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

FORM 10-Q

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

For the quarterly period ended March 24, 2006.

OR

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

Commission file number 001-14625

HOST HOTELS & RESORTS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**53-0085950**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
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)

HOST MARRIOTT CORPORATION
(Former name or former address, if changed since last report)

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

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 registrant had 517,530,074 shares of its $0.01 par value common stock outstanding as of April 28, 2006.

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CONDENSED CONSOLIDATED BALANCE SHEETS
March 24, 2006 and December 31, 2005
(unaudited, in millions, except per share amounts)

	March 24, 2006	December 31, 2005
ASSETS		
Property and equipment, net	$ 7,244	$ 7,434
Assets held for sale	191	73
Due from managers	81	41
Investments in affiliates	24	41
Deferred financing costs, net	53	63
Furniture, fixtures and equipment replacement fund	129	143
Other	194	157
Restricted cash	88	109
Cash and cash equivalents	481	184
Total assets	$ 8,485	$ 8,245
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt		
Senior notes, including $493 million, net of discount, of Exchangeable Senior Debentures	$ 3,047	$ 3,050
Mortgage debt	1,927	1,823
Convertible Subordinated Debentures	2	387
Other	88	110
Total debt	5,064	5,370
Accounts payable and accrued expenses	169	165
Other	211	148
Total liabilities	5,444	5,683
Interest of minority partners of Host Hotels & Resorts L.P.	130	119
Interest of minority partners of other consolidated partnerships	29	26
Stockholders' equity		
Cumulative redeemable preferred stock (liquidation preference $250 million), 50 million shares authorized; 10.0 million shares issued and outstanding	241	241
Common stock, par value $.01, 750 million shares authorized; 386.6 million shares and 361.0 million shares issued and outstanding, respectively	4	4
Additional paid-in capital	3,434	3,080
Accumulated other comprehensive income	15	15
Deficit	(812)	(923)
Total stockholders' equity	2,882	2,417
Total liabilities and stockholders' equity	$ 8,485	$ 8,245

See notes to condensed consolidated statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Quarter Ended March 24, 2006 and March 25, 2005
(unaudited, in millions, except per share amounts)

	Quarter ended	
	March 24, 2006	March 25, 2005
REVENUES		
Rooms	$ 507	$ 467
Food and beverage	261	244
Other	51	50
Total hotel sales	819	761
Rental income	29	29
Total revenues	848	790
EXPENSES		
Rooms	121	114
Food and beverage	189	180
Hotel departmental expenses	211	210
Management fees	35	32
Other property-level expenses	67	64
Depreciation and amortization	89	81
Corporate and other expenses	20	14
Total operating costs and expenses	732	695
OPERATING PROFIT	116	95
Interest income	5	7
Interest expense	(91)	(109)
Net gains on property transactions	1	3
Gain on foreign currency and derivative contracts	—	2
Minority interest expense	(13)	(4)
Equity in earnings (losses) of affiliates	1	(4)
INCOME (LOSS) BEFORE INCOME TAXES	19	(10)
Benefit from (provision for) income taxes	(1)	—
INCOME (LOSS) FROM CONTINUING OPERATIONS	18	(10)
Income from discontinued operations.	154	16
NET INCOME	172	6
Less: Dividends on preferred stock	(6)	(8)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$ 166	$ (2)
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE:		
Continuing operations	$ .03	$ (.05)
Discontinued operations	.41	.04
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	$ .44	$ (.01)

See notes to condensed consolidated statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Quarter Ended March 24, 2006 and March 25, 2005
(unaudited, in millions)

	Quarter ended	
	March 24, 2006	March 25, 2005
OPERATING ACTIVITIES		
Net income	$ 172	$ 6
Adjustments to reconcile to cash provided by operations:		
Discontinued operations:		
Gain on dispositions	(153)	(13)
Depreciation	1	3
Depreciation and amortization	89	81
Amortization of deferred financing costs	3	4
Income taxes	(1)	(2)
Net gains on property transactions	(1)	(1)
Gain on foreign currency and derivative contracts	—	(2)
Equity in (earnings) losses of affiliates	(1)	4
Distributions from equity investments	1	—
Minority interest expense	13	4
Change in due from managers	(39)	(12)
Changes in other assets	31	(5)
Changes in other liabilities	(15)	(19)
Cash provided by operations	100	48
INVESTING ACTIVITIES		
Proceeds from sales of assets	251	100
Distributions from equity investments	—	1
Capital expenditures:		
Renewals and replacements	(82)	(48)
Repositionings and other investments	(37)	(14)
Change in furniture, fixtures and equipment replacement fund	14	(4)
Other	—	(13)
Cash provided by investing activities	146	22
FINANCING ACTIVITIES		
Financing costs	(2)	(10)
Issuance of debt	116	650
Repayment of credit facility	(20)	—
Debt prepayments	—	(280)
Scheduled principal repayments	(13)	(14)
Dividends on common stock	(43)	—
Dividends on preferred stock	(6)	(9)
Distributions to minority interests	(2)	—
Change in restricted cash	21	(165)
Cash provided by financing activities	51	172
INCREASE IN CASH AND CASH EQUIVALENTS	297	242
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	184	347
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 481	$ 589

See notes to condensed consolidated statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Quarter Ended March 24, 2006 and March 25, 2005
(unaudited, in millions)

Supplemental disclosure of noncash investing and financing activities:

During 2006, we issued approximately 24.0 million shares upon the conversion of approximately 7.4 million of Convertible Subordinated Debentures valued at approximately $368 million. Additionally, as a result of the conversion, we consolidated the wholly owned entity that issued the Convertible Subordinated Debentures and eliminated the $17 million not held by third parties. We also issued approximately 0.7 million and 0.3 million shares for the first quarter of 2006 and 2005, respectively, upon the conversion of operating partnership units of Host Hotels & Resorts, L.P. held by minority partners valued at approximately $13 million and $5 million, respectively.

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 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.

See notes to condensed consolidated statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

On April 17, 2006, the Company changed its name from Host Marriott Corporation to Host Hotels & Resorts, Inc. Host Hotels & Resorts, Inc., or Host, a Maryland corporation, operating through an umbrella partnership structure, is 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, Host Marriott, L.P.), or the operating partnership, or Host LP, and its subsidiaries. We are the sole general partner of the operating partnership and, as of March 24, 2006, own approximately 95% of the partnership interests, which are referred to as OP units.

2. Summary of Significant Accounting Policies

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. generally accepted accounting principles, or GAAP, in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2005.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of March 24, 2006 and the results of our operations and cash flows for the quarters ended March 24, 2006 and March 25, 2005. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

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

Reporting Periods

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 International, Inc., the manager of the majority of our properties, uses a fiscal year ending on the Friday closest to December 31 and reports twelve weeks of operations for the first three quarters of the year 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 Starwood and Hyatt, report results on a monthly basis. For results reported by hotel managers using a monthly reporting period (approximately one-fourth of our full-service hotels), the month of operation that ends after our fiscal quarter-end is included in our results of operations in the following fiscal quarter. Accordingly, our 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). We elected to adopt the reporting period used by Marriott International modified so that our fiscal year always ends on December 31. Accordingly, our first three quarters of operations end on the same day as Marriott International but our fourth quarter ends on December 31.

3. Adoption of SFAS No.123R

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment (“SFAS 123R”), which requires that the cost from share-based payment transactions be recognized in the financial statements. The statement requires the cost of employee services received in exchange for an award of equity instruments to be measured based on the fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award, the requisite service period. No compensation cost is recognized for equity instruments for which employees do not render the requisite service. 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. We have instituted a new restricted stock program which is accounted for using the provisions of SFAS 123R, which were effective January 1, 2006.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Restricted Stock. We award restricted stock shares to officers, executives and certain members of senior management. During the first quarter of 2006, we granted shares to be distributed over the next three years in annual installments. These stock awards are considered liability awards, and, accordingly, we re-evaluate the fair value of the awards quarterly. Vesting for these shares is determined both on continued employment as well as certain market conditions based on the achievement of total shareholder return. For the shares that vest solely on continued employment, we recognize compensation expense based on the market price as of the balance sheet date. For shares that vest based on market conditions, we recognize compensation expense over the requisite service period based on the fair value of the shares, which is estimated using a simulation or Monte Carlo method. For purpose of the simulation, we assumed a volatility of 22.2%, which is calculated based on the volatility of our stock price over the last three years, a risk-free interest rate of 4.67%, which reflects the yield on a 3-year Treasury bond, and a stock beta of 0.907 compared to the REIT composite index based on three years of historical price data. The number of shares issued is adjusted for forfeitures. We made an additional grant of shares in the first quarter of 2006 to certain key employees to be distributed over the next three years which vests based only on continued employment. We recognize compensation expense for this grant based on the market price as of the balance sheet date. All prior year stock grants were vested based on continued employment and certain performance conditions. Compensation expense on these grants was calculated based on the market price as of the balance sheet date. All prior stock grants were fully vested as of year end 2005. During the first quarter of 2006 and 2005, approximately 3,395,000 and 18,000 restricted shares, respectively, were granted. We recorded compensation expense of approximately $7 million and $4 million during the first quarter of 2006 and 2005, respectively, related to these awards. Under these awards, approximately 3,230,000 shares were outstanding at March 24, 2006.

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 over the vesting period equal to the fair market value of the shares. These stock awards are considered equity awards, and accordingly, compensation costs related to these awards were measured on the grant date. During 2006 and 2005, approximately 166,000 shares were granted. Of these shares, approximately 91,000 have been issued, approximately 4,000 have been forfeited, and approximately 71,000 remain outstanding. These shares had a weighted average grant date fair value of $18.75. Approximately 66,000 of these shares will vest during 2006. During the first quarter of 2006 and 2005, we recorded approximately $0.4 million and $0.3 million, respectively, of compensation expense related to these shares.

