UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from _____to _____

Commission File Number 001-37795

Park Hotels & Resorts Inc.

(Exact name of registrant as specified in its charter)

Delaware	**36-2058176**
(State or Other jurisdiction of incorporation or organization)	(I.R.S Employer Identification Number)
1775 Tysons Blvd., 7 th Floor, Tysons, VA	**22102**
(Address of Principal Executive Offices)	(Zip Code)

(571) 302-5757
(Registrant's telephone number, including area code)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, $0.01 par value per share	PK	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

The number of shares of common stock outstanding on July 26, 2019 was 201,622,620.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

PARK HOTELS & RESORTS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share data)

	June 30, 2019 (unaudited)	December 31, 2018
ASSETS		
Property and equipment, net	$ 7,764	$ 7,975
Investments in affiliates	52	50
Goodwill	607	607
Intangibles, net	2	27
Cash and cash equivalents	310	410
Restricted cash	170	15
Accounts receivable, net of allowance for doubtful accounts of $1 and $1	186	153
Prepaid expenses	88	82
Other assets	45	44
Operating lease right-of-use assets	207	—
TOTAL ASSETS (variable interest entities - $245 and $242)	$ 9,431	$ 9,363
LIABILITIES AND EQUITY		
Liabilities		
Debt	$ 2,949	$ 2,948
Accounts payable and accrued expenses	208	183
Due to hotel manager	117	137
Due to Hilton Grand Vacations	135	135
Deferred income tax liabilities	42	42
Other liabilities	204	332
Operating lease liabilities	200	—
Total liabilities (variable interest entities - $217 and $217)	3,855	3,777
Commitments and contingencies - refer to Note 13		
Stockholders' Equity		
Common stock, par value $0.01 per share, 6,000,000,000 shares authorized, 201,799,199 shares issued and 201,621,099 shares outstanding as of June 30, 2019 and 201,290,458 shares issued and 201,198,381 shares outstanding as of December 31, 2018	2	2
Additional paid-in capital	3,591	3,589
Retained earnings	2,034	2,047
Accumulated other comprehensive loss	(5)	(6)
Total stockholders' equity	5,622	5,632
Noncontrolling interests	(46)	(46)
Total equity	5,576	5,586
TOTAL LIABILITIES AND EQUITY	$ 9,431	$ 9,363

Refer to the notes to the unaudited condensed consolidated financial statements.

PARK HOTELS & RESORTS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues				
Rooms	$ 435	$ 451	$ 840	$ 869
Food and beverage	195	205	378	388
Ancillary hotel	54	58	107	108
Other	19	17	37	34
Total revenues	703	731	1,362	1,399
Operating expenses				
Rooms	113	112	220	224
Food and beverage	130	131	254	257
Other departmental and support	151	155	300	311
Other property-level	49	50	98	103
Management and franchise fees	36	39	69	72
Depreciation and amortization	61	69	123	139
Corporate general and administrative	22	15	39	31
Other	18	18	38	35
Total expenses	580	589	1,141	1,172
(Loss) gain on sales of assets, net	(12)	7	19	96
Operating income	111	149	240	323
Interest income	2	1	3	2
Interest expense	(33)	(31)	(65)	(62)
Equity in earnings from investments in affiliates	10	8	15	12
Loss on foreign currency transactions	—	(4)	—	(3)
Other (loss) gain, net	(1)	108	—	108
Income before income taxes	89	231	193	380
Income tax expense	(5)	(13)	(12)	(13)
Net income	84	218	181	367
Net income attributable to noncontrolling interests	(2)	(2)	(3)	(1)
Net income attributable to stockholders	$ 82	$ 216	$ 178	$ 366
Other comprehensive income, net of tax expense:				
Currency translation adjustment, net of tax expense of $0, $1, $0, $1	1	—	1	37
Total other comprehensive income	1	—	1	37
Comprehensive income	$ 85	$ 218	$ 182	$ 404
Comprehensive income attributable to noncontrolling interests	(2)	(2)	(3)	(1)
Comprehensive income attributable to stockholders	$ 83	$ 216	$ 179	$ 403
Earnings per share:				
Earnings per share - Basic	$ 0.40	$ 1.07	$ 0.88	$ 1.77
Earnings per share - Diluted	$ 0.40	$ 1.07	$ 0.88	$ 1.77
Weighted average shares outstanding - Basic	201	200	201	205
Weighted average shares outstanding - Diluted	202	201	202	206

Refer to the notes to the unaudited condensed consolidated financial statements.

PARK HOTELS & RESORTS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Six Months Ended June 30,	
	2019	2018
Operating Activities:		
Net income	$ 181	$ 367
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	123	139
Gain on sales of assets, net	(19)	(96)
Equity in earnings from investments in affiliates	(15)	(12)
Loss on foreign currency transactions	—	3
Other gain, net	—	(108)
Share-based compensation expense	8	8
Amortization of deferred financing costs	2	2
Distributions from unconsolidated affiliates	13	6
Deferred income taxes	—	(3)
Changes in operating assets and liabilities	(49)	(158)
Net cash provided by operating activities	244	148
Investing Activities:		
Capital expenditures for property and equipment	(120)	(86)
Proceeds from asset dispositions, net	229	368
Proceeds from the sale of investments in affiliates, net	—	150
Insurance proceeds for property damage claims	2	35
Net cash provided by investing activities	111	467
Financing Activities:		
Dividends paid	(291)	(204)
Distributions to noncontrolling interests	(3)	(1)
Tax withholdings on share-based compensation	(6)	(2)
Repurchase of common stock	—	(348)
Net cash used in financing activities	(300)	(555)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	—	(1)
Net increase in cash and cash equivalents and restricted cash	55	59
Cash and cash equivalents and restricted cash, beginning of period	425	379
Cash and cash equivalents and restricted cash, end of period	$ 480	$ 438
Supplemental Disclosures		
Non-cash financing activities:		
Dividends declared but unpaid	$ 90	$ 177

Refer to the notes to the unaudited condensed consolidated financial statements.

PARK HOTELS & RESORTS INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(unaudited, in millions)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total
	Shares	Amount					
Balance as of December 31, 2018	201	$ 2	$ 3,589	$ 2,047	$ (6)	$ (46)	$ 5,586
Share-based compensation, net	—	—	(1)	—	—	—	(1)
Net income	—	—	—	96	—	1	97
Dividends and dividend equivalents (1)	—	—	—	(91)	—	—	(91)
Distributions to noncontrolling interests	—	—	—	—	—	(3)	(3)
Cumulative effect of change in accounting principle	—	—	—	(8)	—	—	(8)
Balance as of March 31, 2019	201	2	3,588	2,044	(6)	(48)	5,580
Share-based compensation, net	1	—	3	—	—	—	3
Net income	—	—	—	82	—	2	84
Other comprehensive income	—	—	—	—	1	—	1
Dividends and dividend equivalents (1)	—	—	—	(92)	—	—	(92)
Balance as of June 30, 2019	202	$ 2	$ 3,591	$ 2,034	$ (5)	$ (46)	$ 5,576

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total
	Shares	Amount					
Balance as of December 31, 2017	215	$ 2	$ 3,825	$ 2,229	$ (45)	$ (49)	$ 5,962
Share-based compensation, net	—	—	3	—	—	—	3
Net income (loss)	—	—	—	150	—	(1)	149
Other comprehensive income	—	—	—	—	37	—	37
Dividends and dividend equivalents (1)	—	—	—	(88)	—	—	(88)
Repurchase of common stock	(14)	—	(250)	(98)	—	—	(348)
Balance as of March 31, 2018	201	2	3,578	2,193	(8)	(50)	5,715
Share-based compensation, net	—	—	3	—	—	—	3
Net income	—	—	—	216	—	2	218
Dividends and dividend equivalents (1)	—	—	—	(178)	—	—	(178)
Distributions to noncontrolling interests	—	—	—	—	—	(1)	(1)
Balance as of June 30, 2018	201	$ 2	$ 3,581	$ 2,231	$ (8)	$ (49)	$ 5,757

(1) Dividends declared per common share were $0.45 for both the three months ended March 31, 2019 and June 30, 2019. Dividends declared per common share were $0.43 for the three months ended March 31, 2018 and $0.88 for the three months ended June 30, 2018.

Refer to the notes to the unaudited condensed consolidated financial statements.

Note 1: Organization

Park Hotels & Resorts Inc. ("we," "us," "our" or the "Company") is a Delaware corporation that owns a portfolio of premium-branded hotels and resorts primarily located in prime United States ("U.S.") markets. On January 3, 2017, Hilton Worldwide Holdings Inc. ("Hilton" or "Parent") completed the spin-off of a portfolio of hotels and resorts that established Park Hotels & Resorts Inc. as an independent, publicly traded company. The spin-off transaction was effected through a pro rata distribution of Park Hotels & Resorts Inc. stock to existing Hilton stockholders.

For U.S. federal income tax purposes, we are taxed as a real estate investment trust ("REIT"). We are currently, and expect to continue to be, organized and operate in a REIT qualified manner. From the spin-off date, Park Intermediate Holdings LLC (our "Operating Company"), directly or indirectly, holds all of our assets and conducts all of our operations. We own 100% of the interests in our Operating Company.

On May 5, 2019, the Company, PK Domestic Property LLC, an indirect subsidiary of the Company ("Domestic"), and PK Domestic Sub LLC, a wholly-owned subsidiary of Domestic ("Merger Sub") entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Chesapeake Lodging Trust ("Chesapeake"). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, Chesapeake will merge with and into Merger Sub (the "Merger") and each of Chesapeake's common shares of beneficial interest, $0.01 par value per share ("Chesapeake common shares") will be converted into the right to receive $11.00 in cash and 0.628 of a share of our common stock. No fractional shares of our common stock will be issued in the Merger. The value of any fractional interests to which a Chesapeake shareholder would otherwise be entitled will be paid in cash. The completion of the Merger is subject to various customary closing conditions, including, among other things, approval by Chesapeake's common shareholders at a special meeting of shareholders of Chesapeake, which will be held on September 10, 2019. Contemporaneously with the execution of the Merger Agreement, our Operating Partnership and Domestic entered into a commitment letter with Bank of America, N.A. and BofA Merrill Lynch providing a $1.1 billion financing commitment for an unsecured delayed draw term loan facility (the "Term Facility") to fund the Merger. Refer to: Note 6: "Debt" for additional information.

Note 2: Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

Principles of Consolidation

The unaudited condensed consolidated financial statements reflect our financial position, results of operations and cash flows, in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. GAAP. In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of the interim periods. All significant intercompany transactions and balances within the financial statements have been eliminated.

These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2018 included in our Annual Report on Form 10-K, filed with the SEC on February 28, 2019.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Interim results are not necessarily indicative of full year performance.

Summary of Significant Accounting Policies

Our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 28, 2019, contains a discussion of the significant accounting policies. There have been no significant changes to our significant accounting policies since December 31, 2018, except for the change in lease accounting, referred to under "Recently Issued Accounting Pronouncements."

Recently Issued Accounting Pronouncements

Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02 ("ASU 2016-02"), *Leases (Topic 842)* , which supersedes existing lease accounting guidance in *Leases (Topic 840)* and generally requires all leases to be recognized on the statement of financial position. We adopted this ASU on January 1, 2019 using the optional transition method, which allows entities to initially apply the ASU at the adoption date without revising comparable periods. We consider an arrangement to contain a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for compensation. We elected certain practical expedients that allowed us to utilize historical lease classifications and elected an accounting policy to continue accounting for leases with an initial term of 12 months and less using existing guidance for operating leases. We did not elect the practical expedient that allows us to use hindsight to reassess our probability of exercising renewal options; however, we did include any renewal options controlled by the lessor. On a prospective basis, lease terms will include both renewal options that we are reasonably certain to exercise as well as renewal options controlled by the lessor.

Upon adoption, we recognized an operating lease right-of-use asset of $213 million representing the right to use land, buildings, and equipment over lease terms which include renewal options we have exercised, and renewal options controlled by the lessor, and a corresponding operating lease liability of $213 million representing the present value of our fixed lease payment obligations. We also recognized an $8 million impairment of the operating lease right-of-use asset associated with one of our previously impaired hotels as a cumulative effect of change in accounting principle within *retained earnings.* In addition, we reclassified $25 million of below market lease intangibles from *intangibles, net* and $8 million of deferred rent liabilities from *other liabilities* on our condensed consolidated balance sheet to the operating lease right-of-use asset. The discount rate used to calculate the operating lease right-of-use asset and operating lease liability was based on our estimated incremental borrowing rate at our adoption date of January 1, 2019.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)* , which adds recognition, measurement, and disclosure guidance on implementation costs of cloud computing arrangements. Implementation costs incurred by customers in cloud computing arrangements are deferred if they would be capitalized by customers in software license arrangements under the existing internal-use software guidance. We elected to early adopt this ASU as of January 1, 2019 on a prospective basis and there was no effect on our consolidated financial statements.

Note 3: Dispositions

Dispositions

During the six months ended June 30, 2019, we sold our interests in five consolidated hotels listed in the table below and we received total gross proceeds of $235 million and recognized a gain, net of selling costs, of $19 million on these hotels which is included in *(loss) gain on sales of assets, net* in our condensed consolidated statements of comprehensive income.

Hotel	Location	Month Sold
Pointe Hilton Squaw Peak Resort	Phoenix, Arizona	February 2019
Hilton Nuremberg	Nuremberg, Germany	March 2019
Hilton Atlanta Airport	Atlanta, Georgia	June 2019
Hilton New Orleans Airport (1)	New Orleans, Louisiana	June 2019
Embassy Suites Parsippany (1)	Parsippany, New Jersey	June 2019

(1) Hotels were sold as a portfolio in the same transaction.

During the six months ended June 30, 2018, we sold 12 consolidated hotels for total gross proceeds of $387 million. We recognized a net gain of approximately $96 million, including the reclassification of a currency translation adjustment of $31 million from accumulated other comprehensive loss into earnings concurrent with the dispositions, which was included in *(loss) gain on sales of assets, net* in our condensed consolidated statements of comprehensive income.

Additionally, in May 2018, we and the other owners of our unconsolidated affiliates that owned the Hilton Berlin hotel sold our interests for gross proceeds of approximately $375 million, before customary closing adjustments, of which our pro rata share was approximately $150 million. We recognized a net gain of approximately $108 million, including the reclassification of a currency translation adjustment of $8 million from accumulated other comprehensive loss into earnings concurrent with the disposition, which is included in *other (loss) gain, net* in our condensed consolidated statements of comprehensive income.

Note 4: Property and Equipment

Property and equipment were:

	June 30, 2019	December 31, 2018
	(in millions)	
Land	$ 3,314	$ 3,344
Buildings and leasehold improvements	5,520	5,616
Furniture and equipment	955	949
Construction-in-progress	66	124
	9,855	10,033
Accumulated depreciation and amortization	(2,091)	(2,058)
	$ 7,764	$ 7,975

Depreciation of property and equipment was $60 million and $69 million, respectively, during the three months ended June 30, 2019 and 2018, and $122 million and $139 million during the six months ended June 30, 2019 and 2018, respectively.

