PARK HOTELS & RESORTS

2018 ANNUAL REPORT

2018 Highlights[1]

Operating Results:

Comparable RevPAR Growth
+2.9%

Comparable Hotel Adjusted EBITDA Margin
+60bps

Capital Allocation:

Non-Core Assets Sold
13

Gross Proceeds from Non-Core Asset Sales
$519M

Capital Returned to Stockholders
$900M

Financials:

Adjusted EBITDA
$754M

Net Income
$477M

Net Debt to Adjusted EBITDA
3.7x

Stockholder Returns:

Outperformed Hotel REIT Peers
+1,400bps

Outperformed REIT Index
+400bps

(1) *See Appendix for reconciliations to comparable U.S. GAAP measures presented in this report.*

Dear Stockholders,

WALDORF ASTORIA ORLANDO GOLF CLUB (ORLANDO, FL)

2018: A Transformative Year Sets the Scene for Long-Term Success

2018 was an outstanding year for Park Hotels & Resorts, exceeding many of the strategic goals we outlined 12 months ago, while continuing to deliver sector-leading total returns for our stockholders. We continued to strengthen our top-tier management team to enhance our operational success, adding key leaders and focusing on new ways to partner with Hilton to effectuate change. These initiatives allowed us to transform our portfolio in meaningful ways, driving revenue and improving profitability with a focus on our "grouping up" and margin improvement strategies.

On the capital allocation front, we remain laser-focused on our commitment to being prudent capital allocators while also executing on transactions that seek to improve the quality of the portfolio and generate solid returns for our stockholders. In 2018, we sold 13 non-core assets and recycled a portion of the proceeds into a highly successful stock buyback from affiliates of HNA Tourism Group Co., Ltd., working to reshape the portfolio to match our long-term strategic goals while also greatly enhancing the overall quality of our portfolio. I am pleased to note that our stock buyback was executed at a significant discount to net asset value (NAV) and represented the best use of proceeds given the dislocation in our stock at the time of the transaction. The accretive transaction also helped to transform our investor base and demonstrated our commitment to maximizing stockholder value.

Internally, we continue to foster a culture of inclusiveness and growth. We recognize the importance of engaging and developing our associates, and we introduced several new initiatives in 2018 that are aimed at growing the next generation of leaders. We also focused on proactively developing our corporate responsibility functions to ensure we are a good corporate citizen in today's global environment.

2018 Operational Overview

Our 2018 operational results came in at the high end of our guidance, with comparable RevPAR growing 2.9%, comparable Hotel Adjusted EBITDA margin improving 60 basis points, Net Income of $477 million, and Adjusted EBITDA decreasing only 0.4% to $754 million following the 13 asset sales. Overall, strength came from our favorable group mix as well as strategic contract base business that allowed us to effectively manage both revenues and expenses. Group revenue increased 5.0% for the year, driven by strong performance in San Francisco, Key West and Chicago. Transient revenue was essentially flat for the year, decreasing 0.1%, as modest leisure demand growth of 1.0% partially offset business transient demand choppiness, which decreased 1.8% overall. On the expense front, operational expenses increased 2.5% for the year, as our operating partners effectively managed other expenses to offset wage increases in an increasingly tight labor market.

San Francisco was a standout market for us in 2018, as RevPAR at our two hotels increased 7.8% and margins improved roughly 170 basis points. Our success in San Francisco was driven by proactive asset management strategies that helped maximize the overall mix of business as well as strategic group sales efforts to generate in-house group revenue in what was considered a ramping year for city-wide business following the renovation of the Moscone convention center. At the beginning of 2018, our expected group revenue increase was pacing at roughly 7%. We ended the year with an approximate 16% increase in group revenue, more than double our original pace. As the city prepares for a forecasted 78% increase in convention-related room nights in 2019, our two hotels are well poised to capitalize on this momentum.

Group Revenue

↑5%


CASA MARINA, A WALDORF ASTORIA RESORT (KEY WEST, FL)

32%
Group Mix For Top 25 Hotels

+80bps
Improvement In Group Mix From 2017

Portfolio Transformation: Asset Management

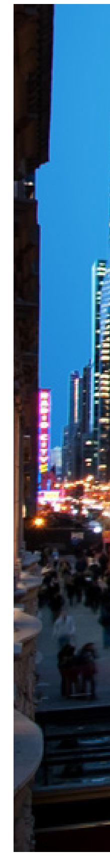
Our grouping up strategy has been an integral component of our success this year. The profile of our core portfolio is heavily skewed toward group-oriented hotels, and our asset management team has been diligently working to maximize group business in our large convention center hotels. Grouping up allows us to essentially shrink the size of the hotel, as more rooms become committed weeks, months or even years in advance for group room blocks. Furthermore, layering in contract business in select markets also shrinks the hotel, which results in fewer rooms that need to be sold on a variable, nightly basis and provides greater revenue management control overall. Over time, our asset management team is working to increase the group mix for our top 25 hotels to 35%, which we believe is the ideal mix for our current portfolio. We made impressive strides toward this goal in 2018. Collectively, our top 25 hotels improved their group mix to 32%, which was an 80-basis-point improvement to 2017.

Our margin improvement story is another central theme of our investment thesis and portfolio transformation. As a relatively new lodging REIT, we have been working to close the margin gap with our peers through effective asset management. These efforts have included revenue strategies, such as the grouping up strategy, as well as revenue management approaches including room type pricing analyses in places like Orlando and San Francisco. On the cost savings front, we have taken a deep dive into existing contracts, combined managerial positions at certain properties and instituted cost-saving best practices across our portfolio. While we still have room for improvement, we are proud to have narrowed the margin gap by roughly 60 basis points in 2018 relative to our peers.

Portfolio Transformation: Asset Sales

In the first half of 2018, we sold 13 non-core assets for total proceeds of $519 million. These represented five separate transactions in five countries on three separate continents, illustrating not only the complexity of the transactions but also the expanse of our original portfolio. We believe these sales increased our focus on our core portfolio and eliminated overhead costs associated with operating in numerous foreign countries, as 10 of the 13 hotels sold were located in international markets. Following the 2018 sales, we reduced our international exposure from roughly 5% of Adjusted EBITDA to just 1%, resulting in a domestic-focused portfolio that helps simplify our investment thesis.

