be deemed to be made under the applicable clauses of this Section 6.02(a). Any value-added tax incurred by the Partnership with respect to Carried Interest shall be credited against distributions of Carried Interest that the General Partner would otherwise have received pursuant to this Section 6.02(a).

(b) For purposes of determining under Section 6.02(a) how the Proceeds of any Partnership Investment are distributed among the Partners:

(i) References to a Limited Partner's Capital Contributions shall include such amounts contributed pursuant to any Corresponding Provisions, except in the case of any Host Limited Partner (unless a REIT Event shall have occurred, in which case such amount contributed by such Host Limited Partner pursuant to any Corresponding Provisions shall be included); and

(ii) References to amounts of cumulative distributions received by a Limited Partner pursuant to Section 6.02(a) shall include such amounts received under any Corresponding Provisions, except in the case of any Host Limited Partner (unless a REIT Event shall have occurred, in which case such amount received by such Host Limited Partner pursuant to any Corresponding Provisions shall be included).

For the avoidance of doubt, it is understood that Proceeds realized by the Partnership are distributed among the Partners pursuant to this Article 6 and net cash flow realized by the TRS CV shall be distributed pursuant to the Corresponding Provision.

(c) Subject to Sections 6.03 and 6.05, the Investment Percentage of such Proceeds attributable to the General Partner shall be distributed 100% to the General Partner. The General Partner may, at its discretion, cause the Partnership to retain any such amount or any other amount otherwise distributable to the General Partner under this Agreement for distribution at such later date as the General Partner shall determine, *provided* that (i) all income received as a result of the investment of such retained amounts and all taxes on that income shall be for the account of the General Partner, (ii) the Partnership shall make such special allocations and distributions as necessary to give effect to this proviso, and (iii) such retained amounts shall be considered to have been received by the General Partner for purposes of Section 6.07.

Section 6.03. *Early Promote.* ********** ********** **********

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Section 6.04. *Other Distributions.* All distributable amounts that are not distributed pursuant to any other provision of this Article 6 shall be distributed to the Partners *pro rata* in accordance with their Commitment Percentages.

Section 6.05. *Other General Principles of Distribution*. (a) Distributions of Cash. Subject to Section 9.04 and the remaining provisions of this Section 6.05, (i) distributions of Proceeds from Disposition of Partnership Investments shall be made as soon as reasonably practicable after their receipt by the Partnership, and (ii) distributions of Proceeds received by the Partnership, other than from Dispositions of Partnership Investments, and distributions of income

earned pursuant to Section 2.10 shall be distributed as deemed appropriate by the General Partner to Partners. All distributions pursuant to this Section 6.05(a) shall be made in immediately available funds in Euros.

(b) *Distributions in Kind*. (i) The General Partner shall not make any distribution in kind to any Limited Partner (other than any Host Limited Partner) without the written consent of such Limited Partner. Upon the request of the General Partner or a Host Limited Partner, the Limited Partners shall cooperate with the General Partner to effect a distribution in kind to the General Partner or such Host Limited Partner.

(ii) For purposes of this Article 6, the amount of any distribution in kind shall be the fair market value of such distribution as determined by the appraisal procedure set forth in Section 11.02, and for purposes of determining Net Income or Net Loss, such property shall be deemed to have been sold by the Partnership for such fair market value.

(iii) If there is a distribution in kind to a Limited Partner, such Limited Partner may designate any other Person to receive such distribution.

(c) *Withholding of Certain Amounts*. Notwithstanding anything else contained in this Agreement, prior to making a distribution pursuant to Section 6.02, the General Partner may, in its discretion, withhold from any such distribution of cash or property in kind to any Limited Partner pursuant to this Agreement, the following amounts:

(i) any amounts due from such Limited Partner to the Partnership or the General Partner pursuant to this Agreement to the extent not otherwise paid (including any Total Drawdown Amount, Default Amount or Total Extraordinary Drawdown Amount, as applicable, plus any accrued interest thereon);

(ii) any amounts required to pay or to reimburse (on a net after-tax basis) any Indemnified Person for the payment of any taxes and related expenses that the General Partner in good faith determines to be properly attributable to such Limited Partner; and

(iii) Partnership Expenses.

Any amounts so withheld pursuant to this Section 6.05(c) shall be applied by the General Partner to discharge the obligation in respect of which such amounts were withheld.

(d) *Treatment of Certain Amounts Withheld.* Notwithstanding anything else in this Agreement, all amounts withheld by the General Partner pursuant to

Section 6.05(c) and all amounts that the General Partner determines in good faith to be properly withheld or otherwise paid by any Person on behalf of any Partner pursuant to any provision of applicable law, shall be treated as if such amounts were realized and recognized by the Partnership and distributed to such Partner pursuant to Section 6.02.

(e) *Amounts Held in Reserve*. In addition to the rights set forth in Section 6.05(c), the General Partner shall have the right, in its discretion, to establish or modify the amount of any reserves prior to making any distributions to the Partners by withholding amounts otherwise distributable by the Partnership to the Partners in order to maintain the Partnership in a sound financial and cash position and to make such provision as the General Partner in its discretion deems necessary or advisable for any and all liabilities and obligations, contingent or otherwise, of the Partnership (including in respect of any anticipated capital requirements in accordance with the Budget).

(f) *Reinvestment*. Notwithstanding the foregoing provisions of this Article 6, during the Commitment Period, the General Partner, in its sole discretion, may cause the Partnership to retain (and not to distribute to Limited Partners and, accordingly, such amounts shall continue to be considered unreturned capital until distributed) or recall all or any portion of any Proceeds constituting a return of the amounts of any Capital Contributions made by the Limited Partner, and to reinvest such Proceeds in accordance with this Agreement. After the Commitment Period, subject to the restrictions provided herein, any such retained Proceeds may only be (i) reinvested by the General Partner, in its discretion, in a Partnership Investment that the Partnership committed to make prior to the termination of the Commitment Period as evidenced by a letter of intent, agreement in principle or definitive agreement to invest and (ii) used to pay Partnership Expenses.

(g) *CV Law*. Notwithstanding anything in this Agreement to the contrary, the Partnership shall not make any distributions except to the extent permitted under the CV Law.

(h) *Loans and Withdrawal of Capital.* No Partner shall be permitted to borrow, or to make an early withdrawal of, any portion of its Capital Account.

(i) *Tax Payments.* Each Partner covenants for itself and its successors, assigns, heirs and personal representatives that such Person will, to the fullest extent permitted by law, at any time prior to or after dissolution of the Partnership, whether before or after such Person's withdrawal from the Partnership, pay to the Partnership or the General Partner on demand any amount that the Partnership or the General Partner, as the case may be, pays in respect of taxes (including withholding taxes) imposed upon income of, or distributions in respect of Partnership Investments made to, such Partner.

Section 6.06. *Capital Accounts.* (a) In general, there shall be established for each Partner on the books and records of the Partnership a capital account (a "**Capital Account**"), which shall initially be zero. The Capital Account of each Partner shall be:

(i) credited with any Capital Contributions made by such Partner;

(ii) credited with any allocations of income, profit or gain of the Partnership to such Partner;

(iii) debited by the amount of cash (or the fair market value of other property as determined by the General Partner pursuant to Section 6.05(b)) distributed by the Partnership to such Partner; and

(iv) debited by any allocations of expense (other than any expense that should properly be included in the basis of any asset of the Partnership), deduction or loss of the Partnership to such Partner.

(b) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with applicable Regulations under Code Section 704 and to provide for allocations that have "substantial economic effect" within the meaning of those Regulations or, in the case of allocations attributable to nonrecourse indebtedness, that are deemed pursuant to those Regulations to be in accordance with the "partners' interests in the partnership". The provisions of this Agreement shall be interpreted and applied in a manner consistent with this intention. Moreover, in determining the amount of any liability for purposes hereof, Code Section 752 and the Regulations thereunder shall be applied insofar as relevant. 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, are computed in order to comply with such Regulations, the General Partner may make such modification, *provided* that no such modification that has a material adverse effect upon any Partner shall be made without that Partner's consent. Without limiting the generality of the foregoing, in accordance with Regulations Section 1.704-1(b)(2)(iv)(f) the Partnership may adjust the Capital Accounts to reflect a revaluation of its properties in connection with any of the events specified in Regulations Section 1.704-1(b)(2)(iv)(f)(5).

Section 6.07. *Allocations of Income and Loss.* (a) *In General*. The Investment Percentage of Net Income and Net Loss for each Fiscal Year attributable to the General Partner shall be allocated 100% to the General Partner. Each Limited Partner's Investment Percentage of Net Income and Net Loss shall be allocated 100% to such Limited Partner to the extent that the General Partner has not received distributions of Carried Interest pursuant to Section 6.02(a) with respect to such Limited Partner. Thereafter, allocations of such Net Income and Net Loss, and, to the extent necessary, allocations of items of gross income, gain,

loss, deduction and expense, shall be made between such Limited Partner and the General Partner in such a manner that if, immediately after such allocation, the Partnership liquidated pursuant to Article 9 (assuming all of its assets are sold and its liabilities are settled at their book value), distributions pursuant to Section 9.04(a) would, as nearly as possible, be equal to the distributions that would be made pursuant to this Article 6. To the extent that the allocation provisions of this Article 6 would fail to produce such final Capital Account balances, items of Net Income and Net Loss of the Partnership for prior open Fiscal Years (or income, expense, gain and loss of the Partnership comprising Net Income or Net Loss of the Partnership for such Fiscal Years) shall be reallocated by the General Partner among the Partners to the extent it is not possible to achieve such result with allocations of items of Net Income and Net Loss of the Partnership for the current Fiscal Year or future Fiscal Years (or income, expense, gain and loss of the Partnership comprising Net Income or Net Loss of the Partnership for such Fiscal Years); *provided* that such allocations for prior open Fiscal Years that result in any additional items of income or gain being allocated to the General Partner or the Host Limited Partner shall be made only at the sole discretion of the General Partner.

(b) *Other Items*. (i) Interest expense with respect to any Default Loans shall be allocated pursuant to Section 5.03(b)(ii)(B).

(ii) Any expense incurred by the Partnership for value-added taxes with respect to Carried Interest shall be allocated to the General Partner.

(iii) All items of income, gain, loss and expense of the Partnership that are not allocated pursuant to the foregoing provisions of this Section 6.07 shall be allocated to the Partners *pro rata* in accordance with their Commitment Percentages.

(c) *Regulatory Allocations*. The following special allocations shall be made in the following order:

(i) Notwithstanding any other provision of Article 6 if there is a net decrease in "partnership minimum gain" or "partner nonrecourse debt minimum gain" (as defined in applicable Regulations under Code Section 704) for any Fiscal Year, then items of Partnership income and gain for such year (and, if necessary, subsequent years) shall be specially allocated among the Partners in accordance with requirements of Regulations Section 1.704-2(f) and (i). This Section 6.07(c)(i) is intended to comply with the "minimum gain chargeback" requirements of such Regulations and shall be interpreted consistently therewith.

(ii) If any Partner unexpectedly receives any adjustments, allocations or distributions described in Regulations

Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated to such Partner in accordance with the requirements of Regulation Section 1.704-1(b)(2)(ii)(d). This Section 6.07(c)(ii) is intended to comply with the "qualified income offset" provision of such Regulations and shall be interpreted consistent therewith.

(iii) If and to the extent that the allocation of any "nonrecourse deductions" (within the meaning of Regulations Section 1.704-2(b)(1)) with respect to a Partnership Investment for any Fiscal Year would not otherwise satisfy the requirements of Regulations Section 1.704-2(e), then such nonrecourse deductions shall be specially allocated to the Partners in proportion to their respective Capital Contributions in respect of such Investment or as otherwise required by Regulations under Code Section 704.

(d) *Reversal of Regulatory Allocations.* The allocations required pursuant to Section 6.07(c) ("**Regulatory Allocations**") shall be taken into account in allocating other items of income, gain, loss, deduction and credit for the same year and/or subsequent years among the Partners so that, to the extent possible without violating the statutory or regulatory requirements that gave rise to the Regulatory Allocations, the cumulative net amount of such allocations of other items and the Regulatory Allocations to each Partner shall be equal to the net amount that would have been allocated to each such Partner if such Regulatory Allocations had not occurred.

(e) *Section 706*. If additional Partners are admitted to the Partnership on different dates during any Fiscal Year (in accordance with the provisions of this Agreement), the Net Income (or Net Loss) shall be allocated to the Partners with respect to the interests each held from time to time during such Fiscal Year in accordance with Code Section 706, using any convention permitted by law as determined by the General Partner in its discretion.

(f) *Section 704(c) Value of Assets.* To the extent required by Code Section 704 and the Regulations thereunder, Net Income and Net Loss shall be adjusted as follows:

(A) In the event that the 704(c) Value of any asset is adjusted, the amount of such adjustment shall be treated as gain or loss from the Disposition of such asset for purposes of computing Net Income or Net Loss;

(B) Gain or loss resulting from any Disposition of any asset with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the 704(c) Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from such Value; and

(C) 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, computed as defined herein.

As used in this Section 6.07(f), the following terms have the following meaning:

"**Depreciation**" means, for each Fiscal Year, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the 704(c) 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 704(c) Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis.

"**704(c)Value**" means, with respect to any Partnership asset, the adjusted basis for federal income tax purposes of such asset, adjusted as of the following times to equal its gross fair market value (as determined by the General Partner in its discretion): (a) the acquisition of an additional Interest by any new or existing Partner in exchange for more than a *de minimis* (as that term is used in Regulations Section 1.704-1(b)(2)(iv)(f)) Capital Contribution; (b) the distribution by the Partnership to a Partner of more than a *de minimis* amount of Partnership property or money if the General Partner determines in its discretion that such adjustment is necessary or appropriate to reflect the economic interests of the Partners in the Partnership; and (c) the liquidation of the Partnership for federal income tax purposes within the meaning of Regulations Section 1.704-1(b)(2)(ii). If the 704(c) Value of an asset has been determined or adjusted pursuant hereto, such 704(c) Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes for computing Net Income and Net Loss.

(g) Distributions during the course of any Fiscal Year shall be on account of the Net Income for that Fiscal Year to the extent of such Net Income.

(h) *Tax Expenses.* Items of tax expense in respect of taxes imposed on the Partnership or withheld on income payable, directly or indirectly, to the Partnership (including any withholding taxes imposed on payments of interest or dividends by any Portfolio Company or Partnership Investment Vehicle) shall be included in the computation of Net Income and Net Loss and allocated pursuant to this Section 6.07; *provided* that where an item of tax expense payable by the Partnership or where a direct or indirect withholding tax on income or payments to the Partnership is calculated, under applicable law, at different rates or on a different basis with respect to income allocable to some (but not all) of the Partners, such tax expense or withholding tax shall be allocated to, and such expense or withholding tax shall reduce the amount distributable to, the Partners pursuant to Section 6.02 as reasonably determined by the General Partner, in a manner which reflects the rate or basis of taxation which is applicable to each such Partner (and the amount withheld shall be treated as having been received by such Partner for purposes of Section 6.02, but shall not be deemed to be a Capital Contribution by such Partner or otherwise reduce such Partner's unfunded Capital Commitment).

Section 6.08. *Tax Allocations.* (a) For income tax purposes, each item of income, gain, loss, deduction and credit of the Partnership shall be allocated among the Partners as nearly as possible in the same manner as the corresponding item of income, expense, gain or loss is allocated pursuant to the other provisions of this Article 6. Allocations pursuant to this Section 6.08 are solely for purposes of income taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income or Net Loss, distributions or other Partnership items pursuant to any provision of this Agreement.