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 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 March 24, 2006 and March 25, 2005, respectively: Risk-free interest rate of 4.7% and 4.3%, volatility of 33% and 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. Approximately 14,000 shares were issued in both periods ended March 24, 2006 and March 25, 2005. The weighted average fair value of the shares granted in the first quarter of 2006 and 2005 was $4.73 and $4.27, respectively. The compensation expense was not material for the 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 2002. Options granted prior to 2002 were fully vested as of December 31, 2005. Options granted during 2002 will be fully vested during 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

period. The weighted average fair value per option granted during 2002 was $1.41. We recorded compensation expense of approximately $53,000 and $55,000 for the quarter ended March 24, 2006 and March 25, 2005, respectively. The aggregate intrinsic value of the exercisable options at March 24, 2006 was approximately $16 million.

The following table is a summary of the status of our stock option plans for the quarter ended March 24, 2006 and year ended December 31, 2005.

	March 24, 2006		December 31, 2005	
	Shares (in millions)	Weighted Average Exercise Price	Shares (in millions)	Weighted Average Exercise Price
Beginning balance	1.4	$ 6	2.6	$ 6
Granted	—	—	—	—
Exercised	(.1)	5	(1.1)	6
Forfeited/expired	—	—	(.1)	6
Ending balance	1.3	6	1.4	6
Options exercisable	1.1		1.2	

The following table summarizes information about stock options at March 24, 2006:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares (in millions)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares (in millions)	Weighted Average Exercise Price
$ 1 – 3	.5	$ 1	$ 3	.5	$ 3
4 – 6	.1	3	6	.1	6
7 – 9	.6	10	8	.4	8
10 – 12	.1	9	11	.1	11
13 – 19	—	7	18	—	18
	1.3			1.1	

Deferred Stock. We discontinued issuing deferred stock in 2003. Prior to that time deferred stock granted generally vested 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. In 2003, 45,000 shares were granted under this plan. The weighted average fair value per share granted during 2003 was $8.00. The compensation costs related to deferred stock was not material for all periods presented. The implementation of SFAS123R did not effect the calculation of compensation expense for the deferred stock.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

4. 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 potentially dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, preferred OP units held by minority partners, other minority interests that have the option to convert their interests to common OP units and the Exchangeable Senior Debentures. No effect is shown for securities that are anti-dilutive.

	Quarter ended					
	March 24, 2006			March 25, 2005		
	(in millions, except per share amounts)					
	Income/ (loss)	Shares	Per Share Amount	Income/ (loss)	Shares	Per Share Amount
Net income	$ 172	378.0	$ .46	$ 6	352.0	$ .02
Dividends on preferred stock	(6)	—	(.02)	(8)	—	(.03)
Basic earnings (loss) available to common stockholders	166	378.0	.44	(2)	352.0	(.01)
Assuming distribution of common shares granted under the comprehensive stock plan, less shares assumed purchased at average market price	—	.9	—	—	—	—
Diluted earnings (loss) available to common stockholders	$ 166	378.9	$ .44	$ (2)	352.0	$ (.01)

5. Debt

On January 11, 2006, we announced our intention to exercise our option to cause the conversion rights of the remaining Convertible Subordinated Debentures to expire effective February 10, 2006. Between January 1, 2006 and February 10, 2006, $368 million of Convertible Subordinated Debentures and corresponding Convertible Preferred Securities were converted into 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.

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. Interest is payable on the first of each month and the mortgage matures on March 1, 2011. On January 13, 2006, a portion of the proceeds was used to repay the $20 million outstanding balance under our credit facility.

6. Dividends

On March 21, 2006, our Board of Directors declared a cash dividend of $0.14 per share for our common stock. The dividend was paid on April 17, 2006 to stockholders of record as of March 31, 2006.

Additionally, on March 21, 2006, our Board of Directors declared a quarterly cash dividend of $0.625 per share for our Class C preferred stock and a cash dividend of $0.5546875 per share for our Class E preferred stock. The dividends were paid on April 17, 2006 to preferred stockholders of record as of March 31, 2006.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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7. Geographic Information

We consider each one of our full-service 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 non-full-service hotel activities (primarily our limited-service leased hotels and office buildings) are immaterial. Accordingly, we report one business segment, hotel ownership. As of March 24, 2006, our foreign operations consist of four properties located in Canada and one property located in Mexico. There were no intercompany sales between our domestic properties and our foreign properties. The following table presents revenues for each of the geographical areas in which we operate:

	Quarter ended	
	March 24, 2006	March 25, 2005
	(in millions)	
United States	$ 824	$ 769
Canada	20	17
Mexico	4	4
Total revenue	$ 848	$ 790

8. Comprehensive Income

Our other comprehensive income consists of unrealized gains and losses on foreign currency translation adjustments and the receipt of cash from HMS Host Corporation, or HM Services, subsequent to the exercise of the options held by certain former and current employees of Marriott International, pursuant to our distribution agreement with HM Services.

	Quarter ended	
	March 24, 2006	March 25, 2005
	(in millions)	
Net income	$ 172	$ 6
Other comprehensive income	—	1
Comprehensive income	$ 172	$ 7

9. Discontinued Operations

Assets Held for Sale. During the first quarter, we entered into a definitive, binding agreement to sell the Swissôtel The Drake, New York (the "Drake"), which was subsequently sold on March 31, 2006. We reclassified the assets and liabilities related to this hotel and two hotels sold in the first quarter of 2006 as held for sale as of March 24, 2006 and December 31, 2005, respectively. The following table summarizes the property and equipment, other assets and other liabilities for the properties classified as held for sale on the respective balance sheet dates:

	March 24, 2006	December 31, 2005
	(in millions)	
Property and equipment, net	$ 185	$ 62
Other assets	6	11
Total assets	$ 191	$ 73
Other liabilities	—	—
Total liabilities	$ —	$ —

Dispositions. We sold four hotels during the first quarter of 2006 (the Fort Lauderdale Marina Marriott, the Albany Marriott, the Chicago Marriott Deerfield Suites and the Marriott at Research Triangle

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Park) for total net proceeds of approximately $251 million. 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:

	Quarter ended	
	March 24, 2006	March 25, 2005
	(in millions)	
Revenues	$ 14	$ 28
Income before taxes	1	4
Gain on dispositions, net of tax	153	13

10. Acquisitions

On April 10, 2006, we consummated the acquisition of 25 domestic hotels and three foreign hotels from Starwood Hotels & Resorts Worldwide, Inc., or Starwood, through a series of transactions, including the merger of Starwood Hotels & Resorts, a Maryland real estate investment trust, or Starwood Trust, with and into a subsidiary of Host, the acquisition of the capital stock of Sheraton Holding Corporation and the acquisition of four domestic hotels in a purchase structured to allow Host's subsidiaries to complete like-kind exchange transactions for federal income tax purposes. These transactions were 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, Host LP, Starwood, Starwood Trust and certain of their respective affiliates. Five additional Starwood hotels in Europe and two in Fiji to be acquired by Host pursuant to the Master Agreement, were deferred subject to the resolution of certain notice periods and approvals that were not lapsed or received as of April 10, 2006. The hotels in Europe have been, or will be, acquired by the newly-formed European joint venture as discussed below. The conditions for the acquisition of the Fiji hotels have not yet been satisfied.

For the 28 hotels included in the initial closing, the total consideration paid by Host to Starwood and its shareholders 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 payment of approximately $1.0 billion in cash ($728 million, net of certain cash acquired from Starwood). 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 amount of cash consideration paid under the Master Agreement is subject to adjustments for, among other things, the amount of working capital at the applicable closings, the amount of assumed indebtedness, and certain capital expenditures.

In conjunction with the Starwood acquisition, we entered into an Agreement of Limited Partnership, forming a joint venture in The Netherlands with Stichting Pensioenfonds ABP, the Dutch pension fund ("ABP"), and Jasmine Hotels Pte Ltd, a subsidiary of GIC Real Estate Pte Ltd ("GIC RE"), the real estate investment company of the Government of Singapore Investment Corporation Pte Ltd (GIC). The purpose of the joint venture is the acquisition and ownership of six European hotels.

The aggregate size of the joint venture is initially expected to be approximately $640 million, including total capital contributions of approximately $227 million, of which approximately $73 million will be contributed by us in the form of cash and through the contribution of the Sheraton Warsaw Hotel & Towers, which we acquired on April 10, 2006. Through newly-formed Dutch BVs (private companies with limited liability), Host LP will be a limited partner in the joint venture (together with ABP and GIC RE, the "Limited Partners") and also will serve as the general partner for the joint venture. The percentage interest of the parties in the joint venture will be 19.9% for ABP, 48% for GIC RE and 32.1% for Host LP (including its limited and general partner interests).

On May 3, 2006, the joint venture acquired from Starwood the following four hotels: the Sheraton Roma Hotel & Conference Center, Rome, Italy; The Westin Palace, Madrid, Spain, a Luxury Collection Hotel; the Sheraton

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Skyline Hotel & Conference Centre, Hayes, United Kingdom and The Westin Palace, Milan, Italy, a Luxury Collection Hotel. In addition, we contributed the Sheraton Warsaw Hotel & Towers, Warsaw, Poland, to the joint venture. The Westin Europa & Regina, Venice, Italy is expected to be acquired by the joint venture by June 15, 2006.

Pursuant to the agreements, distributions to partners will be made on a pro-rata basis (based on their limited partnership interests) until certain return thresholds are met. As those thresholds are met, our general partnership interest will receive an increasing percentage of the distributions. An affiliate of Host LP has entered into an asset management agreement with the joint venture to provide asset management services in return for an annual asset management fee. Host LP or its affiliates will be responsible for paying certain expenses related to asset management, including all salaries and employee benefits of employees and related overhead, including rent, utilities, office equipment, necessary administrative and clerical functions and other similar overhead expenses. The initial term of the joint venture is ten years subject to extensions with partner approval. Because of our minority ownership interest and due to certain rights given to ABP and GIC RE, the joint venture will not be consolidated.