We have continued our portfolio transformation via asset sales into 2019, with one non-core asset sale for approximately $51 million in February. We also have an additional five to eight assets in various stages of the disposition marketing process. As we continue to execute on our asset recycling strategy, we also continue to seek out new acquisition opportunities to grow the portfolio.



Portfolio Transformation: ROI Projects

Reinvesting capital into our core group of hotels is another key component to our portfolio transformation story. Digging deeper into our portfolio, we have identified several strategic opportunities that we believe will activate the real estate, leading to outsized growth and new ways to generate revenue. In 2018, we completed the renovation and "up-branding" of the Fess Parker DoubleTree Resort in Santa Barbara to the Hilton Santa Barbara Beachfront Resort. This change is expected to allow the hotel to better capture higher-rated groups, which will also allow for better revenue management of transient demand. The feedback since the completion of the renovation in mid-2018 has been extremely encouraging, and most importantly, RevPAR for the hotel increased over 25% in the fourth quarter of 2018 as compared to the same period in 2017. As the hotel continues to ramp up and benefit from forward group bookings, we expect the hotel to be a top RevPAR performer in 2019.

We also expect to begin construction on our Bonnet Creek meeting space platform expansion in Orlando in late 2019. This 70,000-square-foot addition is expected to greatly enhance our competitiveness in the market, adding a 35,000-square-foot ballroom and additional meeting rooms to our existing meeting and event space platform of 174,000 square feet. Furthermore, we expect to commence the renovation and conversion of The Reach Resort in Key West to a Curio by Hilton brand, which we expect will better position the resort in relation to its sister property, Casa Marina, a Waldorf Astoria Resort, also in Key West. As we continue to evaluate opportunities across our portfolio, we believe that projects such as these will generate outsized returns and enhance our existing portfolio.

Transformation: Return of Capital

Our 2018 capital recycling efforts and operational success resulted in over $900 million of capital returned to stockholders in the form of dividends and HNA stock repurchase, taking our total return of capital figure to nearly $1.9 billion since the spin off from Hilton a little over two years ago. In addition, based on the overall strength of our business and positive outlook for 2019, I am pleased to report that we recently increased our regular way, quarterly dividend by 4.6% to $0.45 per share.

NEW YORK HILTON MIDTOWN (NEW YORK, NY)

Culture and Engagement

We seek to remain engaged with our associates and work to create a culture of growth and development. In 2018, we launched a leadership development program for identified high performers that will give them the skills to step into larger leadership roles in the near future. We also initiated company-wide management trainings that are open to all corporate associates, as well as departmental "lunch and learns" that give associates the opportunity to educate the broader company on their department's functions. We measure our success by performing annual associate satisfaction surveys, and we also maintain an anonymous hotline so that associates have several outlets to express concerns or suggest changes.

Corporate Responsibility

As we grow and evolve, we are increasingly mindful of the critical role we play in the markets in which we are located as well as the lives of all our employees. We published our 2018 Annual Corporate Responsibility Report in January of 2019, the first of what will be an annual report that measures our impact in our communities. This impact includes our sustainability efforts at our hotels, our focus on diversity throughout our employment ranks and our charitable giving efforts, among others. We strongly believe in transparency of information, and these efforts highlight our commitment to this task. We also recently approved corporate governance enhancements that allow for proxy access and a majority voting standard in director elections. We are committed to being a good corporate citizen for all our stakeholders, both internal and external, and seek to stay engaged in issues that are of increasing importance to all stakeholders in a global economy.

2019: Continued Momentum

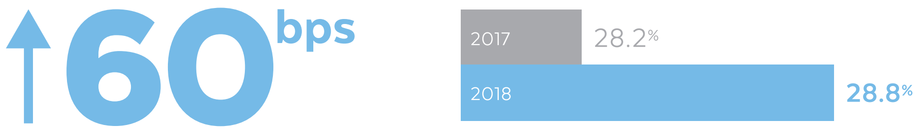
As we look ahead to 2019, I am optimistic on the fundamentals of our business and remain confident in our ability to continue achieving our objectives. While there is heightened concern about slower economic growth and ongoing cost pressures, we believe Park is well positioned relative to our peers given our attractive geographic footprint with below average supply growth, coupled with our proactive approach to grouping up the portfolio. We are also excited to welcome back the iconic Caribe Hilton hotel in Puerto Rico to our operations in mid-2019. Following extensive damage from Hurricane Maria in 2017, the hotel has been renovated and reimagined and will welcome guests in mid-2019, just in time for its 70th anniversary.

In closing, we are pleased with our success in 2018, and we are laser-focused on continuing to deliver meaningful returns and stockholder value going forward. We'd like to sincerely thank you for your support over the last year. We look forward to a great year in 2019.

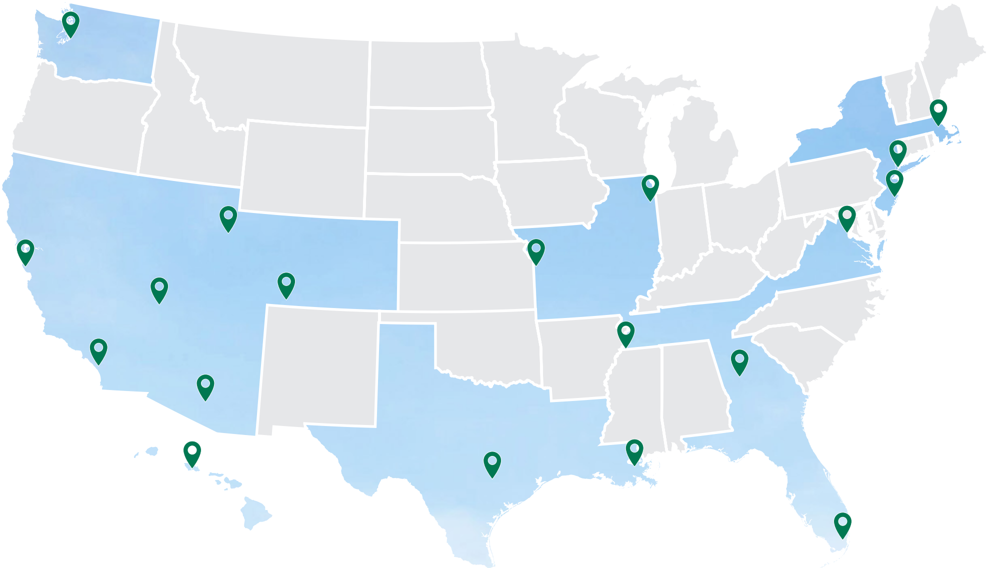
Thomas J. Baltimore, Jr.
Chairman, President and CEO
Park Hotels & Resorts Inc.