(b) All items of income, gain, loss and deduction with respect to any Partnership asset that has a book value that differs from its adjusted tax basis for U.S. federal income tax purposes shall be allocated so as to take into account the variation between the book value and the adjusted tax basis in accordance with the principles of Section 704(c) of the Code and the Regulations thereunder. Any elections or other decisions relating to such allocation shall be made by the General Partner in its reasonable discretion.

Section 6.09. *U.S. Taxation of Limited Partners.* The General Partner agrees not to cause the Partnership to make any investments or take any other action that (i) would cause the Partnership or any Limited Partner to realize "effectively connected income" within the meaning of the Code or any other income subject to U.S. federal income tax (including withholding tax), or (ii) would cause any Limited Partner to be required to file U.S. federal income tax returns solely by reason of being a Partner in the Partnership.

ARTICLE 7
REPORTS TO LIMITED PARTNERS; OPERATIONAL AUDIT

Section 7.01. *Reports.* (a) The books of account and records of the Partnership shall be audited as of the end of each Fiscal Year by the Partnership's Approved Accountant. All reports provided to the Limited Partners pursuant to this Section 7.01 shall be prepared in accordance with IFRS.

(b) Not later than forty-five (45) days after the end of each fiscal quarter (other than the fourth quarter), the General Partner shall prepare and mail to each Person who was a Partner during such fiscal quarter an unaudited written report setting forth as of the end of such fiscal quarter:

(i) a combined consolidated balance sheet of the Partnership, any Partnership Investment Vehicles or Portfolio Companies and their respective assets as of the end of such fiscal quarter;

(ii) a combined consolidated statement of cash flow for the Partnership, any Partnership Investment Vehicles or Portfolio Companies; and

(iii) a combined consolidated profit and loss statement of the Partnership, any Partnership Investment Vehicles or Portfolio Companies for such fiscal quarter.

Any unaudited financial statements shall be certified by the General Partner as being accurate to the best of the General Partner's knowledge and belief in all material respects.

(c) Not later than ninety (90) days after the end of each Fiscal Year, the General Partner shall cause the Approved Accountant to prepare, and shall mail to each Partner who was a Partner during such fiscal year, an audited written report signed by the Approved Accountant setting forth as of the end of such Fiscal Year:

(i) a combined consolidated balance sheet of the Partnership, any Partnership Investment Vehicles or Portfolio Companies and their assets as of the end of such Fiscal Year;

(ii) a combined consolidated statement of Partnership cash flow for the Partnership, any Partnership Investment Vehicles or Portfolio Companies for such Fiscal Year; and

(iii) a combined consolidated income statement of the Partnership, any Partnership Investment Vehicles or Portfolio Companies for such Fiscal Year.

(d) Not later than ********** prior to the end of each fiscal quarter, the General Partner shall prepare and mail to each Person who was a Partner during such fiscal quarter the following as of the end of such fiscal quarter (except for the fourth quarter, which shall be on a consolidated annual basis, if applicable):

(i) a written report setting forth an unaudited estimate of the ********** of the Partnership as of the end of such fiscal quarter and a description of the valuation method used;

(ii) a description of the status of the implementation of the General Partner's strategy and major projects as set out in the Business Plan;

(iii) a summary of new acquisitions and dispositions of Partnership Investments for such fiscal quarter;

(iv) an overview of all Capital Contributions, all distributions and the Available Capital Commitment for each Limited Partner; and

(v) a forecast of cash flow for the Partnership, any Partnership Investment Vehicle or any Portfolio Company for the next fiscal quarter.

(e) Not later than **********, the General Partner shall prepare and mail to each Person who was a Partner during such month an unaudited written report setting forth an estimate of each of the anticipated amounts of Drawdowns and the distributions of Proceeds for the next three (3) months.

(f) The General Partner shall provide the Limited Partners with all other relevant information in the General Partner's possession and reasonably requested by any Limited Partner, including any such information with respect to JHPL's fiscal year end reporting requirements.

(g) The General Partner agrees to reasonably cooperate with ABP with respect to the delivery of any reports described in this Section 7.01 after the dates set forth in the same.

(h) Any reports prepared by the General Partner pursuant to this Section 7.01 may be combined with the corresponding reports required under the TRS CV Agreement.

Section 7.02. *Operational Audit.* (a) Upon prior written notice to the General Partner, the Required Limited Partners (other than any Limited Partner that is an Affiliate of Host) may elect to have an audit of the operations of the Partnership made by such independent certified public accountant as such Limited

Partners determine to select, including, in particular, but without limitation, an audit as to the costs and expenses charged or otherwise allocated to the Partnership by the General Partner or any of its Affiliates. Any such election may be made no more than once annually.

(b) The costs of any such audit shall be borne by the Partnership unless such audit determines that the Partnership has been overcharged and/or overallocated costs and expenses by the General Partner and/or its Affiliates by an aggregate amount equal to at least **% on an annual basis, in which event the costs of such audit shall be borne by the General Partner.

(c) If such audit determines that there has been an overcharge and/or overallocation to the Partnership, then the General Partner shall, within ********** days after the delivery of any such audit repay or cause to be repaid to the Partnership any such overcharge and/or overallocation. If such audit determines that there has been an undercharge and/or underallocation to the Partnership, then each Limited Partner shall, within ********* days after the delivery of any such audit pay or cause to be paid to the General Partner its pro rata share of any such undercharge and/or underallocation.

ARTICLE 8
INDEMNIFICATION

Section 8.01. *Indemnification.* (a) No Indemnified Person shall be liable to the Partnership or to the Partners for any losses, claims, damages or liabilities arising from, related to, or in connection with this Agreement or the Partnership's business or affairs (including any act or omission by any Indemnified Person and any activity of the type or character disclosed or contemplated in Section 2.04, and no such activity will in and of itself constitute a breach of any duty owed by any Indemnified Person to any Limited Partner or the Partnership hereunder or under applicable law), except, as to Indemnified Parties, for any such losses, claims, damages or liabilities resulting from such Indemnified Person's gross negligence or willful misconduct or from the occurrence of an Uncured Breach or Uncured Material Violation of Law.

(b) The Partnership shall, to the fullest extent permitted by applicable law, indemnify and hold harmless each Indemnified Person against any losses, claims, damages or liabilities arising from, related to or in connection with this Agreement or the Partnership's business or affairs (including any act or omission by any Indemnified Person and any activity of the type or character disclosed or contemplated in Section 2.04, and no such activity will in and of itself constitute a breach of any duty owed by any Indemnified Person to any Limited Partner or to the Partnership hereunder or under applicable law), except for any such losses, claims, damages or liabilities resulting from such Indemnified Person's gross negligence or willful misconduct or from the occurrence of an Uncured Breach or

Uncured Material Violation of Law. Subject to the immediately succeeding sentence, the Partnership will periodically reimburse each Indemnified Person for all expenses (including reasonable fees and expenses of counsel) as such expenses are incurred in connection with investigating, preparing, pursuing or defending any Proceeding related to, arising from or in connection with this Agreement or the Partnership's business or affairs whether or not pending or threatened and whether or not any Indemnified Person is a party thereto. If for any reason (other than the gross negligence or willful misconduct or from the occurrence of an Uncured Breach or Uncured Material Violation of Law of such Indemnified Person), the foregoing indemnification is unavailable to any Indemnified Person, or insufficient to hold it harmless, then the Partnership shall contribute to the amount paid or payable by such Indemnified Person as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative benefits received by the Partnership, on the one hand, and such Indemnified Person, on the other hand, or, if such allocation is not permitted by applicable law, to reflect not only the relative benefits referred to above but also any other relevant equitable considerations.

(c) The General Partner shall use commercially reasonable efforts to obtain the funds needed to satisfy the Partnership's indemnification obligations under Section 8.01 from Persons other than the Partners or the Partnership (for example, pursuant to insurance policies that provide primary coverage or Portfolio Company indemnification arrangements) before causing the Partnership to make payments pursuant to Section 8.01.

(d) Notwithstanding anything else contained in this Agreement, the reimbursement, indemnity and contribution obligations of the Partnership under Section 8.01 (the "**Indemnification Obligations**") shall:

(i) with respect to taxes imposed on a Partner, be in addition to any liability which the Partnership may otherwise have;

(ii) be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of each Indemnified Person; and

(iii) be limited to the sum of (x) the assets of the Partnership, plus (y) prior to the completion of the winding up of the Partnership pursuant to Article 9, the amount of all Partners' aggregate Available Capital Commitments, *provided* that if such sum is insufficient to fulfill the Partnership's obligations under this Article 8, the General Partner may, in its discretion, seek to satisfy such obligation out of the assets of a Partnership Investment.

(e) To the extent that, at law or in equity, any Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Partnership

or to any Partner, the General Partner and any other Indemnified Person acting in connection with the Partnership's affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or eliminate the duties and liabilities or rights and powers of any Indemnified Person otherwise existing at law or in equity, are agreed by the Partners to replace such other duties, liabilities, rights and powers of such Indemnified Person.

(f) To the fullest extent permitted by law and notwithstanding any other provision of this Agreement, or in any agreement contemplated herein or applicable provisions of law or equity or otherwise, whenever in this Agreement a Limited Partner is permitted or required to make a determination or decision in its "discretion," or under a grant of similar authority or latitude, a Limited Partner shall be entitled to consider, including its own interests, only such interests and factors as it desires to consider and shall have no duty or obligation to give any consideration to any interest of or factors affecting any other Limited Partner, the General Partner or the Partnership. Any determination or decision made pursuant to this Agreement by the General Partner shall be final, binding and conclusive for all purposes and binding upon all Partners and their respective successors, assigns, heirs and personal representatives.

(g) The Partnership shall acquire and maintain adequate liability insurance at the Partnership's expense with customary limits and deductibles covering the General Partner and its Affiliates. The Partnership shall not incur the cost of that portion of any insurance which insures any party against any liability the indemnification of which is prohibited pursuant to this Article 8. Any Person entitled to indemnification from the Partnership pursuant to this Article 8 shall first use its reasonable best efforts to seek recovery under any other indemnity or any insurance policies by which such Person is indemnified or covered, but if such recovery or advancement is not promptly forthcoming, the Partnership shall provide the indemnification and shall be subrogated to the right of the Indemnified Party to recover from such other sources.

ARTICLE 9
DURATION AND DISSOLUTION OF THE PARTNERSHIP

Section 9.01. *Duration.* The term of the Partnership shall continue in existence until the earlier of (x) the tenth anniversary of the First Closing Date and (y) the conclusion of the liquidation of all Partnership Investments (the " **Initial Term**"), unless the Partnership is sooner dissolved pursuant to Section 9.02; *provided* that, subject to Section 9.02, the General Partner, with the unanimous consent of the Limited Partners, may extend the term of the Partnership for up to two additional successive one-year terms following the expiration of the Initial Term or for the period determined pursuant to 0. For the avoidance of doubt, it is a condition to the extension of the term of the Partnership that the term of the TRS CV shall have been extended.

Section 9.02. *Dissolution.* (a) The Partners agree that Section 7A:1683 Dutch Civil Code shall not apply and that the Partnership shall be dissolved and its affairs shall be wound up upon the earliest of:

(i) the expiration of the term of the Partnership provided in Section 9.01;

(ii) a decision made by the General Partner, after consultation with counsel, to dissolve the Partnership following its good faith determination that (A) changes in any applicable law or regulation would have a material adverse effect on the continuation of the Partnership or (B) such action is necessary or desirable as provided in Section 2.03(a);

(iii) an event of withdrawal of the General Partner under Dutch law unless, if there is no remaining general partner of the Partnership, the Required Limited Partners agree in writing within 90 days of such event of withdrawal to continue the business of the Partnership and to the appointment of a successor general partner of the Partnership, effective as of the date of such event;

(iv) the entry of a decree of judicial dissolution under Dutch law, including for serious cause pursuant to Article 7A:1684 Dutch Civil Code (*gewichtige redenen*);

(v) at any time there are no limited partners of the Partnership, unless the business of the Partnership is continued in accordance with Dutch law; and

(vi) consent by the Required Limited Partners, to dissolve the Partnership in the event that no transactions are completed within **** months of the commencement of the Commitment Period; or

(vii) the Disposition of all Partnership Investments pursuant to Section 5.04(g), Section 6.03(b) and Section 10.03(h).

Notwithstanding the foregoing and any other provisions in this Agreement, the Limited Partners (other than the Host Limited Partner) can at any time and for any reason dissolve the Partnership by an affirmative vote of a simple majority of the Limited Partners (other than the Host Limited Partner). It shall be a condition to the dissolution of the Partnership pursuant to this paragraph that the Limited Partners (other than the Host Limited Partner) shall have voted for the dissolution of the TRS CV pursuant to the Corresponding Provision.

(b) Except as otherwise provided in this Agreement, the death, dissolution and winding-up, bankruptcy or insolvency, or the appointment of a guardian over a Partner shall not, in and of itself, cause the Partnership to be dissolved except with respect to the Partner involved, *provided* that the Partnership continues to have at least two Partners, including at least one general partner.

Section 9.03. *Liquidation of Partnership.* Upon dissolution, the Partnership's business shall be liquidated in an orderly manner. Except as provided in the immediately succeeding sentence, the General Partner shall be the liquidator to wind up the affairs of the Partnership pursuant to this Agreement. If there shall be no General Partner or if the Partnership shall be dissolved pursuant to Section 9.02(a)(iii), the Limited Partners, upon the approval of the Required Limited Partners, may approve one or more liquidators to act as the liquidator in carrying out such liquidation. In performing its duties, subject to applicable law, the liquidator is authorized to sell, distribute, exchange or otherwise dispose of the assets of the Partnership in any reasonable manner that the liquidator shall determine to be in the best interest of the Partners.

Section 9.04. *Distribution Upon Dissolution of the Partnership.* (a) Upon dissolution of the Partnership, the liquidator winding up the affairs of the Partnership shall determine in its discretion which assets of the Partnership shall be sold and which assets of the Partnership shall be retained for distribution in kind to the Partners in accordance with Section 6.05(b). Subject to Section 6.05(b), assets to be distributed in kind shall be valued by the liquidator in its discretion. Subject to Dutch law, after all liabilities of the Partnership have been satisfied or duly provided for, the remaining assets of the Partnership shall be distributed to the Partners in accordance with their positive Capital Account balances to the extent thereof, and thereafter in accordance with Section 6.02.

(b) In the reasonable discretion of the liquidator, and subject to Dutch law, a portion of the distributions that would otherwise be made to the General Partner and the Limited Partners pursuant to Section 9.04(a) may be distributed to a trust established for the benefit of the Partners for purposes of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any liabilities or obligations of the Partnership or the General Partner arising out of, or in connection with, this Agreement or the Partnership's affairs.

The assets of any trust established in connection with the foregoing paragraph shall be distributed to the Partners from time to time, in the discretion of the liquidator, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the Partners pursuant to this Agreement.

(c) Each Partner shall look solely to the assets of the Partnership for the return of such Partner's aggregate Capital Contributions, and no Partner shall have priority over any other Partner as to the return of such Capital Contributions.

ARTICLE 10
TRANSFERABILITY OF A PARTNER'S INTEREST; WITHDRAWAL BY A PARTNER

Section 10.01. *Transferability of General Partner's Interest.* (a) Except as otherwise provided herein, the General Partner may not, directly or indirectly, sell, exchange, transfer, assign, pledge, hypothecate or otherwise dispose of all or any portion of its interest in the Partnership (any such direct or indirect sale, exchange, transfer, assignment, pledge, hypothecation, swap or other disposition being herein collectively called " **Transfers**") to any Person without the prior unanimous written consent of the Partners at such time. If the General Partner so determines, and any such prior consent of the Limited Partners under this Article 10 so provides, the General Partner may admit any Person to whom the General Partner proposes to make such a Transfer as a substitute general partner of the Partnership, and such transferee shall be deemed admitted to the Partnership as a general partner of the Partnership immediately prior to such Transfer and shall continue the business of the Partnership without dissolution.