Hurricanes Irma and Maria

In September 2017, Hurricanes Irma and Maria caused damage and disruption at certain of our hotels in Florida and the Caribe Hilton in Puerto Rico. The Caribe Hilton remained closed throughout 2018 and reopened on May 15, 2019. Our insurance coverage provides us with reimbursement for the replacement cost for the damage to these hotels, which includes certain clean-up and repair costs, exceeding the applicable deductibles, in addition to loss of business.

During the six months ended June 30, 2019 , w e received $7 million of insurance proceeds, of which $2 million related to property damage, $3 million related to business interruption, and $2 million related to expense reimbursements. Business interruption proceeds are included within *ancillary hotel revenue* in our condensed consolidated statements of comprehensive income. The insurance receivable as of June 30, 2019 and December 31, 2018 was $22 million and $25 million, respectively, and is included within *other assets* in our condensed consolidated balance sheets.

During the six months ended June 30, 2018, we incurred $37 million of expenses, and based upon additional information obtained during the period, we recognized an additional loss of $22 million for property and equipment that was damaged during the hurricanes. These amounts were offset by the recognition of an insurance receivable of $59 million. Additionally, we received $43 million of insurance proceeds, of which $7 million related to business interruption.

Note 5: Consolidated Variable Interest Entities ("VIEs") and Investments in Affiliates

Consolidated VIEs

We consolidate three VIEs that own hotels in the U.S. We are the primary beneficiary of these VIEs as we have the power to direct the activities that most significantly affect their economic performance. Additionally, we have the obligation to absorb their losses and the right to receive benefits that could be significant to them. The assets of our VIEs are only available to settle the obligations of these entities. Our condensed consolidated balance sheets include the following assets and liabilities of these entities:

	June 30, 2019	December 31, 2018
	(in millions)	
Property and equipment, net	$ 221	$ 223
Cash and cash equivalents	14	12
Restricted cash	2	1
Accounts receivable, net	6	4
Prepaid expenses	2	2
Debt	207	207
Accounts payable and accrued expenses	7	7
Due to hotel manager	1	2
Other liabilities	2	1

During the six months ended June 30, 2019 and 2018, we did not provide any financial or other support to these VIEs that we were not previously contractually required to provide, nor do we intend to provide any such support in the future.

Unconsolidated Entities

Investments in affiliates were:

	Ownership %	June 30, 2019	December 31, 2018
		(in millions)	
Hilton San Diego Bayfront	25%	$ 20	$ 19
All others (7 hotels) (1)	20% - 50%	32	31
		$ 52	$ 50

(1) In July 2019, we and the other owners of the entity that own the Conrad Dublin, entered into an agreement to sell the ownership interest in the entity. Our interest in the Conrad Dublin was $7 million as of June 30, 2019 and December 31, 2018. Refer to: Note 14: "Subsequent Events" for additional information.

The affiliates in which we own investments accounted for under the equity method had total debt of approximately $962 million and $955 million as of June 30, 2019 and December 31, 2018, respectively. Substantially all of the debt is secured solely by the affiliates' assets or is guaranteed by other partners without recourse to us.

Note 6: Debt

Debt balances and associated interest rates as of June 30, 2019 were:

	Interest Rate at June 30, 2019	Maturity Date	Principal balance as of June 30, 2019	Principal balance as of December 31, 2018
			(in millions)	
SF CMBS Loan	4.11%	November 2023	$ 725	$ 725
HHV CMBS Loan	4.20%	November 2026	1,275	1,275
Mortgage loans	Average rate of 4.21%	2020 to 2026 (1)	207	207
Term loan	L + 1.55%	December 2021	750	750
Revolving credit facility (2)	L + 1.60%	December 2021 (1)	—	—
Financing lease obligations	3.07%	2021 to 2022	1	1
			2,958	2,958
Less: unamortized deferred financing costs and discount			(9)	(10)
			$ 2,949	$ 2,948

(1) Assumes the exercise of all extensions that are exercisable solely at our option.
(2) $1 billion available.

We are required to deposit with lenders certain cash reserves for restricted uses. As of both June 30, 2019 and December 31, 2018, our condensed consolidated balance sheets included $15 million of restricted cash related to our CMBS loans and mortgage loans.

In May 2019, we secured a commitment for the Term Facility for up to $1.1 billion to be used, if needed, to finance the proposed Merger with Chesapeake. The Term Facility includes a $250 million two-year delayed draw term loan tranche and a $850 million five-year delayed draw term loan tranche. Borrowings from the Term Facility, if any, will bear interest at a base rate plus 1.35% to 2.65%, depending on our leverage ratio. The base rate will be based on the highest of the Federal Funds Rate, Bank of America's daily prime rate or LIBOR. Beginning in August 2019, we will be required to pay an annual fee equal to 0.25% of the undrawn portion of the Term Facility. Additionally, we incurred upfront financing fees of $7 million as of June 30, 2019 and upon borrowing against the Term Facility, we anticipate paying an additional $3 million financing fee. As of June 30, 2019, no borrowings have been made from the Term Facility.

Debt Maturities

The contractual maturities of our debt, assuming the exercise of all extensions that are exercisable solely at our option, as of June 30, 2019 were:

Year	(in millions)
2019	$ —
2020	13
2021	751
2022	32
2023	728
Thereafter (1)	1,434
	$ 2,958

(1) Assumes the exercise of all extensions that are exercisable solely at our option.

Note 7: Fair Value Measurements

We did not elect the fair value measurement option for any of our financial assets or liabilities. The fair values of financial instruments not included in the table below are estimated to be equal to their carrying amounts. The fair value of certain financial instruments and the hierarchy level we used to estimate fair values are shown below:

		June 30, 2019		December 31, 2018	
	Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(in millions)			
Liabilities:					
SF CMBS Loan	3	$ 725	$ 742	$ 725	$ 706
HHV CMBS Loan	3	1,275	1,311	1,275	1,214
Term Loan	3	750	751	750	732
Mortgage loans	3	207	209	207	201

Note 8: Leases

We lease hotel properties, land and equipment under operating and financing leases. We are subject to ground leases for 13 of our consolidated properties. Our leases expire, including options under lessor control, at various dates through 2076, with varying renewal options, and the majority expire before 2027.

Our operating leases may require minimum rent payments, variable rent payments based on a percentage of revenue or income or rent payments equal to the greater of a minimum rent or variable rent. In addition, we may be required to pay some, or all, of the capital costs for property and equipment in the hotel during the term of the lease.

The maturities of our non-cancelable operating lease liabilities, due in each of the next five years and thereafter as of June 30, 2019, were:

Year	Operating Leases (in millions)
2019	$ 13
2020	27
2021	28
2022	27
2023	21
Thereafter	204
Total minimum rent payments	$ 320
Less: imputed interest	120
Total operating lease liabilities	$ 200

As of June 30, 2019 the weighted average remaining operating lease term was 15.8 years and the weighted average discount rate used to determine the operating lease liabilities was 5.7%.

The components of rent expense, which are primarily included in *other property-level expenses* in our condensed consolidated statements of comprehensive income, supplemental cash flow and non-cash information for all operating leases were:

	Three Months Ended June 30, 2019 (in millions)	Six Months Ended June 30, 2019 (in millions)
Operating lease expense	$ 7	$ 14
Variable lease expense	4	7
Operating cash flows for operating leases	6	13
Right-of-use assets obtained in exchange for lease obligations [1]	—	213

[1] For the six months ended June 30, 2019, balance represents right-of-use assets recorded upon adoption of ASC 842, *Leases,* on January 1, 2019. No additional right-of-use assets were obtained during the three and six months ended June 30, 2019.

Note 9: Income Taxes

We are a REIT for U.S. federal income tax purposes, and we expect to continue to be organized and operate in a manner to remain qualified as a REIT. To qualify as a REIT, we must satisfy requirements related to, among other things, the real estate qualification of sources of our income, the real estate composition and values of our assets, the amounts we distribute to our stockholders annually and the diversity of ownership of our stock. To the extent we continue to remain qualified as a REIT, we generally will not be subject to U.S. federal income tax on taxable income generated by our REIT activities that we distribute annually to our stockholders. Accordingly, no provision for U.S. federal income taxes has been included in our accompanying condensed consolidated financial statements for the three and six months ended June 30, 2019 and 2018 related to our REIT activities, other than taxes associated with built-in gains related to our assets owned at the date of our spin-off including the remeasurement of associated deferred tax assets and liabilities.

We will be subject to U.S. federal income tax on taxable sales of built-in gain property (representing property with an excess of fair value over tax basis held by us on January 4, 2017) during the five-year period following the date of our spin-off. In addition, we are subject to non-U.S. income tax on foreign held REIT activities. Further, our taxable REIT subsidiaries ("TRSs") are generally subject to U.S. federal, state and local, and foreign income taxes (as applicable). Income tax expense during the three and six months ended June 30, 2019 is primarily related to taxable income from our TRSs.

Note 10: Share-Based Compensation

We issue equity-based awards to our employees pursuant to the 2017 Omnibus Incentive Plan ("2017 Employee Plan") and our non-employee directors pursuant to the 2017 Stock Plan for Non-Employee Directors ("2017 Director Plan"). The 2017 Employee Plan provides that a maximum of 8,000,000 shares of our common stock may be issued, and as of June 30, 2019, 5,499,328 shares of common stock remain available for future issuance. The 2017 Director Plan provides that a maximum of 450,000 shares of our common stock may be issued, and as of June 30, 2019, 307,922 shares of common stock remain available for future issuance. For both the three months ended June 30, 2019 and 2018, we recognized $4 million of share-based compensation expense, and $8 million for both the six months ended June 30, 2019 and 2018. As of June 30, 2019, unrecognized compensation expense was $23 million, which is expected to be recognized over a weighted-average period of 1.7 years.

Restricted Stock Awards

Restricted Stock Awards ("RSAs") generally vest in annual installments between one and three years from each grant date. The following table provides a summary of RSAs for the six months ended June 30, 2019:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2019	585,106	$ 26.89
Granted	284,994	31.54
Vested	(245,356)	26.71
Forfeited	(11,593)	30.10
Unvested at June 30, 2019	613,151	$ 29.07

Performance Stock Units

Performance Stock Units ("PSUs") generally vest at the end of a three-year performance period and are subject to the achievement of a market condition based on a measure of our total shareholder return relative to the total shareholder return of the companies that comprise the FTSE Nareit Lodging Resorts Index (that have a market capitalization in excess of $1 billion as of the first day of the applicable performance period). The number of PSUs that may become vested ranges from zero to 200% of the number of PSUs granted to an employee, based on the level of achievement of the foregoing performance measure. The following table provides a summary of PSUs for the six months ended June 30, 2019:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2019	537,936	$ 31.16
Granted	314,303	34.30
Vested	(277,325)	31.25
Forfeited	(672)	42.05
Unvested at June 30, 2019	574,242	$ 32.82

The grant date fair values of these awards were determined using a Monte Carlo simulation valuation model with the following assumptions:

Expected volatility (1)	20.5%
Dividend yield (2)	—
Risk-free rate	2.4%
Expected term	3 years

(1) Due to limited trading history of our common stock, we used the historical and implied volatilities of our peer group in addition to our historical and implied volatilities over the performance period to estimate appropriate expected volatilities.

(2) Dividends are assumed to be reinvested in shares of our common stock and dividends will not be paid unless shares vest.

Note 11: Earnings Per Share

The following table presents the calculation of basic and diluted earnings per share ("EPS"):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions, except per share amounts)		(in millions, except per share amounts)	
Numerator:				
Net income attributable to stockholders	$ 82	$ 216	$ 178	$ 366
Earnings allocated to participating securities	(1)	(1)	(1)	(1)
Net income attributable to stockholders net of earnings allocated to participating securities	$ 81	$ 215	$ 177	$ 365
Denominator:				
Weighted average shares outstanding – basic	201	200	201	205
Unvested restricted shares	1	1	1	1
Weighted average shares outstanding – diluted	202	201	202	206
Basic EPS (1)	$ 0.40	$ 1.07	$ 0.88	$ 1.77
Diluted EPS (1)	$ 0.40	$ 1.07	$ 0.88	$ 1.77

(1) Per share amounts are calculated based on unrounded numbers and are calculated independently for each period presented.

Certain of our outstanding equity awards were excluded from the above calculation of EPS for the three and six months ended June 30, 2019 and 2018 because their effect would have been anti-dilutive.

Note 12: Business Segment Information

As of June 30, 2019, we have two operating segments, our consolidated hotels and unconsolidated hotels. Our unconsolidated hotels operating segment does not meet the definition of a reportable segment, thus our consolidated hotels is our only reportable segment. We evaluate our consolidated hotels primarily based on hotel adjusted earnings before interest expense, taxes and depreciation and amortization ("EBITDA"). Hotel Adjusted EBITDA is calculated as EBITDA from hotel operations, adjusted to exclude:

- Gains or losses on sales of assets for both consolidated and unconsolidated investments;
- Gains or losses on foreign currency transactions;
- Share-based compensation expense;
- Non-cash impairment losses; and
- Other items that we believe are not representative of our current or future operating performance.

The following table presents revenues for our consolidated hotels reconciled to our consolidated amounts and Hotel Adjusted EBITDA to net income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Revenues:				
Total consolidated hotel revenue	$ 684	$ 714	$ 1,325	$ 1,365
Other revenues	19	17	37	34
Total revenues	$ 703	$ 731	$ 1,362	$ 1,399
Hotel Adjusted EBITDA	$ 209	$ 228	$ 390	$ 402
Other revenues	19	17	37	34
Depreciation and amortization expense	(61)	(69)	(123)	(139)
Corporate general and administrative expense	(22)	(15)	(39)	(31)
Other expenses	(18)	(18)	(38)	(35)
(Loss) gain on sales of assets, net	(12)	7	19	96
Interest income	2	1	3	2
Interest expense	(33)	(31)	(65)	(62)
Equity in earnings from investments in affiliates	10	8	15	12
Loss on foreign currency transactions	—	(4)	—	(3)
Income tax expense	(5)	(13)	(12)	(13)
Other (loss) gain, net	(1)	108	—	108
Other items	(4)	(1)	(6)	(4)
Net income	$ 84	$ 218	$ 181	$ 367

The following table presents total assets for our consolidated hotels, reconciled to consolidated amounts:

	June 30, 2019	December 31, 2018
	(in millions)	
Consolidated hotels	$ 9,362	$ 9,305
All other	69	58
Total	$ 9,431	$ 9,363

Note 13: Commitments and Contingencies

We expect that insurance proceeds, excluding any applicable insurance deductibles, will be sufficient to cover a significant portion of the property damage to our two hotels in Key West, Florida and the Caribe Hilton from Hurricanes Irma and Maria in September 2017 and the resulting loss of business. We have estimated the total amount of damages and insurance proceeds based on all information available to date. As a result, we have recognized a total loss of $16 million representing losses up to the amount of our deductibles . The amount of expected insurance proceeds could change as more information becomes available about the nature and extent of damage. Any gain resulting from insurance proceeds, including those for business interruption, will not be recognized until all contingencies have been resolved.