Comparable RevPAR

Comparable Hotel Adjusted EBITDA Margin

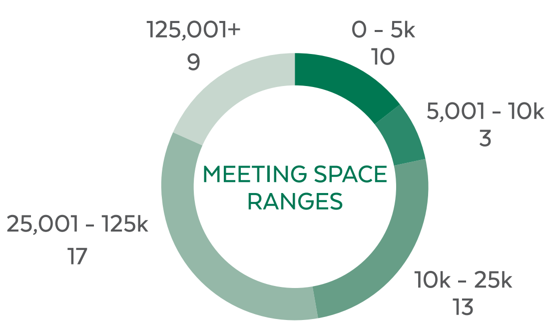


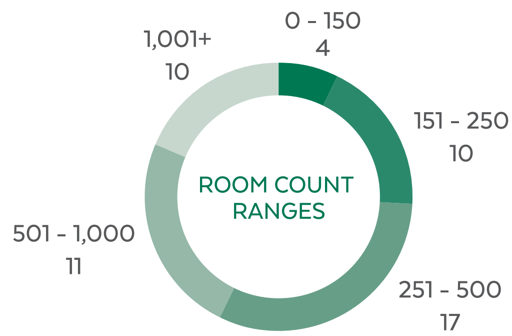
Portfolio Group Segmentation



LOCATION & HOTEL COUNT

FLORIDA	7	HAWAII	2	NEVADA	1
NO. CALIFORNIA	6	LOUISIANA	2	NEW YORK	1
SO. CALIFORNIA	6	ARIZONA	1	TENNESSEE	1
D.C./VIRGINIA	5	COLORADO	1	TEXAS	1
ILLINOIS	3	GEORGIA	1	UTAH	1
NEW JERSEY	3	KANSAS/MISSOURI	1	PUERTO RICO & INTERNATIONAL	5
WASHINGTON	3	MASSACHUSETTS	1		





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Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

(unaudited, in millions)

	Year Ended December 31, 2018
Net income	$ 477
Depreciation and amortization expense	277
Interest income	(6)
Interest expense	127
Income tax (benefit) expense	23
Interest expense, income tax and depreciation and amortization included in equity in earnings from investments in affiliates	26
EBITDA	924
Gain on sales of assets, net	(96)
Gain on sale of investments in affiliates(1)	(107)
Loss on foreign currency transactions	3
Transition expense	3
Transaction expense	2
Severance expense	2
Share-based compensation expense	16
Casualty (gain) loss and impairment loss, net	(1)
Other items	8
Adjusted EBITDA	$ 754

(1) Included in other (loss) gain, net in the consolidated statement of operations.

Comparable Hotel Adjusted EBITDA

(unaudited, in millions)

	Year Ended December 31, 2018
Adjusted EBITDA	$ 754
Less: Adjusted EBITDA from investments in affiliates	45
Less: All other(1)	(52)
Hotel Adjusted EBITDA	761
Less: Adjusted EBITDA from hotels disposed of	1
Less: Adjusted EBITDA from non-comparable hotels	44
Comparable Hotel Adjusted EBITDA	$ 716

(1) Includes other revenues and other expenses, non-income taxes on REIT leases included in other property-level expenses and corporate general and administrative expenses in the consolidated statement of operations.

	December 31, 2018
Total Revenues	$ 2,737
Less: Other revenue	72
Less: Revenues from hotels disposed of	17
Less: Revenues from non-comparable hotels(1)	161
Comparable Hotel Revenues	$ 2,487

(1) Includes revenues from Park's non-comparable hotels and rental revenues from office space and antenna rent leases located at our hotels.

Non-GAAP Financial Measures (continued)

Comparable Hotel Adjusted EBITDA Margin

(unaudited, in millions)

	Year Ended December 31, 2018
Comparable Hotel Revenues	$2,487
Comparable Hotel Adjusted EBITDA	$ 716
Comparable Hotel Adjusted EBITDA margin	28.8%

Net Debt and Net Debt to Adjusted EBITDA Ratio

(unaudited, in millions)

	December 31, 2018
Debt	$2,948
Add: unamortized deferred financing costs	10
Long-term debt, including current maturities and excluding unamortized deferred financing costs	2,958
Add: Park's share of unconsolidated affiliates debt, excluding unamortized deferred financing costs	233
Less: cash and cash equivalents	410
Less: restricted cash	15
Net debt	$2,766
Adjusted EBITDA	$ 754
Net debt to Adjusted EBITDA ratio	3.7x

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

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 No.)
1775 Tysons Boulevard, 7th Floor, Tysons, VA	**22102**
(Address of principal executive offices)	(Zip Code)

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

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

(Title of Class)	(Name of each exchange on which registered)
Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition 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	☐	Small 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 ☒

As of June 30, 2018, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $6,138 million (based upon the closing sale price of the common stock on that date on the New York Stock Exchange).

The number of shares of common stock outstanding on February 25, 2019 was 201,545,253.

Documents incorporated by reference: The information called for by Part III will be incorporated by reference from the registrant's definitive Proxy Statement for the 2018 Annual Meeting of Stockholders to be filed pursuant to Regulation 14A.

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Forward-Looking Statements

This Annual Report on Form 10-K 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 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. 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 this Annual Report on Form 10-K. 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.

The risk factors discussed in Item 1A: "Risk Factors" could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business. Any such risks could cause our results to differ materially from those expressed in forward-looking statements.

Definitions

Except where the context suggests otherwise, we define certain terms in this Annual Report on Form 10-K as follows:

- "Adjusted EBITDA" means EBITDA (as defined below) further adjusted to exclude: (i) gains or losses on sales of assets for both consolidated and unconsolidated investments; (ii) gains or losses on foreign currency transactions; (iii) transition expense related to our establishment as an independent, publicly traded company; (iv) transaction costs associated with hotel acquisition or disposition costs expensed during the period; (v) severance expense; (vi) share-based compensation expense; (vii) casualty and impairment losses; and (viii) other items that we believe are not representative of our current or future operating performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for information regarding our use of Adjusted EBITDA, which is a non-GAAP financial measure.

