

HOST HOTELS & RESORTS L.P.  
Form 10-Q  
May 07, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2013

OR

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

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

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

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

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(Exact name of registrant as specified in its charter)

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

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

6903 Rockledge Drive, Suite 1500  
Bethesda, Maryland  
(Address of Principal Executive Offices)

20817  
(Zip Code)

(240) 744-1000

(Registrant's telephone number, including area code)

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

Host Hotels & Resorts, Inc. Yes  No   
Host Hotels & Resorts, L.P. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Host Hotels & Resorts, Inc. Yes  No   
Host Hotels & Resorts, L.P. Yes  No

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

Host Hotels & Resorts, Inc.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Host Hotels & Resorts, L.P.

Large accelerated filer  Accelerated filer

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Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Host Hotels & Resorts, Inc.

Yes  No

Host Hotels & Resorts, L.P.

Yes  No

As of May 2, 2013 there were 744,725,044 shares of Host Hotels & Resorts, Inc. s common stock, \$.01 par value per share, outstanding.

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**EXPLANATORY NOTE**

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

Host Inc. operates as a self-managed and self-administered real estate investment trust ( REIT ). Host Inc. owns properties and conducts operations through Host L.P., of which Host Inc. is the sole general partner and of which it holds approximately 98.7% of the partnership interests ( OP units ). The remaining OP units are owned by various unaffiliated limited partners. As the sole general partner of Host L.P., Host Inc. has the exclusive and complete responsibility for Host L.P.'s day-to-day management and control. Management operates Host Inc. and Host L.P. as one enterprise. The management of Host Inc. consists of the same persons who direct the management of Host L.P. As general partner with control of Host L.P., Host Inc. consolidates Host L.P. for financial reporting purposes, and Host Inc. does not have significant assets other than its investment in Host L.P. Therefore, the assets and liabilities of Host Inc. and Host L.P. are substantially the same on their respective condensed consolidated financial statements and the disclosures of Host Inc. and Host L.P. also are substantially similar. For these reasons, we believe that the combination into a single report of the quarterly reports on Form 10-Q of Host Inc. and Host L.P. results in benefits to management and investors.

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

This combined Form 10-Q for Host Inc. and Host L.P. includes, for each entity, separate interim financial statements (but combined footnotes), separate reports on disclosure controls and procedures and internal control over financial reporting and separate CEO/CFO certifications. In addition, with respect to any other financial and non-financial disclosure items required by Form 10-Q, any material differences between Host Inc. and Host L.P. are discussed separately herein. For a more detailed discussion of the substantive differences between Host Inc. and Host L.P. and why we believe the combined filing results in benefits to investors, see the discussion in the combined Annual Report on Form 10-K for the year ended December 31, 2012 under the heading Explanatory Note .

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**Table of Contents****HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

March 31, 2013 and December 31, 2012

(in millions, except share and per share amounts)

	March 31, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
Property and equipment, net	\$ 11,284	\$ 11,588
Due from managers	96	80
Advances to and investments in affiliates	337	347
Deferred financing costs, net	53	53
Furniture, fixtures and equipment replacement fund	157	154
Other	300	319
Restricted cash	35	36
Cash and cash equivalents	1,075	417
 Total assets	 \$ 13,337	 \$ 12,994
<b>LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY</b>		
Debt		
Senior notes, including \$359 million and \$531 million, respectively, net of discount, of Exchangeable Senior Debentures	\$ 3,798	\$ 3,569
Credit facility, including the \$500 million term loan	658	763
Mortgage debt	992	993
Other	86	86
 Total debt	 5,534	 5,411
Accounts payable and accrued expenses	165	194
Other	353	372
 Total liabilities	 6,052	 5,977
 Non-controlling interests - Host Hotels & Resorts, L.P.	 175	 158
Host Hotels & Resorts, Inc. stockholders' equity:		
Common stock, par value \$.01, 1,050 million shares authorized; 742.8 million and 724.6 million shares issued and outstanding, respectively	7	7
Additional paid-in capital	8,303	8,040
Accumulated other comprehensive income	14	12
Deficit	(1,253)	(1,234)
 Total equity of Host Hotels & Resorts, Inc. stockholders	 7,071	 6,825
Non-controlling interests - other consolidated partnerships	39	34
 Total equity	 7,110	 6,859
 Total liabilities, non-controlling interests and equity	 \$ 13,337	 \$ 12,994

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See notes to condensed consolidated statements.