As of June 30, 2019, we had outstanding commitments under third-party contracts of approximately $75 million for capital expenditures at certain hotels. Our contracts contain clauses that allow us to cancel all or some portion of the work. If cancellation of a contract occurred, our commitment would be any costs incurred up to the cancellation date, in addition to any costs associated with the discharge of the contract.

We may make certain indemnifications or guarantees to select buyers of our hotels as part of the sale process. In addition, losses related to certain contingent liabilities could be apportioned to us under the distribution and tax matters agreements related to the spin-off transaction.

We are involved in litigation arising from the normal course of business, some of which includes claims for substantial sums. We are also involved in litigation that is not in the ordinary course of business, and we are indemnified from certain of these claims under the distribution agreement with Hilton. While the ultimate results of claims and litigation relating to assets retained by Hilton in connection with the spin-off cannot be predicted with certainty, we expect that the ultimate resolution of all pending or threatened claims and litigation as of June 30, 2019 will not have a material effect on our condensed consolidated results of operations, financial position or cash flows.

Following the May 6, 2019 announcement that we and Chesapeake had entered into the Merger Agreement, two purported shareholder class actions were filed in the United States District Court for the District of Delaware captioned: Kent v. Chesapeake Lodging Trust, et al., No. 1:19-cv-01201 (D.Del.) (filed June 25, 2019) and Terlinden v. Chesapeake Lodging Trust, et al., No. 1;19-cv-01263 (D.Del.) (filed July 8, 2019). The complaint in each case alleges purported violations of the federal securities laws and names as defendants Chesapeake, the individual members of the Chesapeake board of trustees, the Company, Domestic, and PK Domestic Sub LLC. The plaintiffs allege that Chesapeake and the individual defendants violated Section 14(a) of the Exchange Act, and Rule 14a-9 promulgated thereunder, by providing inadequate disclosure regarding the proposed merger in the Form S-4 Registration Statement filed with the SEC on June 14, 2019 (the "Registration Statement"). The plaintiffs also allege that the individual defendants, the Company, Domestic and PK Domestic Sub LLC violated Section 20(a) of the Exchange Act. Plaintiffs seek, among other things, to enjoin or rescind the merger, an award of damages in the event the merger is consummated, and an award of costs and attorneys' fees. We believe that these claims are without merit and intend to vigorously defend against them .

Note 14: Subsequent Events

In July 2019, we executed an agreement to sell the Conrad Dublin, an unconsolidated joint venture, for a sales price of approximately $130 million, which is payable in cash at closing and is subject to customary pro rations and adjustments. Our pro-rata share of the sales price is approximately $62 million. The sale is subject to customary closing conditions and required regulatory approvals and is currently anticipated to close in the fourth quarter of 2019.

In July 2019, we received $7 million of insurance proceeds related to the Caribe Hilton.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements, related notes included elsewhere in this Quarterly Report on Form 10-Q, and with our Annual Report on Form 10-K for the year ended December 31, 2018.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Forward-looking statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, the effects of competition and the effects of future legislation or regulations, the expected completion of anticipated acquisitions and dispositions, the declaration and payment of future dividends, statements about the benefits of the proposed transaction involving us and Chesapeake and statements that address operating performance, events or developments that we expect or anticipate will occur in the future, including but not limited to statements regarding anticipated synergies and G&A savings, future financial and operating results, plans, objectives, expectations and intentions, expected sources of financing, anticipated asset dispositions, anticipated leadership and governance, creation of value for stockholders, benefits of the proposed transaction to customers, employees, stockholders and other constituents of the combined company, the integration of us and Chesapeake, cost savings and the expected timetable for completing the proposed transaction and other non-historical statements. Forward-looking statements include all statements that are not historical facts, and in some cases, can be identified by the use of forward-looking terminology such as the words "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "projects," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements for various reasons, including risks associated with our ability to consummate the proposed transaction and the timing of the closing of the proposed transaction; the ability to satisfy conditions necessary to close the proposed transaction; applicable regulatory changes; the availability of financing; risks associated with acquisitions generally, including the integration of the combined companies' businesses; risks associated with execution of anticipated asset dispositions; risks associated with achieving expected revenue synergies or cost savings; as well as other risks and uncertainties detailed from time to time in our filings with the SEC. You should not put undue reliance on any forward-looking statements and we urge investors to carefully review the disclosures we make concerning risk and uncertainties in Item 1A: "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov, as well as risks, uncertainties and other factors discussed in this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We have a diverse portfolio of iconic and market-leading hotels and resorts with significant underlying real estate value. We currently hold investments in entities that have ownership or leasehold interests in 48 hotels, consisting of premium-branded hotels and resorts with over 29,000 rooms, of which over 85% are luxury and upper upscale (as defined by Smith Travel Research) and over 97% are located in the U.S. Our high-quality portfolio includes hotels in major urban and convention areas, such as New York City, Washington, D.C., Chicago, San Francisco and New Orleans; premier resorts in key leisure destinations, including Hawaii, Orlando and Key West; and hotels adjacent to major gateway airports, such as Los Angeles International, Boston Logan International and Miami International, as well as hotels in select suburban locations.

Our objective is to be the preeminent lodging real estate investment trust ("REIT"), focused on consistently delivering superior, risk-adjusted returns to stockholders through active asset management and a thoughtful external growth strategy while maintaining a strong and flexible balance sheet. As a pure-play real estate company with direct access to capital and independent financial resources, we believe our enhanced ability to implement compelling return on investment initiatives within our portfolio represents a significant embedded growth opportunity. Finally, given our scale and investment expertise, we believe we will be able to successfully execute single-asset and portfolio acquisitions and dispositions to further enhance the value and diversification of our assets throughout the lodging cycle, including potentially taking advantage of the economies of scale that could come from consolidation in the lodging REIT industry.

We operate our business through two operating segments, our consolidated hotels and unconsolidated hotels. Our consolidated hotels operating segment is our only reportable segment. Refer to: Note 12: "Business Segment Information" in our unaudited condensed consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information regarding our operating segments.

Outlook

Gross domestic product ("GDP") increased 3.1% during the first quarter of 2019, along with continued improvements in non-residential fixed business investment, a leading indicator of RevPAR performance. Although GDP growth in the second quarter of 2019 is not expected to be as strong, RevPAR for our comparable hotels increased 0.8% and 2.5% for the three and six months ended June 30, 2019, respectively. Our ability to experience continued RevPAR growth during the remainder of 2019 depends on various factors, including the strength of group and transient demand and the timing of completion of renovation projects at several of our hotels. In addition, RevPAR growth and profitability will depend on several macroeconomic factors, including corporate profitability, consumer confidence, employment (and resulting increase in wages) and GDP growth, coupled with supply growth and increased popularity of online booking services and short-term lodging websites.

Recent Events

In June 2019, we sold the Embassy Suites Parsippany, Hilton New Orleans Airport and Hilton Atlanta Airport, all wholly owned hotels, for an aggregate sale price of $166 million. Refer to Note 3: "Dispositions" in our unaudited condensed consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information.

On May 5, 2019, the Company, PK Domestic Property LLC, an indirect subsidiary of the Company ("Domestic"), and PK Domestic Sub LLC, a wholly-owned subsidiary of Domestic ("Merger Sub") entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with Chesapeake Lodging Trust ("Chesapeake"). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, Chesapeake will merge with and into Merger Sub (the "Merger") and each of Chesapeake's common shares of beneficial interest, $0.01 par value per share ("Chesapeake common shares") will be converted into the right to receive $11.00 in cash and 0.628 of a share of our common stock. The completion of the Merger is subject to various customary closing conditions, including, among other things, approval by Chesapeake's common shareholders at a special meeting of shareholders of Chesapeake, which will be held on September 10, 2019. The Merger is currently expected to close in mid-to-late September 2019. Refer to Note 1: "Organization" in our unaudited consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information.

Key Business Metrics Used by Management

Comparable Hotels Data

We present certain data for our hotels on a comparable hotel basis as supplemental information for investors. We define our comparable hotels as those that: (i) were active and operating in our portfolio since January 1st of the previous year; and (ii) have not sustained substantial property damage, business interruption, undergone large-scale capital projects or for which comparable results are not available. We present comparable hotel results to help us and our investors evaluate the ongoing operating performance of our comparable hotels.

2019 Comparable Hotels

Of the 40 hotels that we consolidated as of June 30, 2019, 39 hotels have been classified as comparable hotels. Due to the continued effects of business interruption from Hurricane Maria at the Caribe Hilton in Puerto Rico, the results from that property were excluded from our comparable hotels. Our comparable hotels as of June 30, 2019 also excludes one hotel returned to the lessor after the expiration of the ground lease in December 2018, and five consolidated hotels that were sold in 2019.

2018 Comparable Hotels

Of the 46 hotels that we consolidated as of December 31, 2018, 44 hotels were classified as comparable hotels. Due to the conversion of a significant number of rooms at the Hilton Waikoloa Village to HGV timeshare units in 2017, and due to the effects of business interruption from Hurricane Maria at the Caribe Hilton in Puerto Rico, the results from these properties were excluded from our comparable hotels. Our comparable hotels as of December 31, 2018 also excludes the 12 consolidated hotels that were sold in January and February 2018.

Occupancy

Occupancy represents the total number of room nights sold divided by the total number of room nights available at a hotel or group of hotels. Occupancy measures the utilization of our hotels' available capacity. Management uses occupancy to gauge demand at a specific hotel or group of hotels in a given period. Occupancy levels also help us determine achievable Average Daily Rate ("ADR") levels as demand for rooms increases or decreases.

Aver age Daily Rate

ADR represents rooms revenue divided by total number of room nights sold in a given period. ADR measures average room price attained by a hotel and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in the hotel industry, and we use ADR to assess pricing levels that we are able to generate by type of customer, as changes in rates have a more pronounced effect on overall revenues and incremental profitability than changes in occupancy, as described above.

Revenue per Available Room

Revenue per Available Room ("RevPAR") represents rooms revenue divided by the total number of room nights available to guests for a given period. We consider RevPAR to be a meaningful indicator of our performance as it provides a metric correlated to two primary and key factors of operations at a hotel or group of hotels: occupancy and ADR. RevPAR is also a useful indicator in measuring performance over comparable periods for comparable hotels.

References to RevPAR, ADR and occupancy are presented on a comparable basis and references to RevPAR and ADR are presented on a currency neutral basis (prior periods are reflected using current period exchange rates), unless otherwise noted.

Non-GAAP Financial Measures

We also evaluate the performance of our business through certain other financial measures that are not recognized under U.S. GAAP. Each of these non-GAAP financial measures should be considered by investors as supplemental measures to GAAP performance measures such as total revenues, operating profit and net income.

EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA

EBITDA, presented herein, reflects net income excluding depreciation and amortization, interest income, interest expense, income taxes and interest expense, income tax and depreciation and amortization included in equity in earnings from investments in affiliates.

Adjusted EBITDA, presented herein, is calculated as EBITDA, further adjusted to exclude:

- Gains or losses on sales of assets for both consolidated and unconsolidated investments;
- Gains or losses on foreign currency transactions;
- Transition expense related to our establishment as an independent, publicly traded company;
- Transaction costs associated with hotel acquisitions or dispositions expensed during the period;
- Severance expense;
- Share-based compensation expense;
- Casualty gains or losses and impairment losses; and
- Other items that we believe are not representative of our current or future operating performance.

Hotel Adjusted EBITDA measures hotel-level results before debt service, depreciation and corporate expenses for our consolidated hotels, including both comparable and non-comparable hotels but excluding hotels owned by unconsolidated affiliates, and is a key measure of our profitability. We present Hotel Adjusted EBITDA to help us and our investors evaluate the ongoing operating performance of our consolidated hotels.

EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA are not recognized terms under U.S. GAAP and should not be considered as alternatives to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP. In addition, our definitions of EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

We believe that EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA provide useful information to investors about us and our financial condition and results of operations for the following reasons: (i) EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA are among the measures used by our management team to make day-to-day operating decisions and evaluate our operating performance between periods and between REITs by removing the effect of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results; and (ii) EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties as a common performance measure to compare results or estimate valuations across companies in our industry.

EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA have limitations as analytical too ls and should not be considered either in isolation or as a substitute for net income (loss) or other methods of analyzing our operating performance and results as reported under U.S. GAAP. Some of these limitations are:

- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect our interest expense;
- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect our income tax expense;
- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect the effect on earnings or changes resulting from matters that we consider not to be indicative of our future operations; and
- other companies in our industry may calculate EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA differently, limiting their usefulness as comparative measures.

We do not use or present EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA as measures of our liquidity or cash flow. These measures have limitations as analytical tools and should not be considered either in isolation or as a substitute for cash flow or other methods of analyzing our cash flows and liquidity as reported under U.S. GAAP. Some of these limitations are:

- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect the cash requirements necessary to service interest or principal payments, on our indebtedness;
- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect the cash requirements to pay our taxes;
- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect any cash requirements for such replacements.

Because of these limitations, EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as measures of cash that will be available to us to meet our obligations.

The following table provides the components of Hotel Adjusted EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019 (1)	**2018** (1)	**2019** (1)	**2018** (1)
	(in millions)			
Comparable Hotel Adjusted EBITDA	$ 208	$ 212	$ 384	$ 374
Non-comparable Hotel Adjusted EBITDA	1	16	6	28
Hotel Adjusted EBITDA	$ 209	$ 228	$ 390	$ 402

(1) Based on our 2019 comparable hotels as of June 30, 2019 .

The following table provides a reconciliation of Net income to Hotel Adjusted EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Net income	$ 84	$ 218	$ 181	$ 367
Depreciation and amortization expense	61	69	123	139
Interest income	(2)	(1)	(3)	(2)
Interest expense	33	31	65	62
Income tax expense	5	13	12	13
Interest expense, income tax and depreciation and amortization included in equity in earnings from investments in affiliates	7	5	12	12
EBITDA	188	335	390	591
Loss (gain) on sales of assets, net	12	(7)	(19)	(96)
Gain on sale of investments in affiliates [(1)]	—	(108)	—	(108)
Loss on foreign currency transactions	—	4	—	3
Transition expense	—	—	—	2
Transaction costs	7	—	7	—
Severance expense	1	1	2	1
Share-based compensation expense	4	4	8	8
Other items	(5)	(1)	(5)	1
Adjusted EBITDA	207	228	383	402
Less: Adjusted EBITDA from investments in affiliates	12	14	22	26
Less: All other [(2)]	(14)	(14)	(29)	(26)
Hotel Adjusted EBITDA	$ 209	$ 228	$ 390	$ 402

(1) Included in *other (loss) gain, net.*

(2) Includes *other revenues* and *other expenses* , non-income taxes on TRS leases included in *other property-level expenses and corporate general and administrative expenses* .