- "Adjusted FFO attributable to stockholders" means NAREIT FFO attributable to stockholders (as defined below) as further adjusted to exclude: (i) gains or losses on foreign currency transactions; (ii) transition expense related to our establishment as an independent, publicly traded company; (iii) transaction costs associated with hotel acquisition or disposition costs expensed during the period; (iv) severance expense; (v) share-based compensation expense; (vi) casualty losses, (vii) litigation gains and losses outside the ordinary course of business; and (viii) other items that we believe are not representative of our current or future operating performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for information regarding our use of Adjusted FFO attributable to stockholders, which is a non-GAAP financial measure.

- "ADR" or "average daily rate" represents rooms revenue divided by total number of room nights sold in a given period.

- "comparable hotels" represent those hotels 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.

- "EBITDA" 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for information regarding our use of EBITDA, which is a non-GAAP financial measure.

- "HGV" refers to Hilton Grand Vacations Inc. and its consolidated subsidiaries, and references to "HGV Parent" refers only to Hilton Grand Vacations Inc., exclusive of its subsidiaries.

- "Hilton" refers to Hilton Worldwide Holdings Inc. and its consolidated subsidiaries, and references to "Hilton Parent" refers only to Hilton Worldwide Holdings Inc., exclusive of its subsidiaries.

- "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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for information regarding our use of Hotel Adjusted EBITDA, which is a non-GAAP financial measure.

- a “luxury” hotel refers to a luxury hotel as defined by Smith Travel Research (“STR”).
- “NAREIT FFO attributable to stockholders” means net income (loss) attributable to stockholders (calculated in accordance with U.S. generally accepted accounting principles (“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 funds from operations (“FFO”) of those entities on the same basis. We calculate NAREIT FFO attributable to stockholders for a given operating period in accordance with the guidelines of the National Association of Real Estate Investment Trusts (“NAREIT”). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures” for information regarding our use of NAREIT FFO attributable to stockholders, which is a non-GAAP financial measure.
- “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.
- “Park Hotels & Resorts,” “we,” “our,” “us” and the “Company” refer to Park Hotels & Resorts Inc. and its consolidated subsidiaries, and references to “Park Parent” refers only to Park Hotels & Resorts Inc., exclusive of its subsidiaries.
- “RevPAR” or “revenue per available room” represents rooms revenue divided by the total number of room nights available to guests for a given period.
- “Select Hotels” means the hotels that are managed by us rather than a third-party hotel management company, consisting of the following four hotels: the Hilton Garden Inn LAX/El Segundo in Los Angeles, California; the Hampton Inn & Suites Memphis—Shady Grove in Memphis, Tennessee, the Hilton Suites Chicago/Oak Brook in Chicago, Illinois and the Hilton Garden Inn Chicago/Oak Brook in Chicago, Illinois.
- “TRS” refers to a taxable REIT subsidiary under the Internal Revenue Code of 1986, as amended (the “Code”), and includes any subsidiaries or other, lower-tier entities of that taxable REIT subsidiary.
- an “upper midscale” hotel refers to an upper midscale hotel as defined by STR.
- an “upper upscale” hotel refers to an upper upscale hotel as defined by STR.
- an “upscale” hotel refers to an upscale hotel as defined by STR.

PART I

ITEM 1. BUSINESS

Our Company

We are a leading lodging real estate company with a diverse portfolio of market-leading hotels and resorts with significant underlying real estate value. As of February 28, 2019, our portfolio consists of 52 premium-branded hotels and resorts with over 30,000 rooms, primarily located in prime United States ("U.S.") markets with high barriers to entry. Over 85% of our rooms are luxury and upper upscale and over 97% are located in the U.S. We are 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.

We were originally formed as a Delaware corporation in 1946 and existed as a part of one of Hilton's business segments. On January 3, 2017, Hilton Parent completed the spin-off that resulted in our establishment as an independent, publicly traded company. The spin-off transaction, which was effected through a pro rata distribution of Park Parent stock to existing Hilton Parent stockholders, was intended to be tax-free to both Hilton and Hilton's stockholders. As a result of the spin-off, each holder of Hilton Parent common stock on the record date of December 15, 2016 received one share of our common stock for every five shares of Hilton Parent common stock owned.

We are a real estate investment trust ("REIT") for U.S. federal income tax purposes and we expect to continue to be organized and operate so as to continue to qualify as a REIT.

Park Intermediate Holdings LLC (our "Operating Company"), directly or indirectly, holds all of our assets and conducts all of our operations. Park Parent owns 100% of the interests in our Operating Company.

Our Business and Growth Strategies

Our objective is to be the preeminent lodging 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. We intend to pursue this objective through the following strategies:

- *Maximizing Hotel Profitability through Active Asset Management.* We are focused on continually improving the operating performance and profitability of each of our hotels and resorts through our proactive asset management efforts. We will continue to identify revenue-enhancement opportunities and drive cost efficiencies to maximize the operating performance, cash flow and value of each property. As a pure-play lodging real estate company with significant financial resources and an extensive portfolio of large, multi-use assets, including 9 hotels with 125,000 square feet of meeting space or more, we believe our ability to implement compelling return on investment initiatives represents a significant embedded growth opportunity. These may include the expansion of meeting platforms in convention and resort markets; the upgrade or redevelopment of existing amenities, including retail platforms, food and beverage outlets, pools and other facilities; the development of vacant land into income-generating uses, including retail or mixed-use properties; or the redevelopment or optimization of underutilized spaces. We also may create value through repositioning select hotels across brands or chain scale segments and exploring adaptive reuse opportunities to ensure our assets achieve their highest and best use. Finally, we are focused on maintaining the competitive strength of our properties and adapting to evolving customer preferences by renovating properties to provide updated guestroom design, open and activated lobby areas, food and beverage and public spaces, and modernized meeting space.
- *Pursuing Growth and Diversification through Prudent Capital Allocation.* We intend to leverage our scale, liquidity and mergers and acquisitions expertise to create value throughout all phases of the lodging cycle through opportunistic acquisitions, dispositions and/or corporate transactions, which we believe will enable us to further diversify our portfolio. For example, during 2018, we sold 13 hotels located in lower growth domestic and non-core international markets for a combined sales price of $519 million. A portion of the proceeds from these sales were used to repurchase 14,000,000 shares of our common stock for $348 million and declare a special cash dividend of $0.45 per share or approximately $90 million. We will continue to opportunistically seek to expand our presence in target markets and further diversify over time, including by acquiring hotels that are affiliated with other leading hotel brands and operators.