(b) A transfer of the General Partner's interest (including, for the avoidance of doubt, all rights and obligations of the General Partner under this Agreement) pursuant to Section 2.11 or this Section 10.01 shall be effectuated by way of assumption of contract (*contractsoverneming*) within the meaning of Section 6:159 of the Dutch Civil Code. The Partners hereby give their cooperation in advance to such assumption of contract and agree that this cooperation cannot be revoked.

(c) Except as otherwise provided in Section 10.01(a), the General Partner shall not assign any of its rights or duties hereunder except with such approval of the Required Limited Partners.

(d) Except as otherwise provided in Article 2 or this Article 10, the General Partner may not withdraw from the Partnership or be removed as general partner of the Partnership.

(e) It shall be a condition to any transfer of any partnership interest by the General Partner pursuant to this Agreement that the General Partner transfer the same percentage of its percentage interest in the TRS CV pursuant to the Corresponding Provision.

Section 10.02. *Transferability of a Limited Partners Interest*. (a) Subject to Section 10.07 and Section 10.08, other than as expressly set forth in Section 5.03, no Transfer of all or any part of a Limited Partner's interest in the Partnership (including to an Affiliate of such Limited Partner) may be made without (x) the prior written unanimous consent of the Partners, and (y) satisfying the provisions of Sections 10.02(b), 10.03(j) and 10.05.

(b) Notwithstanding the provisions of Section 10.07, in no event may a Limited Partner Transfer any portion of its interest in the Partnership nor may a Substituted Limited Partner be admitted to the Partnership if such Transfer or such admission would, in the judgment of the General Partner, cause the Partnership's assets to be deemed "plan assets" for purposes of ERISA or cause the Partnership or the General Partner to be in violation of the Investment Law, the Securities Law or any other applicable law or regulation.

(c) It shall be a condition to any transfer of any partnership interest by any Limited Partner pursuant to this Agreement that such Limited Partner transfer the same percentage of its percentage interest in the TRS CV pursuant to the Corresponding Provision.

Section 10.03. **********
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Section 10.04. *Expenses of Transfer; Indemnification.* All expenses, including attorneys' fees and expenses, incurred by the General Partner or the Partnership in connection with any Transfer (whether or not such Transfer is consummated) shall, unless otherwise determined by the General Partner, acting in good faith, be borne by the transferring Limited Partner or such Limited Partner's transferee (any such transferee, when admitted and shown as such on the books and records of the Partnership, a "**Substituted Limited Partner**"). In addition, the transferring Limited Partner or the Substituted Limited Partner shall indemnify the Partnership and the General Partner in a manner satisfactory to the General Partner against any losses, claims, damages or liabilities to which the Partnership or the General Partner may become subject arising out of, related to or in connection with any false representation or warranty made by, or breach or failure to comply with any covenant or agreement of, such transferring Limited Partner or such Substituted Limited Partner.

Section 10.05. *Recognition of Transfer; Substituted Limited Partners.* (a) No purchaser, assignee, or other recipient of all or any portion of a Limited Partner's interest in the Partnership may be admitted to the Partnership or increase its limited partner interest (as applicable) as a Substituted Limited Partner without the prior unanimous written consent of the Partners. Such Person, as a condition to its admission as a Limited Partner or increase of its limited partner interest (as applicable), shall execute and acknowledge such instruments (including a counterpart of this Agreement), in form and substance satisfactory to the General Partner, as the General Partner reasonably deems necessary or desirable to effectuate such admission and to confirm the agreement of such Person to be bound by all the terms and provisions of this Agreement with respect to the interest in the Partnership acquired by such Person.

(b) The Partnership shall not (subject to Section 10.08) recognize for any purpose any purported Transfer of all or any part of a Limited Partner's interest in the Partnership and no purchaser, assignee, transferee or other recipient of all or any part of such interest shall become a Substituted Limited Partner hereunder unless:

(i) the provisions of Sections 10.01(e), Section 10.04 and 10.05(a) shall have been complied with;

(ii) the General Partner shall have been furnished with the documents effecting such Transfer (including an assumption of contract (*contractsoverneming*) within the meaning of Section 6:159 of the Dutch Civil Code), in form reasonably satisfactory to the General Partner, executed and acknowledged by both the seller, assignor or transferor and the purchaser, assignee, transferee or other recipient;

(iii) such purchaser, assignee, transferee or other recipient shall have represented that such Transfer was made in accordance with all applicable laws and regulations;

(iv) all necessary governmental consents shall have been obtained in respect of such Transfer;

(v) the books and records of the Partnership shall have been changed (which change shall be made as promptly as practicable) to reflect the admission of such Substituted Limited Partner; and

(vi) all necessary instruments reflecting such admission shall have been filed in each jurisdiction in which such filing is necessary in order to qualify the Partnership to conduct business or to preserve the limited liability of the Limited Partners.

Upon the satisfaction of the conditions set forth in this Section 10.05, any such purchaser, assignee, or other recipient shall become a Substituted Limited Partner. The Partners hereby give their cooperation in advance to the assumption of contract described in this Section 10.05(b)(ii) and agree that this cooperation cannot be revoked.

Section 10.06. *Transfers During a Fiscal Year.* If any Transfer of a Partner's interest in the Partnership shall occur at any time other than the last day of the Partnership's Fiscal Year, the distributive shares of the various items of Partnership income, gain, loss, and expense as computed for tax purposes and the related cash distributions shall be allocated between the transferor and the transferee in accordance with the applicable requirements of Code Section 706.

Section 10.07. *Withdrawal of a Limited Partner*. Except as otherwise provided in this Agreement, a Limited Partner may not withdraw from the Partnership prior to its dissolution and winding up. Upon the death, dissolution and winding up, bankruptcy or insolvency or the appointment of a guardian over a Limited Partner (the "**Withdrawing Limited Partner**"), the other Partners shall continue the business of the Partnership under the same name and for the account of such Partners and the beneficial interest corresponding to such partners' interest in all assets that are legally owned by the General Partner for the benefit of the Partnership shall be deemed to be allotted to such other Partners; *provided* that at the time there is at least one remaining general partner of the Partnership. The Partnership shall not be obligated to make any payments or distributions to a Withdrawing Limited Partner. Except as expressly provided in this Agreement, no other event affecting a Limited Partner shall, in and of itself, affect its obligations under this Agreement or affect the Partnership.

Section 10.08. *Transfer and Admission Restrictions.* Notwithstanding anything to the contrary herein, the interests in the Partnership are and shall not be offered, directly or indirectly, other than:

(a) in the Netherlands, to persons who:

(i) trade or invest in investment products in the conduct of their profession or trade within the meaning of the Exemption Regulation issued pursuant to Section 14 of the Dutch Act on the Supervision of Investment Institutions (*Vrijstellingsregeling Wet toezicht beleggingsinstellingen)* (the "**Investment Institutions Exemption Regulation**"); and

(ii) are qualified investors (*professionele marktpartijen*) within the meaning of the Exemption Regulation issued pursuant to Section 4 of the Dutch 1995 Act on the Supervision of the Securities Trade (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*) which includes (among others):

(A) legal entities which are authorised or regulated to operate in the financial markets and entities which are not so authorised or regulated but whose corporate purpose is solely to invest in securities;

(B) national and regional governments, central banks and international and supranational organisations such as the IMF, the ECB and the EIB;

(C) legal entities which have two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in their last annual or consolidated accounts; and

(D) companies which do not qualify under paragraph (C) above but which, and natural persons who, have registered with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) as a qualified investor;

(b) from within the Netherlands, solely to persons anywhere in the world who trade or invest in investment products in the conduct of their profession or trade within the meaning of the Investment Institutions Exemption Regulation;

(c) to the public in a state where the number of persons to whom the offer of the interests in the Partnership is made is less than 100; or

(d) if the interest in the Partnership has a denomination of at least €50,000 (or its foreign currency equivalent).

ARTICLE 11
MISCELLANEOUS

Section 11.01. *Amendments; Waivers.* (a) Except as otherwise provided in Section 11.01, any provision of this Agreement may be amended or waived with the unanimous consent of all the Partners (other than any Defaulting Limited Partners).

(b) The General Partner may, without the approval of any Limited Partner, amend or waive any provision of this Agreement (i) to cure any ambiguity, (ii) to correct or supplement any provision of this Agreement, (iii) to make any other provision with respect to matters or questions arising under this Agreement that are not inconsistent with the provisions of this Agreement or (iv) to ensure that the Partnership remains a closed limited partnership (*besloten commanditaire vennootschap*) for Dutch tax purposes; *provided* that such amendment or waiver does not increase the obligations or liabilities of any Limited Partner or adversely affect any Limited Partner's economic rights hereunder. The General Partner shall give prompt notice to each Limited Partner of any amendment of this Agreement pursuant to the preceding sentence.

Section 11.02. *Appraisal; Appraisal Procedure; Arbitration Procedure.* (a) The General Partner shall cause any Partnership Investment to be appraised ********** by an Approved Appraiser.

(b) With respect to any provision of this Agreement requiring that the assets of the Partnership be valued, the following procedure shall be utilized. The Partners agree to meet and confer in order to agree on such value. If the parties

are not able to agree on the value of the assets, ********** and, if applicable, such Deemed Carry Distribution shall be determined by an Approved Investment Bank, an Approved Appraiser or combination thereof, *provided* that in the event an appraisal was performed within the previous ********** such value be used to determine the value of the assets of the Partnership, and if applicable, the Deemed Carried Distribution.

(c) Unless the General Partner and the Required Limited Partners agree upon each Budget as contemplated by Section 2.12, such Budget for any Fiscal Year shall be established by an Approved Industry Consultant selected by the General Partner (such Approved Industry Consultant being instructed to use as a starting point the Budget for the immediately preceding Fiscal Year and to take into account any improvements and refurbishments contemplated by the business plan).

(d) The Limited Partners hereby approve the accountants listed in Appendix B, the appraisal firms listed in Appendix C, the industry consultants listed in Appendix D and the investment banks listed in Appendix E.

Section 11.03. *Successors; Counterparts; Beneficiaries.* This Agreement (i) shall be binding as to the executors, administrators, estates, heirs and legal successors of the Partners and (ii) may be executed in several counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart. Except as otherwise set forth in Section 8.01(a), no provision of this Agreement is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 11.04. *Governing Law; Severability; Jurisdiction; Jury Trial.* (a) **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE NETHERLANDS**. If it shall be determined by a court of competent jurisdiction that any provision or wording of this Agreement shall be invalid or unenforceable under Dutch law, such invalidity or unenforceability shall not invalidate the entire Agreement, in which case this Agreement shall be construed so as to limit any term or provision so as to make it enforceable or valid within the requirements of applicable law, and, in the event such term or provision cannot be so limited, this Agreement shall be construed to omit such invalid or unenforceable provisions.

(b) Each of the parties hereto irrevocably agrees that the courts of The Netherlands shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes which may arise out of or in connection with this Agreement and, for such purposes, irrevocably submits to the jurisdiction of such courts. Each of the parties irrevocably waives any objection which it might now or hereafter have to the courts of The Netherlands being nominated as the forum to hear and determine any such suit, action or proceedings and to settle any such disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

(c) Nothing contained in this clause shall affect the right of the Partners to serve process in any manner permitted by law or to bring proceedings in any other jurisdiction for the purpose of the enforcement of any judgment or settlement.

(d) EACH PARTNER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 11.05. *Certain Matters Relating to Partners*. (a) Each Partner represents and warrants that (i) such Partner has been duly formed, and is validly existing under the laws of its jurisdiction of organization, (ii) the execution and performance by such Partner of this Agreement and the consummation of the transactions contemplated hereby are within such Partner's powers and have been duly authorized by all necessary action on the part of such Partner, (iii) this Agreement constitutes a valid and binding agreement of such Partner, (iv) the execution and performance by such Partner of this Agreement require no action by or in respect of, or filing with, any governmental authority, (v) the execution and performance by such Partner of this Agreement will not violate the organizational documents of such Partner or violate applicable law.

(b) Each Limited Partner represents and warrants that the statements set forth in Appendix F are true as of the date hereof.

(c) Each Limited Partner shall have delivered an investor questionnaire in the form attached hereto as Appendix G.

Section 11.06. *Further Assurance.* Each Limited Partner, upon the request of the General Partner, agrees to perform all further acts and to execute, acknowledge and deliver any documents that may reasonably be necessary to carry out the provisions of this Agreement.

Section 11.07. *Power of Attorney.* (a) Each Limited Partner does hereby irrevocably constitute and appoint the General Partner and its officers as its true and lawful representative and attorney-in-fact, in its name, place and stead to make, execute, sign, deliver and file all such other instruments, documents and certificates which may from time to time be required by the laws of the Netherlands and any other jurisdiction, to effectuate, implement and continue the valid and subsisting existence of the Partnership or to dissolve the Partnership as contemplated in this Agreement. Such representatives and attorneys-in-fact shall not have any right, power or authority to amend or modify this Agreement or consent to any matters requiring consent pursuant to this Agreement including as contemplated by Section 10.02 when acting in such capacities.

(b) Section 3:68 of the Dutch Civil Code does not apply.

(c) The power of attorney granted pursuant to this Section 11.07 is coupled with an interest and shall (i) survive and not be affected by the subsequent dissolution or termination of the Limited Partner granting such power of attorney or the transfer of all or any portion of such Limited Partner's interest in the Partnership, and (ii) extend to such Limited Partner's successors, assigns and legal representatives.

Section 11.08. *Goodwill.* No value shall be placed on the name or goodwill of the Partnership.

Section 11.09. *Notices.* All notices, requests and other communications to any party hereunder shall be in writing and shall be given to such party at its address (including electronic address or facsimile number) set forth in Schedule C or such other address (including electronic address or facsimile number) as such party may hereafter specify for the purpose by notice in like manner to the General Partner (if such party is a Limited Partner) or to all the Limited Partners (if such party is the General Partner). Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified pursuant to this Section 11.09 and the appropriate confirmation is received or (ii) if given by other means, when delivered at the address specified pursuant to this Section 11.09.

Section 11.10. *Headings.* Section and other headings contained in this Agreement are for reference only and are not intended to describe, interpret, define or limit the scope or intent of this Agreement or any provision hereof.

Section 11.11. *Tax Election.* The Partners agree that neither the Partnership nor the General Partner shall take any action pursuant to Regulations under Code Section 7701 or otherwise that is inconsistent with the treatment of the Partnership as a partnership for U.S. federal income tax purposes. No Limited Partner shall be authorized to make any election pursuant to Regulations under Code Section 7701.

Section 11.12. *Interest.* Unless explicitly provided otherwise, any interest accruing on amounts due to the Partnership under this Agreement shall accrue at the EURIBOR and shall compound quarterly.

Section 11.13. *Liquidation Value Safe Harbor Election.* Each Partner, by executing this Agreement, agrees that:

(i) When and if Proposed Treasury Regulations Section 1.83-3(1) and the proposed revenue procedure contained in Notice 2005-43, 2005-24 I.R.B. 1, (together, the "**Proposed Guidance**") or any substantially similar successor rules become effective, the Partnership is authorized and directed to elect the safe harbor described therein, under which the fair market value of any interest in the Partnership that is transferred in connection with the performance of services will be treated as being equal to the liquidation value of that interest (the " **Safe Harbor**");

(ii) While the election described in clause (i) remains effective, the Partnership and each of the Partners (including any Person to whom an interest in the Partnership is transferred in connection with the performance of services) shall use reasonable efforts to comply with all requirements of the Safe Harbor described in the Proposed Guidance (or any substantially similar successor rules) with respect to all interests in the Partnership that are transferred in connection with the performance of services.