Nareit FFO attributable to stockholders and Adjusted FFO attributable to stockholders

We present Nareit FFO attributable to stockholders and Nareit FFO per diluted share (defined as set forth below) as non-GAAP measures of our performance. We calculate funds from operations ("FFO") attributable to stockholders for a given operating period in accordance with standards established by the National Association of Real Estate Investment Trusts ("Nareit"), as net income or loss attributable to stockholders (calculated in accordance with U.S. GAAP), excluding depreciation and amortization, gains or losses on sales of assets, impairment, and the cumulative effect of changes in accounting principles, plus adjustments for unconsolidated joint ventures. Adjustments for unconsolidated joint ventures are calculated to reflect our pro rata share of the FFO of those entities on the same basis. As noted by Nareit in its December 2018 "Nareit Funds from Operations White Paper – 2018 Restatement," since real estate values historically have risen or fallen with market conditions, many industry investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. For these reasons, Nareit adopted the FFO metric in order to promote an industry-wide measure of REIT operating performance. We believe Nareit FFO provides useful information to investors regarding our operating performance and can facilitate comparisons of operating performance between periods and between REITs. Our presentation may not be comparable to FFO reported by other REITs that do not define the terms in accordance with the current Nareit definition, or that interpret the current Nareit definition differently than we do. We calculate Nareit FFO per diluted share as our Nareit FFO divided by the number of fully diluted shares outstanding during a given operating period.

We also present Adjusted FFO attributable to stockholders and Adjusted FFO per diluted share when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance. Management historically has made the adjustments detailed below in evaluating our performance and in our annual budget process. We believe that the presentation of Adjusted FFO provides useful supplemental information that is beneficial to an investor's complete understanding of our operating performance. We adjust Nareit FFO attributable to stockholders for the following items, which may occur in any period, and refer to this measure as Adjusted FFO attributable to stockholders:

- Gains or losses on foreign currency transactions;
- Transition expense related to our establishment as an independent, publicly traded company;

- Transaction costs associated with hotel acquisitions or dispositions expensed during the period ;
- Severance expense;
- Share-based compensation expense;
- Casualty gains or losses; and
- Other items that we believe are not representative of our current or future operating performance.

The following table provides a reconciliation of net income attributable to stockholders to Nareit FFO attributable to stockholders and Adjusted FFO attributable to stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions, except per share amounts)			
Net income attributable to stockholders	$ 82	$ 216	$ 178	$ 366
Depreciation and amortization expense	61	69	123	139
Depreciation and amortization expense attributable to noncontrolling interests	(1)	(1)	(2)	(2)
Loss (gain) on sales of assets, net	12	(7)	(19)	(96)
Gain on sale of investments in affiliates [1]	—	(108)	—	(108)
Equity investment adjustments:				
Equity in earnings from investments in affiliates	(10)	(8)	(15)	(12)
Pro rata FFO of investments in affiliates	12	10	21	20
Nareit FFO attributable to stockholders	156	171	286	307
Loss on foreign currency transactions	—	4	—	3
Transition expense	—	—	—	2
Transaction costs	7	—	7	—
Severance expense	1	1	2	1
Share-based compensation expense	4	4	8	8
Other items	(4)	7	(3)	3
Adjusted FFO attributable to stockholders	$ 164	$ 187	$ 300	$ 324
Nareit FFO per share - Diluted [2]	$ 0.77	$ 0.85	$ 1.42	$ 1.49
Adjusted FFO per share - Diluted [2]	$ 0.81	$ 0.93	$ 1.49	$ 1.57

(1) Included in *other (loss)gain, net.*

(2) Per share amounts are calculated based on unrounded numbers and are calculated independently for each period presented.

Comparable Hotel Data

Three and Six Months Ended June 30, 2019 Compared with Three and Six Months Ended June 30, 2018

During the three and six months ended June 30, 2019, our comparable hotels experienced RevPAR growth of 0.8% and 2.5%, respectively. The increase in RevPAR during the three months ended June 30, 2019 was primarily due to increases in transient and contract revenues of 1.1% and 11.4%, respectively, partially offset by a decrease in group revenue of 1.7%. The increase in transient and contract revenue was primarily a result of an increase in occupancy. The increase in RevPAR during the six months ended June 30, 2019 was primarily due to increases in group, contract and transient revenues of 4.0%, 13.8%, and 0.4%, respectively. The increase in group and contract revenue was a result of increases in both occupancy and rate. The following table sets forth data for our 2019 comparable hotels by geographic market as of June 30, 2019 and 2018:

	As of June 30, 2019		Three Months Ended June 30, 2019			Three Months Ended June 30, 2018			Percent Change in
Market	No. of Hotels	No. of Rooms	ADR	Occupancy	RevPAR	ADR	Occupancy	RevPAR	RevPAR
Hawaii	2	3,970	$ 246.94	89.4%	$ 220.74	$ 248.10	87.6%	$ 217.32	1.6%
Northern California	6	4,279	252.21	90.4	227.99	245.96	90.3	222.07	2.7
Florida	6	3,294	210.99	82.6	174.26	209.78	82.2	172.52	1.0
Other	11	4,038	178.95	82.4	147.44	180.50	82.6	149.01	(1.1)
New Orleans	1	1,622	190.32	80.3	152.75	197.22	81.8	161.25	(5.3)
Chicago	3	1,883	201.25	87.6	176.27	212.12	84.8	179.89	(2.0)
New York	1	1,878	290.13	94.5	274.14	302.19	92.3	278.99	(1.7)
Southern California	4	1,304	183.15	88.7	162.46	170.81	85.0	145.13	11.9
Washington, D.C.	3	1,282	204.73	87.5	179.18	202.24	89.4	180.78	(0.9)
Total Domestic	37	23,550	$ 222.65	86.9%	$ 193.52	$ 223.16	86.2%	$ 192.31	0.6%
Total International	2	631	$ 166.99	74.7%	$ 124.74	$ 149.35	75.2%	$ 112.35	11.0%
All Markets	39	24,181	$ 221.40	86.6%	$ 191.72	$ 221.47	85.9%	$ 190.22	0.8%

	As of June 30, 2019		Six Months Ended June 30, 2019			Six Months Ended June 30, 2018			Percent Change in
Market	No. of Hotels	No. of Rooms	ADR	Occupancy	RevPAR	ADR	Occupancy	RevPAR	RevPAR
Hawaii	2	3,970	$ 251.59	89.7%	$ 225.74	$ 250.88	89.8%	$ 225.35	0.2%
Northern California	6	4,279	268.39	87.2	234.13	247.89	85.8	212.73	10.1
Florida	6	3,294	236.42	84.7	200.19	235.66	84.3	198.70	0.8
Other	11	4,038	170.52	78.6	134.05	168.80	79.3	133.89	0.1
New Orleans	1	1,622	202.91	78.2	158.62	203.59	79.3	161.34	(1.7)
Chicago	3	1,883	174.23	72.5	126.26	178.27	72.9	129.97	(2.8)
New York	1	1,878	262.58	86.8	228.01	276.10	83.8	231.58	(1.5)
Southern California	4	1,304	176.56	87.1	153.74	164.76	81.1	133.57	15.1
Washington, D.C.	3	1,282	190.79	77.2	147.29	190.63	77.9	148.53	(0.8)
Total Domestic	37	23,550	$ 224.53	83.4%	$ 187.32	$ 220.77	82.8%	$ 182.88	2.4%
Total International	2	631	$ 163.24	69.9%	$ 114.16	$ 148.24	70.2%	$ 104.16	9.6%
All Markets	39	24,181	$ 223.19	83.1%	$ 185.41	$ 219.16	82.5%	$ 180.83	2.5%

During the three and six months ended June 30, 2019, the overall increase in RevPAR for our comparable hotels was primarily a result of increases at our Northern California and Southern California hotels. Northern California benefited from an increase in occupancy and ADR at our San Francisco hotels due to an increase in group and contract revenue of 12.8% and 2.6%, respectively, during the three months ended June 30, 2019 and 27.0% and 9.2%, respectively, during the six months ended June 30, 2019. Southern California benefited primarily from a 28.8% and 38.0% RevPAR increase at the Hilton Santa Barbara Beachfront Resort during the three and six months ended June 30, 2019, respectively, from an increase in occupancy and rate following the renovation and repositioning of the hotel completed in April 2018. Additionally, RevPAR at our Hawaii hotels increased during the three and six months ended June 30, 2019, primarily as a result of an increase in occupancy of 8.8% and 2.4%, respectively, at the Hilton Waikoloa Village, which previously experienced disruption following the volcanic activity on the Big Island beginning in May of 2018.

The overall increase in RevPAR for our comparable hotels was partially offset by declines in RevPAR at our Chicago, New York, and New Orleans hotels. The decline in RevPAR in our Chicago hotels was primarily a result of a decrease in group revenue of 6.9% and 9.5% during the three and six months ended June 30, 2019, respectively, resulting from fewer citywide event room nights when compared to the three and six months ended June 30, 2018. The decline in RevPAR at our New York and New Orleans hotels was primarily due to lower group business, only partially offset by an increase in transient and contract business.

Results of Operations

The following items have had a significant effect on the year-over-year comparability of our operations and are further discussed in the sections below:

- *Property Dispositions:* During the six months ended June 30, 2019 and 2018, we sold 5 and 12 consolidated hotels, respectively. Additionally, as of January 2019, we no longer lease the Hilton Chicago O'Hare. The results of operations during our period of ownership of these hotels are included within non-comparable revenues and operating expenses.

Revenue

Rooms

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019 (1)	2018 (1)	Percent Change	2019 (1)	2018 (1)	Percent Change
	(in millions)			(in millions)		
Comparable rooms revenue	$ 422	$ 419	0.7%	$ 811	$ 792	2.4%
Non-comparable rooms revenue	13	32	(59.4)	29	77	(62.3)
Total rooms revenue	$ 435	$ 451	(3.5)%	$ 840	$ 869	(3.3)%

(1) Based on our 2019 comparable hotels as of June 30, 2019.

Comparable rooms revenue increased $3 million and $19 million during the three and six months ended June 30, 2019, respectively, compared to the same period in 2018 primarily as a result of an increase in comparable hotel RevPAR of 0.8% and 2.5%, respectively. For a discussion of comparable hotel RevPAR see "—Comparable Hotel Data." Non-comparable rooms revenue decreased $19 million and $48 million during the three and six months ended June 30, 2019, respectively, primarily as a result of our property dispositions.

Food and beverage

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019 (1)	2018 (1)	Percent Change	2019 (1)	2018 (1)	Percent Change
	(in millions)			(in millions)		
Comparable food and beverage revenue	$ 191	$ 192	(0.5)%	$ 369	$ 359	2.8%
Non-comparable food and beverage revenue	4	13	(69.2)	9	29	(69.0)
Total food and beverage revenue	$ 195	$ 205	(4.9)%	$ 378	$ 388	(2.6)%

(1) Based on our 2019 comparable hotels as of June 30, 2019.

Comparable food and beverage revenue decreased $1 million during the three months ended June 30, 2019 and increased $10 million during the six months ended June 30, 2019, compared to the same periods in 2018 primarily as a result of an increase in banquet and catering revenue in the first quarter of 2019. Food and beverage revenue at our non-comparable hotels decreased $9 million and $20 million during the three and six months ended June 30, 2019, respectively, primarily as a result of our property dispositions.

Ancillary hotel

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019 (1)	2018 (1)	Percent Change	2019 (1)	2018 (1)	Percent Change
	(in millions)			(in millions)		
Comparable ancillary hotel revenue	$ 52	$ 48	8.3%	$ 102	$ 95	7.4%
Non-comparable ancillary hotel revenue	2	10	(80.0)	5	13	(61.5)
Total ancillary hotel revenue	$ 54	$ 58	(6.9)%	$ 107	$ 108	(0.9)%

(1) Based on our 2019 comparable hotels as of June 30, 2019.

Ancillary hotel revenue at our comparable hotels increased $4 million and $7 million during the three and six months ended June 30, 2019, respectively, compared to the same period in 2018 as a result of an increase in resort and parking fees. Ancillary revenue at our non-comparable hotels decreased $8 million during both the three and six months ended June 30, 2019 primarily as a result of our property dispositions.

Other

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
	(in millions)			(in millions)		
Laundry revenue	$ 3	$ 3	—%	$ 6	$ 6	—%
Support service revenue	16	14	14.3	31	28	10.7
Total other revenue	$ 19	$ 17	11.8%	$ 37	$ 34	8.8%

Operating Expenses

Rooms

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019 (1)	2018 (1)	Percent Change	2019 (1)	2018 (1)	Percent Change
	(in millions)			(in millions)		
Comparable rooms expense	$ 109	$ 104	4.8%	$ 212	$ 205	3.4%
Non-comparable rooms expense	4	8	(50.0)	8	19	(57.9)
Total rooms expense	$ 113	$ 112	0.9%	$ 220	$ 224	(1.8)%

(1) Based on our 2019 comparable hotels as of June 30, 2019 .

Rooms expense at our comparable hotels increased $5 million and $7 million for the three and six months ended June 30, 2019, respectively, primarily as a result of increases in occupancy. Non-comparable rooms expense decreased $4 million and $11 million during the three and six months ended June 30, 2019, respectively, compared to the same period in 2018 as a result of our property dispositions.

Food and beverage

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019 (1)	2018 (1)	Percent Change	2019 (1)	2018 (1)	Percent Change
	(in millions)			(in millions)		
Comparable food and beverage expense	$ 126	$ 124	1.6%	$ 247	$ 238	3.8%
Non-comparable food and beverage expense	4	7	(42.9)	7	19	(63.2)
Total food and beverage expense	$ 130	$ 131	(0.8)%	$ 254	$ 257	(1.2)%

(1) Based on our 2019 comparable hotels as of June 30, 2019 .

Food and beverage expense at our comparable hotels increased $2 million and $9 million during the three and six months ended June 30, 2019 compared to the same period in 2018 primarily as a result of increases in banquet and catering expenses. Non-comparable food and beverage expense decreased $3 million and $12 million during the three and six months ended June 30, 2019 compared to the same period in 2018 primarily as a result of our property dispositions.

Other departmental and support

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019 (1)	2018 (1)	Percent Change	2019 (1)	2018 (1)	Percent Change
	(in millions)			(in millions)		
Comparable other departmental and support expense	$ 143	$ 141	1.4%	$ 283	$ 276	2.5%
Non-comparable other departmental and support expense	8	14	(42.9)	17	35	(51.4)
Total other departmental and support expense	$ 151	$ 155	(2.6)%	$ 300	$ 311	(3.5)%

(1) Based on our 2019 comparable hotels as of June 30, 2019 .

Other departmental and support expense at our com parable hotels increased $2 million and $7 million during the three and six months ended June 30, 2019, respectively, compared to the same period in 2018 as a result of increases in administrative and general and sales and marketing expenses primarily as a result of an increase in business. Other departmental and support expense at our non-comparable hotels decreased $6 million and $18 million during the three and six months ended June 30, 2019 , respectively compared to the same period in 2018 primarily as a result of our property dispositions.