11. Subsequent Events

On March 31, 2006, we sold the 495-room Drake and nearby retail space, which were classified as held for sale at March 24, 2006, for a sales price of approximately $440 million, resulting in a gain of approximately $235 million.

On April 4, 2006, we issued $800 million of 6 3/4% Series P senior notes and received net proceeds of approximately $787 million. The Series P senior notes mature on June 1, 2016 and are equal in right of payment with all of our other senior indebtedness. Interest is payable semiannually in arrears on June 1 and December 1, beginning on December 1, 2006. A portion of the proceeds from the offering was used for the Starwood acquisition.

On April 19, 2006, we announced that we will, with proceeds from our Series P senior notes offering, redeem, at par, all 5,980,000 shares of our Class C cumulative redeemable preferred stock ("Class C preferred stock") for approximately $151 million on May 19, 2006, including accrued dividends. The fair value of the Class C preferred stock (which is equal to the redemption price) exceeds the carrying value of the preferred stock by approximately $6 million. The $6 million represents the original issuance costs. Accordingly, when we redeem the Class C preferred stock, this amount will be reflected in the determination of net income available to common stockholders for the purpose of calculating our basic and diluted earnings (loss) per share. In addition, on April 19, 2006, we also announced that we will, with proceeds from the Series P senior notes offering, redeem approximately $136 million of 7 7/8% Series B senior notes. We will record a loss of approximately $3 million related to this early extinguishment of debt, which includes the payment of the call premium and the acceleration of the original issue discounts and related deferred financing fees. The remaining proceeds from the Series P senior notes offering will be used for general corporate purposes.

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

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this report. Host Hotels & Resorts, Inc. (formerly, Host Marriott Corporation), is a Maryland corporation and 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. (formerly, Host Marriott, L.P.), a Delaware limited partnership of which Host Hotels & Resorts, Inc. is the sole general partner and in which it holds 96% of the partnership interests on May 3, 2006. 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 terms "operating partnership" or "Host LP" to refer to Host Hotels & Resorts, L.P. in cases where it is important to distinguish between Host and Host LP.

Forward-Looking Statements

In this report on Form 10-Q, we make some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "expect," "may," "intend," "predict," "project," "plan," "will," "estimate" and other similar terms and phrases. Forward-looking statements are based on management's current expectations and assumptions and are not guarantees of future performance that involve known and unknown risks, uncertainties and other factors which may cause our actual results to differ materially from those anticipated at the time the forward-looking statements are made. These risks and uncertainties include those risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2005 and in other filings with the Securities and Exchange Commission (SEC). Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release updates to any forward-looking statement contained in this report to conform the statement to actual results or changes in our expectations.

Quarterly Summary

As of May 3, 2006, we own 129 full-service hotel properties, which operate primarily in the luxury and upper upscale hotel sectors. For a general overview of our business, see our most recent Annual Report on Form 10-K.

Recent Events

European Joint Venture

In conjunction with the Starwood acquisition, we entered into an Agreement of Limited partnership, forming a joint venture in The Netherlands with Stichting Pensioenfonds ABP, the Dutch pension fund ("ABP"), and Jasmine Hotels Pte Ltd, a subsidiary of GIC Real Estate Pte Ltd ("GIC RE"), the real estate investment company of the Government of Singapore Investment Corporation Pte Ltd (GIC). The purpose of the joint venture is the acquisition and ownership of six European hotels.

The aggregate size of the joint venture is initially expected to be approximately $640 million, including total capital contributions of approximately $227 million, of which approximately $73 million will be contributed by us in the form of cash and through the contribution of the Sheraton Warsaw Hotel & Towers, which we acquired on April 10, 2006. Through newly-formed Dutch BVs (private companies with limited liability), Host LP will be a limited partner in the joint venture (together with ABP and GIC RE, the "Limited Partners") and also will serve as the general partner for the joint venture. The percentage interest of the parties in the joint venture will be 19.9% for ABP, 48% for GIC RE and 32.1% for Host LP (including its limited and general partner interests).

On May 3, 2006, the joint venture acquired from Starwood the following four hotels: the Sheraton Roma Hotel & Conference Center, Rome, Italy; The Westin Palace, Madrid, Spain, a Luxury Collection Hotel; the Sheraton Skyline Hotel & Conference Centre, Hayes, United Kingdom; and The Westin Palace, Milan, Italy, a Luxury Collection Hotel. In addition, we contributed the Sheraton Warsaw Hotel & Towers, Warsaw, Poland, to the joint venture. The Westin Europa & Regina, Venice, Italy is expected to be acquired by the joint venture by June 15, 2006.

The partners are contemplating entering into an expanded joint venture, which would be subject to antitrust clearance. In the event that such approval is obtained and the parties enter into the expanded venture, then in exchange for providing certain additional approval rights to the Limited Partners and subject to certain exclusivity provisions, the partners would increase the aggregate size of the joint venture to approximately €533 million of equity (of which approximately €171 million would be contributed by Host) and, after giving effect to indebtedness the joint venture would be expected to incur, aggregate funds that the hospitality venture would have available for investment are expected to be approximately €1.5 billion. The focus of the expanded joint venture would be on the acquisition, ownership and potential disposition of full service hotel properties located in Europe (with properties in particular in the United Kingdom, France, Germany, Italy and Spain). In connection with the expanded joint venture, the partners would also agree that, subject to certain exceptions, investments that are consistent with the joint venture's investment parameters would be made through the joint venture for a period of two years (three years in the case of Host) or earlier in the event that at least 90% of the joint venture's committed capital is called or reserved for use prior to such date.

Pursuant to the agreements, distributions to partners will be made on a pro-rata basis (based on their limited partnership interests) until certain return thresholds are met. As those thresholds are met, our general partnership interest will receive an increasing percentage of the distributions. An affiliate of Host LP has entered into an asset management agreement with the joint venture to provide asset management services in return for an annual asset management fee. Host LP or its affiliates will be responsible for paying certain expenses related to asset management, including all salaries and employee benefits of employees and related overhead, including rent, utilities, office equipment, necessary administrative and clerical functions and other similar overhead expenses. The initial term of the joint venture is ten years subject to two one-year extensions with partner approval. Because of our minority ownership interest and due to certain rights given to ABP and GIC RE, the joint venture will not be consolidated.

Starwood Acquisition

On April 10, 2006, we consummated the acquisition of 25 domestic hotels and three foreign hotels from Starwood Hotels & Resorts Worldwide, Inc., or Starwood, through a series of transactions, including the merger of Starwood Hotels & Resorts, a Maryland real estate investment trust, or Starwood Trust, with and into a subsidiary of Host, the acquisition of the capital stock of Sheraton Holding Corporation and the acquisition of four domestic hotels in a purchase structured to allow Host's subsidiaries to complete like-kind exchange transactions for federal income tax purposes. These transactions were 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, Host LP, Starwood, Starwood Trust and certain of their respective affiliates. Seven additional Starwood hotels to be acquired by Host pursuant to the Master Agreement, were deferred subject to the resolution of certain notice periods and approvals that were not lapsed or received as of April 10, 2006. See the above discussion of the European joint venture. The conditions for the acquisition of the Fiji hotels have not yet been satisfied.

For the 28 hotels included in the initial closing, the total consideration paid by Host to Starwood and its shareholders 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 payment of approximately $1.0 billion in cash ($728 million, net of certain cash acquired from Starwood). 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 amount of cash consideration paid under the Master Agreement is subject to adjustments for, among other things, the amount of working capital at the applicable closings, the amount of assumed indebtedness, and certain capital expenditures.

Financing and Disposition Activity

On March 31, 2006, we sold the 495-room Swissôtel The Drake, New York, or the Drake, and nearby retail space, which were classified as held for sale at March 24, 2006, for a sales price of approximately $440 million, resulting in a gain of approximately $235 million.

On April 4, 2006, we issued $800 million of 6 3/4% Series P senior notes and received net proceeds of approximately $787 million. The Series P senior notes mature on June 1, 2016 and are equal in right of payment

with all of our other senior indebtedness. Interest is payable semi-annually in arrears on June 1 and December 1, beginning on December 1, 2006. A portion of the proceeds from the offering was used to fund the Starwood acquisition. On April 19, 2006, we announced that we will, with proceeds from our Series P senior notes offering, redeem, at par, all 5,980,000 shares of our Class C cumulative redeemable preferred stock ("Class C preferred stock") for approximately $151 million on May 19, 2006, including accrued dividends. The fair value of the Class C preferred stock (which is equal to the redemption price) exceeds the carrying value of the preferred stock by approximately $6 million. The $6 million represents the original issuance costs. Accordingly, when we redeem the Class C preferred stock, this amount will be reflected in the determination of net income available to common stockholders for the purpose of calculating our basic and diluted earnings (loss) per share. In addition, on April 19, 2006, we also announced that we will, with proceeds from our Series P senior notes offering, redeem approximately $136 million of our 7 7/8% Series B senior notes. We will record a loss of approximately $3 million related to this early extinguishment of debt, which includes the payment of the call premium and the acceleration of the original issue discounts and related deferred financing fees. The remaining proceeds from the Series P senior notes offering will be used for general corporate purposes.

On April 5, 2006, we redeemed the remaining $2 million of outstanding Convertible Subordinated Debentures held by third parties for cash.