- *Maintaining a Strong and Flexible Balance Sheet.* We intend to maintain a strong and flexible balance sheet with continued focus on optimizing our cost of capital by targeting modest leverage levels, which we seek to maintain between three- to five-times net debt (calculated as our long-term debt and our share of investments in affiliates' debt, both excluding deferred financing costs, reduced by both our cash and cash equivalents and our restricted cash) to Adjusted EBITDA throughout the lodging cycle. We will also focus on maintaining sufficient liquidity with minimal short-term maturities and intend to have a mix of debt that will provide us with the flexibility to prepay when desired, dispose of assets, pursue our value enhancement strategies within our existing portfolio, and support acquisition activity. Additionally, we expect to reduce our level of secured debt over time, which will provide additional balance sheet flexibility. Our senior management team has extensive experience managing capital structures over multiple lodging cycles and has extensive and long-standing relationships with numerous lending institutions and financial advisors to address our capital needs.

Our Properties

The following tables provide summary information regarding our portfolio as of February 28, 2019.

Brand Affiliations and Chain Scale

We own and lease hotels and resorts primarily in the upper upscale chain scale segment. The following table sets forth our portfolio by brand affiliations and chain scale segment:

Brand	Chain Scale	Number of Properties	Total Rooms
Conrad Hotels & Resorts	Luxury	1	192
DoubleTree by Hilton	Upscale	9	3,733
Embassy Suites by Hilton	Upper Upscale	7	1,727
Hampton by Hilton	Upper Midscale	1	130
Hilton Hotels & Resorts	Upper Upscale	28	23,400
Hilton Garden Inn	Upscale	2	290
Curio - A Collection by Hilton	Upper Upscale	1	224
Waldorf Astoria Hotels & Resorts	Luxury	3	963
Total		**52**	**30,659**

Type of Property Interest

The following table sets forth our properties according to the nature of our real estate interest:

Types of Interest	Number of Properties	Total Rooms
Consolidated Portfolio		
Fee Simple(1)	30	20,961
Ground Lease	14	5,209
	44	26,170
Unconsolidated Joint Ventures(2)		
Fee Simple	5	2,644
Ground Lease	3	1,845
	8	4,489
Total	**52**	**30,659**

(1) *Includes certain properties that, while primarily owned fee simple, are subject to ground lease in respect of certain portions of land or facilities. Refer to "—Ground Leases," Item 2: "Properties," and Note 9: "Leases" in our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.*

(2) *Eight of our hotels are owned by unconsolidated joint ventures in which we hold an interest. Refer to Item 2: "Properties" for the percentage ownership in such unconsolidated joint ventures.*

Hotel Laundry Operations

We own and operate three commercial laundry facilities located in Piscataway, New Jersey, Portage, Indiana, and Portland, Oregon that service approximately 50 hotels, including six of our owned hotels, and employ more than 200 full-time employees. Revenue from our hotel laundry operations accounted for less than half a percent of our consolidated revenue in each of the years ended December 31, 2018, 2017 and 2016.

Sustainability

We incorporate sustainability into our investment and asset management strategies, with a focus on minimizing environmental impact. During the acquisition of new properties, we will assess both sustainability opportunities and climate change-related risks as part of our due diligence process. During the ownership of our properties, we seek to invest in proven sustainability practices in our redevelopment projects that can enhance asset value, while also improving environmental performance. In such projects, we target specific environmental efficiency enhancements, equipment upgrades and replacements that reduce energy and water consumption and offer appropriate returns on investment. As part of our asset management strategy, we also work with Hilton Parent to monitor environmental performance and support implementation of operational best practices. We are committed to being a responsible corporate citizen and minimizing our impact on the environment. Our approach to corporate citizenship is reinforced by periodic engagement with key stakeholders to understand their corporate responsibility priorities. In addition, we have published our 2018 Annual Corporate Responsibility Report on our website, which discloses our environmental and social programs and performance.

Our Principal Agreements

In order for us to continue to qualify as a REIT, independent third parties must operate our hotels. Except for the Select Hotels, we lease substantially all of our hotels to our TRS lessees, which, in turn have engaged third parties to operate these hotels pursuant to management agreements. We operate the Select Hotels pursuant to franchise agreements with Hilton. We may, in the future, re-flag existing properties, acquire properties that operate under other brands and/or engage other third-party hotel managers and franchisors.

Below is a general overview of our management and franchise agreements.

Management Agreements

Our hotel managers, each of which is an affiliate of Hilton, control the day-to-day operations of our hotels that are subject to a management agreement. We have consultative and specified approval rights with respect to certain actions of our hotel managers, including entering into long-term or high value contracts, engaging in certain actions relating to legal proceedings, approving the operating budget, making certain capital expenditures and the hiring of certain management personnel.

As in our franchise agreements described below, we receive a variety of services and benefits under our management agreements with our hotel managers, including the benefit of the name, marks and system of operation of the brand, as well as centralized reservation systems, participation in customer loyalty programs, national advertising, marketing programs and publicity designed to increase brand awareness, as well as training of personnel and payroll and accounting services.

Term

Our management agreements have terms ranging from 20 to 30 years and most allow for one or more renewal periods at the option of our hotel managers. Assuming all renewal periods are exercised by our hotel managers, the total term of our management agreements range between 30 and 70 years.

Fees

Our management agreements generally contain a two-tiered fee structure, where our hotel managers receive a base management fee and an incentive management fee. The base management fee, for the majority of our hotels, is 3% of gross hotel revenues or receipts. The incentive management fee is generally 6% of a specified measure of hotel earnings calculated in accordance with the management agreement. We also pay certain service fees to our hotel managers and generally reimburse our hotel managers for salaries and wages of its employees at our U.S. hotels, as well as for certain other expenses incurred in connection with the operation of the hotel.

Termination Events

Subject to certain qualifications, notice requirements and applicable cure periods, the management agreements generally are terminable by either party upon a material casualty or condemnation of the hotel or the occurrence of certain customary events of default, including, among others: the bankruptcy or insolvency of either party; the failure of either party to make a payment when due, and failure to cure such non-payment after late payment notice; or breach by either party of covenants or obligations under the management agreement.