**Table of Contents****HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

Quarter ended March 31, 2013 and March 23, 2012

(unaudited, in millions, except per share amounts)

	Quarter ended	
	March 31, 2013	March 23, 2012
<b>REVENUES</b>		
Rooms	\$ 781	\$ 553
Food and beverage	379	282
Other	78	57
Owned hotel revenues	1,238	892
Other revenues	17	60
<b>Total revenues</b>	<b>1,255</b>	<b>952</b>
<b>EXPENSES</b>		
Rooms	221	160
Food and beverage	281	208
Other departmental and support expenses	316	242
Management fees	48	33
Other property-level expenses	96	122
Depreciation and amortization	177	149
Corporate and other expenses	26	22
<b>Total operating costs and expenses</b>	<b>1,165</b>	<b>936</b>
<b>OPERATING PROFIT</b>	<b>90</b>	<b>16</b>
Interest income	1	4
Interest expense	(76)	(86)
Net gains on property transactions and other	12	1
Gain (loss) on foreign currency transactions and derivatives	2	(1)
Equity in losses of affiliates	(2)	(2)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>27</b>	<b>(68)</b>
Benefit for income taxes	7	13
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>34</b>	<b>(55)</b>
Income from discontinued operations, net of tax	26	55
<b>NET INCOME</b>	<b>60</b>	
Less: Net income attributable to non-controlling interests	(4)	(2)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO HOST HOTELS &amp; RESORTS, INC.</b>	<b>\$ 56</b>	<b>\$ (2)</b>
Basic earnings (loss) per common share:		
Continuing operations	\$ .04	\$ (.08)
Discontinued operations	.04	.08



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Basic earnings (loss) per common share	\$ .08	\$
Diluted earnings (loss) per common share:		
Continuing operations	\$ .04	\$ (.08)
Discontinued operations	.04	.08
Diluted earnings (loss) per common share	\$ .08	\$

See notes to condensed consolidated statements.

**Table of Contents****HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****Quarter ended March 31, 2013 and March 23, 2012****(unaudited, in millions)**

	Quarter ended	
	March 31, 2013	March 23, 2012
NET INCOME	\$ 60	\$
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Foreign currency translation and other comprehensive income (loss) of unconsolidated affiliates	(3)	21
Change in fair value of derivative instruments	5	(2)
OTHER COMPREHENSIVE INCOME, NET OF TAX	2	19
COMPREHENSIVE INCOME	62	19
Less: Comprehensive income attributable to non-controlling interests	(4)	(2)
COMPREHENSIVE INCOME ATTRIBUTABLE TO HOST HOTELS & RESORTS, INC	\$ 58	\$ 17

See notes to condensed consolidated statements.

**Table of Contents****HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

Quarter ended March 31, 2013 and March 23, 2012

(unaudited, in millions)

	Quarter ended	
	March 31, 2013	March 23, 2012
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 60	\$
Adjustments to reconcile to cash provided by operations:		
Discontinued operations:		
Gain on dispositions	(19)	(48)
Depreciation		4
Depreciation and amortization	177	149
Amortization of finance costs, discounts and premiums, net	7	6
Stock compensation expense	4	5
Deferred income taxes	(5)	(14)
Net gain on property transactions and other	(12)	(1)
(Gain) loss on foreign currency transactions and derivatives	(2)	1
Equity in losses of affiliates	2	2
Change in due from managers	(21)	(18)
Changes in other assets	22	
Changes in other liabilities	(36)	(13)
Cash provided by operating activities	177	73
<b>INVESTING ACTIVITIES</b>		
Proceeds from sales of assets, net	279	108
Advances to and investments in affiliates	(1)	(19)
Capital expenditures:		
Renewals and replacements	(87)	(100)
Redevelopment and acquisition-related investments	(36)	(62)
New development	(5)	
Change in furniture, fixtures and equipment ( FF&E ) replacement fund	(3)	(19)
Cash provided by (used in) investing activities	147	(92)
<b>FINANCING ACTIVITIES</b>		
Financing costs	(3)	(5)
Issuances of debt	400	350
Draws on credit facility		22
Repayment on credit facility	(100)	
Repurchase/redemption of senior notes	(1)	
Scheduled principal repayments	(1)	(1)
Issuance of common stock	103	173
Dividends on common stock	(65)	(35)
Contributions from non-controlling interests	2	
Distributions to non-controlling interests	(1)	(1)
Change in restricted cash for financing activities		2