Our Outlook

We believe lodging demand will continue to grow through the remainder of 2006, which should allow our managers to continue to increase room rates at our hotels, while maintaining or slightly increasing occupancy levels. In the first quarter of 2006, RevPAR for our comparable hotels increased 7.6% over the same period last year. Based on a March 31, calendar quarter end, our comparable hotel RevPAR increased 8.8% over the first quarter of 2005. See discussion of our Reporting Periods in our most recent annual report on Form 10-K. RevPAR is defined as the product of the average of the daily room rates charged and the average daily occupancy achieved and is generally considered a key performance indicator for hotels. Improvements in RevPAR at our comparable hotels for the first quarter of 2006 were driven by a 7.7% increase in average room rate, while occupancy remained stable, with a decline of only 0.1 percentage points. This is a result of a number of positive trends such as strong United States GDP growth, low supply growth of new luxury and upper upscale hotels, particularly in our markets, and strengthening in group and transient demand. As a result of these trends, we expect comparable hotel RevPAR to increase approximately 8% to 10% for both the full year of 2006 and the second quarter of 2006.

We expect the supply growth of luxury and upper upscale hotels to continue to be low for the next two to three years. 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 new full-service hotels or expanding existing full-service hotels. Although the pipeline for new hotel supply has begun to accelerate from cyclical lows, the majority of new projects continue to be focused in the upscale and mid-scale segments and in locations outside of the top 25 Metropolitan Statistical Areas, or MSA. According to Lodging Econometrics, new supply growth for the luxury and upper upscale segments in the top 25 MSAs is anticipated to be 1.4% in 2006 and 2.1% in 2007. These growth rates are below the total industry-wide growth expectations of 2.0% in 2006 and 2.6% in 2007. We believe, based on a review of forecast supply growth in the specific geographic markets where we have hotels (approximately 72% of our hotels are in the top 25 MSAs), the supply growth of hotels potentially competitive with our hotels will be slightly lower than the industry-wide growth as forecast by Lodging Econometrics.

The performance of our portfolio is also significantly affected by: the property type, which includes urban, resort, airport and suburban hotels, the property size and composition, which includes full-service hotels with an average of over 500 rooms to much larger convention properties, as well as the specific competitive factors in the individual markets in which the properties operate. For example, we have seen significant improvement in operations in certain markets such as Houston and Chicago. Some of our larger properties in weaker markets continue to lag the portfolio, but we are beginning to see signs of improving market strength in several of these markets including Boston. We are continuing our capital expenditure plan at many of our properties, which we believe will enhance their competitive market position and improve their operating performance. We expect increasing demand to continue to improve operations at our hotels as markets strengthen, which should positively affect margin and RevPAR growth.

We assess profitability by measuring changes in our operating margins, which are calculated as operating profit as a percentage of total revenues. Operating margins improved during the first quarter, as the average room rate increases at our hotels exceeded the rate of inflation, which is a trend we expect to continue. Operating margins continue to be affected, however, by certain costs, primarily insurance, wages, benefits and utilities, which increased at a rate greater than inflation, a trend that we expect to continue in the near term. As a result of the large-scale devastation due to hurricanes in 2005, we expect insurance costs to increase approximately 40% for the full year. Insurance costs reflect approximately 1% of our expenses. We expect utility costs to increase by over 10% in 2006. Utility costs represent approximately 5.0% of our expenses.

Operating margins are also affected by our food and beverage operations, which historically represent approximately 30% of our revenues. During the first quarter, food and beverage revenue growth at our comparable hotels was 7.5%, with a food and beverage margin increase of 2.0 percentage points. As the economy continues to grow, we expect food and beverage revenue to continue to increase, in particular catering revenue, which should result in further improvement in our operating margins.

We also expect to see improvements in RevPAR and operating margins as we continue our strategy of recycling assets. Over the past two years, we have acquired luxury and upper upscale properties in urban and resort/convention destinations, where further large-scale lodging development typically is limited, and have generally disposed of individual assets in suburban and secondary markets. The assets we have acquired have higher RevPAR, higher margins and, we believe, higher growth potential than those we have sold. Over time, these assets should contribute to improvements in overall RevPAR and margins, as well as an increase in the average per room replacement cost of our portfolio.

While we believe the combination of improving demand trends and low supply trends in the lodging industry, discussed here and in our Annual Report on Form 10-K, creates the opportunity for business improvements in 2006 and 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 statements of operations and other significant operating statistics (in millions, except operating statistics and percentages):

	Quarter ended		
	March 24, 2006	March 25, 2005	% Increase (Decrease)
Revenues			
Total hotel sales	$ 819	$ 761	7.6%
Operating costs and expenses:			
Property-level costs (1)	712	681	4.6
Corporate and other expenses	20	14	42.9
Operating profit	116	95	22.1
Interest expense	91	109	(16.5)
Minority interest expense	13	4	N/M
Income from discontinued operations	154	16	N/M
Net income	172	6	N/M
Comparable hotel operating statistics:			
RevPAR	$ 128.65	$ 119.59	7.6%
Average room rate	$ 181.24	$ 168.25	7.7%
Average occupancy	71.0%	71.1%	(0.1) pts.

(1) Amount represents total operating costs and expenses per our consolidated statements of operations less corporate expenses.
(2) N/M=Not meaningful

2006 Compared to 2005

Hotel Sales Overview. Hotel sales increased $58 million, or 7.6%, to $819 million for the first quarter of 2006. Hotel sales include approximately $9 million for the first quarter of 2006 of sales from a hotel acquired in 2005 and exclude sales for the properties we sold in 2006. Sales for properties sold in 2006 or 2005 or classified as held for sale as of March 24, 2006 have been reclassified as discontinued operations on our condensed consolidated statements of operations. See "Discontinued Operations" below.

We discuss operating results for our full-service 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 March 24, 2006, 98 of our 103 full-service hotels have been classified as comparable hotels. 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.

Comparable hotel sales increased 7.2% to $802 million, for the first quarter. The growth in revenue reflects the increase in comparable RevPAR of 7.6% for the first quarter of 2006, as a result of an increase in average room rates of 7.7%, while occupancy remained stable, with a decrease of only 0.1 percentage points. Food and beverage revenues for our comparable hotels increased 7.5% for the quarter, primarily due to an increase in catering and outlet revenues.

Comparable Hotel Sales by Customer Mix. Our hotel customers consist of three broad groups: transient, group and contract business. Transient demand broadly represents individual business or leisure travelers. Group demand represents clusters of guestrooms booked together, usually with a minimum of 10 rooms. Contract demand 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 low levels of demand. Similar to the majority of the lodging industry, we further categorize business within these groups based on characteristics they have in common. For further detail on these groups, see our annual report on Form 10-K.

Demand remained strong in the first quarter of 2006, enabling our operators to significantly increase average daily room rates, particularly in the premium and corporate transient segments. For our comparable Marriott and Ritz-Carlton hotels, which represented 84% of our total comparable rooms in the first quarter of 2006, transient average room rate increased 10.5% for the quarter driven by premium and corporate average daily rates. We expect that increased levels of transient demand will enable our managers to continue rate increases throughout the remainder of 2006.

Total group room revenue for our comparable Marriott and Ritz-Carlton hotels increased slightly for the first quarter compared to last year, and average room rate increased approximately 4.5% for the quarter. Group booking pace is up for the remainder of the year, reflecting our managers' strategy of keeping more rooms available for the higher-rated transient segments; however, room rates for groups are expected to be strong for the remainder of 2006 and should continue to improve in 2007.

Comparable Hotel Sales by Property Type. For the first quarter of 2006, revenues increased significantly across all of our hotel property types. Our suburban hotels had the strongest growth in RevPAR as comparable hotel RevPAR increased 11.6% for the first quarter, which reflected an average room rate increase of 10.0% for the quarter. Our urban hotels performed well thus far in 2006, with comparable hotel RevPAR growth of 7.9% to $135.72 for the quarter. The significant increase in comparable hotel RevPAR at our urban properties was primarily driven by the increases in average room rate of 7.6% for the quarter, while average occupancy improved by 0.2 percentage points. Our resort/convention hotels had comparable hotel RevPAR growth of 3.3% to $199.78, which reflected lower group bookings at several of our larger resort/convention hotels. Our airport hotels experienced comparable hotel RevPAR increases of 8.3% for the quarter, which reflected an average room rate increase of 10.0% for the quarter.

Comparable Hotel Sales by Geographic Region. During the first quarter, the majority of our geographic regions experienced strong growth in comparable hotel RevPAR with the North Central, Atlanta, New England and International regions all experiencing double-digit comparable hotel RevPAR growth.

The North Central region of our portfolio experienced increases in comparable hotel RevPAR of 20.9% for the quarter as the average room rate increased 6.3% and the average occupancy increased 7.8 percentage points. The improvement was the result of the strong performance of our six hotels in our Chicago market, where comparable hotel RevPAR grew by 26.0% for the quarter.

Comparable hotel RevPAR for our Atlanta region increased 14.3% for the quarter. The region was led by its luxury hotels, which averaged approximately 19% RevPAR growth as occupancies increased significantly. The region also improved as a result of business that relocated from the New Orleans market.

Our Pacific region had a comparable hotel RevPAR increase of 8.1% for the quarter. The region was led by our San Diego market, where comparable hotel RevPAR increased 13.2% for the quarter.

Our Mountain region experienced a comparable hotel RevPAR increase of 8.9% for the quarter. The region was led by our Phoenix market, which experienced an increase in comparable hotel RevPAR of 10.7% for the quarter.

Comparable hotel RevPAR for our Mid-Atlantic region increased 9.7% for the quarter, which was driven by comparable hotel RevPAR growth of 14.7% at our New York City hotels. Strong group, transient and international demand continues to drive the improved performance in the New York market.

Comparable hotel RevPAR in our Florida region grew by 3.5% for the quarter. The results in the region continue to be negatively affected by a decrease in comparable hotel RevPAR at the Orlando World Center Marriott Resort & Convention Center due to a decrease in group bookings in the quarter; however, we expect the region to improve for the remainder of 2006.