Additionally, our hotel managers generally have the right to terminate the management agreement in certain situations, including the occurrence of certain actions with respect to a mortgage or our failing to complete or commence required repair after damage or destruction to the hotel, or our failure to meet minimum brand standards. For certain properties, our management agreements also allow early termination, subject to entering into a franchise agreement with an affiliated brand. If our hotel managers terminate due to our default, our hotel managers may exercise all of their rights and remedies at law or in equity.

Sale of a Hotel

Our management agreements generally provide that we cannot sell a hotel to a person who (i) does not have sufficient financial resources, (ii) is of bad moral character, (iii) is a competitor of our hotel managers or (iv) is a specially designated national or blocked person, as set forth in the applicable management agreement. It is generally an event of default if we proceed with a sale or an assignment of the hotel's management agreement to such a transferee, without receiving consent from our hotel managers.

Franchise Agreements

In connection with the spin-off, we entered into franchise agreements with a franchisor pursuant to which we operate the Select Hotels. Pursuant to the franchise agreements, we were granted a limited, non-exclusive license to use our franchisor's brand names, marks and system in the operation of the Select Hotels. The franchisor also may provide us with a variety of services and benefits, including centralized reservation systems, participation in customer loyalty programs, national advertising, marketing programs and publicity designed to increase brand awareness, as well as training of personnel. In return, we are required to operate franchised hotels consistent with the applicable brand standards. The franchise agreements specify operational, record-keeping, accounting, reporting and marketing standards and procedures with which we must comply, and will promote consistency across the brand by outlining standards for guest services, products, signage and furniture, fixtures and equipment, among other things. To monitor our compliance, the franchise agreements specify that we must make the hotel available for quality inspections by the franchisor. Currently, all of our franchise agreements are with Hilton.

Term

Our franchise agreements contain an initial term of 20 years and cannot be extended without the franchisor's consent.

Fees

Our franchise agreements require that we pay a royalty fee on gross rooms revenue at rates ranging from 5% to 6%, plus 3% of food and beverage revenue where applicable. We must also pay certain marketing, reservation, program and other customary fees. In addition, the franchisor will have the right to require that we renovate guest rooms and public facilities from time to time to comply with then-current brand standards.

Termination Events

Our franchise agreements provide for termination at the franchisor's option upon the occurrence of certain events, including, among others: the failure to maintain brand standards; the failure to pay royalties and fees or to perform other obligations under the franchise license; bankruptcy; and abandonment of the franchise or a change of control, and in the event of such termination, we are required to pay liquidated damages.

Spin-Off Related Agreements

Distribution Agreement

We entered into a distribution agreement ("Distribution Agreement") with Hilton Parent regarding the principal actions taken or to be taken in connection with the spin-off. The Distribution Agreement provided for certain transfers of assets and assumptions of liabilities by us and Hilton Parent and the settlement or extinguishment of certain liabilities and other obligations among Hilton Parent and us. In particular, the Distribution Agreement provided that, subject to the terms and conditions contained in the Distribution Agreement:

- all of the assets and liabilities (including whether accrued, contingent or otherwise, and subject to certain exceptions) associated with the separated real estate business were retained by or transferred to us;
- all of the assets and liabilities (including whether accrued, contingent or otherwise, and subject to certain exceptions) associated with the timeshare business were retained by or transferred to HGV Parent or its subsidiaries;
- all other assets and liabilities (including whether accrued, contingent or otherwise, and subject to certain exceptions) of Hilton were retained by or transferred to Hilton Parent or its subsidiaries;
- liabilities (including whether accrued, contingent or otherwise) related to, arising out of or resulting from businesses of Hilton that were previously terminated or divested were allocated among the parties to the extent formerly owned or managed by or associated with such parties or their respective businesses;
- each of Park Parent and HGV Parent assumed or retained any liabilities (including under applicable U.S. federal and state securities laws) relating to, arising out of or resulting from the Form 10 registering its common stock to be distributed by Hilton Parent in the spin-off and from any disclosure documents that offered for sale securities in transactions related to the spin-off, subject to exceptions for certain information for which Hilton Parent retained liability; and

- except as otherwise provided in the Distribution Agreement or any ancillary agreement, we retained responsibility for any costs or expenses incurred by us following the distribution in connection with the transactions contemplated by the Distribution Agreement, including costs and expenses relating to legal counsel, financial advisors and accounting advisory work related to the distribution.

In addition, notwithstanding the allocation described above, we, HGV and Hilton have agreed that losses related to certain contingent liabilities (and related costs and expenses), which generally are not specifically attributable to any of the separated real estate business, the timeshare business or the retained business of Hilton ("Shared Contingent Liabilities"), will be apportioned among the parties according to fixed percentages of 65%, 26% and 9% for each of Hilton, us and HGV, respectively. Examples of Shared Contingent Liabilities may include uninsured losses arising from actions (including derivative actions) against current or former directors or officers of Hilton or its subsidiaries in respect of acts or omissions occurring prior to the distribution date, or against current or former directors or officers of any of Hilton, HGV or us, or any of their or our respective subsidiaries, arising out of, in connection with, or otherwise relating to, the spin-offs and the distribution, subject to certain exceptions described in the Distribution Agreement. In addition, costs and expenses of, and indemnification obligations to, third party professional advisors arising out of the foregoing actions may also be subject to these provisions. Subject to certain limitations and exceptions, Hilton shall generally be vested with the exclusive management and control of all matters pertaining to any such Shared Contingent Liabilities, including the prosecution of any claim and the conduct of any defense.

The Distribution Agreement also provides for cross-indemnities that, except as otherwise provided in the Distribution Agreement, are principally designed to place financial responsibility for the obligations and liabilities of each business with the appropriate company.