Other property-level

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019 (1)	2018 (1)	Percent Change	2019 (1)	2018 (1)	Percent Change
	(in millions)			(in millions)		
Comparable other property-level expense	$ 48	$ 45	6.7%	$ 96	$ 91	5.5%
Non-comparable other property-level expense	1	5	(80.0)	2	12	(83.3)
Total other property-level expense	$ 49	$ 50	(2.0)%	$ 98	$ 103	(4.9)%

(1) Based on our 2019 comparable hotels as of June 30, 2019 .

Other property-level expenses at our comparable hotels increased $3 million and $5 million for the three and six months ended June 30, 2019, respectively, compared to the same period in 2018 as a result of increases in insurance and property tax expense. Other property-level expenses at our non-comparable hotels decreased $4 million and $10 million during the three and six months ended June 30, 2019, respectively, compared to the same period in 2018 primarily as a result of our property dispositions.

Management and franchise fees

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019 (1)	2018 (1)	Percent Change	2018 (1)	2018 (1)	Percent Change
	(in millions)			(in millions)		
Comparable management and franchise fees expense	$ 35	$ 36	(2.8)%	$ 67	$ 66	1.5%
Non-comparable management and franchise fees expense	1	3	(66.7)	2	6	(66.7)
Total management and franchise fees expense	$ 36	$ 39	(7.7)%	$ 69	$ 72	(4.2)%

(1) Based on our 2019 comparable hotels as of June 30, 2019 .

Management and franchise fees at our non-comparable hotels decreased $2 million and $4 million for the three and six months ended June 30, 2019, respectively, compared to the same period in 2018 primarily as a result of our property dispositions.

Corporate general and administrative

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
	(in millions)			(in millions)		
General and administrative expenses	$ 11	$ 10	10.0%	$ 23	$ 20	15.0%
Share-based compensation expense	4	4	—	8	8	—
Transition expense	—	—	—	—	2	(100.0)
Transaction costs	7	—	100.0	7	—	100.0
Severance expense	—	1	(100.0)	1	1	—
Total corporate general and administrative	$ 22	$ 15	46.7%	$ 39	$ 31	25.8%

Transaction costs of $7 million for both the three and six months ended June 30, 2019 primarily relate to costs incurred in connection with the entry into the Merger Agreement with Chesapeake.

Other

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
	(in millions)			(in millions)		
Laundry expense	$ 4	$ 5	(20.0)%	$ 9	$ 9	—%
Support services expense	14	13	7.7	29	26	11.5
Total other	$ 18	$ 18	—%	$ 38	$ 35	8.6%

(Loss) gain on sales of assets, net

During the three and six months ended June 30, 2019, we recognized a net loss of $12 million and a net gain of $19 million, respectively, as a result of the sale of five of our consolidated hotels. Refer to Note 3: "Dispositions" in our unaudited condensed consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information.

During the six months ended June 30, 2018, we recognized a gain of $96 million, including the reclassification of a currency translation adjustment of $31 million from accumulated other comprehensive loss to earnings, as a result of the sale of 12 of our consolidated hotels.

Non-operating Income and Expenses

Interest expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
	(in millions)					
SF and HHV CMBS Loans (1)	$ 21	$ 21	—%	$ 42	$ 42	—%
Mortgage Loans	2	2	—	4	4	—
Term Loan	8	6	33.3	15	12	25.0
Other	2	2	—	4	4	—
Total interest expense	$ 33	$ 31	6.5%	$ 65	$ 62	4.8%

(1) In October 2016, we entered into a $725 million CMBS loan secured by the Hilton San Francisco Union Square and the Parc 55 Hotel San Francisco ("SF CMBS Loan") and a $1.275 billion CMBS loan secured by the Hilton Hawaiian Village Waikiki Beach Resort ("HHV CMBS Loan").

Income tax expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
	(in millions)			(in millions)		
Income tax expense	$ 5	$ 13	(61.5)%	$ 12	$ 13	(7.7)%

Income tax expense for the three and six months ended June 30, 2019 includes $4 million and $10 million, respectively, of income tax liabilities associated with our taxable operations as compared to $6 million and $11 million, respectively, for the three and six months ended June 30, 2018. Income tax expense for the three and six months ended June 30, 2018 also includes $1 million and $2 million, respectively of built-in gain tax recognized on the hotels disposed of during 2019, beyond that of our previously recognized deferred tax liabilities, as compared to $4 million for both the three and six months ended June 30, 2018.

Liquidity and Capital Resources

Overview

Our sources of liquidity include cash flows from operations, cash and cash equivalents, borrowings under our revolving credit facility ("Revolver") and issuing securities. As of June 30, 2019, we had total cash and cash equivalents of $480 million, including $170 million of restricted cash. Restricted cash primarily consists of $15 million of cash restricted as to use by our debt agreements and $154 million of cash held by a qualified intermediary in connection with the hotels sold during the three months ended June 30, 2019, which are expected to be used in a like kind exchange pursuant to Internal Revenue Code Section 1031. In addition, we had $1 billion of available capacity remaining under our Revolver and the ability to raise capital through the issuance of securities under our shelf-registration statement on Form S-3.

In addition to funding the closing of the proposed Merger with Chesapeake described below, our known short-term liquidity requirements primarily consist of funds necessary to pay for op erating expenses and other expenditures, including reimbursements to our hotel manager for payroll and related benefits, costs associated with the operation of our hotels, interest and scheduled principal payments on our outstanding indebtedness, capital e xpenditures for renovations and maintenance at our hotels, and dividends to our stockholders. Our long-term liquidity requirements primarily consist of funds necessary to pay for scheduled debt maturities, capital improvements at our hotels, and costs asso ciated with potential acquisitions.

Our commitments to fund capital expenditures for renovations and maintenance at our hotels will be funded by cash and cash equivalents, restricted cash to the extent permitted by our lending agreements and cash flow from operations. We have established reserves for capital expenditures ("FF&E reserve") in accordance with our management and certain debt agreements. Generally, these agreements require that we fund 4% of hotel revenues into a FF&E reserve, unless such amounts have been incurred.

We finance our business activities primarily with existing cash and cash generated from our operations, and if necessary, short-term borrowing under our Revolver or proceeds from public offerings of other securities. We believe that this cash will be adequate to meet anticipated requirements for operating expenses and capital expenditures for the foreseeable future. Our cash management objectives are to maintain the availability of liquidity, minimize operational costs, make debt payments and fund our capital expenditure programs and future acquisitions. Further, we have an investment policy that is focused on the preservation of capital and maximizing the return on new and existing investments.

Pending Merger With Chesapeake

On May 5, 2019, the Company, Domestic and PK Domestic Sub LLC entered into a Merger Agreement with Chesapeake. Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, Chesapeake will merge with and into Merger Sub and each of Chesapeake's common shares will be converted into the right to receive $11.00 in cash and 0.628 of a share of our common stock. The completion of the Merger is subject to various customary closing conditions, including, among other things, approval by Chesapeake's common shareholders at a special meeting of shareholders of Chesapeake, which will be held on September 10, 2019. The Merger is currently expected to close in mid-to-late September 2019. In May 2019, we also secured a commitment for an unsecured delayed draw term loan facility ("Term Facility") for up to $1.1 billion to be used, if needed. We plan to use a combination of the net proceeds from the sales of Hilton New Orleans Airport, Embassy Suites Parsippany, and Hilton Atlanta Airport, cash on hand, and borrowings from the Term Facility to fund the cash component of the Merger consideration, repay Chesapeake's unsecured term loan and two mortgages and pay transaction costs. Refer to Note 1: "Organization" and Note 6: "Debt" in our unaudited condensed consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information .

Stock Repurchase Program

In February 2019, our Board of Directors approved a stock repurchase program allowing us to repurchase up to $300 million of our common stock over a two-year period, ending in February 2021. Stock repurchases, if any, would be made through open market purchases, including through Rule 10b5-1 trading programs, in privately negotiated transactions, or in such other manner that would comply with applicable securities laws. The timing of stock repurchases and the number of shares to be repurchased will depend upon prevailing market conditions and other factors. No stock repurchases have been made to date under this program.

Sources and Uses of Our Cash and Cash Equivalents

The following tables summarize our net cash flows and key metrics related to our liquidity:

	Six Months Ended June 30,		
	2019	2018	Percent Change
	(in millions)		
Net cash provided by operating activities	$ 244	$ 148	64.9%
Net cash provided by investing activities	111	467	(76.2)
Net cash used in financing activities	(300)	(555)	(45.9)%

Operating Activities

Cash flow from operating activities are primarily generated from the operating income generated at our hotels.

The $96 million increase in net cash provided by operating activities for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 was primarily due to the timing of receipts from our customers and payments to our vendors and other third parties coupled with a decrease in income tax payments of $28 million.

Investing Activities

The $356 million decrease in net cash provided by investing activities for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 was primarily attributable to $150 million of proceeds from the sale of investments in affiliates in 2018, as well as $139 million less in net proceeds received from the sale of hotels, $33 million less in insurance proceeds received for property damage claims, and an increase of $34 million in capital expenditures for property and equipment at our hotels for the six months ended June 30, 2019.

Financing Activities

The $255 million decrease in net cash used in financing activities for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 is primarily attributable to the repurchase of 14,000,000 shares of our common stock for $348 million during the three months ended March 31, 2018, partially offset by an increase in dividends paid of $87 million.

Dividends

As a REIT, we are required to distribute at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain, to our stockholders on an annual basis. Therefore, as a general matter, it is unlikely that we will be able to retain substantial cash balances that could be used to meet our liquidity needs from our annual taxable income. Instead, we will need to meet these needs from external sources of capital and amounts, if any, by which our cash flow generated from operations exceeds taxable income.

We declared the following dividends to holders of our common stock during 2019:

Record Date	Payment Date	Dividend per Share
March 29, 2019	April 15, 2019	$ 0.45
June 28, 2019	July 15, 2019	$ 0.45
September 30, 2019	October 15, 2019	$ 0.45

Debt

As of June 30, 2019, our total indebtedness was approximately $3 billion, excluding approximately $234 million of our share of debt of investments in affiliates. Substantially all the debt of such unconsolidated affiliates is secured solely by the affiliates' assets or is guaranteed by other partners without recourse to us. Refer to Note 6: "Debt" in our unaudited condensed consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements as of June 30, 2019 included construction contract commitments of approximately $75 million for capital expenditures at our properties. Our contracts contain clauses that allow us to cancel all or some portion of the work. If cancellation of a contract occurred, our commitment would be any costs incurred up to the cancellation date, in addition to any costs associated with the discharge of the contract.

Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of our financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in our condensed consolidated financial statements and accompanying footnotes. We have discussed those policies and estimates that we believe are critical and require the use of complex judgment in their application in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission on February 28, 2019. There have been no material changes to our critical accounting policies or the methods or assumptions we apply.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk primarily from changes in interest rates, which may affect our future income, cash flows and fair value, depending on changes to interest rates. In certain situations, we may seek to reduce cash flow volatility associated with changes in interest rates by entering into financial arrangements intended to provide a hedge against a portion of the risks associated with such volatility. We continue to have exposure to such risks to the extent they are not hedged.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the ("Exchange Act"), as required by paragraph (b) of Rules 13a-15 and 15d-15 of the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2019, our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports filed or submitted with the SEC (i) is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in various claims and lawsuits arising in the ordinary course of business or otherwise, some of which include claims for substantial sums, including proceedings involving tort and other general liability claims, employee claims and consumer protection claims. Most occurrences involving liability, claims of negligence and employees are covered by insurance with solvent insurance carriers. For those matters not covered by insurance, which include commercial matters, we recognize a liability when we believe the loss is probable and can be reasonably estimated. The ultimate results of claims and litigation cannot be predicted with certainty. We believe we have adequate reserves against such matters. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or liquidity. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations in a particular period.

Following the May 6, 2019 announcement that we and Chesapeake had entered into the Merger Agreement, two purported shareholder class actions were filed in the United States District Court for the District of Delaware captioned: Kent v. Chesapeake Lodging Trust, et al., No. 1:19-cv-01201 (D.Del.) (filed June 25, 2019) and Terlinden v. Chesapeake Lodging Trust, et al., No. 1;19-cv-01263 (D.Del.) (filed July 8, 2019). The complaint in each case alleges purported violations of the federal securities laws and names as defendants Chesapeake, the individual members of the Chesapeake board of trustees, Park, Domestic, and PK Domestic Sub LLC. The plaintiffs allege that Chesapeake and the individual defendants violated Section 14(a) of the Exchange Act, and Rule 14a-9 promulgated thereunder, by providing inadequate disclosure regarding the proposed merger in the Form S-4 Registration Statement filed with the SEC on June 14, 2019 (the “Registration Statement”). The plaintiffs also allege that the individual defendants, Park, Domestic and PK Domestic Sub LLC violated Section 20(a) of the Exchange Act. Plaintiffs seek, among other things, to enjoin or rescind the merger, an award of damages in the event the merger is consummated, and an award of costs and attorneys’ fees. We believe that these claims are without merit, and intend to vigorously defend against them.

Item 1A. Risk Factors.

Other than the additional risk factors below related to the announced Merger with Chesapeake, there have been no material changes from the risk factors previously disclosed in response to “Part I – Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2018 and “Part II – Item 1A. Risk Factors” of our Quarterly Report on Form 10-Q for the three months ended March 31, 2019.

Risks Related to the Merger

The exchange ratio is fixed and will not be adjusted in the event of any change in either our stock price or that of Chesapeake.

At the effective time of the Merger, each outstanding Chesapeake common share (other than shares held by Chesapeake, any wholly-owned subsidiary of Chesapeake or by any of the Company, Domestic and Merger Sub (collectively, with Park and Domestic, the “Park Parties”) or any of their respective wholly-owned subsidiaries) will be converted into the right to receive the merger consideration contemplated by the Merger Agreement, including 0.628 of a share of our common stock and $11.00 in cash (the “Merger Consideration”).

The exchange ratio of 0.628 of a share of our common stock and $11.00 in cash was fixed in the Merger Agreement and, except for certain adjustments on account of changes in our capitalization or that of Chesapeake, or the payment of certain dividends by either us or Chesapeake that are necessary to maintain either company’s status as a REIT, will not be adjusted for changes in the market prices of our common stock or Chesapeake common shares. Changes in the market price of our common stock prior to the Merger will affect the market value of the Merger Consideration that Chesapeake shareholders will be entitled to receive on the closing date of the Merger. Stock price changes may result from a variety of factors (many of which are beyond our control or that of Chesapeake), including the following:

- changes in either our or Chesapeake’s respective businesses, operations, assets, liabilities or prospects;
- changes in market assessments of either our or Chesapeake’s businesses, operations, financial positions or prospects;
- market assessments of the likelihood that the Merger will be completed;
- interest rates, general market and economic conditions and other factors generally affecting the market prices of Chesapeake common shares and our common stock;
- federal, state and local legislation, governmental regulation and legal developments in the business in which we and Chesapeake operate; and
- other factors, including those described or referred to herein or under Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018, as such factors may be updated from time to time in our period filings with the Securities and Exchange Commission.