Our DC Metro region was the only region to experience a decline in comparable hotel RevPAR for the quarter. The 6.1% decrease in comparable hotel RevPAR reflected the accelerated renovation at the JW Marriott, Washington, D.C., which had a significant number of rooms out of service in the quarter, as well as an overall decrease in Congressional activity and other festivities related to the Presidential inauguration in the first quarter of 2005. We expect operating results will improve in this region in the second quarter and for the full year.

Comparable hotel RevPAR for our New England region increased 12.9% during the quarter. Our Boston market, which had been underperforming our entire portfolio, had a comparable hotel RevPAR increase of 14.3% for the quarter due to very strong transient demand. Performance in this region should continue to improve over time, based on expected increases in convention activity throughout 2006 and overall improvements in the Boston economy.

Comparable hotel RevPAR in our South Central region grew by 9.6% for the quarter, driven primarily by strong increases in occupancy and average room rate at our three properties in Houston.

Comparable hotel RevPAR for our international properties increased 11.4% for the quarter. Our four Canadian properties, three of which are in Toronto, experienced an increase in comparable hotel RevPAR of 11.0% for the quarter.

Property-level Operating Costs. Property-level operating costs and expenses increased $31 million, or 4.6% for the first quarter of 2006. Property-level operating costs and expenses exclude the costs for hotels we have sold and held for sale, 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% for the quarter, primarily due to increases in oil and gas prices. We expect operating costs to continue to increase during the remainder of 2006 as a result of variable costs increasing with occupancy increases, and certain costs increasing at a rate above inflation, particularly energy prices and insurance

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, corporate insurance, audit fees, building rent and system costs. Corporate expenses increased by $6 million, or 42.9%, for the first quarter primarily due to an increase in our share-based payment expense.

Interest Income. Interest income decreased $2 million for the first quarter, primarily due to decreased cash and restricted cash balances, which was slightly offset by increases in the interest rate earned on those balances.

Interest Expense. Interest expense decreased $18 million for the first quarter of 2006 as a result of the decrease in our interest obligations and $12 million of prepayment penalties incurred in the first quarter of 2005, which we did not incur in 2006. We had no debt prepayments or refinancings during the first quarter of 2006. The declines in interest expense, however, were partially offset by increased interest rates for our variable rate debt.

Minority Interest Expense. As of March 24, 2006, we held approximately 95% of the partnership interests in Host LP. The $9 million increase in our minority interest expense for the first quarter is primarily due to the increase in the income of Host LP and includes the increase in the net income for certain of our consolidated partnerships that are partially owned by third parties.

Equity in Earnings (Losses) of Affiliates. Equity in earnings (losses) of affiliates increased by $5 million for the first quarter due to an increase in earnings of CBM Joint Venture L.P., which had recorded net losses in the first quarter of 2005. During the second quarter of 2005, we sold 85% of our interests and retained a 3.6% interest in CBM Joint Venture L.P.

Discontinued Operations. Discontinued operations consist of one hotel classified as held for sale as of March 24, 2006, four hotels sold in the first quarter of 2006 and five hotels sold in 2005 and represent the results of operations and the gain or loss on their disposition. For the first quarter of 2006 and 2005, revenues for these properties were $14 million and $28 million, respectively, and income before taxes was $1 million and $4 million, respectively. We recognized a gain, net of tax, of approximately $153 million and $13 million for the first quarter of 2006 and 2005, respectively, on the disposition of these hotels.

Comparable Hotel Operating Statistics

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 full-service 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 103 full-service hotels that we owned on March 24, 2006, 98 have been classified as comparable hotels. The operating results of the following five hotels that we owned as of March 24, 2006 are excluded from comparable hotel results for these periods:

- Newport Beach Marriott Hotel & Spa (major renovation started in July 2004);
- Mountain Shadows Resort and Golf Club (hotel to be sold pending completion of significant contingencies, which have not been resolved as of March 24, 2006);
- Atlanta Marriott Marquis (major renovation started in August 2005);
- New Orleans Marriott (property damage and business interruption from Hurricane Katrina in August 2005); and
- Hyatt Regency Washington on Capital Hill, Washington, D.C. (acquired in September 2005).

In addition, the operating results of the nine hotels we disposed of in the first quarter of 2006 and full year 2005 are also not included in comparable hotel results for the periods presented herein. Moreover, because these statistics and operating results are for our full-service hotel properties, they exclude results for our non-hotel properties and leased limited-service hotels.

We evaluate the operating performance of our comparable hotels based on both geographic region and property type. These divisions are generally consistent with industry data provided by hospitality research firms such as Smith Travel Research. For further discussion of our geographic regions and property types see our most recent Annual Report on Form 10-K. The following tables set forth performance information for our comparable full-service hotels by geographic region for the first quarter of 2006 and 2005.

Comparable by Region (a)

	As of March 24, 2006		Quarter ended March 24, 2006			Quarter ended March 25, 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	$ 196.54	73.6%	$144.61	$ 179.62	74.5%	$133.77	8.1%
Florida	10	6,448	222.15	77.8	172.79	205.96	81.0	166.92	3.5
Mid-Atlantic	9	6,361	207.17	73.1	151.53	186.88	73.9	138.12	9.7
North Central	13	5,130	127.35	64.7	82.45	119.86	56.9	68.17	20.9
DC Metro	11	4,661	192.96	63.3	122.06	180.73	71.9	129.92	(6.1)
South Central	7	4,126	143.21	76.0	108.82	133.87	74.2	99.32	9.6
Atlanta	10	3,743	168.24	71.7	120.70	154.19	68.5	105.58	14.3
New England	6	3,032	142.28	63.7	90.60	136.25	58.9	80.26	12.9
Mountain	6	2,210	157.87	63.1	99.61	146.02	62.6	91.47	8.9
International	5	1,953	141.07	68.0	95.88	125.15	68.7	86.04	11.4
All Regions	98	49,149	181.24	71.0	128.65	168.25	71.1	119.59	7.6

Comparable by Property Type (a)

	As of March 24, 2006		Quarter ended March 24, 2006			Quarter ended March 25, 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	41	23,620	$ 186.70	72.7%	$135.72	$ 173.44	72.5%	$125.73	7.9%
Suburban	30	11,363	144.51	65.1	94.01	131.41	64.1	84.27	11.6
Airport	16	7,328	136.53	71.9	98.13	124.11	73.0	90.60	8.3
Resort/ Convention	11	6,838	269.08	74.2	199.78	254.37	76.0	193.40	3.3
All Types	98	49,149	181.24	71.0	128.65	168.25	71.1	119.59	7.6

(a) The reporting period for our comparable operating statistics for the first quarter of 2006 is from December 31, 2005 to March 24, 2006 and for the first quarter of 2005 from January 1, 2005 to March 25, 2005. For further discussion, see “Reporting Periods” in our most recent Annual Report on Form 10-K.

The following statistics are for all of our full-service properties as of March 24, 2006 and March 25, 2005, respectively. The operating statistics include the results of operations for four hotels sold in the first quarter of 2006 and five hotels sold in 2005 prior to their disposition.

All Full-Service Properties

	Quarter ended	
	March 24, 2006	March 25, 2005
Average Room Rate	$179.21	$165.83
Average Occupancy	70.6%	70.8%
RevPAR	$126.55	$117.41

Liquidity and Capital Resources

Cash Requirements

Host uses cash primarily for acquisitions, capital expenditures, debt payment and dividends to stockholders. As a REIT, Host is required to distribute to its stockholders at least 90% of its taxable income on an annual basis. Funds used by Host to make these distributions are provided by Host LP. We depend primarily on external sources of capital to finance future growth, including acquisitions.

Cash Balances. As of March 24, 2006, we had $481 million of cash and cash equivalents, which was an increase of $297 million from December 31, 2005. The increase is primarily attributable to the net proceeds from the sale of four hotels in January and the issuance of $116 million of mortgage debt. Since 2002, our cash balances have been in excess of $100 million to $125 million, which we had historically maintained in years prior to 2002, in order to provide additional liquidity and flexibility due to then declining economic conditions and the threat of terrorist attacks. Management believes that with the current environment and the flexibility and capacity provided by our credit facility and the continuing growth of the economy, we expect to lower our cash balances to $100 million to $125 million over the next several quarters.

Since March 24, 2006, we have issued $800 million of 6 3/4% Series P senior notes due in 2016 for net proceeds of approximately $787 million, which were used, or will be used, to fund a portion of the Starwood acquisition, redeem the remaining $136 million of 7 7/8% Series B senior notes, redeem all of the $151 million 10% Class C preferred stock, including accrued dividends, and other general corporate purposes. In addition, subsequent to quarter end, we received $420 million in net proceeds from the sale of the Swissôtel The Drake, New York, funded approximately $750 million of cash, including certain transaction expenses, net of certain cash acquired from Starwood in the first phase of the Starwood acquisition and paid approximately $60 million in common and preferred dividends. Upon the completion of these transactions, we will have approximately $590 million of available cash, $115 million of which will be used to purchase the deferred Fijian hotels from Starwood and to fund our cash investment in the European joint venture.

As of March 24, 2006, we also had $88 million of cash that was restricted as a result of lender requirements. The restricted cash balances do not have a significant effect on our liquidity. We have approximately $172 million of debt that will mature prior to 2007. However, $88 million of this debt can be extended for two one-year terms if certain conditions are met. We also have scheduled principal repayments totaling approximately $43 million for the remainder of 2006. We believe we have sufficient cash, or availability under our line of credit, to deal with our near-term maturities, as well as any decline in the cash flow from our business.

On January 13, 2006, we repaid the outstanding balance of $20 million under our credit facility. Currently, we have the full amount of $575 million available under our credit facility.

Reducing future interest payments and leverage remains a key management priority. 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 Funds From Operations, or FFO, per diluted share, as defined below, as a result of the payment of any applicable call premiums and the acceleration of previously deferred financing costs.