Section 11.14. *Follow-on Ventures.* The General Partner shall offer to the Limited Partners, the right to participate in any follow-on venture to be formed by the General Partner for the purpose of investing in Real Estate Assets consistent with the Partnership's investment strategy and objectives set forth in this Agreement, provided that nothing shall preclude the General Partner from simultaneously offering such opportunity to third-party investors.

[*Signature Page Follows.*]

IN WITNESS WHEREOF, the undersigned have hereto set their hands as of the day and year first above written.

HST GP EURO B.V., a private company with limited liability *(besloten vennootschap met beperkte aansprakelijkheid)* with its corporate seat in Amsterdam, The Netherlands, as General Partner

Managing Director "A":

By: /s/ Gregory J. Larson
Name: Gregory J. Larson
Title:

Managing Director "B":

By: /s/ L.F.M. Heine
Name: L.F.M. Heine
Title:

HST LP EURO B.V., a private company with limited liability *(besloten vennootschap met beperkte aansprakelijkheid)* with its corporate seat in Amsterdam, The Netherlands, as a Limited Partner

Managing Director "A":

By: /s/ Gregory J. Larson
Name: Gregory J. Larson
Title:

Managing Director "B":

By: /s/ L.F.M. Heine
Name: L.F.M. Heine
Title:

STICHTING PENSIOENFONDS ABP, a Dutch foundation (stichting), as a Limited Partner

By: /s/ P. Kanters
Name: P. Kanters
Title:

By: /s/ B.C.T.A. Scholts
Name: B.C.T.A. Scholts
Title:

JASMINE HOTELS PTE LTD, a Singapore private company limited by shares, as a Limited Partner

By: /s/ Julian Chua Hiang Lian

Name: Julian Chua Hiang Lian

Title:

APPENDIX A

DEFINITIONS

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“**ABP**” has the meaning set forth in Section 1.07(a).

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"Adjusted Capital Contributions" means, with respect to any Partner, amounts corresponding to the amount of each Capital Contributions made by such Partner, *provided* that the amount of any Adjusted Capital Contribution corresponding to a Capital Contribution of U.S. Dollars (or of the U.S. Dollar Equivalent Contribution Amount by ABP) shall be determined as if the amount of U.S. Dollars contributed (or the U.S. Dollar Equivalent Contribution Amount) had been converted to Euros upon contribution to the Partnership using the exchange rate of €1.00 to U.S. $1.195.

"**Advisers Act**" means the United States Investment Advisers Act of 1940, as amended from time to time.

"**Affiliate**" of any Person means any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person. The term "**control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Agreement**" has the meaning set forth in the recitals.

"**Amendment No. 1**" has the meaning set forth in the Recitals.

"**Amendment No. 2**" has the meaning set forth in the Recitals.

"**Approved Accountant**" means an accounting firm listed on Appendix B, or such other accounting firm as the Required Limited Partners may approve from time to time.

"**Approved Appraiser**" means an appraisal firm listed on Appendix C, or such other appraisal firm as the Required Limited Partners may approve from time to time.

"**Approved Industry Consultant**" means a consultant listed on Appendix D, or such other consultant as the Required Limited Partners may approve from time to time.

"**Approved Investment Bank"** means an investment bank listed on Appendix E, or such other investment bank as the Required Limited Partners may approve from time to time.

"Asset Management Agreement" means the Asset Management Agreement dated as of the date of the Original Partnership Agreement among the Partnership, the TRS CV, Rockledge Hotel Properties Inc. and the Manager.

"**Authorized Representative**" has the meaning set forth in Section 2.07.

"**Available Capital Commitment**" means, with respect to the General Partner or any Limited Partner at any time, the excess, if any, of (i) such Person's Capital Commitment at such time *over* (ii) the aggregate Capital Contributions made by such Person prior to such time, subject to adjustment as provided in this Agreement. For purposes of this definition, any Person's aggregate Capital Contributions at any time shall be reduced by the aggregate amount theretofore repaid (as a distribution or otherwise) to such Person as a return during the Commitment Period of Capital Contributions previously made by such Limited Partner, pursuant to Section 6.02 (a) (i). or otherwise.

"**Available Commitment Percentage**" means, with respect to the General Partner or any Limited Partner at any time, the percentage derived by *dividing* such Person's Available Capital Commitment at such time *by* the aggregate amount of the Available Capital Commitments of the General Partner and all Limited Partners (except as otherwise provided in this Agreement) at such time.

"**Base Amount**" has the meaning set forth in Section 6.02(a)(i).

"**Borrowing Costs**" means, with respect to any borrowing, any interest, fees or other expenses attributable to such borrowing, but shall not include any repayment of the principal amount of such borrowing.

"**Budget**" and "**Budgets**" has the meaning set forth in Section 2.12(b).

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in Amsterdam are authorized by law to close.

"**Business Plan**" has the meaning set forth in Section 2.12(a).

"**Capital Account**" has the meaning set forth in Section 6.06.

"**Capital Commitment**" means, with respect to any Partner at any time, the amount specified as such Partner's capital commitment at the time such Partner was admitted to the Partnership (as adjusted as provided in the Agreement), which amount shall be set forth on the books and records of the Partnership and is set forth on Schedule A.

"**Capital Contribution**" means with respect to any Partner, (i) a cash contribution, and/or, in the case of Host, a contribution of property, in respect of any Partnership Investment or Partnership Expenses made by such Partner to the

Partnership pursuant to Article 5, (ii) a contribution to the Partnership by the General Partner of shares of subsidiaries or (iii) a cash contribution made by a Limited Partner pursuant to Section 1.07(c)(i) or Section 1.07(c)(ii). For the avoidance of doubt, it is understood that all funds contributed by a Limited Partner to the Partnership in accordance with Article 5 shall be deemed to be a Capital Contribution (other than interest paid on any Default Amount).

"**Capital Expenses**" means any cost or expense incurred by the Partnership in the improvement of any Partnership Investment (including, extraordinary repairs, additions, alterations, modifications or restoration of such Partnership Investment).

"**Carried Interest**" means, as the context requires, either (x) distributions to the General Partner pursuant to Section 6.02(a)(iii) through Section 6.02(a)(v) (inclusive), or (to the extent attributable to Section 6.02(a)(iii) through Section 6.02(a)(v) (inclusive)) Section 9.04 or (y) income allocations to the General Partner pursuant to Section 6.07.

"**Cause Event**" means an event that shall be deemed to have occurred if: (i) the General Partner, or if at such time the Manager is an Affiliate of the General Partner, the Manager, shall have committed fraud or willful misconduct, and the General Partner or Manager fails to cure or remedy such acts within twenty (20) Business Days of receipt of a written notice to do so, (ii) the General Partner, or if at such time the Manager is an Affiliate of the General Partner, the Manager, shall have been convicted of a felony, *provided* that a settlement without admission of liability on the part of such Person shall not constitute a Cause Event if such settlement is approved by a court of competent jurisdiction and does not involve any other component of a Cause Event, (iii) ********** ********** **********. Any curative actions taken by the General Partner or an Affiliate of the General Partner in respect of the Cause Event referred to in such clause shall be taken into account in determining whether such Cause Event has been cured.

"**Chamber of Commerce**" has the meaning set forth in Section 2.07.

"**Closing Date**" means any date established by the General Partner for the admission to the Partnership of a Limited Partner (other than a Substituted Limited Partner) or the increase of a Limited Partner's Capital Commitment pursuant to Section 1.07.

"**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time.

"**Commitment Percentage**" means, with respect to any Partner at any time, the percentage derived by *dividing* such Partner's Capital Commitment at such time *by* the aggregate Capital Commitments of all Partners at such time.

"**Commitment Period**" means the period commencing on the First Closing Date and ending on the close of the Business Day on or immediately following the ********** thereof; *provided* that if such period is extended by the Partners pursuant to Section 5.01(d), the " **Commitment Period**" shall mean, for purposes of any provision of this Agreement, the period commencing on such First Closing Date and ending at the time such period is so extended.

"**Commitment Period Termination Notice**" has the meaning set forth in Section 5.01(d).

"**Consolidation Event**" means that for accounting purposes, the assets, liabilities and results of operations of the Partnership and its subsidiaries are required by applicable law or accounting principles to be shown on the financial statements and results of the Host Hotels & Resorts, Inc.

"**Corresponding Provision**" means, with respect to any provision of this Agreement, the corresponding provision applicable to the TRS CV in accordance with the TRS CV Agreement.

"**Credit Facility**" has the meaning set forth in Section 2.13.

"**CV Law**" means such law, including statutes, regulations and case law of The Netherlands generally applicable to the *commanditaire vennootschap* (CV).

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"**Deemed Liquidation**" means a hypothetical series of transactions in which the Partnership would (i) sell all of its Investments and other assets for cash Proceeds equal to ********** as determined pursuant to the appraisal procedure under Section 11.02(a) (it being understood that such ********** ***** shall take into account the matters described in 0(i) and (ii)), (ii) utilize all or a portion of such Proceeds to satisfy any liabilities of the Partnership (to the extent such Proceeds are subject to such liabilities), and (iii) distribute all of such net Proceeds pursuant to Section 6.02.

"**Default**" means, except as otherwise provided in Section 2.04, any failure of a Limited Partner to make all or a portion of its required Capital

Contribution no later than ******* Business Days following the applicable Drawdown Date, unless such Limited Partner is excused from making such Capital Contribution.

"**Default Amount**" has the meaning set forth in Section 5.03(a).

"**Default Contribution**" has the meaning set forth in Section 5.03(a).

"**Default Loan**" has the meaning set forth in Section 5.03(a).

"**Default Rate**" means a rate per annum equal to the lesser of (i) ********** and (ii) the maximum rate permitted by applicable law

"**Defaulting Limited Partner**" has the meaning set forth in Section 5.03(a).

"**Disposition**" means any sale, exchange, transfer or other disposition of all or any portion of any Partnership Investment, including a distribution in kind to the General Partner and Limited Partners pursuant to Section 6.05.

"**Disposition Notice**" has the meaning set forth in Section 10.03 (c).

"**Drawdown**" means a drawdown of cash contributions from one or more Limited Partners pursuant to a Drawdown Notice in accordance with Article 5.

"**Drawdown Date**" has the meaning set forth in Section 5.02(a).

"**Drawdown Notice**" has the meaning set forth in Section 5.02(a).

"**Early Promote**" means **********

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"**Election Notice**" has the meaning set forth in Section 10.03 (d).

"**ERISA**" means the United States Employee Retirement Income Security Act of 1974, as amended from time to time.

"**EURIBOR**" means the percentage rate per annum equal to the offered quotation which appears on the page of the Telerate screen which displays an average rate of the Banking Federation of the European Union for three month Euro (currently being page 248) at or about 11.00 a.m. (London time) on the relevant date or, if such page or such service ceases to be available, such other

page or such other service for the purpose of displaying an average rate of the Banking Federation of the European Union as the General Partner will reasonably select.

"**Euro**" or "**€**" means the Euro, the single currency of the participating member states of the European Union.

"**European Union**" means member states of the European Union.

"**Event of Default**" means any Default that shall not have been (i) cured by the Limited Partner who committed such Default within ***Business Days after the occurrence of such Default or (ii) waived by the General Partner on such terms as determined by the General Partner in good faith before such Default has otherwise become an Event of Default pursuant to clause (i) hereof.

"**Expenses Drawdown Amount**" means the aggregate Capital Contributions to be made by the Limited Partners with respect to Partnership Expenses in connection with any Drawdown pursuant to Article 5.

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"**Extraordinary Drawdown Notice**" has the meaning set forth in Section 5.05(a).

"**Extraordinary Loan**" has the meaning set forth in Section 5.05(a).

"**Extraordinary LP Response**" has the meaning set forth in Section 5.05(a).

"**First Closing Date**" means May 3, 2006.

"**Fiscal Year**" has the meaning set forth in Section 2.05(b).

"**Follow-On Investment**" has meaning set forth in Section 2.02(e).

"**Full Investment Date**" means the date on which the sum of the aggregate amount of Capital Contributions and the aggregate amount of capital contributions of the partners of the Partnership theretofore made, together with the sum of the aggregate amount of Available Capital Commitments of the Partners reserved for future Investments (other than Follow-On Investments) and, are at least equal to **% of the Capital Commitments at such time.

"**General Partner**" means HST GP Euro B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with its corporate seat in Amsterdam, The Netherlands, in its capacity as general partner of the Partnership.

"**General Partner Expenses**" has the meaning set forth in Section 4.01.

"**HHR Holding**" is defined in Section 5.01(e).

"**Host**" has the meaning set forth in Section 1.07(a).

"**Host Limited Partner**" means each of Host and any other Limited Partner that is an Affiliate of Host.

"Host Optimal Percentage" is defined in Section 5.02(b)(ii)(A).

"**Host REIT**" has the meaning set forth in Section 2.03(e).

"**Hotel Property**" means a full service hotel or resort, or other lodging related real estate properties or assets, located in Europe (**********
**********), subject to a participating lease or management agreement, of a Permitted Brand and " **Hotel Properties**" means, collectively, such hotels, resorts and properties or assets.

"**IFRS**" has the meaning set forth in Section 2.02(s).

"**Implementation Agreement**" means the Implementation Agreement dated as of the date of the Original Partnership Agreement among Host Marriott Corporation (now known as Host Hotels & Resorts, Inc.), Host Marriott, L.P. (now known as Host Hotels & Resorts, L.P.), the General Partner, Host, HST GP TRS BV, HST LP TRS BV, ABP and JHPL, as amended by First Amendment to Implementation Agreement dated as of May 2, 2006.

"**Indemnification Obligations**" has the meaning set forth in Section 8.01(d).

"**Indemnified Person**" means each of the General Partner, any Affiliate of the General Partner, and any director, officer, stockholder, partner, employee or member of the General Partner or any such Affiliate.

"**Initial Hotel Properties**" has the meaning set forth in Section 3.01(b).

"**Initial Hotel Property Price**" has the meaning set forth in Section 3.01(b).

"**Initial Term**" has the meaning set forth in Section 9.01.

"**Investment Company Act**" means the United States Investment Company Act of 1940, as amended from time to time.

"**Investment Drawdown Amount**" means, with respect to any Partnership Investment covered by a Drawdown, the aggregate Capital Contributions to be made by all of the Limited Partners in respect of such Partnership Investment in connection with such Drawdown pursuant to Article 5.

"**Investment Law**" means the Act on the Supervision of Investment Institutions (*Wet toezicht beleggingsinstellingen*), the Exemption Regulation to the Investment Institutions Act (*Vrijstellingsregeling Wet toezicht beleggingsinstellingen*) and all statutes, regulations, decrees and case law related thereto, as amended and in force from time to time.

"**Investment Percentage**" of any Partner at any time means the percentage derived by dividing the aggregate amount of such Partner's Capital Contributions by the aggregate amount of all Partners' Capital Contributions (except as otherwise provided in this Agreement).

"**IRR**" means the annualized discount rate which when applied to a series of cash flows on a daily basis produces an aggregate net present value of the cash flows as at the date of the first such cash flow equal to zero, which is expressed algebraically as:

IRR equals x when:

$$\sum_{i=0}^{n} Pi/(1+x)^{(i/365)} = 0$$

and:

"Pi" is the amount of a payment or receipt treating payments as positive and receipts as negative on day i;

"n" is the number of days between the date of the first payment or receipt and the date of the last payment or receipt;

"i" is the arithmetical number attributable to a day, the number 0 being attributed to the date of the first payment or receipt, the number 1 being attributed to the following day and so forth until i = n;

"/" means divided by;

"^" means raised to the power of; and

$$\sum_{i=0}^{n}$$
means the sum of the items which follow from day 0 to day n.

"**JHPL**" has the meaning set forth in Section 1.07(a).