The market price of our common stock at the closing of the Merger may vary from its price on the date the Merger Agreement was executed, on the date of this Quarterly Report on Form 10-Q, and on the date of the special meeting of Chesapeake shareholders (the "Chesapeake Special Meeting"). As a result, the market value of the Merger Consideration r epresented by the exchange ratio will also vary. For example, based on the range of closing prices of our common stock during the period from May 3, 2019, the last trading day before public announcement of the Merger, through July 30, 2019, the exchange ra tio of 0.628 per share plus $11.00 represented a market value ranging from a low of $2.0 billion to a high of $2.3 billion.

We will not know the exact market value of the Park common stock that Chesapeake shareholders will receive upon completion of the Merger until just prior to the Merger's completion. If the price of our common stock increases between the date the Merger Agreement was signed and the closing of the Merger, Chesapeake shareholders will receive shares of our common stock that have a market value upon completion of the Merger that is greater than the market value of such shares calculated pursuant to the exchange ratio on the date the Merger Agreement was signed. If the price of our common stock declines between the date the Merger Agreement was signed and the closing of the Merger, Chesapeake shareholders will receive shares of our common stock that have a market value upon the closing of the Merger that is less than the market value of such shares calculated pursuant to the exchange ratio on the date the Merger Agreement was signed.

There may be unexpected delays in the completion of the Merger or the Merger may not be completed at all.

The Merger is currently expected to close mid-to-late September 2019, assuming that all of the conditions in the Merger Agreement are satisfied or waived. The Merger Agreement provides that either Chesapeake or the Park Parties may terminate the Merger Agreement if the Merger has not occurred on or before October 31, 2019 (the "Outside Date"). Certain events may delay the completion of the Merger or result in a termination of the Merger Agreement. Some of these events are outside the control of Chesapeake and the Park Parties. In particular, completion of the Merger requires the affirmative vote of the holders of not less than a majority of Chesapeake's outstanding common shares on the proposal to approve the Merger at the Chesapeake Special Meeting. If the requisite shareholder approval is not obtained at the Chesapeake Special Meeting (including any postponement or adjournment thereof), either Chesapeake or the Park Parties may terminate the Merger Agreement.

We may incur significant additional costs in connection with any delay in completing the Merger or the termination of the Merger Agreement, in addition to significant transaction costs, including legal, financial advisory, accounting and other costs we have already incurred. We cannot assure you that the conditions to the completion of the Merger will be satisfied or waived or that any adverse change, effect, event, circumstance, occurrence or state of facts that could give rise to the termination of the Merger Agreement will not occur.

If the Merger is not consummated by the Outside Date, either Chesapeake or the Park Parties may terminate the Merger Agreement.

Either Chesapeake or the Park Parties may terminate the Merger Agreement if the Merger has not been consummated by the Outside Date, which is October 31, 2019. However, this termination right will not be available to a party if that party's failure to comply with any provision of the Merger Agreement has been the primary cause of, or resulted in, the failure of the Merger to occur by the Outside Date. In the event the Merger Agreement is terminated by either party due to the failure of the Merger to close by the Outside Date, we will have incurred significant costs and will have diverted significant management focus and resources from other strategic opportunities without realizing the anticipated benefits of the Merger.

An adverse judgment in any litigation filed or that may be filed challenging the Merger may prevent the Merger from becoming effective or from becoming effective within the expected timeframe.

Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into merger agreements. As of the date of this Quarterly Report on Form 10-Q, two putative stockholder class action lawsuits have been filed by purported Chesapeake shareholders challenging the disclosures made in our registration statement on Form S-4 filed in connection with the Merger. The complaints each allege that the registration statement fails to disclosure certain allegedly material information in violation of Sections 14(a) and 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder. Additional lawsuits arising out of the Merger may be filed in the future.

Neither we nor Chesapeake can assure you as to the outcome of these lawsuits or any other lawsuit that may be filed, including the amount of costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation of these claims. If plaintiffs are successful in obtaining an injunction prohibiting the parties from completing the Merger on the agreed-upon terms, such an injunction may delay the consummation of the Merger in the expected timeframe, or may prevent the Merger from being consummated altogether. Whether or not any plaintiff's claim is successful, this type of litigation may result in significant costs and divert management's attention and resources, which could adversely affect the operation of our business or Chesapeake's business.

Risks Related to Park Following the Merger

We expect to incur substantial expenses related to the Merger.

We expect to incur substantial expenses in completing the Merger and integrating the business, operations, systems, technologies, policies and procedures of Chesapeake with our own. While we have assumed that a certain level of expenses would be incurred, there are a number of factors beyond our control that could affect the total amount or the timing of the expenses relating to the completion of the Merger and the integration of our operations with those of Chesapeake. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the expenses associated with the Merger could, particularly in the near term, reduce the savings that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings following the completion of the Merger.

Following the Merger, we may be unable to successfully integrate our current operations with those of Chesapeake and realize the anticipated synergies and other benefits of the Merger or do so within the anticipated timeframe.

The Merger involves the combination of two companies which currently operate as independent public companies. We expect to benefit from the elimination of duplicative costs associated with supporting a public company platform and the leveraging of technology and systems. However, we will be required to devote significant management attention and resources to integrating the business practices and operations of Chesapeake into our own. Potential difficulties we may encounter in the integration process include, among others, the following:

- the inability to successfully combine our operations with those of Chesapeake in a manner that permits us to achieve the cost savings anticipated to result from the Merger, which would result in the anticipated benefits of the Merger not being realized in the timeframe currently anticipated or at all;
- the additional complexities of increasing the number of third-party operators relied upon and brands represented in our portfolio following the Merger, including additional time and attention required by management;
- potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the Merger; and
- performance shortfalls as a result of the diversion of management's attention caused by completing the Merger and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of our management, the disruption of our ongoing business or inconsistencies in our operations, services, standards, controls, procedures and policies, any of which could adversely affect our ability to maintain relationships with tenants, customers, vendors and employees or to achieve the anticipated benefits of the Merger, or could otherwise adversely affect our business and financial results.

Expected sales of certain hotel properties that have been identified for sale prior to the Merger may not occur and any failure to complete such sales could adversely affect our credit profile.

Prior to the closing of the Merger, we expect that Chesapeake will complete the sale of two existing hotels owned by Chesapeake and located in New York City, the Hyatt Place New York Midtown South and the Hyatt Herald Square New York (the "New York Disposition Properties"), which are currently under contract to be sold, in accordance with the terms of the Merger Agreement. The Park Parties also are permitted to undertake a marketing and sales process with respect to certain other Chesapeake hotel properties that we may identify for disposition after closing of the Merger. Proceeds from these asset sales are expected to be used to pay down indebtedness to reduce leverage. There can be no assurance that any such potential asset sales will occur on favorable terms or at all. Any potential asset sales would be dependent upon a number of factors that may be beyond our control, including, among other factors, market conditions, industry trends, the interest of third parties in and actions by Chesapeake with respect to the properties to be sold and the availability of financing to potential buyers on reasonable terms.

Our anticipated level of indebtedness will increase upon completion of the Merger and will increase the related risks we now face.

Contemporaneously with the execution of the Merger Agreement, Park Intermediate Holdings LLC and Domestic entered into a commitment letter with Bank of America, N.A. and BofA Merrill Lynch providing a $1.1 billion financing commitment for the Term Facility to fund the Merger. We will also assume and/or refinance certain indebtedness of Chesapeake in connection with the Merger and will be subject to increased risks associated with debt financing, including an increased risk that our cash flow could be insufficient to meet required payments on our debt. On June 30, 2019, we had indebtedness of approximately $3 billion. After giving effect to the Merger, including the assumption of Chesapeake's debt expected in the Merger, our total pro forma consolidated indebtedness will increase to approximately $4 billion.

Our increased indebtedness could have important consequen ces to our stockholders, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;
- with respect to floating rate indebtedness, risks associated with increases in interest rates;
- requiring the use of a substantial portion of our cash flow from operations for the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund working capital, acquisitions, capital expenditures and general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and
- putting us at a disadvantage compared to our competitors with less indebtedness.

Counterparties to certain significant agreements with Chesapeake may exercise contractual rights under such agreements in connection with the Merger, which may result in our loss of potential future revenue or the incurrence of liabilities or the loss or modification of rights that are material to our business.

Chesapeake is a party to certain agreements that give the applicable counterparty certain rights following a "change in control." In certain of these agreements, such rights may be triggered upon the closing of the Merger and may trigger a consent or the right to terminate the agreement. It is not a condition to completion of the Merger that the counterparties consent to the Merger or waive their contractual rights. Certain counterparties may also require modifications to their respective agreements or the execution of new agreements as a condition to granting a waiver or consent under their agreement. The pursuit of such rights by the counterparties may result in our loss of potential future revenue or the incurrence of liabilities and may result in the loss or modification of rights that are material to our business. There can be no assurances that such counterparties will not exercise their rights under these agreements, including termination rights where available, or that the exercise of any such rights under, or modification of, these agreements will not adversely affect our business or operations.

We depend on key senior executives and field personnel, including general managers, for our future success, and the loss of key personnel or inability to attract and retain key personnel could significantly harm our business.

Our ability to maintain our competitive position depends somewhat on the efforts and abilities of our senior executives. Finding suitable replacements for senior executives could be difficult. Losing the services of one or more of these senior executives following consummation of the Merger could adversely affect strategic relationships, including relationships with Hilton Worldwide or other hotel managers or franchisors, joint venture partners and vendors, and limit our ability to execute our business strategies.

We also rely on the general managers at each of our hotels to manage daily operations and oversee the efforts of employees. These general managers are trained professionals in the hospitality industry and have extensive experience in many markets worldwide. Our failure to retain, train or successfully integrate the general managers currently at Chesapeake's hotels could negatively affect our operations.

Risks Related to an Investment in Park Following the Merger

The market price of shares of our stock following the Merger may be affected by factors different from those affecting the price of shares of our stock before the Merger.

Our results of operations, as well as the market price of our stock, after the Merger may be affected by factors different from those currently affecting our results of operations and the market prices of our stock. These factors include:

- a greater number of shares of our stock outstanding;
- different holders of our stock; and
- owning different assets and maintaining different capitalizations.

Accordingly, our historical market prices and financial results may not be indicative of these matters after the Merger.

The market price of our stock may decline as a result of the Merger.

The market price of our stock may decline as a result of the Merger if we do not achieve the perceived benefits of the Merger as rapidly or to the extent anticipated by financial or industry analysts, or the effect of the Merger on our financial results is not consistent with the expectations of financial or industry analysts.

In addition, upon consummation of the Merger, our stockholders and Chesapeake shareholders will own interests in a company operating an expanded business with a different mix of properties, risks and liabilities. Our stockholders and current Chesapeake shareholders may not wish to continue to invest in Park, or for other reasons may wish to dispose of some or all of their shares of our stock. If, following the effective time of the Merger, significant amounts of our stock are sold, the price of our stock could decline.

Following the Merger, we may not continue to pay dividends at or above the rate currently paid.

Following the Merger, our stockholders may not receive dividends at the same rate they did prior to the Merger for various reasons, including the following:

- We may not have enough cash to pay such dividends due to changes in our cash requirements, capital spending plans, cash flow or financial position;
- decisions on whether, when and in which amounts to make any future distributions will remain at all times entirely at the discretion of our board of directors, which reserves the right to change our current dividend practices at any time and for any reason;
- We may desire to retain cash to maintain or improve our credit ratings; and
- the amount of dividends that our subsidiaries may distribute to us may be subject to restrictions imposed by state law and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur.

Our stockholders will have no contractual or other legal right to dividends that have not been declared by our board of directors .

We may need to incur additional indebtedness in the future.

In connection with executing our business strategies following the Merger, we expect to continue to evaluate additional acquisitions and other strategic investment opportunities, and may elect to finance these endeavors by incurring additional indebtedness. The amount of such indebtedness could have material adverse consequences, including:

- hindering our ability to adjust to changing market, industry or economic conditions;
- limiting our ability to access the capital markets to refinance maturing debt or to fund acquisitions or emerging businesses;
- limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses;
- making us more vulnerable to economic or industry downturns, including interest rate increases; and
- placing us at a competitive disadvantage compared to less leveraged competitors.

The impact of any of these potential adverse consequences could have a material adverse effect on our results of operations, financial condition and liquidity.

We would incur adverse tax consequences if we, Chesapeake or any of our or Chesapeake's subsidiary REITs failed to qualify as a REIT for U.S. federal income tax purposes.

We have assumed that Chesapeake has qualified and will continue to qualify as a REIT for U.S. federal income tax purposes prior to the Merger and that we will be able to continue to qualify as a REIT following the Merger. However, if Chesapeake has failed to qualify as a REIT, Merger Sub would succeed to significant tax liabilities (including the significant tax liability that would result from the deemed sale of assets by Chesapeake pursuant to the Merger) the economic burden of which would be borne by us and Domestic, and we could possibly lose our REIT status should disqualifying activities continue after the Merger.

REITs are subject to a range of complex organizational and operational requirements. As a REIT, with respect to each year, we must distribute at least 90% of our REIT taxable income to our stockholders. Other restrictions apply to our income and assets. Our REIT status is also dependent upon the ongoing qualification of subsidiary entities as REITs or TRSs, as applicable, as a result of our substantial ownership interest in those entities.

For any taxable year that we fail to qualify as a REIT and are unable to avail ourselves of savings provisions set forth in the Code (which themselves co uld impose significant excise or penalty tax liability on us or our subsidiaries), we would be subject to federal income tax at the regular corporate rates on all of our taxable income, whether or not we make any distributions to our stockholders. Those ta xes would reduce the amount of cash available for distribution to our stockholders or for reinvestment and would adversely affect our earnings. As a result, our failure to qualify as a REIT during any taxable year could have a material adverse effect upon us and our stockholders. Furthermore, unless certain relief provisions apply, we would not be eligible to elect REIT status again until the fifth taxable year that begins after the first year for which we failed to qualify.

Item 2. Unregistered Sales of Equity Securities.

2(a): Unregistered Sales of Equity Securities and Use of Proceeds

None.

2(b): Use of Proceeds from Registered Securities

None.