Capital Expenditures. For the first quarter of 2006, our renewal and replacement capital expenditures were approximately $82 million. We expect total renewal and replacement capital expenditures for 2006 to be approximately $250 million to $300 million. Our renewal and replacement capital expenditures are generally funded by the furniture, fixture and equipment funds established at certain of our hotels (typically funded with approximately 5% of property revenues) and by our available cash.

For the first quarter of 2006, we spent approximately $37 million in repositioning/return on investment (ROI) projects. These projects include, for example, expanding ballroom, spa or conference facilities and major rooms repositionings. We expect to spend approximately $250 million to $260 million in 2006 on these investment projects. In addition, we expect to spend several hundred million on such investments over the next several years. For further discussion of these projects and capital expenditures, see our most recent Annual Report on Form 10-K.

Acquisitions. We remain interested in pursuing single asset and portfolio acquisitions, both domestically and abroad. We believe that there are, and will continue to be, opportunities to acquire assets that are consistent with our target profile of luxury and upper upscale properties in urban and resort/convention locations where further large scale lodging development is limited. Any acquisitions may be funded, in part, from our available cash, draws under our credit facility or other debt financing, proceeds from asset sales or through equity offerings by Host or the issuance of debt or OP units by Host LP. We may acquire properties through various structures, including through our joint venture with ABP and GIC RE or through similar joint ventures with other partners. We cannot be certain as to the size or timing of acquisition opportunities or of our ability to obtain additional acquisition financing, if needed.

Sources and Uses of Cash

Our principal sources of cash are cash from operations, the sale of assets, borrowing under our credit facility and our ability to obtain additional financing through various capital markets. Our principal uses of cash are debt service, asset acquisitions, capital expenditures, operating costs, corporate expenses and distributions to equity holders.

Cash Provided by Operations. Our cash provided by operations for the first quarter of 2006 increased $52 million to $100 million from $48 million for the first quarter of 2005, due primarily to the increase in operating profit in 2006.

Cash Provided by Investing Activities. Cash provided by investing activities for the first quarter of 2006 increased $124 million to $146 million from $22 million for the first quarter of 2005. Activity for the first quarter of 2006 included the sale of four non-core hotels for net proceeds of approximately $251 million. Additionally, we increased our capital expenditures by $57 million to $119 million as part of our strategy to maximize the value of our existing portfolio. The following table summarizes other significant investing activities that have been completed since the beginning of fiscal year 2006 (in millions):

Transaction Date	Description of Transaction	(Investment)/ Sales Price
April 2006	Purchase of 28 hotels from Starwood (1)	$ (3,070)
March 2006	Sale of Swissôtel The Drake, New York	440
January 2006	Sale of Chicago Marriott Suites Deerfield and Marriott at Research Triangle Park	55
January 2006	Sale of Fort Lauderdale Marina Marriott and Albany Marriott	204

(1) 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.

In addition to the sale of four properties in the first quarter of 2006 and the recently completed sale of the Drake, we believe that dispositions for the remainder of 2006 will be approximately $200 million to $300 million. The net proceeds from any dispositions will be used to repay debt, fund acquisitions or repositioning/ROI projects or for general corporate purposes.

Cash Provided by Financing Activities. Our primary financing activities during the first quarter consisted of payment of dividends on our preferred and common stock of $49 million, and scheduled principal repayments of $13 million. The following table summarizes other significant financing transactions (not including the conversion of Convertible Subordinated Debentures in the first quarter of 2006 or the issuance of approximately 133.5 million shares of Host common stock issued in the Starwood acquisition) since the beginning of 2006 (in millions):

Transaction Date	Description of Transaction	Transaction Amount
Debt		
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	787
March 2006	Repayment of the credit facility	(20)
January 2006	Proceeds from the issuance of 5.195% Canadian mortgage loan	116

Debt

As of March 24, 2006, our total debt was $5.1 billion. The weighted average interest rate of our debt was approximately 7.3% and the weighted average maturity was 5.0 years. Additionally, approximately 85% of our debt has a fixed rate of interest.

As of March 24, 2006 and December 31, 2005, our debt was comprised of:

	March 24, 2006	December 31, 2005
Series B senior notes, with a rate of 7 7/8% due August 2008	$ 136	$ 136
Series G senior notes, with a rate of 9 1/4% due October 2007 (1)	235	236
Series I senior notes, with a rate of 9 1/2% due January 2007 (2)	449	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	346	346
Series O senior notes, with a rate of 6 3/8% due March 2015	650	650
Exchangeable Senior Debentures, with a rate of 3.25% due April 2024	493	493
Senior notes, with an average rate of 9.7%, maturing through 2012	13	13
Total senior notes	3,047	3,050
Mortgage debt (non-recourse) secured by $2.8 billion of real estate assets, with an average interest rate of 7.7% at March 24, 2006 and December 31, 2005	1,927	1,823
Credit facility	—	20
Convertible Subordinated Debentures, with a rate of 6 3/4% due December 2026 (3)	2	387
Other	88	90
Total debt	$ 5,064	$ 5,370

(1) Includes the fair value of the interest rate swap agreements of $(7) million and $(6) million as of March 24, 2006 and December 31, 2005, respectively.
(2) Includes the fair value of the interest rate swap agreement of $(1) million and $1 million as of March 24, 2006 and December 31, 2005, respectively.
(3) We redeemed the remaining $2 million of outstanding Convertible Subordinated Debentures held by third parties for cash on April 5, 2006.

Exchangeable Senior Debentures. During 2004, we issued $500 million of 3.25% Exchangeable Senior Debentures which currently are exchangeable into shares of Host's common stock at a rate of 56.1319 shares for each $1,000 of principal amount of the debentures, or a total of approximately 28 million shares, which is equivalent to an exchange price of $17.82 per share of our common stock. The exchange rate is adjusted for certain circumstances, including the payment of common dividends. Holders may exchange their Exchangeable Senior 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.

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 March 24, 2006, we have 27 assets that are encumbered by mortgage debt. We have certain restrictive covenants on one loan, which we refer to as the CMBS loan, that is secured by mortgages on eight properties. These restrictive covenants require the mortgage servicer to retain and hold in escrow the cash flow after debt service when it declines below specified operating levels. We are currently above the specified operating levels. The remaining mortgage loans generally do not have restrictive covenants that require such escrows.

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%, which is secured by four of our Canadian properties. Interest is payable on the first of each month and the mortgage matures on March 1, 2011. On January 13, 2006, a portion of the proceeds were used to repay the $20 million outstanding balance under our credit facility.

Convertible Subordinated Debentures. On January 11, 2006, we announced our intention to exercise our option to cause the conversion rights of the remaining shares of Convertible Subordinated Debentures to expire effective February 10, 2006. Between January 1, 2006 and February 10, 2006, $368 million of Convertible Subordinated Debentures and corresponding 6 3/4% convertible quarterly income preferred securities (the "Convertible Preferred Securities") were converted into 24 million common shares. As of March 24, 2006, we had approximately 32,000 shares of Convertible Subordinated Debentures held by third parties outstanding, with a liquidation preference of $50 per share (for a total liquidation amount of approximately $2 million). On April 5, 2006, we redeemed the remaining $2 million of outstanding Convertible Subordinated Debentures held by third parties for cash.

Dividend Policy

Host is required to distribute to stockholders at least 90% of its annual taxable income in order 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 May 3, 2006, Host is the owner of substantially all of the preferred OP units and approximately 96% of the common OP units. The remaining 4% of the common OP units are held by various third-party limited partners.

As a result of the minority position in Host LP common OP units, these holders share, on a pro rata basis, in amounts being distributed by Host LP. As a general rule, 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 ten cent per share dividend on its common stock, it would be based on payment of a ten cent per unit distribution by Host LP to Host as well as other common OP unit holders. For these reasons, investors should also take into account the 4% minority position in Host LP, and the requirement that they share pro rata in distributions from Host LP, when analyzing dividend payments by Host to its stockholders.

Host's current policy on common dividends is generally to distribute at least 100% of its annual taxable income, unless otherwise contractually restricted. Host currently intends to continue paying dividends on its preferred stock, regardless of the amount of taxable income, unless similarly contractually restricted. We are not currently restricted in our ability to pay dividends, except to the extent necessary to maintain Host's REIT status.

On March 21, 2006, our Board of Directors declared a cash dividend of $0.14 per share for our common stock. The dividend was paid on April 17, 2006 to stockholders of record as of March 31, 2006. The amount of any future common dividend will be determined by our Board of Directors.

On March 21, 2006, our Board of Directors also declared a quarterly cash dividend of $0.625 per share for our Class C preferred stock and a cash dividend of $0.5546875 per share for our Class E preferred stock. The dividends were paid on April 17, 2006 to preferred stockholders of record as of March 31, 2006.

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. A complete discussion of these measures (including the reasons why we believe they are useful to investors, the additional purposes for which management uses these measures and their limitations) is included in our most recent Annual Report on Form 10-K.

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.

Comparable Hotel Operating Results

We present certain operating results for our full-service hotels, such as hotel revenues, expenses and adjusted operating profit, on a comparable hotel, or "same store" basis as supplemental information for investors. See "Comparable Hotel Operating Statistics" above for a description of what we consider our comparable hotels. 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.