"**Limited Partner**" means, at any time, any Person who is at such time a limited partner of the Partnership and shown as such on the books and records of the Partnership, in such Person's capacity as a limited partner of the Partnership.

"**LP Units**" has the meaning set forth in Section 10.03 (a).

"**Management Fee**" means the fee paid pursuant to the Asset Management Agreement.

"**Manager**" means the asset manager under the Asset Management Agreement.

"**Master Agreement**" means the Master Agreement and Plan of Merger dated November 14, 2005 among Starwood Hotels & Resorts Worldwide, Inc., Starwood Hotels & Resorts, Sheraton Holding Corporation (now known as Host Holding Corporation) and other parties thereto.

"**NCP Investment Percentage**" has the meaning set forth in Section 1.07(b).

"**NCP Notice**" has the meaning set forth in Section 1.07(b).

"**Net Income**" means, with respect to any Partnership Investment for any Fiscal Year, the net income of the Partnership for such Fiscal Year attributable to such Partnership Investment (if any), determined by disregarding all items of income, gain, loss and expense that are specially allocated pursuant to Sections 6.07(b) and (c).

"**Net Loss**" means, with respect to any Partnership Investment, for any Fiscal Year, the net loss of the Partnership for such Fiscal Year attributable to such Partnership Investment (if any), determined by disregarding all items of income, gain, loss and expense that are specially allocated pursuant to Sections 6.07(b) and (c).

"**New Commitment Partner**" has the meaning set forth in Section 1.07(c).

"**Non-Defaulting Limited Partner**" has the meaning set forth in Section 5.03(a).

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"**Organizational Expenses**" has the meaning set forth in Section 4.02(a)(i).

"**Original Dutch Subsidiary Shares**" is defined in Section 5.01(e).

"**Original Partnership Agreement**" has the meaning set forth in the Recitals.

"**Parallel Investment Vehicle**" has the meaning set forth in Section 3.04.

"**Partners**" means the General Partner and the Limited Partners, and " **Partner**" means any Limited Partner or the General Partner.

"**Partnership**" has the meaning set forth in the recitals.

"**Partnership Administrative Expenses**" has the meaning set forth in Section 4.02(a)(iii).

"**Partnership Capital Budget**" has the meaning set forth in Section 2.12(a).

"**Partnership Expenses**" has the meaning set forth in Section 4.02(a).

"**Partnership Investment**" means an investment by the Partnership in any Real Estate Assets (whether in the form of debt or equity), made either directly or through any corporation, partnership, trust, limited liability company or other entity, or a group of assets purchased in a single transaction or group of related transactions including Follow-On Investments (whether such acquisition or investment is made directly or indirectly through a Partnership Investment Vehicle).

"**Partnership Investment Expenses**" has the meaning set forth in Section 4.02(a)(ii).

"**Partnership Investment Vehicle**" means any Person formed for the purpose of making any Partnership Investment in accordance with Section 3.03.

"**Partnership Investment Vehicle Expenses**" means all expenses with respect to the formation, operation or administration of any Partnership Investment Vehicle.

"**Partnership Net Asset Value**" has the meaning set forth in Section 1.07(b).

"**Partnership Operating Budget**" has the meaning set forth in Section 2.12(a).

"**Permitted Brand**" means each of the branded full-service hotel chains owned by ********** ********** ********** ********** and other branded full-service hotel chains of similar service quality and reputation ********** *********

"**Person**" means any individual, firm, partnership (whether or not having separate legal personality), corporation, limited liability company, trust, government, state or agency of a state of any association, or other entity.

"**Poland Hotel Property**" means the Hotel Property located in Warsaw, Poland and described on Schedule B.

"**Poland Hotel Property Note**" means the loan agreement dated July 12, 2001 of Sheraton Warsaw Hotel Sp. z.o.o. to Starwood Finance Europe Limited, as assigned pursuant to the Assignment and Acceptance on April 10, 2006 by Starwood Finance Europe Limited to Host Hotels & Resorts, L.P., as further assigned pursuant to the Assignment and Acceptance on May 1, 2006 by Host Hotels & Resorts, L.P. to Sheraton Warsaw Corporation ("**SWC**"), as contributed by SWC to Host Euro Business Trust ("**HEBT**") pursuant to a Contribution Agreement dated as of May 1, 2006 between SWC and HEBT, as sold by HEBT to HST EBT Holdings B.V. ("**HST EBT**") pursuant to the Assignment and Acceptance dated as of May 1, 2006 between HEBT and HST EBT, as further sold by HST EBT to Host pursuant to the Assignment and Acceptance dated as of May 1, 2006 between HST EBT and Host, in the remaining aggregate principal amount of 6.8 million Euros.

"**Portfolio Company**" means, with respect to any Partnership Investment in an entity, any Person that is the issuer of any equity securities or equity-related securities (including preferred equity, subordinated debt or similar securities) or debt securities that are the subject of such Investment.

"**Proceeding**" means any action, claim, suit, investigation or proceeding by or before any court, arbitrator, governmental body or other agency.

"**Proceeds**" means, with respect to any Partnership Investment, the cash and non-cash proceeds received by the Partnership from any Disposition of or cash flow from such Partnership Investment, or any dividends, interest or other distributions, or other income or any other payment received in connection with such Partnership Investment, *less* any expenses incurred by or appropriate reserves established for liabilities of the Partnership in connection with such receipt.

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"**Quarterly Period**" means (i) the short period commencing on the First Closing Date and ending on the last day of the calendar quarter that includes the First Closing Date, (ii) each calendar quarter thereafter prior to the calendar quarter that includes the day on which the final liquidating distribution is made pursuant to Section 9.04 and (iii) the short period, if any, commencing on the first day of the calendar quarter immediately following the last such full calendar quarter and ending on the day on which the final liquidating distribution is made pursuant to Section 9.04.

"**Real Estate Assets**" means (i) equity securities or equity-related securities (including preferred equity, subordinated debt or similar securities) or debt securities, in real estate holding corporations, real estate investment trusts, real estate operating companies, service companies ancillary to the real estate industry or other entities, in each case involved in the ownership, operation, management or development of existing Hotel Properties or in such other related businesses; (ii) fee interests, leasehold interests or other interests, direct or indirect, in single or multiple Hotel Properties (including, for all purposes hereunder, land, buildings and other improvements and related personal or intangible property); (iii) interests in pools or portfolios of Hotel Properties; partial interests or rights in Hotel Properties; and (iv) options, rights of refusal, rights of offer and similar rights in respect Hotel Properties or portions thereof.

"**Realized Investment**" as of any date means any Partnership Investment that has been subject to a complete Disposition prior to such date.

"**Reduction Purchaser Partner**" has the meaning set forth in Section 5.04 (d).

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"**Regulations**" means Treasury Regulations promulgated under the Code.

"**REIT**" has the meaning set forth in Section 2.03(e).

"**REIT Event**" means the receipt by Host of an opinion of independent tax counsel indicating that including capital contributions by any Affiliate of Host to the TRS CV and the cash flow distributed to any such Affiliate pursuant to the TRS CV Agreement in making distributions of Proceeds pursuant to Article 6 is consistent with maintaining the REIT status of each Host REIT.

"**Required Limited Partners**" means, at any time, Limited Partners (excluding any Limited Partner recused pursuant to 0) representing at least a majority of the aggregate Capital Commitments of all Limited Partners at such time.

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"**Securities Law**" means the Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*), the Exemption Regulation pursuant to the Securities Act (*Vrijstellingsregeling Wte 1995*) and all statutes, regulations, decrees and case law related thereto, as amended and in force from time to time.

"**Substituted Limited Partner**" has the meaning set forth in Section 10.05.

"Total Drawdown Amount" has the meaning set forth in Section 5.03(a).

"Total Drawdown Default Loan" has the meaning set forth in Section 5.03(b)(ii).

"**Total Extraordinary Drawdown Amount**" has the meaning set forth in Section 5.05(a).

"**Transfer**" has the meaning set forth in Section 10.01(a).

"**TRS**" has the meaning set forth in Section 2.03(c).

"**TRS CV**" means HHR TRS CV, a limited partnership (*commanditaire vennootschap*) with a seat in The Netherlands and organized under the laws of The Netherlands.

"**TRS CV Agreement**" means the Amended and Restated Agreement of Limited Partnership dated as of the date hereof of HHR TRS CV.

"**Uncured Breach**" means if all of the following shall have occurred: (i) the Indemnified Person breaches a covenant or obligation expressly set forth in this Agreement, (ii) the breach has had, or is likely to have, with the passage of time alone, caused an adverse effect on the Limited Partners, (iii) such Limited Partners notify the Indemnified Person of such breach in writing, describing it with reasonable specificity, and (iv) if capable of being cured, the Indemnified Person fails to cure such breach within 30 days following receipt of such notice.

"**Uncured Material Breach**" means if all of the following shall have occurred: (i) the General Partner breaches a material covenant or obligation expressly set forth in this Agreement, (ii) the breach has had, or is likely to have, with the passage of time alone, caused a material adverse effect on the Limited Partners, (iii) such Limited Partners notify the General Partner of such breach in writing, describing it with reasonable specificity, and (iv) if capable of being cured, the General Partner fails to cure such breach within 30 days following receipt of such notice.

"**Uncured Material Violation of Law**" means if all of the following shall have occurred: (i) the General Partner violates any law or regulation applicable to the Partnership, (ii) the violation has, or will have, with the passage of time alone, caused a material adverse effect on the Partnership, (iii) the Limited Partners notify the General Partner of such violation in writing, describing it with reasonable specificity, and (iv) if capable of being cured, the General Partner fails to cure such violation within 30 days following receipt of such notice.

"**Unrealized Investment**" as of any date means all or any portion of any Partnership Investment that is not a Realized Investment as of such date.

"**U.S. Dollar Equivalent Contribution Amount**" has the meaning set forth in Section 5.02(a).

"**Withdrawing Limited Partner**" has the meaning set forth in Section 10.07.

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APPENDIX B

APPROVED ACCOUNTANTS

Deloitte & Touche
Ernst & Young
KPMG
Price Waterhouse Coopers

Affiliates of the above-listed firms

APPROVED APPRAISERS

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APPROVED INDUSTRY CONSULTANTS

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APPENDIX E

APPROVED INVESTMENT BANKS

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APPENDIX F

CERTAIN REPRESENTATIONS AND WARRANTIES

Each Limited Partner (hereinafter referred to as the "**Investor**") represents and warrants as of the date hereof, and covenants and agrees, as follows:

1. Either (a) the Investor's partnership interests are being acquired solely for its own account, own risk and own beneficial interest, (2) the Investor is not acting as an agent, representative, intermediary, nominee or in a similar capacity for any other Person, nominee account or beneficial owner, whether a natural person or Entity (as defined below) (each an "**Underlying Beneficial Owner**") and no Underlying Beneficial Owner will have a beneficial or economic interest in the partnership interests being purchased by the Investor (whether directly or indirectly, including without limitation through any option, swap, forward or any other hedging or derivative transaction) and (3) the Investor does not have the intention or obligation to sell, pledge, distribute, assign or transfer all or a portion of the partnership interests to any Underlying Beneficial Owner or any other Person; or

(b) the Investor's partnership interests are being acquired as a record owner and the Investor will not have a beneficial ownership interest in the partnership interests, (2) the Investor is acting as an agent, representative, intermediary, nominee or in a similar capacity for one or more Underlying Beneficial Owners, and understands and acknowledges that the representations, warranties and agreements made herein are made by the Investor with respect to both the Investor and the Underlying Beneficial Owner(s), (3) the Investor has all requisite power and authority from the Underlying Beneficial Owner(s) to execute and perform the obligations under Agreement of Limited Partnership of HHR Euro CV (the "**Partnership Agreement**"), (4) the Investor has carried out thorough due diligence as to and established the identities of all Underlying Beneficial Owners (and, if an Underlying Beneficial Owner is not a natural person, the identities of such Underlying Beneficial Owner's Related Persons (to the extent applicable)), holds the evidence of such identities, will maintain all such evidence for at least five years from the date of the Investor's complete redemption from HHR Euro CV (the "**Partnership**") and will make such information available to the Partnership upon its reasonable request, and (5) the Investor does not have the intention or obligation to sell, pledge, distribute, assign or transfer all or a portion of the partnership interests to any Person other than the Underlying Beneficial Owner(s).

A "**Related Person**" means, with respect to any Entity, any Investor, director, senior officer, trustee, beneficiary or grantor of such Entity; *provided* that in the case of an Entity that is a Publicly Traded Company (as defined below) or a Qualified Plan (as defined below), the term "Related Person" shall exclude the investors and beneficiaries of such Publicly Traded Company or such Qualified Plan.

A "**Publicly Traded Company**" is an Entity whose securities are listed on a national securities exchange or quoted on an automated quotation system in the United States of America or in Europe or a wholly-owned subsidiary of such an Entity.

A "**Qualified Plan**" means a tax qualified pension or retirement plan in which at least 100 employees participate that is maintained by an employer that is organized in the United States of America or in Europe, or is a U.S. Governmental Entity (as defined below).

A "**Governmental Entity**" is any government or any state, department or other political subdivision thereof, or any governmental body, agency, authority or instrumentality in any jurisdiction exercising executive, legislative, regulatory or administrative functions of or pertaining to government.

2. The Investor represents and warrants that it is not (i) an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") subject to Title I of ERISA, (ii) a "governmental plan" as defined in Section 3(32) of ERISA, (iii) a "plan" as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended (" **IRC**") that is subject to Section 4975 of the IRC, or (iv) an entity whose underlying assets include the assets of such a plan by reason of the plan's investment in the Investor under 29 CFR § 2510.3-101.

3. The Investor hereby represents and warrants that the proposed investment by the Investor in the Partnership that is being made on its own behalf or, if applicable, on behalf of any Underlying Beneficial Owners does not directly or indirectly contravene United States federal, state, international or other laws or regulations, including anti-money laundering laws (a " **Prohibited Investment**"). The Investor further represents and warrants that the funds invested by the Investor in the Partnership are not derived from illegal or illegitimate activities.

4. Federal regulations and Executive Orders administered by the U.S. Treasury Department's Office of Foreign Assets Control (" **OFAC**") prohibit U.S. persons from, among other things, engaging in transactions with or providing services to certain foreign countries, entities and individuals. The identities of OFAC-prohibited countries, territories and Persons ("**Sanctioned Countries and Persons**") can be found at 31 CFR Chapter V and on the OFAC website at <www.treas.gov/ofac>. The Investor hereby represents and warrants that none of the Investor or any of its Affiliates, or, if applicable, any Underlying Beneficial Owner or Related Person, is a Sanctioned Country or Person, or a resident of a Sanctioned Country, nor is the Investor or any of its Affiliates, or, if applicable, any Underlying Beneficial Owner or Related Person, a natural person or Entity with whom dealings by U.S. persons are, unless licensed, prohibited under any Executive Orders or regulations administered by OFAC.

5. The Investor hereby represents and warrants that neither the Investor nor, if applicable, any Underlying Beneficial Owner or Related Person, is a foreign bank without a physical presence in any country other than a foreign bank that (A) is an affiliate of a depositary institution, credit union or foreign bank that maintains a physical presence in the United States or a foreign country, as applicable and (B) is subject to supervision by a banking authority in the country regulating such affiliated depositary institution, credit union, or foreign bank. A foreign bank described in the preceding clauses (A) and (B) is referred to herein as a "**Regulated Affiliate**", and a foreign bank without a physical presence in any country that is not a Regulated Affiliate is referred to herein as a "**Foreign Shell Bank**".