Employee Matters Agreement

We entered into an employee matters agreement ("Employee Matters Agreement") with Hilton Parent that governs the respective rights, responsibilities and obligations of Hilton Parent after the spin-off with respect to transferred employees, defined benefit pension plans, defined contribution plans, non-qualified retirement plans, employee health and welfare benefit plans, incentive plans, equity-based awards, collective bargaining agreements and other employment, compensation and benefits-related matters. The Employee Matters Agreement provides for, among other things, the allocation and treatment of assets and liabilities arising out of incentive plans, retirement plans and employee health and welfare benefit plans in which our employees participated prior to the spin-off, and continued participation by our employees in certain of Hilton's compensation and benefit plans for a specified period of time following the spin-off. Generally, other than with respect to certain specified compensation and benefit plans and liabilities, we assumed or retained sponsorship of, and the liabilities relating to, compensation and benefit plans and employee-related liabilities relating to our current and former employees. The Employee Matters Agreement also provided that outstanding Hilton equity-based awards be equitably adjusted or converted into Park Parent awards, in connection with the spin-off. The number of shares subject to such converted awards were calculated based on adjustments to Hilton Parent equity-based awards using an applicable conversion ratio of approximately 1:1 and assumed a majority of the performance-vesting awards vest at target performance levels. Following the spin-off, our employees no longer actively participated in Hilton's benefit plans or programs (other than on a transition basis under the Employee Matters Agreement), and we have established plans or programs for our employees as described in the Employee Matters Agreement. Effective as of January 1, 2018, the Company implemented separate benefit plans for our employees. We have also established or maintained plans and programs outside of the United States as may be required under applicable law or pursuant to the Employee Matters Agreement.

Tax Matters Agreement

We entered into a tax matters agreement ("Tax Matters Agreement") with Hilton Parent, HGV Parent and Hilton Domestic Operating Company that governs the respective rights, responsibilities and obligations of us, Hilton Parent and HGV Parent after the spin-off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. Although binding between the parties, the Tax Matters Agreement is not binding on the IRS. We and HGV Parent have joint and several liability with Hilton Parent to the IRS for the consolidated U.S. federal income taxes of the Hilton consolidated group relating to the taxable periods in which we were part of that group. The Tax Matters Agreement specifies the portion, if any, of this tax liability for which we bear responsibility, and each party has agreed to indemnify the other against any amounts for which they are not responsible. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the spin-off is not tax-free. In general, under the Tax Matters Agreement, each party is responsible for any taxes imposed on Hilton that arise from the failure of the spin-off and certain related transactions to qualify as a tax-free transaction for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, as applicable, and certain other relevant provisions of the Code, to the extent that the failure to qualify is attributable to actions taken by such party (or with respect to such party's stock). The parties share responsibility in accordance with sharing percentages for any such taxes imposed on Hilton that are not attributable to actions taken by a particular party.

The Tax Matters Agreement also provided for certain covenants (now expired) that restricted our ability to pursue strategic or other transactions that otherwise could maximize the value of our business, including, for the two year post spin-off period that ended on January 4, 2019:

- engaging in any transaction involving the acquisition of shares of Park Parent stock or in certain issuances of shares of Park Parent stock (other than with respect to the distribution of our estimated share of C corporation earnings and profits attributable to the period prior to spin-off ("E&P Dividend");

- merging or consolidating with any other person or dissolving or liquidating in whole or in part;
- selling or otherwise disposing of, or allowing the sale or other disposition of, more than 35% of our consolidated gross or net assets; or
- repurchasing our shares, except in certain circumstances.

Transition Services Agreement

We entered into a transition services agreement ("TSA") with Hilton Parent to provide us with certain services for a limited time to help ensure an orderly transition following the distribution.

The services that Hilton provided include certain finance, information technology, human resources and compensation, facilities, legal and compliance and other services. We paid Hilton Parent for such services utilized at agreed amounts as set forth in the TSA. In addition, for a term set forth in the TSA, we and Hilton Parent may mutually agree on additional services to be provided by Hilton to us that were provided to us by Hilton prior to the distribution but were omitted from the TSA at pricing based on market rates that are reasonably agreed by the parties.

The majority of the services provided pursuant to the TSA were terminated effective January 1, 2018 and the TSA expired on December 31, 2018.

Stockholders and Registration Rights Agreements

On October 24, 2016, Hilton Parent, The Blackstone Group L.P. and its affiliates ("Blackstone") and HNA Tourism Group Company Limited ("HNA") announced that affiliates of Blackstone agreed to sell 247,500,000 shares of common stock of Hilton Parent to HNA, representing approximately 25% of the outstanding shares of common stock of Hilton Parent, pursuant to a stock purchase agreement between HNA and Blackstone ("Sale"). Pursuant to that stock purchase agreement, as the Sale closed after the record date of the spin-off, the Sale also included the shares of common stock of HGV Parent and Park Parent received by Blackstone with respect to the shares of common stock of the Hilton Parent being sold to HNA. The Sale closed on March 15, 2017, resulting in HNA acquiring 53,651,453 shares of Park Parent's common stock at approximately $25.45 per share. In connection with the Sale, we entered into a stockholders' agreement and a registration rights agreement with HNA. On March 5, 2018, certain selling stockholders affiliated with HNA (the "Selling Stockholders") granted us a right to repurchase up to 15,750,000 shares of our common stock held by the Selling Stockholders concurrently with a secondary offering of shares of our common stock by the Selling Stockholders. In March 2018, we exercised our right to repurchase 14,000,000 shares of our common stock, and the Selling Stockholders sold all other shares of our common stock held by them. The repurchase and the offering each closed on March 9, 2018. Accordingly, we do not have any further rights to repurchase shares of our common stock from the Selling Stockholder. All 14,000,000 shares repurchased from the Selling Stockholders were retired.

The stockholders and registration rights agreement terminated as a result of the sales of our common stock held by the Selling Stockholders.

Ground Leases

The following table summarizes the remaining primary term, renewal rights and purchase rights as of February 28, 2019, associated with land underlying our hotels and meeting facilities that we lease from third parties:

Property	Rooms	Current Lease Term Expiration	Renewal Rights / Purchase Rights
Leases of U.S. Properties (Excluding Properties Leased by Joint Ventures)			
Hilton Boston Logan Airport	599	September 30, 2044	2 x 20 years
Hilton Orlando Lake Buena Vista	814	January 31, 2034	1 x 25 years
Hilton Seattle Airport & Conference Center	396	December 31, 2046	Purchase Rights(1) Renewal Rights 2 x 10 years; 1 x 5 years
Hilton Oakland Airport	360	January 19, 2034	None
Embassy Suites Kansas City Plaza	266	January 30, 2026	Renewal Rights(2) 2 x 25 years
Portfolio of Five Hotels(3)	2,053	December 31, 2025	2 x 5 years(4)
Embassy Suites Phoenix Airport	182	November 30, 2021	1 x 10 years
Embassy Suites Austin Downtown Town Lake	259	February 28, 2029	1 x 10 years(5)

Property	Rooms	Current Lease Term Expiration	Renewal Rights / Purchase Rights
Leases of Non-U.S. Properties			
Hilton Nuremberg Hotel	152	July 31, 2068	Purchase Rights; Renewal Rights 2 x 25 years
Hilton Sheffield Hotel	128	September 14, 2022	None
Leases of U.S. Properties by Joint Ventures			
Hilton La Jolla Torrey Pines[(6)]	394	June 30, 2067	1 x 10 years; 1 x 20 years[(7)]
Embassy Suites Secaucus Meadowlands	261	October 31, 2021	1 x 10 years
Hilton San Diego Bayfront	1,190	December 31, 2071	None

(1) Tenant has a right of first offer with respect to the property.