The following table provides a reconciliation of net income (loss) available to common stockholders per share to FFO per diluted share (in millions, except per share amounts):

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

	Quarter ended					
	March 24, 2006			March 25, 2005		
	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount
Net income (loss) available to common Stockholders	$ 166	378.0	$ .44	$ (2)	352.0	$ (.01)
Adjustments:						
Gain on dispositions, net of taxes	(153)	—	(.41)	(13)	—	(.04)
Amortization of deferred gains, net of taxes	(1)	—	—	(2)	—	(.01)
Depreciation and amortization	89	—	.24	83	—	.24
Partnership adjustments	8	—	.02	6	—	.02
FFO of minority partners of Host LP(a)	(5)	—	(.01)	(4)	—	(.01)
Adjustments for dilutive securities:						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	.9	—	—	2.0	—
Assuming conversion of Exchangeable Senior Debentures	5	28.1	(.01)	5	27.4	—
Assuming conversion of Convertible Subordinated Debentures	2	8.2	—	—	—	—
FFO per diluted share(b) (c)	$ 111	415.2	$ .27	$ 73	381.4	$ .19

(a) Represents FFO attributable to the minority interests in Host LP.

(b) 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.

(c) FFO per diluted share and earnings (loss) 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):

	Quarter ended			
	March 24, 2006		March 25, 2005	
	Net Income (Loss)	FFO	Net Income (Loss)	FFO
Senior notes redemptions and debt prepayments (1)	$ —	$—	$ (14)	$ (14)
Gain on dispositions, net of taxes	153	—	13	—
Minority interest income (expense) (2)	(7)	—	—	1
Total	$ 146	$—	$ (1)	$ (13)
Per diluted share	$ .39	$—	$ —	$(.04)

(1) Represents call premiums and the acceleration of original issue discounts and deferred financing costs, 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.

(2) Represents the portion of the significant transactions attributable to minority partners in Host LP.

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

Comparable Hotel Results (a)
(in millions, except hotel statistics)

	Quarter ended	
	March 24, 2006	March 25, 2005
Number of hotels	98	98
Number of rooms	49,149	49,149
Percent change in Comparable Hotel RevPAR	7.6%	—
Comparable hotel sales		
Room	$ 492	$ 457
Food and beverage	258	240
Other	52	51
Comparable hotel sales (b)	802	748
Comparable hotel expenses (c)		
Room	119	112
Food and beverage	185	177
Other	31	32
Management fees, ground rent and other costs	259	250
Comparable hotel expenses	594	571
Comparable hotel adjusted operating profit	208	177
Non-comparable hotel results, net (d)	19	14
Comparable hotels classified as held for sale, net	(1)	(1)
Office building and limited service properties, net (e)	(1)	—
Depreciation and amortization	(89)	(81)
Corporate and other expenses	(20)	(14)
Operating profit	$ 116	$ 95

(a) The reporting period for our comparable operating statistics for the first quarter of 2006 is from December 31, 2005 to March 24, 2006 and for the first quarter of 2005 from January 1, 2005 to March 25, 2005. For further detail, see "Reporting Periods" in our most recent Annual Report on Form 10-K.

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

	Quarter ended	
	March 24, 2006	March 25, 2005
Revenues per the consolidated statements of operations	$ 848	$ 790
Revenues of hotels held for sale	7	7
Non-comparable hotel sales	(54)	(43)
Hotel sales for the property for which we record rental income, net	12	12
Rental income for office buildings and limited service hotels	(18)	(18)
Adjustment for hotel sales for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	7	—
Comparable hotel sales	$ 802	$ 748

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

	Quarter ended	
	March 24, 2006	March 25, 2005
Operating costs and expenses per the consolidated statements of operations	$ 732	$ 695
Operating costs of hotels held for sale	6	6
Non-comparable hotel expenses	(36)	(31)
Hotel expenses for the property for which we record rental income	15	14
Rent expense for office buildings and limited service hotels	(19)	(18)
Adjustment for hotel expenses for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	5	—
Depreciation and amortization	(89)	(81)
Corporate and other expenses	(20)	(14)
Comparable hotel expenses	$ 594	$ 571

(d) 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. For further detail, see "Reporting Periods" in our most recent Annual Report on Form 10-K.

(e) Represents rental income less rental expense for limited service properties and office buildings.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

The percentage of our debt that is floating rate was 15% at March 24, 2006 and December 31, 2005. Accordingly, there have been no changes in our interest rate sensitivity. See our most recent Annual Report on Form 10-K.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures at the end of the period with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

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 reports.

PART II. OTHER INFORMATION

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

Issuer 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 Units that May Yet Be Purchased Under the Plans or Programs
January 1, 2006—			—	—
January 31, 2006	24,554*	$ 19.01		
February 1, 2006—			—	—
February 28, 2006	—	$ —		
March 1, 2006—			—	—
March 24, 2006	612,640*	$ 20.00		
Total	637,194	$ 19.96		

* Reflects shares of restricted common withheld and used for purposes of paying taxes in connection with the release of restricted common shares to plan participants. The average price paid reflects the age market value of shares withheld for tax purposes.

Item 6. Exhibits

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

Exhibit No.	Description
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.
3.3	Articles of Amendment filed with the State Department of Assessments and Taxation of Maryland on April 17, 2006 (incorporated by reference to Exhibit 3.3 of Host Marriott Corporation's Current Report on Form 8-K, filed April 19, 2006).
4.26	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).
10.35	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 subsidiary 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).

10.48*	Agreement of Limited Partnership of HHR EURO CV, dated as of March 24, 2006, by and among HST GP EURO B.V., HST LP EURO B.V., Stichting Pensioenfonds ABP and Jasmine Hotels PTE Ltd.
12.1	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
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†	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.

* 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.

SIGNATURE

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

HOST HOTELS & RESORTS, INC.

May 3, 2006

/s/ Larry K. Harvey

Larry K. Harvey
Senior Vice President,
Chief Accounting Officer

Exhibit 10.48

[Execution Copy]

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.

Agreement of Limited Partnership

of

HHR EURO CV

Dated as of March 24, 2006

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AGREEMENT OF LIMITED PARTNERSHIP
OF
HHR EURO CV

AGREEMENT OF LIMITED PARTNERSHIP dated as of March 24, 2006 (this "**Agreement**") of HHR Euro CV (the "**Partnership**").

W I T N E S S E T H :

WHEREAS, the parties desire to enter into this Agreement to form the Partnership and to govern 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 form the Partnership as a limited partnership (*commanditaire vennootschap*) under and pursuant to Dutch law. 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 this Agreement, 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 ("**GIC RE**"), in each case whose subscription for a limited partner interest in the Partnership has been accepted by the General Partner and approved by the Limited Partners, shall become a 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) each of them and the General Partner of counterparts of this Agreement.

(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) giving effect to the proposed admission of an additional Limited Partner (or an increase in any existing Limited Partner's Capital Commitment), the resulting Capital Commitment, Investment Percentages, Commitment Percentages, Available Commitment Percentages, Capital Commitments and Capital Contributions. 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 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;

(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 of 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;

(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 to cure any violation of such law, regulation or guideline, such sale of any Partnership Investment or such dissolution of the Partnership may only be made if such amendment, sale of any Partnership Investment or dissolution of the Partnership is necessary or advisable to cure such violation and such amendment, sale of Partnership Investment 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) 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 Partnership 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) 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);

(F) 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;

(G) 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);

(H) 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);

(I) the acquisition of real property that is not a Real Estate Asset;

(J) 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 *****;

(K) the extension of the Commitment Period as described in Section 5.01(d);

(L) any amendment or waiver of provisions in the Asset Management Agreement;

(M) the extension of the term of this Agreement as described in Section 9.01;

(N) any amendment of this Agreement, except as provided in Section 11.01(a);

(O) the payment of the early promote to the General Partner from capital contributions pursuant to Section 6.03(c)(i); and

(P) 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) approval or disapproval of an Approved Accountant, Approved Appraiser, Approved Industry Consultant or Approved Investment Bank, (it being agreed that the Approved Accountant, Approved Appraiser, Approved Industry Consultant and Approved Investment Bank listed on Appendices A-E,

respectively, have been approved by the Required Limited Partners); and

(B) 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

(C) 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 a managing director, or an individual in such capacity, **********. In event the employment of the managing director ends or terminates, the General Partner shall cause the Manager to engage a replacement managing director within ninety (90) days of such time.

(e) The Partners acknowledge that each of Host and the General Partner is an indirect subsidiary or Affiliate of Host Euro Business Trust, Sheraton Holding Corporation and Host Marriott Corporation (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 unanimous prior written 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, Form 8832) 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 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. This 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 and 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 and is continuing 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 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 will provide to the Limited Partners for informational purposes only a business plan

for the operation of the Hotel Properties no later than sixty (60) days after the First Closing Date. No later than December 15 of each Fiscal Year the General Partner shall provide to the Limited Partners for informational purposes only a revised and updated business plan for the period ending on the last day of the next succeeding Fiscal Year. The business plan will 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 informational purposes only for each Fiscal Year the following budgets: (i) a consolidated capital budget for the Partnership, any Partnership Investment Vehicle, any Portfolio Company and any TRS, 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, any Portfolio Company and any TRS, 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 delivered to the Limited Partners prior 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.

(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 in accordance with the above provisions of Section 2.12(b) within **** ********* of the acquisition of a Partnership Investment.

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 (or appropriate corporate or similar resolution authorizing such Limited Partner's investment in the Partnership) to the effect that this Agreement is a valid and binding agreement of such Limited Partner.

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); *provided further*, the Initial Hotel Properties shall not be transferred to the General Partner for the benefit of the Partners or contributed until the earlier of the date on which (i) the APA/ATR team of the Dutch Tax Authorities has issued an advance tax ruling confirming that the Partnership is transparent for Dutch corporate income and dividend tax purposes, and (ii) the General Partner shall have received an opinion of special Dutch counsel to the General Partner, subject to reasonable assumptions and qualifications determined in consultation with the Limited Partners, to the effect that the Partnership is a closed limited partnership (besloten commanditaire vennootschap) for Dutch tax purposes.

Section 3.02. *Investment and Leverage Limitations.* (a) The Partnership or any Partnership Investment Vehicle or 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), including the assumption of debt and all associated rights to receive payment in respect of such debt to be held by the Partnership or any Partnership Investment Vehicle or Portfolio Company (as applicable). The Partnership may incur any other debt with respect to Partnership Investments.