6. The Investor hereby represents and warrants that, except as otherwise disclosed to the Partnership in writing: (A) neither the Investor nor, if applicable, any Underlying Beneficial Owner or Related Person, is resident in, or organized or chartered under the laws of, (1) a jurisdiction that has been designated by the U.S. Secretary of the Treasury under Section 311 or 312 of the USA PATRIOT Act of 2001 (the "**PATRIOT Act**") as warranting special measures due to money laundering concerns or (2) any foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur (a " **Non-Cooperative Jurisdiction**"); (B) the subscription funds of the Investor and, if applicable, any Underlying Beneficial Owner or Related Person, do not originate from, nor will they be routed through, an account maintained at (1) a Foreign Shell Bank, (2) a foreign bank (other than a Regulated Affiliate) that is barred, pursuant to its banking license, from conducting banking activities with the citizens of, or with the local currency of, the country that issued the license or (3) a bank organized or chartered under the laws of a Non-Cooperative Jurisdiction.

7. The Investor acknowledges and agrees that any distributions paid to it will be paid to the same account from which its investment in the Partnership was originally remitted, unless the General Partner, in its sole discretion, agrees otherwise.

8. The Investor agrees to provide any information, other than non-public information, requested by the General Partner which the General Partner reasonably believes will enable the Partnership to comply with all applicable anti-money laundering statutes, rules, regulations and policies, including any applicable to an investment held or proposed to be held by the Partnership. The Investor understands and agrees that the General Partner may, after prior consultation with the relevant Investor, release confidential information about the Investor and, if applicable, any Underlying Beneficial Owner or Related Person, to any Person, if the General Partner, in its sole discretion, determines that such disclosure is required by applicable law, including the relevant rules and regulations concerning Prohibited Investments, but only in so far and to the extent that disclosure is actually required by such laws or regulations.

9. The foregoing representations, warranties and agreements shall survive the date hereof.

APPENDIX G

FORM OF INVESTOR QUESTIONNAIRE

General Information

1. The Investor

Name: _____

Mailing Address: _____

(Number and Street)

_____

(City) (State) (Zip Code) (Country)

Telephone Number: _____

Facsimile Number: _____

U.S. state or other jurisdiction in which incorporated or formed: _____

Date of incorporation or formation: _____

U.S. state or foreign country of residence: _____

IRS taxpayer identification number (if any): _____

Fiscal and tax year end: _____

Net assets as of December 31, 2005 were in excess of: $ _____

Please check here if net assets were calculated on a consolidated basis: _____

2. Account Information for Wire Transfers to Investor

Name of Bank: _____

Address of Bank: _____

(Number and Street)

_____

(City) (State) (Zip Code) (Country)

ABA Number: _____

Sub Account (if any): _____

Sub A/C No. (if any): _____

SWIFT Code:[1] _____

For Further Credit (FFC) to:

Account Name: _____

Account Number: _____

Name of Banking Officer: _____

Telephone Number: _____

Facsimile Number: _____

3. Account Information for Wire Transfers from Investor[2]

Same as Question 2 (if so, proceed to Question 4)

Name of Bank: _____

City and Country: _____

Account Name: _____

Account Number: _____

Name of Banking Officer: _____

Telephone Number: _____

Facsimile Number: _____

4. Organization and Authorization Documents

Please attach copies of:

(i) all organization documents of the entity (such as charter and bylaws, partnership agreement, limited liability company agreement or declaration of trust);

---

1 Required for U.S. wire transfers to non-U.S. banks. Please contact your bank for more information.

2 ***IMPORTANT NOTICE:*** Due to international banking regulations, if your subscription is being wired from a non-U.S. account, your bank MUST send a SWIFT MT100 message and complete the field 50 ("**Ordering Customer**") and field 52D ("**Ordering Institution**") on subscription wires. **Your transaction may be delayed or rejected if this information is not provided.**

(ii) all documents authorizing the entity to acquire a partnership interest and execute the partnership agreement and the investor questionnaire (such as board resolutions); and

(iii) evidence of the authority of signatories to execute the documents listed in (ii).

Investor Accreditation for Securities Act Purposes

Interests will be sold only to investors who are "accredited investors" (as defined in Regulation D promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Act). Please indicate the basis of "accredited investor" status of the Investor by checking the applicable statement or statements.

The Investor has total assets in excess of $5,000,000, was not formed for the purpose of investing in the Partnership and is one of the following (check the applicable box below):

a corporation

a partnership

a limited liability company

a business trust

a tax-exempt organization described in Section 501(c)(3) of the IRC

The Investor is a personal (non-business) trust, other than an employee benefit trust, with total assets in excess of $5,000,000 which was not formed for the purpose of investing in the Partnership and whose decision to invest in the Partnership has been directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment.

The Investor is a bank, as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or other institution, as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity, or an insurance company as defined in Section 2(13) of the Securities Act.

The Investor is registered with the Securities and Exchange Commission as a broker or dealer or an investment company, or has elected to be treated or qualifies as a "business development company" (within the meaning of Section 2(a)(48) of the Investment Company Act or Section 202(a)(22) of the Advisers Act), or is a Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.

The Investor is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended (including an Individual Retirement Plan), which satisfies at least one of the following conditions (check the applicable box or boxes below):

it has total assets in excess of $5,000,000; or

the investment decision is being made by a plan fiduciary which is a bank, savings and loan association, insurance company or registered investment adviser; or

it is a self-directed plan (*i.e.*, a tax-qualified defined contribution plan in which a participant may exercise control over the investment of assets credited to his or her account) and the decision to invest is made by those participants investing, and each such participant qualifies as an "accredited investor".

The Investor is an employee benefit plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, which has total assets in excess of $5,000,000.

The Investor is a trust of which each and every grantor is an individual who is an "accredited investor" as defined in Rule 501 promulgated under the Securities Act, or an entity that is an "accredited investor," in each case who can amend or revoke the trust at any time.

NOTE: If the Investor's accreditation is based upon this item, each grantor of the Investor must complete a copy of this questionnaire as if such person were directly purchasing a partnership interest.

The Investor is an entity in which each and every one of the equity owners is an individual who, or an entity which, is an "accredited investor" as defined in Rule 501 promulgated under the Securities Act, or an entity that is an "accredited investor".

Qualified Purchaser for Investment Company Act Purposes

Each Investor must indicate whether it qualifies as a "qualified purchaser" for purposes of Section 3(c)(7) of the Investment Company Act. Please indicate the basis of the Investor's status by checking the box or boxes below which are next to the categories under which the Investor qualifies as a "qualified purchaser". In order to complete the following information, the Investor must read Annex A to this Questionnaire for the definition of "investments".

The general rule for determining the value of investments in order to ascertain whether an Investor is a qualified purchaser is that the value of the aggregate amount of investments owned and invested on a discretionary basis by the Investor shall be their fair market value on the most recent practicable date or

their cost.[3] *In each case, there shall be deducted from the amount of investments owned by the Investor the amount of any outstanding indebtedness incurred to acquire the investments owned by the Investor.*

(a) A natural person (including any person who holds a joint, community property or other similar shared ownership interest in the Partnership with that person's qualified purchaser spouse) who owns not less than $5,000,000 in "investments".

(b) A company (including a partnership, trust, limited liability company or corporation) that owns not less than $5,000,000 in "investments" and that is owned directly or indirectly by or for two or more natural persons who are related as siblings or spouse (including former spouses), or direct lineal descendants by birth or adoption, spouses of such persons, the estates of such persons, or foundations, charitable organizations or trusts established by or for the benefit of such persons (a "Family Company").

NOTE: If the Investor selects this item and the Family Company is a trust that can be amended or revoked by the grantors at any time, each grantor must complete a copy of this Questionnaire (insofar as is necessary to determine that such grantor is itself a "qualified purchaser").

(c) A personal (non-business) trust that is not covered by (b) above which was not formed for the purpose of investing in the Partnership as to which the trustee or other person authorized to make decisions with respect to the trust, and each settlor or other person who has contributed assets to the trust, is a person described in clause (a), (b), (d), or (e) hereof.

NOTE: If the Investor selects this item, the trustee and each settlor or other person who has contributed assets to the trust must complete a copy of this questionnaire (insofar as is necessary to determine that such person is itself a "qualified purchaser").

(d) A natural person or company (including a partnership, trust, limited liability company or corporation), acting for its own account or the accounts of other qualified purchasers, who in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in "investments".

---

[3] This general rule is subject to the following provisos: (1) in the case of Commodity Interests (as defined in Annex A), the amount of investments shall be the value of the initial margin or option premium deposited in connection with such Commodity Interests; and (2) a Family Company shall have deducted from the value of such Family Company's investments any outstanding indebtedness incurred by an owner of the Family Company to acquire such investments.

NOTE: If the Investor selects this item and the company is a trust that can be amended or revoked by the grantors at any time, each grantor must complete a copy of this questionnaire (insofar as is necessary to determine that such grantor is itself a "qualified purchaser").

(e) A "qualified institutional buyer" as defined in paragraph (a) of Rule 144A under the 1933 Act, acting for its own account, the account of another "qualified institutional buyer", or the account of a "qualified purchaser", provided that (i) a dealer described in paragraph (a)(1)(ii) of Rule 144A must own and invest on a discretionary basis at least $25 million in securities of issuers that are not affiliated persons of the dealer and (ii) a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, will not be deemed to be acting for its own account if investment decisions with respect to the plan are made by the beneficiaries of the plan, except with respect to investment decisions made solely by the fiduciary, trustee or sponsor of such plan.

(f) A company (including a partnership, limited liability company or corporation), each beneficial owner of the securities of which is a "qualified purchaser".

NOTE: If the Investor selects this item, each beneficial owner of the Investor must complete a copy of this questionnaire (insofar as is necessary to determine that such grantor is itself a "qualified purchaser").

ERISA

Is the Investor:

(a) a "governmental plan" as defined in Section 3(32) of ERISA, or a "church plan" as defined in Section 3(33) of ERISA or a plan maintained outside the United States primarily for the benefit of persons substantially all of whom are nonresident aliens of the United States?

_____Yes
_____No

(b) an entity whose underlying assets include "plan assets" by reason of a plan's investment in the entity and such plan investors include only pension benefit plans, welfare benefit plans or similar plans not governed by ERISA or Section 4975 of the IRC (including by reason of 25% or more of any class of equity interests in the entity being held by such plans)?

_____Yes
_____No

NOTE: The partnership interests in the Partnership may be purchased by plans, funds, accounts or programs established or maintained by an employer or employee organization for the purpose of providing pension, welfare or similar benefits to employees or an investment fund or similar commingled investment vehicle that contains benefit plan investors, *provided that* such plans, funds, accounts, programs or investment vehicles are not subject to ERISA or Section 4975 of the IRC.

SIGNATURE PAGE

To be signed by prospective Investor: (Please sign both copies of the Signature Page)

This page constitutes the signature page for the Investor Questionnaire which relates to the offering of partnership interests in the Partnership. Execution of this Signature Page constitutes execution by the undersigned of the Investor Questionnaire.

IN WITNESS WHEREOF, the undersigned has executed this Signature Page this day of March 2006.

INVESTOR:

_____
Print Name of Limited Partner

By: _____
Signature of Authorized Signatory

_____
Print Name of Authorized Signatory

_____
Print Title of Authorized Signatory

To be signed by the General Partner:

The above-named Investor's subscription for a partnership interest in, and admission as a limited partner to, the Partnership are accepted and agreed as of March __, 2006.

HST GP EURO B.V.,
as General Partner of HHR Euro CV

By: _____
Name:
Title:

By: _____
Name:
Title:

SIGNATURE PAGE

To be signed by prospective Investor: (Please sign both copies of the Signature Page)

This page constitutes the signature page for the Investor Questionnaire which relates to the offering of partnership interests in the Partnership. Execution of this Signature Page constitutes execution by the undersigned of the Investor Questionnaire.

IN WITNESS WHEREOF, the undersigned has executed this Signature Page this __ day of March 2006.

INVESTOR:

_____
Print Name of Limited Partner

By: _____
Signature of Authorized Signatory

_____
Print Name of Authorized Signatory

_____
Print Title of Authorized Signatory

To be signed by the General Partner:

The above-named Investor's subscription for a partnership interest in, and admission as a limited partner to, the Partnership are accepted and agreed as of March __, 2006.

HST GP EURO B.V.,
as General Partner of HHR Euro CV

By: _____
Name:
Title:

By: _____
Name:
Title:

ANNEX A

DEFINITION OF "INVESTMENTS"

The term "investments" means:

(1) Securities, other than securities of an issuer that controls, is controlled by, or is under common control with, the Investor that owns such securities; provided that securities issued by any of the following are considered to be "investments" for this purpose:

an investment company or a company that would be an investment company but for the exclusions provided by Sections 3(c)(1) through 3(c)(9) of the Investment Company Act or the exemptions provided by Rule 3a-6 or 3a-7 promulgated under the Investment Company Act, or a commodity pool; or

a Public Company (as defined below); or

a company with shareholders' equity of not less than $50 million (determined in accordance with generally accepted accounting principles) as reflected on the company's most recent (and in any event not more than 16 months old) financial statements;

(2) Real estate held for investment purposes;

(3) Commodity Interests (as defined below) held for investment purposes;

(4) Physical Commodities (as defined below) held for investment purposes;

(5) To the extent not securities, Financial Contracts (as defined below) entered into for investment purposes;

(6) In the case of an Investor that is a company that would be an investment company but for the exclusions provided by Section 3(c)(1) or 3(c)(7) of the Investment Company Act, or a commodity pool, any amounts payable to such Investor pursuant to a firm agreement or similar binding commitment pursuant to which a person has agreed to acquire an interest in, or make capital contributions to, the Investor upon the demand of the Investor; and

(7) Cash and cash equivalents held for investment purposes.

Interpretive Guidance:

1. *Real Estate*. Real estate held for investment purposes excludes the following types of real estate used by the Investor or a Related Person (as defined below): (i) for personal purposes, (ii) as a place of business, or (iii) in connection

with a trade or business (unless the Investor is engaged primarily in the business of investing, trading or developing real estate and the real estate in question is part of such business). Residential real estate may be considered "held for investment" if deductions on the property are not disallowed by Section 280A of the IRC.

2. *Commodity Interests, Physical Commodities and Financial Contracts* . A Commodity Interest or Physical Commodity owned, or a Financial Contract entered into, by an Investor who is engaged primarily in the business of investing, reinvesting, or trading in Commodity Interests, Physical Commodities or Financial Contracts in connection with such business may be deemed to be held for investment purposes.

3. *Consolidation of Subsidiaries*. For purposes of determining the amount of investments owned by an Investor that is a company, there may be included investments owned by majority-owned subsidiaries of the Investor and investments owned by a company ("Parent Company") of which the Investor is a majority-owned subsidiary, or by a majority-owned subsidiary of the Investor and other majority-owned subsidiaries of the Parent Company.

4. *Joint Investments*. In determining whether a natural person is a "qualified purchaser", there may be included in the amount of such person's investments any investment held jointly with such person's spouse, or investments in which such person shares with such person's spouse a community property or similar shared ownership interest. In determining whether spouses who are making a joint investment in the Partnership are "qualified purchasers", there may be included in the amount of each spouse's investments any investments owned by the other spouse (whether or not such investments are held jointly). There shall be deducted from the amount of any such investments the amount of any outstanding indebtedness incurred by such spouse to acquire such investments.

5. *Certain Retirement Plan*s. In determining whether a natural person is a "qualified purchaser", there may be included in the amount of such person's investments any investments held in an individual retirement account or similar account the investments of which are directed by and held for the benefit of such person.

Additional Definitions

"**Commodity Interests**" means commodity futures contracts, options on commodity futures contracts, and options on physical commodities traded on or subject to the rules of:

(i) any contract market designated for trading such transactions under the Commodity Exchange Act and the rules thereunder; or

(ii) any board of trade or exchange outside the United States, as contemplated in Part 30 of the rules under the Commodity Exchange Act.