2(c): Purchases of Equity Securities

Record Date	Total number of shares purchased (1)	Weighted average price paid per share (1)	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 1, 2019 through January 31, 2019	7	$ 25.58	N/A	N/A
February 1, 2019 through February 28, 2019	77,411	$ 31.82	N/A	N/A
March 1, 2019 through March 31, 2019	6,560	$ 31.52	N/A	N/A
April 1, 2019 through April 30, 2019	—	$ —	N/A	N/A
May 1, 2019 through May 31, 2019	2,016	$ 32.54	N/A	N/A
June 1, 2019 through June 30, 2019	29	$ 27.70	N/A	N/A
	86,023			

(1) The number of shares purchased represents shares of common stock surrendered by certain of our employees to satisfy their federal and state tax obligations associated with the vesting of restricted common stock. With respect to these shares, the weighted average price paid per share is based on the closing price of our common stock on the trading date immediately prior to the date of delivery of the shares. No shares of common stock were repurchased pursuant to the previously announced stock repurchase program.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exh ibits

Exhibit Number	Description
2.1	Distribution Agreement by and among Hilton Worldwide Holdings Inc., Park Hotels & Resorts Inc., Hilton Grand Vacations Inc. and Hilton Domestic Operating Company Inc., dated as of January 2, 2017 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on January 4, 2017).
2.2	Agreement and Plan of Merger by and among Park Hotels & Resorts Inc., PK Domestic Property LLC, PK Domestic Sub LLC, and Chesapeake Lodging Trust, dated as of May 5, 2019 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on May 6, 2019).
3.1	Amended and Restated Certificate of Incorporation of Park Hotels & Resorts Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on April 30, 2019).
3.2	Amended and Restated By-laws of Park Hotels & Resorts Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on February 26, 2019).
10. 1	Commitment Letter, dated as of May 5, 2019, by and among Park Intermediate Holdings LLC, PK Domestic Property LLC, Bank of America, N.A., and Merrill Lynch, Piece, Fenner & Smith Incorporated (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 6, 2019).
10.2*	First Amendment to Credit Agreement, by and among Park Intermediate Holdings LLC, Park Hotels & Resorts Inc., the Subsidiary Borrowers, and Wells Fargo Bank, National Association.
11.1	Computation of Per Share Earnings from Operations (included in the notes to the unaudited financial statements contained in this Report).
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2 *	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*	Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Park Hotels & Resorts Inc.

Date: August 1, 2019	By:	/s/ Thomas J. Baltimore Jr. Thomas J. Baltimore, Jr. Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
Date: August 1, 2019	By:	/s/ Sean M. Dell'Orto Sean M. Dell'Orto Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
Date: August 1, 2019	By:	/s/ Darren W. Robb Darren W. Robb Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

FIRST AMENDMENT TO CREDIT AGREEMENT

FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of June 14, 2019, by and among PARK INTERMEDIATE HOLDINGS LLC, a limited liability company formed under the laws of the State of Delaware (the "Company"), PARK HOTELS & RESORTS INC., a Delaware corporation (the "Parent"), the Subsidiaries of the Company party hereto as Subsidiary Borrowers, each of the Lenders party hereto, and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent (the "Administrative Agent").

WHEREAS, the Company, the Parent, the Administrative Agent, the financial institutions initially a signatory to the Existing Credit Agreement (as defined below) together with their successors and assigns under Section 13.6. of the Existing Credit Agreement (the "Lenders") and certain other parties have entered into that certain Credit Agreement dated as of December 28, 2016 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Existing Credit Agreement"; and the Existing Credit Agreement as amended by this Amendment, the "Amended Credit Agreement"); and

WHEREAS, the Company, the Parent, the Lenders party hereto and the Administrative Agent desire to amend certain provisions of the Existing Credit Agreement subject to the terms and conditions of this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

Section 1. Specific Amendments to Existing Credit Agreement. The parties hereto agree that the Existing Credit Agreement is amended as follows:

(a) *New Definitions*. The Existing Credit Agreement is hereby amended by adding the following definitions of "Acceptable Preferred Equity Interests", "Beneficial Ownership Certification", "Beneficial Ownership Regulation", "Dividing Person", "Division", "Division Successor", "Eligible Domestic Subsidiary", "First Amendment Effective Date", "Intercreditor Agreement", "Permitted Chesapeake Equity Restrictions", "PK Domestic LLC", "PK Domestic REIT", "PK Merger Agreement", "Specified Chesapeake Subsidiaries", "Term Loan Agreement" and "Term Loan Documents" in the proper alphabetical order in Section 1.1. of the Existing Credit Agreement:

"**Acceptable Preferred Equity Interests**" means that certain Series A Preferred Stock in PK Domestic REIT to be issued to Persons other than the Company and its Subsidiaries on or after the First Amendment Effective Date which shall be non-voting with respect to the election of the directors of PK Domestic REIT and having an initial aggregate liquidation value of up to $125,000 (exclusive of any accrued and unpaid dividends and early redemption premiums) and separately disclosed in writing to the Administrative Agent and the Lenders prior to the First Amendment Effective Date; provided that such Persons shall not receive aggregate dividends and distributions in respect of such Acceptable Preferred Equity Interests in excess of 12% of the initial aggregate liquidation value thereof (exclusive of any early redemption premiums or any distribution in respect of a redemption or purchase of such Acceptable Preferred Equity Interests made by the Company or any of its Subsidiaries) during any fiscal year of the Parent.

"**Beneficial Ownership Certification**" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"**Beneficial Ownership Regulation**" means 31 C.F.R. § 1010.230.

" **Dividing Person** " has the meaning assigned to it in the definition of "Division."

" **Division** " means the division of the assets, liabilities and/or obligations of a Person (the " **Dividing Person** ") among two or more Persons (whether pursuant to a "plan of division" or similar arrangement), which may or may not include the Dividing Person and pursuant to which the Dividing Person may or may not survive.

" **Division Successor** " means any Person that, upon the consummation of a Division of a Dividing Person, holds all or any portion of the assets, liabilities and/or obligations previously held by such Dividing Person immediately prior to the consummation of such Division. A Dividing Person which retains any of its assets, liabilities and/or obligations after a Division shall be deemed a Division Successor upon the occurrence of such Division.

" **Eligible Domestic Subsidiary** " means (i) one or more Domestic Subsidiaries approved from time to time by the Administrative Agent, the Issuing Banks, the Swingline Lenders and the Revolving Credit Lenders (such approval not to be unreasonably withheld) and (ii) PK Domestic LLC so long as no Revolving Credit Lender shall have notified the Administrative Agent within 10 Business Days after the First Amendment Effective Date of its reasonable rejection of PK Domestic LLC as an Eligible Domestic Subsidiary.

" **First Amendment Effective Date** " means June 14, 2019.

" **Intercreditor Agreement** " means an intercreditor agreement or similar agreement reasonably acceptable to the Administrative Agent between the Administrative Agent and the administrative agent or collateral agent (or other representative) on behalf of the lenders and secured parties under the Term Loan Agreement with respect to the Collateral, which agreement shall (x) acknowledge that the Collateral shall secure equally and ratably the Obligations and the obligations owing under the Term Loan Agreement and (y) provide that the Secured Parties and the lenders and secured parties under the Term Loan Agreement shall share equally and ratably with respect to any proceeds of the Collateral.

" **Permitted Chesapeake Equity Restrictions** " means restrictions on the pledge or transfer of Equity Interests arising under Secured Indebtedness of the Specified Chesapeake Subsidiaries existing as of the First Amendment Effective Date to which PK Domestic LLC and its Subsidiaries become subject on or after the First Amendment Effective Date in connection with the merger of Chesapeake Lodging Trust with and into a Subsidiary of PK Domestic LLC pursuant to the PK Merger Agreement (it being understood that such restrictions on the pledge or transfer of Equity Interests may be amended after the First Amendment Effective Date in a manner customary for amendments to Secured Indebtedness of a target being assumed in an acquisition transaction or otherwise not materially adverse to the Lenders); provided that any such restrictions that (i) restrict the pledge of the direct Equity Interests in one or more Eligible Property Subsidiaries that own (or ground lease pursuant to a Qualified Ground Lease) an Eligible Property included in the calculation of Unencumbered Asset Value or (ii) otherwise limit the ability of one or more Eligible Property Subsidiaries to become a Guarantor, shall not constitute Permitted Chesapeake Equity Restrictions.

" **PK Domestic LLC** " means PK Domestic Property LLC, a Delaware limited liability company, formerly known as Hilton Domestic Property LLC, which is wholly owned by the Company (except for the Acceptable Preferred Equity Interests of PK Domestic REIT upon their issuance).

“ **PK Domestic REIT** ” means PK Domestic REIT Inc., a Delaware corporation wholly owned by the Company (except for the Acceptable Preferred Equity Interests upon their issuance).

“ **PK Merger Agreement”** that certain Agreement and Plan of Merger, dated as of May 5, 2019, by and among Parent, PK Domestic LLC, PK Domestic Sub LLC, and Chesapeake Lodging Trust as the same may be amended.

“ **Specified Chesapeake Subsidiaries** ” means each of CHSP Los Angeles LLC (and CHSP TRS Los Angeles LLC, its operating lessee), CHSP Chicago LLC (and CHSP TRS Chicago LLC, its operating lessee), CHSP Boston II LLC (and CHSP TRS Boston II LLC, its operating lessee), and CHSP Denver LLC (and CHSP TRS Denver LLC, its operating lessee), each of which are Subsidiaries of Chesapeake Lodging Trust as of the First Amendment Effective Date.

“ **Term Loan Agreement** ” means a term loan agreement, to be entered into by and among the Parent, the Company, PK Domestic LLC, the other borrowers or guarantors from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent.

“ **Term Loan Documents** ” means the loan documents required to be entered into pursuant to the Term Loan Agreement.

(b) *Restatement of Certain Definitions* . The Existing Credit Agreement is hereby further amended by restating each of the definitions of “Eligible Foreign Subsidiary”, “Permitted Equity Liens”, “Permitted Transfer Restrictions”, “Subsidiary Borrower” and “Wholly Owned Subsidiary” in Section 1.1. of the Existing Credit Agreement in their entirety to read as follows:

“ **Eligible Foreign Subsidiary** ” means one or more Foreign Subsidiaries approved from time to time by the Administrative Agent, the Issuing Banks, the Swingline Lenders and the Revolving Credit Lenders (such approval not to be unreasonably withheld).

“ **Permitted Equity Liens** ” means, with respect to any Equity Interests of a Person, Permitted Liens of the type described in clauses (a)(i), (e), (h) or (l) of the definition of Permitted Liens.

“ **Permitted Transfer Restrictions** ” means (a) reasonable and customary restrictions on transfer, mortgage liens, pledges and changes in beneficial ownership arising under Management Agreements, Franchise Agreements and ground leases entered into in the ordinary course of business (including in connection with any acquisition or development of any applicable Hotel Property, without regard to the transaction value), including rights of first offer or refusal arising under such agreements and leases, in each case, that limit, but do not prohibit, sale or mortgage transactions, (b) reasonable and customary obligations, encumbrances or restrictions contained in agreements not constituting Indebtedness entered into with limited partners or members of the Company or of any other Subsidiary of the Parent imposing obligations in respect of contingent obligations to make any tax “make whole” or similar payment arising out of the sale or other transfer of assets reasonably related to such limited partners’ or members’ interest in the Company or such Subsidiary pursuant to “tax protection” or other similar agreements, (c) Permitted Chesapeake Equity Restrictions and (d) restrictions arising under Section 5.3(c), (d) or (i) of the Tax Matters Agreement (as defined in the Distribution Agreement), substantially in the form provided to the Administrative Agent prior to the Agreement Date.

“ **Subsidiary Borrower** ” means any Eligible Domestic Subsidiary and any Eligible Foreign Subsidiary that becomes a Subsidiary Borrower pursuant to Section 2.21. and that has not ceased to be a Subsidiary Borrower pursuant to such Section.

“ **Wholly Owned Subsidiary** ” means any Subsidiary of a Person in respect of which all of the Equity Interests (other than (x) in the case of a corporation, directors’ qualifying shares or (y) Acceptable Preferred Equity Interests) are at the time directly or indirectly owned or controlled by such Person or one or more other Subsidiaries of such Person or by such Person and one or more other Subsidiaries of such Person. For the avoidance of doubt, it is understood and agreed that any Wholly Owned Subsidiary of the Company that is a Borrower shall be deemed to satisfy the requirements of Section 11.1.(k)(v).

(c) *Excluded Pledged Collateral Definition.* The Existing Credit Agreement is hereby further amended by restating clause (a) of the definition of “Excluded Pledged Collateral” in Section 1.1. of the Existing Credit Agreement in its entirety to read as follows:

“(a) the Equity Interests of a Foreign Subsidiary (other than a Subsidiary Borrower) and the Acceptable Preferred Equity Interests;”

(d) *Permitted Liens Definition.* The Existing Credit Agreement is hereby further amended by (i) restating clauses (j) and (k) of the definition of “Permitted Liens” in Section 1.1 of the Existing Credit Agreement in their entirety to read as follows and (ii) adding new clause (l) to the definition of “Permitted Liens” in Section 1.1 of the Existing Credit Agreement:

“(j) Liens and other quasi-security arrangements arising under foreign law or in any foreign jurisdiction and substantially similar in nature to the Liens described in clauses (a) through (h);

(k) solely with respect to any portion of a Property that is not a Core Hotel Property, any other Lien not otherwise described in clauses (a) through (j) above so long as such Lien does not secure (i) Indebtedness of the type described in clauses (a), (b)(i), (b)(ii), (c) (other than to the extent permitted pursuant to clause (g) above), (d) or (h) of the definition of Indebtedness or (ii) any Guarantee of the Indebtedness described in the foregoing sub-clause (i) of this clause (k); and

(l) Liens on a pari passu basis securing the Term Loan Agreement, so long as such Liens are subject to the Intercreditor Agreement.”

(e) *Designation of Subsidiary Borrowers.* The Existing Credit Agreement is hereby further amended by restating Section 2.21(a) of the Existing Credit Agreement in its entirety to read as follows:

“(a) Subject to Section 2.21.(b), the Company may at any time and from time to time upon not less than five (5) Business Days’ prior written notice to the Administrative Agent (or such shorter period as the Administrative Agent may agree) designate any Eligible Domestic Subsidiary or Eligible Foreign Subsidiary as a Subsidiary Borrower by delivery to the Administrative Agent of a Borrowing Subsidiary Agreement (which document may include certain limitations of the obligations of a Foreign Subsidiary signatory thereto in respect of this Agreement which are required pursuant to applicable laws of the jurisdiction of organization of such Foreign Subsidiary and which are mutually agreed upon by the Administrative Agent and the Company) executed by such Subsidiary and the Company and the satisfaction of the other conditions precedent set forth in Section 6.4., and upon such delivery and satisfaction such Subsidiary shall for all purposes of this Agreement be a Subsidiary Borrower and a party to this Agreement until the Company shall have executed and delivered to the Administrative Agent a Borrowing Subsidiary Termination with

respect to such Subsidiary, whereupon such Subsidiary shall cease to be a Subsidiary Borrower and a party to this Agreement. Notwithstanding the preceding sentence, no Borrowing Subsidiary Termination will become effective as to any Subsidiary Borrower at a time when any principal of or interest on any Loan to such Borrower shall be outstanding hereunder, provided that such Borrowing Subsidiary Termination shall be effective to terminate the right of such Subsidiary Borrower to request further Credit Events under this Agreement. As soon as practicable upon receipt of a Borrowing Subsidiary Agreement, the Administrative Agent shall furnish a copy thereof to each Lender. Without limiting the foregoing and except as otherwise expressly provided in Section 13.7., in connection with the initial designation of any Borrower as a Subsidiary Borrower that is a Foreign Subsidiary, this Agreement may be amended pursuant to an amendment or an amendment and restatement (a " **Foreign Subsidiary Borrower Amendment** ") executed by the Company, the applicable Foreign Subsidiary and the Administrative Agent, without the consent of any other Lenders, in order to effect such amendments to this Agreement as may be necessary or appropriate, in the reasonable opinion of the Administrative Agent and its counsel, to effect this Section 2.21. as it relates to such Foreign Subsidiary or its home jurisdiction. Such Foreign Subsidiary Borrower Amendment may be in addition to, or in substitution for, a Borrowing Subsidiary Agreement."