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Cash provided by financing activities	334	505
INCREASE IN CASH AND CASH EQUIVALENTS	658	486
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	417	826
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,075	\$ 1,312

See notes to condensed consolidated statements.

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**HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Quarter ended March 31, 2013 and March 23, 2012**

**(unaudited)**

**Supplemental disclosure of cash flow information (in millions)**

	<b>Quarter ended</b>	
	<b>March 31,</b>	<b>March 23,</b>
	<b>2013</b>	<b>2012</b>
Interest paid	\$ 72	\$ 70
Income taxes paid	4	4

**Supplemental disclosure of noncash investing and financing activities:**

For the quarters ended March 31, 2013 and March 23, 2012, Host Inc. issued approximately 0.1 million shares and 0.2 million shares, respectively, upon the conversion of OP units of Host L.P. held by non-controlling partners valued at approximately \$1.0 million and \$2.9 million, respectively.

In March 2013, holders of approximately \$174 million of the 3.25% exchangeable debentures elected to exchange their debentures for approximately 11.7 million shares of Host Inc. common stock.

See notes to condensed consolidated statements.

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(in millions)

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Other	300	319
Restricted cash	35	36
Cash and cash equivalents	1,075	417
 Total assets	 \$ 13,337	 \$ 12,994
<b>LIABILITIES, LIMITED PARTNERSHIP INTEREST OF THIRD PARTIES AND CAPITAL</b>		
Debt		
Senior notes, including \$359 million and \$531 million, respectively, net of discount, of Exchangeable Senior Debentures	\$ 3,798	\$ 3,569
Credit facility, including the \$500 million term loan	658	763
Mortgage debt	992	993
Other	86	86
 Total debt	 5,534	 5,411
Accounts payable and accrued expenses	165	194
Other	353	372
 Total liabilities	 6,052	 5,977
 Limited partnership interests of third parties	 175	 158
Host Hotels & Resorts, L.P. capital:		
General partner	1	1
Limited partner	7,056	6,812
Accumulated other comprehensive income	14	12
 Total Host Hotels & Resorts, L.P. capital	 7,071	 6,825
Non-controlling interests - consolidated partnerships	39	34
 Total capital	 7,110	 6,859
 Total liabilities, limited partnership interest of third parties and capital	 \$ 13,337	 \$ 12,994

See notes to condensed consolidated statements.



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<b>OPERATING PROFIT</b>	<b>90</b>	<b>16</b>
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Income from discontinued operations, net of tax	26	55
<b>NET INCOME</b>	<b>60</b>	
Less: Net income attributable to non-controlling interests	(3)	(2)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO HOST HOTELS &amp; RESORTS, L.P.</b>	<b>\$ 57</b>	<b>\$ (2)</b>
Basic earnings (loss) per common unit:		
Continuing operations	\$ .04	\$ (.08)
Discontinued operations	.04	.08



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Basic earnings (loss) per common unit	\$ .08	\$
Diluted earnings (loss) per common unit:		
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OTHER COMPREHENSIVE INCOME, NET OF TAX	2	19
COMPREHENSIVE INCOME	62	19
Less: Comprehensive income attributable to non-controlling interests	(3)	(2)
COMPREHENSIVE INCOME ATTRIBUTABLE TO HOST HOTELS & RESORTS, L.P.	\$ 59	\$ 17

See notes to condensed consolidated statements.

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**HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Quarter ended March 31, 2013 and March 23, 2012**

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