"Financial Contract" means any arrangement that:

(i) takes the form of an individually negotiated contract, agreement, or option to buy, sell, lend, swap, or repurchase, or other similar individually negotiated transaction commonly entered into by participants in the financial markets;

(ii) is in respect of securities, commodities, currencies, interest or other rates, other measures of value, or any other financial or economic interest similar in purpose or function to any of the foregoing; and

(iii) is entered into in response to a request from a counter party for a quotation, or is otherwise entered into and structured to accommodate the objectives of the counterparty to such arrangement.

"Physical Commodities" means any physical commodity with respect to which a Commodity Interest is traded on a market specified in the definition of Commodity Interests above.

"Public Company" means a company that:

(i) files reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended; or

(ii) has a class of securities that are listed on a Designated Offshore Securities Market, as defined by Regulation S of the Securities Act.

"**Related Person**" means a person who is related to the Investor as a sibling, spouse or former spouse, or is a direct lineal descendant or ancestor by birth or adoption of the Investor, or is a spouse of such descendant or ancestor; *provided* that, in the case of a Family Company, a Related Person includes any owner of the Family Company and any person who is a Related Person of such an owner

SCHEDULE A

CAPITAL COMMITMENTS OF LIMITED PARTNERS

	Commitment as of March 24, 2006 (in U.S. Dollars and Euros)[4]	Total Commitment (in Euros)	Commitment Percentage
ABP	U.S.$ 44,322,484	€ 104,031,839	20.032741%
	€ 37,089,944		
JHPL	U.S. $ 105,905,187	€248,576,129	47.866703%
	€ 88,623,587		
Host	U.S.$ 70,800,071[5]	€166,178,902	32.000000%
	€ 59,246,922		

CAPITAL COMMITMENT OF GENERAL PARTNER

	Commitment as of March 24, 2006 (in U.S. Dollars and Euros)	Total Commitment (in Euros)	Commitment Percentage
General Partner	U.S. $ 222,481	€ 522,198	0.100556%
	€ 186,177		

4 The value in Euros of U.S. Dollar-denominated Capital Commitments of any Partner is calculated using an exchange rate of €1 to U.S.$ 1.195 pursuant to Section 5.02(a).

5 This amount includes the contribution on May 1, 2006 of (x) Sheraton Warsaw Hotel & Towers (through a contribution of the shares of HHR Warsaw B.V.) and (y) the loan agreement dated July 12, 2001 of Sheraton Warsaw Hotel Sp. Z.o.o. to Starwood Finance Europe Limited in the remaining aggregate principal amount of €6,800,000, in exchange for a capital account equal to the value listed in Schedule B for such hotel, plus the net asset value of HHR Warsaw B.V. deemed to be €18,151 or U.S. $21,690 (based on a foreign currency exchange rate of €1 to U.S. $1.195).

SCHEDULE B

INITIAL HOTEL PROPERTIES

		**********
Sheraton Roma Hotel & Conference Center, Rome, Italy	$	****
The Westin Palace, Madrid, Spain	$	****
Sheraton Skyline Hotel and Conference Centre, Hayes, UK	$	****
Sheraton Warsaw Hotel & Towers, Warsaw, Poland	$	****[6]
The Westin Palace, Milan, Italy	$	****
The Westin Europa & Regina, Venice, Italy	$	****

[6] For purposes of Section 5.01(b), (x) the Initial Purchase Price for the Poland Hotel Property will be $********* minus the amount of the Poland Hotel Property Note which is as of the date hereof €6,800,000, and (y) the value of the Poland Hotel Property Note shall be deemed to equal €6,800,000.

SCHEDULE C

ADDRESSES FOR NOTICES

General Partner:

HST GP EURO B.V.
Rokin 55
1012 KK Amsterdam
The Netherlands
Attn.: Mrs. Y.M. Wimmers-Theuns and/or Mrs. L.F.M. Heine
Tel.: +31 20 521 46 91 and/or +31 20 521 47 14
Fax: +31 20 521 48 21
E-mail: Yvonne.theuns@fortisintertrust.com and/or
liselotte.heine@fortisintertrust.com

With a copy to:

HST GP EURO B.V.
c/o Host Hotels & Resorts, Inc.
6903 Rockledge Drive, Suite 1500
Bethesda, MD 20817
Attn: General Counsel
Tel: 240-744-5150
Fax: 240-744-5155

Email: elizabeth.abdoo@hosthotels.com

With a copy to:

HST GP EURO B.V.
c/o Host Hotels & Resorts, Inc.
6903 Rockledge Drive, Suite 1500
Bethesda, MD 20817
Attn: Chief Investment Officer
Tel: 240-744-5300
Fax: 240-744-5305
Email: jim.risoleo@hosthotels.com

Limited Partners:

HST LP EURO B.V.
Rokin 55
1012 KK Amsterdam
The Netherlands
Attn.: Mrs. Y.M. Wimmers-Theuns and/or Mrs. L.F.M. Heine
Tel.: +31 20 521 46 91 and/or +31 20 521 47 14

Fax: +31 20 521 48 21
E-mail: Yvonne.theuns@fortisintertrust.com and/or
liselotte.heine@fortisintertrust.com

With a copy to:

HST LP EURO B.V.
c/o Host Hotels & Resorts, Inc.
6903 Rockledge Drive, Suite 1500
Bethesda, MD 20817
Attn: General Counsel
Tel: 240-744-5150
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Bethesda, MD 20817
Attn: Chief Investment Officer
Tel: 240-744-5300
Fax: 240-744-5305
Email: jim.risoleo@hosthotels.com

STICHTING PENSIOENFONDS ABP
c/o ABP Investments
PO Box 2889
6401 DJ Heerlen
The Netherlands
Attn: Operations / Financial Analysis / Real Estate
Tel: 31 45 579 3908 (Angelique Ligtvoet); 31 45 579 2026 (Ronald Wildering); 31 45 579 2003 (Pascal Bessems)
Fax: 31 45 579 3400
Email: SREBO@abpinvestments.nl

With a copy to

ABP Investments
PO Box 75753
1118 ZX Schiphol
The Netherlands
Attn: Annemarie Manning
Tel: 00 31 20 405 9072
Fax: 00 31 20 405 3955
Email: annemarie.manning@abpinvestments.nl and qm.ai@abpinvestments.nl

JASMINE HOTELS PTE LTD
c/o GIC Real Estate International Pte Ltd
168 Robinson Road
#37-01 Capital Tower
Singapore 068912
Attn: Company Secretary
Tel: 65 6889 8888
Fax: 65 6889 6878
Email: limyokepeng@gic.com.sg

With a copy to
JASMINE HOTELS PTE LTD
c/o GIC Real Estate International Pte Ltd, London Office
3rd Floor, 105 Wigmore Street
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United Kingdon
Attn: Mr. Andy Fish
Tel: 44 207 496 8831
Fax: 44 207 495 4041
Email: andyfish@gic.com.sg

EXHIBIT 12

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(in millions, except ratio amounts)

	2006	2005	2004	2003	2002
Income (loss) from operations before income taxes	$ 314	$ 149	$ (92)	$(265)	$ (90)
Add (deduct):					
Fixed charges	526	525	574	606	576
Capitalized interest	(5)	(5)	(3)	(2)	(2)
Amortization of capitalized interest	6	6	6	6	6
Minority interest in consolidated affiliates	41	16	4	5	7
Net losses related to certain 50% or less owned affiliates	6	1	16	22	9
Distributions from equity investments	3	2	6	3	6
Dividends on preferred stock	(14)	(27)	(37)	(37)	(37)
Issuance costs of redeemed preferred stock	(6)	(4)	(4)	—	—
Adjusted earnings	$ 871	$ 663	$ 470	$ 338	$ 475
Fixed charges:					
Interest on indebtedness and amortization of deferred financing costs	$ 450	$ 443	$ 483	$ 488	$ 458
Capitalized interest	5	5	3	2	2
Dividends on convertible preferred securities of subsidiary trust	—	—	—	32	32
Dividends on preferred stock	14	27	37	37	37
Issuance costs of redeemed preferred stock	6	4	4	—	—
Portion of rents representative of the interest factor	51	46	47	47	47
Total fixed charges and preferred stock dividends	$526	$525	$574	$ 606	$576
Ratio of earnings to fixed charges and preferred stock dividends	1.7	1.3	—	—	—
Deficiency of earnings to fixed charges and preferred stock dividends	$ —	$ —	$(104)	$(268)	$(101)

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES

	Company Name	Place of Incorporation
1)	Airport Hotels LLC	Delaware
2)	Ameliatel, a Florida GP	Florida
3)	Atlanta II Limited Partnership	Delaware
4)	Beachfront Properties, Inc.	Virgin Islands
5)	Benjamin Franklin Hotel, Inc.	Washington
6)	Braintree TPP LLC	Delaware
7)	BRE/Swiss L.L.C.	Delaware
8)	Brookfield TPP LLC	Delaware
9)	Calgary Charlotte Holdings Company	Nova Scotia
10)	Calgary Charlotte Partnership	Alberta, CN
11)	CB Realty Sales, Inc.	Delaware
12)	CCC CMBS Corporation	Delaware
13)	CCES Chicago LLC	Delaware
14)	CCFH Maui LLC	Delaware
15)	CCFS Atlanta LLC	Delaware
16)	CCFS Philadelphia LLC	Delaware
17)	CCHH Atlanta LLC	Delaware
18)	CCHH Burlingame LLC	Delaware
19)	CCHH Cambridge LLC	Delaware
20)	CCHH Host Capitol Hill LLC	Delaware
21)	CCHH Maui LLC	Delaware
22)	CCHH Reston LLC	Delaware
23)	CCHI Singer Island LLC	Delaware
24)	CCMH Atlanta Marquis LLC	Delaware
25)	CCMH Atlanta Suites LLC	Delaware
26)	CCMH Charlotte LLC	Delaware
27)	CCMH Chicago CY LLC	Delaware
28)	CCMH Copley LLC	Delaware
29)	CCMH Coronado LLC	Delaware
30)	CCMH Costa Mesa Suites LLC	Delaware
31)	CCMH DC LLC	Delaware
32)	CCMH Deerfield Suites LLC	Delaware
33)	CCMH Denver SE LLC	Delaware
34)	CCMH Denver Tech LLC	Delaware
35)	CCMH Denver West LLC	Delaware
36)	CCMH Diversified LLC	Delaware
37)	CCMH Downer's Grove Suites LLC	Delaware
38)	CCMH Dulles AP LLC	Delaware
39)	CCMH Dulles Suites LLC	Delaware
40)	CCMH Fin Center LLC	Delaware
41)	CCMH Fisherman's Wharf LLC	Delaware
42)	CCMH Ft. Lauderdale LLC	Delaware
43)	CCMH Gaithersburg LLC	Delaware
44)	CCMH Hanover LLC	Delaware
45)	CCMH Houston AP LLC	Delaware
46)	CCMH Houston Galleria LLC	Delaware
47)	CCMH IHP LLC	Delaware

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES—(Continued)

	Company Name	Place of Incorporation
48)	CCMH Kansas City AP LLC	Delaware
49)	CCMH Key Bridge LLC	Delaware
50)	CCMH Lenox LLC	Delaware
51)	CCMH Manhattan Beach LLC	Delaware
52)	CCMH Marina LLC	Delaware
53)	CCMH McDowell LLC	Delaware
54)	CCMH Memphis LLC	Delaware
55)	CCMH Metro Center LLC	Delaware
56)	CCMH Miami AP LLC	Delaware
57)	CCMH Minneapolis LLC	Delaware
58)	CCMH Moscone LLC	Delaware
59)	CCMH Nashua LLC	Delaware
60)	CCMH Newark LLC	Delaware
61)	CCMH Newport Beach LLC	Delaware
62)	CCMH Newport Beach Suites LLC	Delaware
63)	CCMH Newton LLC	Delaware
64)	CCMH O'Hare AP LLC	Delaware
65)	CCMH O'Hare Suites LLC	Delaware
66)	CCMH Orlando LLC	Delaware
67)	CCMH Palm Desert LLC	Delaware
68)	CCMH Park Ridge LLC	Delaware
69)	CCMH Pentagon RI LLC	Delaware
70)	CCMH Perimeter LLC	Delaware
71)	CCMH Philadelphia AP LLC	Delaware
72)	CCMH Philadelphia Mkt. LLC	Delaware
73)	CCMH Portland LLC	Delaware
74)	CCMH Potomac LLC	Delaware
75)	CCMH Properties II LLC	Delaware
76)	CCMH Quorum LLC	Delaware
77)	CCMH Raleigh LLC	Delaware
78)	CCMH Riverwalk LLC	Delaware
79)	CCMH Rocky Hill LLC	Delaware
80)	CCMH San Diego LLC	Delaware
81)	CCMH San Fran AP LLC	Delaware
82)	CCMH Santa Clara LLC	Delaware
83)	CCMH Scottsdale Suites LLC	Delaware
84)	CCMH South Bend LLC	Delaware
85)	CCMH Tampa AP LLC	Delaware
86)	CCMH Tampa Waterside LLC	Delaware
87)	CCMH Times Square LLC	Delaware
88)	CCMH Westfields LLC	Delaware
89)	CCRC Amelia Island LLC	Delaware
90)	CCRC Atlanta LLC	Delaware
91)	CCRC Buckhead/Naples LLC	Delaware
92)	CCRC Dearborn LLC	Delaware
93)	CCRC Marina LLC	Delaware
94)	CCRC Naples Golf LLC	Delaware
95)	CCRC Phoenix LLC	Delaware

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES—(Continued)

	Company Name	Place of Incorporation
96)	CCRC San Francisco LLC	Delaware
97)	CCRC Tysons LLC	Delaware
98)	CCSH Atlanta LLC	Delaware
99)	CCSH Boston LLC	Delaware
100)	CCSH Chicago LLC	Delaware
101)	CCSH New York LLC	Delaware
102)	Chesapeake Hotel Limited Partnership	Delaware
103)	Cincinnati Plaza LLC	Delaware
104)	City Center Hotel Limited Partnership	Minnesota
105)	CLDH Meadowvale, Inc.	Ontario
106)	CLMH Airport, Inc.	Ontario
107)	CLMH Calgary, Inc.	Ontario
108)	CLMH Eaton Centre, Inc.	Ontario
109)	Davis Realty LLC	Delaware
110)	DS Hotel LLC	Delaware
111)	Durbin LLC	Delaware
112)	East Side Hotel Associates, L.P.	Delaware
113)	Elcrisa S.A. de C.V.	Mexico
114)	Euro JV Manager LLC	Delaware
115)	Farrell's Ice Cream Parlour Restaurants LLC	Delaware
116)	Fernwood Atlanta Corporation	Delaware
117)	Fernwood Hotel Assets, Inc.	Delaware
118)	Fernwood Hotel LLC	Delaware
119)	G.L. Insurance Corporation	Hawaii
120)	Hanover Hotel Acquisition Corp.	Delaware
121)	Harbor-Cal S.D. Partnership	California
122)	HHR Naples LLC	Delaware
123)	HHR Newport Beach LLC	Delaware
124)	HMA Realty Limited Partnership	Delaware
125)	HMA-GP LLC	Delaware
126)	HMC Airport, Inc.	Delaware
127)	HMC Amelia I LLC	Delaware
128)	HMC Amelia II LLC	Delaware
129)	HMC AP Canada Company	Nova Scotia
130)	HMC AP GP LLC	Delaware
131)	HMC AP LP	Delaware
132)	HMC Atlanta LLC	Delaware
133)	HMC BCR Holdings LLC	Delaware
134)	HMC BN Corporation	Delaware
135)	HMC Burlingame Hotel LLC	Delaware
136)	HMC Burlingame II LLC	Delaware
137)	HMC Burlingame LLC	Delaware
138)	HMC Cambridge LLC	Delaware
139)	HMC Capital LLC	Delaware
140)	HMC Capital Resources LLC	Delaware
141)	HMC Charlotte (Calgary) Company	Nova Scotia
142)	HMC Charlotte GP LLC	Delaware
143)	HMC Charlotte LP	Delaware