(f) *Beneficial Ownership Certification* . The Existing Credit Agreement is hereby further amended by (i) inserting "(a)" before the words "All written information" appearing in Section 7.1(x) of the Existing Credit Agreement and (ii) adding the following new clause (b) immediately after clause (a) appearing therein:

"(b) As of the First Amendment Effective Date, the information included in each Beneficial Ownership Certification is true and correct in all respects."

(g) *Limitation on Parent's Assets, Liabilities and Activities.* The Existing Credit Agreement is hereby further amended by restating Section 8.17(b)(i) of the Existing Credit Agreement in its entirety to read as follows:

"(i) liabilities (x) incidental to its status as a publicly traded real estate investment trust under the Internal Revenue Code and not constituting liabilities in respect of Indebtedness for borrowed money (including liabilities associated with employment contracts, executive officer and director indemnification agreements and employee benefit matters), indemnification obligations pursuant to purchase and sale agreements, tax liabilities and legacy liabilities arising pursuant to contracts entered into in the ordinary course of business prior to (and not in contemplation of) the Spin-Off, this Agreement or any other Loan Document or (y) that are less than or substantially equivalent to Parent's (or any Parent Entity's) liabilities under this Agreement that arise under any documentation evidencing Indebtedness (including the Term Loan Documents) of the Company or any of its Subsidiaries that is pari passu to the Obligations;"

(h) *Beneficial Ownership Reporting* . The Existing Credit Agreement is hereby further amended by restating Section 9.4(o) of the Existing Credit Agreement in its entirety to read as follows:

"(o) (x) Promptly, upon each request, information identifying the Parent, the Company and any other Borrower as a Lender may request in order to comply with applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the Patriot Act and the Beneficial Ownership Regulation and (y) prompt written notice of any change in the information provided in the Beneficial Ownership Certification delivered to any Lender that would result in a change to the list of beneficial owners identified in such certification."

(i) *Divisions* . The Existing Credit Agreement is hereby further amended by restating (x) the lead-in of Section 10.4 of the Existing Credit Agreement, (y) Section 10.4(ii) of the Existing Credit Agreement and (z) the lead-in of Section 10.4(iii) of the Existing Credit Agreement, each in its entirety to read, respectively, as follows:

> "The Company shall not, and shall not permit any other Loan Party or any other Subsidiary to: (a) enter into any transaction of merger or consolidation; (b) liquidate, windup or dissolve itself (or suffer any liquidation or dissolution) or (c) convey, sell, lease, sublease, transfer or otherwise dispose of, in one transaction or a series of transactions and whether effected pursuant to a Division or otherwise, assets, or the capital stock of or other Equity Interests in any of its Subsidiaries having a fair market value in excess of a Substantial Amount, whether now owned or hereafter acquired; provided , however, that, subject to the restrictions set forth in Section 8.17.:"

> "(ii) any Loan Party or any Subsidiary may convey, sell, lease, sublease or otherwise transfer or dispose of, in one transaction or a series of related transactions and whether effected pursuant to a Division or otherwise, its assets, or the capital stock of or other Equity Interests in any of its Subsidiaries to the Parent or any other Subsidiary of the Parent so long as immediately prior to the taking of such action, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence; provided , that, in each case described in this Section 10.4(ii), if any Loan Party that is a limited liability company consummates a Division, each Division Successor shall be required to comply with the obligations set forth in Section 8.14;"

> "(iii) any Loan Party or any other Subsidiary may convey, sell, lease, sublease or otherwise transfer or dispose of, whether by one transaction or a series of related transactions and whether effected pursuant to a Division or otherwise, any assets, or capital stock of or other Equity Interests in its Subsidiaries; provided that in the case of any such transaction or series of related transactions involving assets, capital stock or other Equity Interests having a fair market value in excess of the Substantial Amount being conveyed, sold, leased, subleased or otherwise transferred or disposed of to any other Person that is not a Loan Party or a Subsidiary:"

(j) *Qualified Financial Contracts* . The Existing Credit Agreement is hereby further amended by adding the following as Section 13.25:

> " **Section 13.25. Acknowledgement Regarding Any Supported QFC.** To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Derivatives Contracts or any other agreement or instrument that is a QFC (such support, "QFC Credit Support" and each such QFC a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):
>
> (a) In the event a Covered Entity that is party to a Supported QFC (each, a " **Covered Party** ") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any

interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States of a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC and such QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 13.25, the following terms have the following meanings:

" **BHC Act Affiliate** " of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

" **Covered Entity** " means any of the following:

(i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

" **Default Right** " has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

" **QFC** " has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

Section 2. Conditions Precedent . The effectiveness of this Amendment is subject to the truth and accuracy of the representations and warranties set forth herein (and incorporated by reference) and satisfaction or waiver of the following conditions precedent:

(a) The Administrative Agent shall have received:

(i) A counterpart of this Amendment duly executed and delivered by the Company, the Parent and the Requisite Lenders; and

(ii) a certificate dated as of the First Amendment Effective Date signed by a Responsible Officer of the Company stating, to the best of the certifying party's knowledge, the following:

(A) All representations and warranties made or deemed made by each Borrower and any other Loan Party contained in this Amendment, in the Amended Credit Agreement and in each of the other Loan Documents to which such Loan Party is a party are true and correct in all material respects (unless such representation and warranty is qualified by materiality, in which event such representation and warranty shall be true and correct in all respects) on and as of the First Amendment Effective Date with the same force and effect as if made on and as of such date, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (unless such representation and warranty is qualified by materiality, in which event such representation and warranty shall have been true and correct in all respects) on and as of such earlier date) and except for changes in factual circumstances permitted under the Loan Documents, and

(B) No Default or Event of Default has occurred and is continuing.

(b) All fees owed to the Lenders incurred in connection with this Amendment and required to be paid as of the First Amendment Effective Date and all expenses (including, without limitation, the reasonable and documented out-of-pocket fees and expenses of legal counsel of the Administrative Agent) for which invoices have been presented to the Company on or prior to the First Amendment Effective Date shall have been paid.

(c) Solely to the extent requesting in writing by any Lender, on or prior to the date hereof the Company shall have delivered, on behalf of itself and any Loan Party that qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, a Beneficial Ownership Certification in relation to itself and to such Loan Party, to such Lender that so requests such a Beneficial Ownership Certification prior to the First Amendment Effective Date.

Section 3. Representations. Each of the Parent and the Company represents and warrants to the Administrative Agent and the Lenders that:

(a) Authorization. Each of the Parent and the Company has the right and power, and has taken all necessary action to authorize such Loan Party, to execute and deliver this Amendment and to perform its obligations hereunder and under the Amended Credit Agreement in accordance with their respective terms. This Amendment has been duly executed and delivered by a duly authorized officer of each of the Parent and the Company and each of this Amendment and the Amended Credit Agreement is a legal, valid and binding obligation of each of the Parent and the Company enforceable against such Person in accordance with its respective terms except as the same may be limited by bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and the availability of equitable remedies for the enforcement of certain obligations (other than the payment of principal) contained herein or therein and as may be limited by equitable principles generally.

(b) Compliance with Laws, etc. The execution and delivery by each of the Parent and the Company of this Amendment and the performance by each such Person of this Amendment and the Amended Credit Agreement in accordance with their respective terms, do not and will not, by the passage of time, the giving of notice or otherwise: (i) require any Governmental Approval (other than any required

filing with the SEC, which, to the extent required, the Company agrees to file in a timely manner) or violate any Applicable Law (including all Environmental Laws) relating to the Parent, the Company or any other Loan Party; (ii) conflict with, result in a breach of or constitute a default under the organizational documents of the Parent, the Company or any Loan Party, or any material indenture, agreement or other instrument to which the Parent, the Company or any other Loan Party is a party or by which it or any of its respective properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by any Loan Party other than in favor of the Administrative Agent for its benefit and the benefit of the Secured Parties.

(c) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof or will exist immediately after giving effect to this Amendment.

Section 4. Reaffirmation of Representations by Company and the Parent. The Company and the Parent hereby certify to the Administrative Agent and the Lenders that as of the date hereof and after giving effect to this Amendment, the representations and warranties made or deemed made by each of the Company and the Parent in the Amended Credit Agreement and the other Loan Documents to which the Company and the Parent is a party are and shall be true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty is and shall be true and correct in all respects) on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties were true and correct in all material respects on and as of such earlier date (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty is and shall be true and correct in all respects)) and except for changes in factual circumstances permitted under the Amended Credit Agreement.

Section 5. Certain References. Each reference to the Existing Credit Agreement in any of the Loan Documents shall be deemed to be a reference to the Amended Credit Agreement and as the same may from time to time hereafter be amended, restated, supplemented or otherwise modified. This Amendment is a Loan Document.

Section 6. Expenses. The Company shall reimburse the Administrative Agent promptly upon demand for all reasonable and documented out-of-pocket costs and expenses (including attorneys' fees) incurred by the Administrative Agent, pursuant to and in accordance with Section 13.2. of the Amended Credit Agreement, in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

Section 7. Benefits. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Section 8. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 9. Effect. Except as expressly herein amended, the terms and conditions of the Amended Credit Agreement and the other Loan Documents remain in full force and effect. The amendments contained in Section 1 hereof shall be deemed to have prospective application only. The Amended Credit Agreement is hereby reaffirmed, ratified and confirmed in all respects. This Amendment is not intended to and shall not constitute a novation. Nothing in this Amendment shall limit, impair or constitute a waiver of the rights, powers or remedies available to the Administrative Agent or the Lenders under the Amended Credit Agreement or any other Loan Document.

Section 10. Counterparts . This Amendment may be executed in any number of counterparts (which may be effectively delivered by facsimile, in portable document format ("PDF") or other similar electronic means), each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto.

Section 11. Definitions . All capitalized terms not otherwise defined herein are used herein with the respective definitions given them in the Amended Credit Agreement.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to Credit Agreement to be executed as of the date first above written.

COMPANY:

PARK INTERMEDIATE HOLDINGS LLC,
a Delaware limited liability company

By: /s/ Thomas J. Baltimore
Name: Thomas J. Baltimore
Title: President and Chief Executive Officer

PARENT:

PARK HOTELS & RESORTS INC.,
a Delaware corporation

By: /s/ Thomas J. Baltimore
Name: Thomas J. Baltimore
Title: President and Chief Executive Officer

[Signatures Continued on Next Page]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, as an Issuing Bank, as a Swingline Lender and as a Lender

By: /s/ Mark F. Monahan
Name: Mark F. Monahan
Senior Vice President

[Signatures Continued on Next Page]

[Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]

BANK OF AMERICA, N.A.

By: /s/ Suzanne E. Pickett
Name: Suzanne E. Pickett
Title: Senior Vice President

[Signatures Continued on Next Page]

Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC

JPMORGAN CHASE BANK, N.A.

By: /s/ Mohammad Hasan
Name: Mohammad Hasan
Title: Executive Director

Signatures Continued on Next Page

[**Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]**

Citibank , N.A.

By: /s/ Christopher Albano
Name: Christopher Albano
Title: Authorized Signatory

[Signatures Continued on Next Page]

Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC

PNC Bank, National Association

By: /s/ Katie Chowdhry
Name: Katie Chowdhry
Title: Senior Vice President

Signatures Continued on Next Page

[Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]

ROYAL BANK OF CANADA, as a Lender

By: /s/ Brian Gross
Name: Brian Gross
Title: Authorized Signatory

[Signatures Continued on Next Page]

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ Hideo Notsu
Name: Hideo Notsu
Title: Managing Director

[Signatures Continued on Next Page]

[Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]

BARCLAYS BANK PLC

By: /s/ Jake Lam

Name: Jake Lam

Title: Assistant Vice President

[Signatures Continued on Next Page]

Accepted and agreed to as of the date first written above by:

DEUTSCHE BANK AG NEW YORK BRANCH, as lender

By: /s/ Virginia Cosenza
Name: Virginia Cosenza
Title: Vice President

By: /s/ Ming K Chu
Name: Ming K Chu
Title: Director

[Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]

GOLDMAN SACHS BANK USA

By: /s/ Jamie Minieri
Name: Jamie Minieri
Title: Authorized Signatory

[Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]

BBVA USA
(formerly known as COMPASS BANK)

By: /s/ Amber Benoit
Name: Amber Benoit
Title: Vice President

[Signatures Continued on Next Page]

[**Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]**

SUNTRUST BANK

By: /s/ Katie Lundin
Name: Katie Lundin
Title: Director

[Signatures Continued on Next Page]

[**Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]**

THE BANK OF NOVA SCOTIA

By: /s/ Michael Grad
Name: Michael Grad
Title: Director

[Signatures Continued on Next Page]

[**Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]**

Branch Banking and Trust Company

By: /s/ Brad Bowen
Name: Brad Bowen
Title: Senior Vice President

[Signatures Continued on Next Page]

[Signature Page to First Amendment to Credit Agreement with Park Intermediate Holdings LLC]

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Timothy J. Tillman
Name: Timothy J. Tillman
Title: Senior Vice President

[Signatures Continued on Next Page]

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas J. Baltimore, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Park Hotels & Resorts Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended, Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

By: /s/ Thomas J. Baltimore, Jr.

Thomas J. Baltimore, Jr.
Chairman of the Board, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sean M. Dell'Orto, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Park Hotels & Resorts Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended, Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2019

By: /s/ Sean M. Dell'Orto

Sean M. Dell'Orto
Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Park Hotels & Resorts Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas J. Baltimore, Jr., President and Chief Executive Officer of the Company, in my capacity as an officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 1, 2019

By: /s/ Thomas J. Baltimore, Jr.

Thomas J. Baltimore, Jr.
Chairman of the Board, President and
Chief Executive Officer

In accordance with SEC Release NO. 34-47986, this Exhibit is furnished to the SEC as an accompanying document and is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Park Hotels & Resorts Inc. (the "Company") on Form 10-Q for the quarter ending June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean M. Dell'Orto, Executive Vice President, Chief Financial Officer and Treasurer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 1, 2019

By: /s/ Sean M. Dell'Orto

Sean M. Dell'Orto
Executive Vice President,
Chief Financial Officer and Treasurer

In accordance with SEC Release NO. 34-47986, this Exhibit is furnished to the SEC as an accompanying document and is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.