(b) 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) With respect to a Partnership Investment in a single asset, the minimum gross asset value of such Partnership Investment shall not be less than ******. 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) 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. ******************
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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 Section 4.02(a)(i) and Section 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) and Section 2.03(g);

(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, any Partnership Investment Vehicle and any Portfolio Company (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), 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, ********** ******* ********** **********
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(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 characterized as Partnership 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 Persons or the occurrence of an Uncured Breach or an Uncured Material Violation of Law; and

(viii) **********
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(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).

(d) The Partnership shall be responsible for 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.

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) subject to clause (iv) below, any Partnership Investment Expense with respect to any proposed Partnership Investment that is ultimately not made by the Partnership shall be funded by the Partners, *pro rata* in accordance with their respective Commitment Percentages;

(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, **********
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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, 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) amounts 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) On the First Closing Date, Host shall contribute to the Partnership all of its interest in and to the Poland Hotel Property, which contribution shall be effected through a transfer of the beneficial interest in HHR Warsaw B.V. and receive in exchange therefore a limited partner interest with a Capital Account equal to the Initial Hotel Property Price for the Poland Hotel Property. 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, (i) ********** ***** ********** ********** or (ii) if five (5) of the Initial Hotel Properties have not been transferred to the General Partner for the benefit of the Partners within one hundred and eighty (180) days of the First Closing Date, in each case 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 under the Corresponding Provision.

(e) The General Partner hereby agrees to contribute to the Partnership the economic interests in the Dutch Subsidiary Shares. The Capital Commitment of the General Partner at any time shall be equal to 0.1% of the aggregate amount of the Capital Commitments of the Partners at such time plus the economic value of the Dutch Subsidiary Shares.

(f) The initial Capital Commitment of each Limited Partner as of the date hereof is set forth on Schedule A.

(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 unanimous prior written consent of all Partners is required.

The Partners acknowledge and agree that a portion of their respective 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 foreign exchange currency exchange rate applicable to the forward sale of Euros agreement entered into by the General Partner as required by the Implementation Agreement (the "**Deemed Euro Capital Contribution**") and the books of the Partnership shall reflect a contribution of the Deemed Euro Capital Contribution.

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 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 Investments*.

(A) 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 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.

(c) *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**"), with interest at the Default Rate; *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, 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 (the "**Default Loan**") to fund the Default Amount, with interest at the Default Rate; *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 accrued and unpaid interest thereon) 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, if a
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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) **********
**********;

(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 Default 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 Default 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 Default 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 Default 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 Default 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 Default 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 Default 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 that a Drawdown would exceed the aggregate Available Capital Commitment of the Limited Partners but 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) (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 Default 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 Default 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 Default Amount (and any accrued interest thereon) and the Commitment Percentage of each electing Limited Partner, plus (B) the Total Extraordinary Drawdown Default 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 or contributed 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 or contribute 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, Section 6.03. and 6.05, the Investment Percentage of any Proceeds from any Partnership Investment attributable to any Limited Partner shall be distributed as follows:

(i) **********;

(ii) **********;

(iii) **********;

(iv) **********;

(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, the General Partner pursuant to this Agreement to the extent not otherwise paid (including any Total Drawdown Default Amount or Default 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, 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 ********** 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 GIC RE'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 Section 6.03(c). 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 Partner's 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), 0 and Section 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 10.07) 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 Section 10.02, Section 10.04 and Section 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 10.04 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) 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

By: /s/ Y. M. Wimmers-Theuns
Name: Y.M. Wimmers-Theuns
Title: Managing Director

By: /s/ L.F.M. Heine
Name: L.F.M. Heine
Title: Managing Director

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

By: /s/ Y. M. Wimmers-Theuns
Name: Y.M. Wimmers-Theuns
Title: Managing Director

By: /s/ L.F.M. Heine
Name: L.F.M. Heine
Title: Managing Director

STICHTING PENSIOENFONDS ABP, a Dutch foundation (*stichting*), as a Limited Partner

By: /s/ P. Kanters
Name: P. Kanters
Title: authorized signatory

By: /s/ F. H. Asselbergs
Name: F. H. Asselbergs
Title: authorized signatory

JASMINE HOTELS PTE LTD, a Singapore private company limited by shares, as a Limited Partner

By: /s/ Chris Morrish
Name: Chris Morrish
Title: Executive Vice President

DEFINITIONS

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"**ABP**" has the meaning set forth in Section 1.07(a).

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"**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.

"**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 hereof 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 initially 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, or (ii) 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)(ii) through Section 6.02(a)(iv) (inclusive), or (to the extent attributable to Section 6.02(a)(ii) through Section 6.02(a)(iv) (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 Marriott Corporation.

"**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 ********** value as determined pursuant to the appraisal procedure under Section 11.02(a) (it being understood that such fair market value shall take into account the matters described in Section 6.03(d).(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).

"**Dutch Subsidiary Shares**" means all shares in the share capital of HHR Funding B.V., a private company with limited liability (*besloten vennootschap met beperkte aanspraklijkheid*) with a corporate seat in Amsterdam, the Netherlands.

"Early Promote" means **********

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"**Election Notice**" has the meaning set forth in Section 10-3(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 the date on which the first of any of the Initial Hotel Property is transferred or contributed (as applicable) to the Partnership.

"**Fiscal Year**" has the meaning set forth in Section 2.05(b)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.

"**GIC RE**" has the meaning set forth in Section 1.07(a).

"**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 REIT**" has the meaning set forth in Section 2.03(c).

"**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).

"**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.

"**Implementation Agreement**" means the Implementation Agreement dated as of the date hereof among Host Marriott Corporation, Host Marriott, L.P., the General Partner, Host, ABP and GIC RE.

"**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.

"**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**" shall have 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 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 Section 6.07(b) and Section 6.07(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 Section 6.07(b) and 6.07(d).

"**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**" shall have the meaning set forth in Section 4.02(a)(i).

"**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 Budget**" has the meaning set forth in Section 2.12.

"**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 Capital Budget**" has the meaning set forth in Section 2.12(b).

"**Partnership Operating Budget**" has the meaning set forth in Section 2.12(b).

"**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 personalty), 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.

"**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 Section 2.04 (b)(i)) 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 10.04.

"Total Drawdown Amount" has the meaning set forth in Section 5.03(b).

"Total Drawdown Default Loan" has the meaning set forth in Section 5.03(b).

"**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 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.

****
****

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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APPROVED INVESTMENT BANKS

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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.

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:

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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.**

(i) all organization documents of the entity (such as charter and bylaws, partnership agreement, limited liability company agreement or declaration of trust);

(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".

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[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 each of these documents.

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:

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

INITIAL CAPITAL COMMITMENTS OF LIMITED PARTNERS

	Commitment[4]	Percentage
ABP	$ 44,322,000	20%
GIC RE	$105,905,000	47.9%
Host	$ 71,021,000[5]	32.1%

4 For purposes of determining the Deemed Euro Capital Contribution of any Partner pursuant to Section 5.02(a), the foreign currency exchange rate to be used is €1 to US$ 1.195.

5 This amount includes contribution of Warsaw at the value listed in Schedule B.

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	$******
The Westin Palace, Milan, Italy	$******
The Westin Europa & Regina, Venice, Italy	$******

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@meespiersonintertrust.com and/or liselotte.heine@meespiersonintertrust.com

With a copy to:
HST GP EURO B.V.
c/o Host Marriott Corporation
6903 Rockledge Drive, Suite 1500
Bethesda, MD 20817
Attn: General Counsel
Tel: 240-744-5150
Fax: 240-744-5155

With a copy to:
HST GP EURO B.V.
c/o Host Marriott Corporation
6903 Rockledge Drive, Suite 1500
Bethesda, MD 20817
Attn: Chief Investment Officer
Tel: 240-744-5300
Fax: 240-744-5305
Email: jim.risoleo@hostmarriott.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@meespiersonintertrust.com and/or liselotte.heine@meespiersonintertrust.com

With a copy to:
HST LP EURO B.V.
c/o Host Marriott Corporation
6903 Rockledge Drive, Suite 1500
Bethesda, MD 20817
Attn: General Counsel
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Attn: Chief Investment Officer
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Fax: 240-744-5305
Email: jim.risoleo@hostmarriott.com

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Schiphol, 1118 BH
Attn: Annemarie Manning
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Schedule C-3

EXHIBIT 12.1

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS
(in millions, except ratio amounts)

	Quarter ended	
	March 24, 2006	March 25, 2005
Income (loss) from continuing operations before income taxes	$ 19	$ (10)
Add (deduct):		
Fixed charges	109	130
Capitalized interest	(1)	(1)
Amortization of capitalized interest	1	1
Minority interest in consolidated affiliates	13	4
Equity in (earnings) losses related to certain 50% or less owned affiliates	(1)	4
Distributions from equity investments	1	1
Dividends on preferred stock	(6)	(8)
Adjusted earnings	$ 135	$ 121
Fixed charges:		
Interest on indebtedness and amortization of deferred financing costs	$ 91	$ 109
Capitalized interest	1	1
Dividends on preferred stock	6	8
Portion of rents representative of the interest factor	11	12
Total fixed charges and preferred stock dividends	$ 109	$ 130
Ratio of earning to fixed charges and preferred stock dividends	1.24	—
Deficiency of earnings to fixed charges and preferred stock dividends	$ —	$ (9)

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 quarterly report on Form 10-Q of Host Hotels & Resorts, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by 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: May 3, 2006

/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 quarterly report on Form 10-Q of Host Hotels & Resorts, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by 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: May 3, 2006

/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 Quarterly Report on Form 10-Q of the Company for the period ended March 24, 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: May 3, 2006

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

/s/ W. Edward Walter
W. Edward Walter
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. ss. 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.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.