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES—(Continued)

	Company Name	Place of Incorporation
144)	HMC Chicago Lakefront LLC	Delaware
145)	HMC Chicago LLC	Delaware
146)	HMC Copley LLC	Delaware
147)	HMC Desert LLC	Delaware
148)	HMC Diversified American Hotels, L.P.	Delaware
149)	HMC Diversified LLC	Delaware
150)	HMC DSM LLC	Delaware
151)	HMC East Side II LLC	Delaware
152)	HMC East Side LLC	Delaware
153)	HMC Gateway LLC	Delaware
154)	HMC Gateway, Inc.	Delaware
155)	HMC Georgia LLC	Delaware
156)	HMC Grace (Calgary) Company	Nova Scotia
157)	HMC Grand LLC	Delaware
158)	HMC Hanover LLC	Delaware
159)	HMC Hartford LLC	Delaware
160)	HMC Headhouse Funding LLC	Delaware
161)	HMC Host Atlanta, Inc.	Delaware
162)	HMC Host Restaurants LLC	Delaware
163)	HMC Hotel Development LLC	Delaware
164)	HMC Hotel Properties II Limited Partnership	Delaware
165)	HMC Hotel Properties Limited Partnership	Delaware
166)	HMC HPP LLC	Delaware
167)	HMC HT LLC	Delaware
168)	HMC IHP Holdings LLC	Delaware
169)	HMC JWDC GP LLC	Delaware
170)	HMC JWDC LLC	Delaware
171)	HMC Kea Lani LLC	Delaware
172)	HMC Lenox LLC	Delaware
173)	HMC Manhattan Beach LLC	Delaware
174)	HMC Market Street LLC	Delaware
175)	HMC Maui LLC	Delaware
176)	HMC McDowell LLC	Delaware
177)	HMC McDowell Mountains LLC	Delaware
178)	HMC MDAH One Corporation	Delaware
179)	HMC Mexpark LLC	Delaware
180)	HMC MHP II LLC	Delaware
181)	HMC MHP II, Inc.	Delaware
182)	HMC Naples Golf, Inc.	Delaware
183)	HMC NGL LLC	Delaware
184)	HMC O’Hare Suites Ground LLC	Delaware
185)	HMC OLS I LLC	Delaware
186)	HMC OLS I LP	Delaware
187)	HMC OLS II LP	Delaware
188)	HMC OP BN LLC	Delaware
189)	HMC Pacific Gateway LLC	Delaware
190)	HMC Palm Desert LLC	Delaware

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES—(Continued)

	Company Name	Place of Incorporation
191)	HMC Park Ridge II LLC	Delaware
192)	HMC Park Ridge LLC	Delaware
193)	HMC Park Ridge LP	Delaware
194)	HMC Partnership Properties LLC	Delaware
195)	HMC PLP LLC	Delaware
196)	HMC Polanco LLC	Delaware
197)	HMC Potomac LLC	Delaware
198)	HMC Properties I LLC	Delaware
199)	HMC Properties II LLC	Delaware
200)	HMC Property Leasing LLC	Delaware
201)	HMC Reston LLC	Delaware
202)	HMC Retirement Properties, L.P.	Delaware
203)	HMC SBM Two LLC	Delaware
204)	HMC Seattle LLC	Delaware
205)	HMC SFO LLC	Delaware
206)	HMC SPE Manager I Corp.	Delaware
207)	HMC Suites Limited Partnership	Delaware
208)	HMC Suites LLC	Delaware
209)	HMC Swiss Holdings LLC	Delaware
210)	HMC Times Square Hotel LLC	Delaware
211)	HMC Times Square Partner LLC	Delaware
212)	HMC Toronto Air Company	Nova Scotia
213)	HMC Toronto Airport GP LLC	Delaware
214)	HMC Toronto Airport LP	Delaware
215)	HMC Toronto EC Company	Nova Scotia
216)	HMC Toronto EC GP LLC	Delaware
217)	HMC Toronto EC LP	Delaware
218)	HMC/Interstate Manhattan Beach, L.P.	Delaware
219)	HMC/RGI Hartford, L.P.	Delaware
220)	HMH General Partner Holdings LLC	Delaware
221)	HMH HPT CBM LLC	Delaware
222)	HMH HPT RIBM LLC	Delaware
223)	HMH Marina LLC	Delaware
224)	HMH Pentagon LLC	Delaware
225)	HMH Restaurants LLC	Delaware
226)	HMH Rivers L.P.	Delaware
227)	HMH Rivers LLC	Delaware
228)	HMH WTC LLC	Delaware
229)	HMT Lessee Sub (Atlanta) LLC	Delaware
230)	HMT Lessee Sub (Palm Desert) LLC	Delaware
231)	HMT Lessee Sub (Properties II) LLC	Delaware
232)	HMT Lessee Sub (Santa Clara) LLC	Delaware
233)	HMT Lessee Sub (SDM Hotel) LLC	Delaware
234)	HMT Lessee Sub I LLC	Delaware
235)	HMT Lessee Sub II LLC	Delaware
236)	HMT Lessee Sub III LLC	Delaware
237)	HMT Lessee Sub IV LLC	Delaware
238)	HMT SPE (Atlanta) Corporation	Delaware

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES—(Continued)

	Company Name	Place of Incorporation
239)	HMT SPE (Palm Desert) Corporation	Delaware
240)	HMT SPE (Properties II) Corporation	Delaware
241)	HMT SPE (Santa Clara) Corporation	Delaware
242)	Hopewell Associates, L.P.	Georgia
243)	Host Atlanta Perimeter Ground LLC	Delaware
244)	Host CAD Business Trust	Maryland
245)	Host California Corporation	Delaware
246)	Host Capitol Hill LLC	Delaware
247)	Host Cincinnati Hotel LLC	Delaware
248)	Host Cincinnati II LLC	Delaware
249)	Host CLD Business Trust	Maryland
250)	Host CLP LLC	Delaware
251)	Host Dallas Quorum Ground LLC	Delaware
252)	Host Denver Hotel Company	Delaware
253)	Host Denver LLC	Delaware
254)	Host DSM Limited Partnership	Delaware
255)	Host Euro Business Trust	Maryland
256)	Host Financing LLC	Delaware
257)	Host FJD Business Trust	Maryland
258)	Host Fourth Avenue LLC	Delaware
259)	Host Hanover Hotel Corporation	Delaware
260)	Host Hanover Limited Partnership	Delaware
261)	Host Harbor Island Corporation	Delaware
262)	Host Holding Business Trust	Maryland
263)	Host Hotels & Resorts, L.P.	Delaware
264)	Host Hotels Limited	United Kingdom
265)	Host Houston Briar Oaks, L.P.	Delaware
266)	Host Indianapolis Hotel LLC	Delaware
267)	Host Indianapolis Hotel Member LLC	Delaware
268)	Host Indianapolis I LLC	Delaware
269)	Host Indianapolis LLC	Indiana
270)	Host Kierland LLC	Delaware
271)	Host La Jolla LLC	Delaware
272)	Host Los Angeles LLC	Delaware
273)	Host MHP Two Corporation	Delaware
274)	Host Mission Hills Hotel LLC	Delaware
275)	Host Mission Hills II LLC	Delaware
276)	Host Mission Hills LLC	Delaware
277)	Host Needham Hotel LLC	Delaware
278)	Host Needham II LLC	Delaware
279)	Host Needham LLC	Delaware
280)	Host of Boston, Ltd.	Massachusetts
281)	Host of Houston 1979	Texas
282)	Host of Houston Ltd.	Texas
283)	Host Park Ridge LLC	Delaware
284)	Host PLN Business Trust	Maryland
285)	Host Properties, Inc.	Delaware
286)	Host Realty Company LLC	Delaware
287)	Host Realty Hotel LLC	Delaware

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES—(Continued)

	Company Name	Place of Incorporation
288)	Host Realty LLC	Delaware
289)	Host Realty Partnership, L.P.	Delaware
290)	Host San Diego Hotel LLC	Delaware
291)	Host San Diego LLC	Delaware
292)	Host Seattle Ground LLC	Delaware
293)	Host SH Boston Corporation	Massachusetts
294)	Host Tucson LLC	Delaware
295)	Host UK Business Trust	Maryland
296)	Host Waltham Hotel LLC	Delaware
297)	Host Waltham II LLC	Delaware
298)	Host Waltham LLC	Delaware
299)	Host Warsaw Corporation	Delaware
300)	Hotel Properties Management, Inc.	Delaware
301)	Houston TPP LLC	Delaware
302)	HST Chicago Ground LLC	Delaware
303)	HST GP LAX LLC	Delaware
304)	HST GP Mission Hills LLC	Delaware
305)	HST GP San Diego LLC	Delaware
306)	HST GP South Coast LLC	Delaware
307)	HST GP SR Houston LLC	Delaware
308)	HST I LLC	Delaware
309)	HST II LLC	Delaware
310)	HST III LLC	Delaware
311)	HST Kierland LLC	Delaware
312)	HST Lessee Boston LLC	Delaware
313)	HST Lessee Cincinnati LLC	Delaware
314)	HST Lessee CMBS LLC	Delaware
315)	HST Lessee Denver LLC	Delaware
316)	HST Lessee Indianapolis LLC	Delaware
317)	HST Lessee Keystone LLC	Delaware
318)	HST Lessee LAX LP	Delaware
319)	HST Lessee Mission Hills LP	Delaware
320)	HST Lessee Needham LLC	Delaware
321)	HST Lessee San Diego LP	Delaware
322)	HST Lessee SLT LLC	Delaware
323)	HST Lessee SNYT LLC	Delaware
324)	HST Lessee South Coast LP	Delaware
325)	HST Lessee SR Houston LLC	Delaware
326)	HST Lessee Tucson LLC	Delaware
327)	HST Lessee Waltham LLC	Delaware
328)	HST Lessee West Seattle LLC	Delaware
329)	HST Lessee WNY LLC	Delaware
330)	HST Lessee W Seattle LLC	Delaware
331)	HST LT LLC	Delaware
332)	HST RHP LLC	Delaware
333)	HTKG Development Associates Management Corporation	California
334)	IHP Holdings Partnership LP	Pennsylvania
335)	Indianapolis TPP LLC	Delaware

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES—(Continued)

	Company Name	Place of Incorporation
336)	Ivy Street Hopewell LLC	Delaware
337)	Ivy Street Hotel Limited Partnership	Georgia
338)	Ivy Street LLC	Delaware
339)	JWDC Limited Partnership	Delaware
340)	Los Angeles TPP LLC	Delaware
341)	Market Street Host LLC	Delaware
342)	Marriott Mexico City Partnership, G.P.	Delaware
343)	MDSM Finance LLC	Delaware
344)	MFI Liquidating Agent LLC	Delaware
345)	MHP Acquisition Corp.	Delaware
346)	MHP II Acquisition Corp.	Delaware
347)	Miami Airport Complex, LLC	Delaware
348)	MOHS Corporation	Delaware
349)	Mutual Benefit Chicago Suite Hotel Partners, L.P.	Rhode Island
350)	New Market Street LP	Delaware
351)	Pacific Gateway, Ltd.	California
352)	Philadelphia Airport Hotel Corporation	Pennsylvania
353)	Philadelphia Airport Hotel Limited Partnership	Pennsylvania
354)	Philadelphia Airport Hotel LLC	Delaware
355)	Philadelphia Market Street HMC Hotel Limited Partnership	Delaware
356)	Philadelphia Market Street Hotel Corporation	Pennsylvania
357)	Philadelphia Market Street Marriott Hotel II Limited Partnership	Delaware
358)	PM Financial LLC	Delaware
359)	PM Financial LP	Delaware
360)	Potomac Hotel Limited Partnership	Delaware
361)	PRM LLC	Delaware
362)	Providence TPP LLC	Delaware
363)	RHP Foreign Lessee LLC	Delaware
364)	Rockledge CBM Investor I, Inc.	Delaware
365)	Rockledge CBM Investor II LLC	Delaware
366)	Rockledge CBM One Corporation	Delaware
367)	Rockledge Hanover LLC	Delaware
368)	Rockledge HMC BN LLC	Delaware
369)	Rockledge HMT LLC	Delaware
370)	Rockledge Hotel LLC	Delaware
371)	Rockledge Hotel Properties, Inc.	Delaware
372)	Rockledge Insurance Company (Cayman) Ltd.	Cayman Islands
373)	Rockledge Manhattan Beach LLC	Delaware
374)	Rockledge Minnesota LLC	Delaware
375)	Rockledge NY Times Square LLC	Delaware
376)	Rockledge Potomac LLC	Delaware
377)	Rockledge Riverwalk LLC	Delaware
378)	Rockledge Square 254 LLC	Delaware
379)	S.D. Hotels LLC	Delaware
380)	S.D. Hotels, Inc.	Delaware
381)	Santa Clara HMC LLC	Delaware
382)	Santa Clara Host Hotel Limited Partnership	Delaware
383)	Seattle Host Hotel Company LLC	Delaware
384)	SNYT LLC	Delaware
385)	South Coast Host Hotel LLC	Delaware

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES—(Continued)

	Company Name	Place of Incorporation
386)	Stamford TPP LLC	Delaware
387)	Starlex LLC	Delaware
388)	Timeport, L.P.	Georgia
389)	Times Square GP LLC	Delaware
390)	Times Square HMC Hotel, L.P.	New York
391)	Times Square LLC	Delaware
392)	Timewell Group, L.P.	Georgia
393)	W&S Realty Corporation of Delaware	Delaware
394)	Waltham TPP LLC	Delaware
395)	Wellsford-Park Ridge HMC Hotel Limited Partnership	Delaware
396)	YBG Associates LLC	Delaware

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Host Hotels & Resorts, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-31352, 333-93157, 333-78091, 333-40854, 333-51946, 333-98207, 333-113901, 333-82444 and 333-117229) on Form S-3 and (Nos. 333-75055, 333-28683, 333-75057, 333-75059 and 033-66622) on Form S-8 of Host Hotels & Resorts, Inc. ration of our reports dated February 26, 2007, with respect to the consolidated balance sheets of Host Hotels & Resorts, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for each of the years in the three-year period ended December 31, 2006 and the related financial statement schedule, and with respect to management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, and the effectiveness of internal control over financial reporting as of December 31, 2006, which reports appear in the December 31, 2006 annual report on Form 10-K of Host Hotels & Resorts, Inc.

/s/ KPMG LLP

McLean, Virginia
February 26, 2007

EXHIBIT 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christopher J. Nassetta, certify that:

1. I have reviewed this annual report on Form 10-K 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 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 we 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 the report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2007

/s/ CHRISTOPHER J. NASSETTA

Christopher J. Nassetta
President, Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, W. Edward Walter, certify that:

1. I have reviewed this annual report on Form 10-K 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 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 we 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 the report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2007

/s/ W. EDWARD WALTER

W. Edward Walter
Executive Vice President, Chief Financial Officer

EXHIBIT 32

Section 906 Certification

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to 18 U.S.C. ss. 1350, as created by 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 Annual Report of Form 10-K of the Company for the period ended December 31, 2006 (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: February 26, 2007

/s/ CHRISTOPHER J. NASSETTA

Christopher J. Nassetta
Chief Executive Officer

/s/ W. EDWARD WALTER

W. Edward Walter
Chief Financial Officer