(2) Landlord has the option to renew the lease.

(3) Reflects the terms of a master lease agreement pursuant to which we lease the following five hotels: the Hilton Salt Lake City Center; the DoubleTree Hotel Seattle Airport; the DoubleTree Hotel San Diego—Mission Valley; the DoubleTree Hotel Sonoma Wine Country; and the DoubleTree Hotel Durango.

(4) The renewal option may be exercised for less than all 5 of the hotels. Minimum rent is reduced if the renewal option is exercised for less than all of the 5 hotels.

(5) The term of this renewal option exceeds the expiration of the underlying master ground lease in 2031. No extension rights are available, and it is unlikely that the landlord under the master ground lease will grant a term past 2031.

(6) The lease is held by CHH Torrey Pines Hotel Partners, LP, which is wholly owned by joint venture entity, Ashford HHC Partners III LP.

(7) Renewal rights are dependent on the amount of capital expenditures invested in the hotel during the term.

We (or certain joint ventures in which we own an interest) are also party to certain leases for facilities related to certain hotels owned by us (or such joint ventures).

Competition

The lodging industry is highly competitive. Our hotels compete with other hotels for guests on the basis of several factors, including the attractiveness of the facility, location, level of service, quality of accommodations, amenities, food and beverage options and outlets, public and meeting spaces and other guest services, consistency of service, room rate, brand reputation and the ability to earn and redeem loyalty program points through a global system. Competition is often specific to the individual markets in which our hotels are located and includes competition from existing and new hotels operated under brands primarily in the upper upscale chain scale segments. Increased competition could have a material adverse effect on the occupancy rate, average daily room rate and RevPAR of our hotels or may require us to make capital improvements that we otherwise would not have to make, which may result in decreases in our profitability. We believe our hotels enjoy certain competitive advantages as a result of being flagged with globally recognized brands, including access to centralized reservation systems and national advertising, marketing and promotional services, strong hotel management expertise and guest loyalty programs.

Our principal competitors include hotel operating companies, ownership companies (including other lodging REITs) and national and international hotel brands. We face increased competition from providers of less expensive accommodations, such as select-service hotels or independently managed hotels, during periods of economic downturn when leisure and business travelers become more sensitive to room rates. We face competition for the acquisition of hotels from other REITs, private equity investors, institutional pension funds, sovereign wealth funds and numerous local, regional and national owners, including franchisors, in each of our markets. Some of these entities may have substantially greater financial resources than we do and may be able and willing to accept more risk than we believe we can prudently manage. During the recovery phase of the lodging cycle, competition among potential buyers may increase the bargaining power of potential sellers, which may reduce the number of suitable investment opportunities available to us or increase pricing. Similarly, during times when we seek to sell hotels, competition from other sellers may increase the bargaining power of the potential property buyers.

Seasonality

The lodging industry is seasonal in nature, which can be expected to cause fluctuations in our hotel rooms revenues, occupancy levels, room rates, operating expenses and cash flows. The periods during which our hotels experience higher or lower levels of demand vary from property to property, depending principally upon location, type of property and competitive mix within the specific location.

Cyclicality

The lodging industry is cyclical and demand generally follows, on a lagged basis, key macroeconomic indicators. There is a history of increases and decreases in demand for hotel rooms, in occupancy levels and in room rates realized by owners of hotels through economic cycles. Variability of results through some of the cycles in the past has been more severe due to changes in the supply of hotel rooms in given markets or in given segments of hotels. The combination of changes in economic conditions and in the supply of hotel rooms can result in significant volatility in results for owners of hotel properties. As a result, in a negative economic environment the rate of decline in earnings can be higher than the rate of decline in revenues.

Government Regulations

Our business is subject to various foreign and U.S. federal and state laws and regulations. In particular, we are subject to the Americans with Disabilities Act ("ADA") and similar legislation in certain jurisdictions outside of the U.S. Under the ADA, all public accommodations are required to meet certain U.S. federal requirements related to access and use by disabled persons. These regulations apply to accommodations first occupied after January 26, 1993. Public accommodations built before January 26, 1993 are required to remove architectural barriers to disabled access where such removal is "readily achievable." The regulations also mandate certain operational requirements that hotel operators must observe. The failure of a property to comply with the ADA could result in injunctive relief, fines, an award of damages to private litigants or mandated capital expenditures to remedy such noncompliance. Any imposition of injunctive relief, fines, damage awards or capital expenditures could result in reputational harm or otherwise materially and negatively affect our performance and results of operations.

In addition, a number of states regulate the activities of hospitality properties and restaurants, including safety and health standards, as well as the sale of liquor at such properties, by requiring licensing, registration, disclosure statements and compliance with specific standards of conduct. As an operator of the Select Hotels we are also subject to laws governing our relationship with employees, including minimum wage requirements, overtime, working conditions and work permit requirements. Compliance with, or changes in, these laws could reduce the revenue and profitability of our properties and could otherwise adversely affect our operations.

As a global owner of hotels, we also are subject to the local laws and regulations in each country in which we operate, including employment laws and practices, privacy laws and tax laws, which may provide for tax rates that exceed those of the U.S. including taxation of REIT income and which may provide that our foreign earnings are subject to withholding requirements or other restrictions, unexpected changes in regulatory requirements or monetary policy and other potentially adverse tax consequences.

In addition, our business operations in countries outside the U.S. are subject to a number of laws and regulations, including restrictions imposed by the Foreign Corrupt Practices Act ("FCPA"), as well as trade sanctions administered by the Office of Foreign Assets Control ("OFAC"). The FCPA is intended to prohibit bribery of foreign officials and requires us to keep books and records that accurately and fairly reflect our transactions. OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. In addition, some of our operations may be subject to additional laws and regulations of non-U.S. jurisdictions, including the United Kingdom's Bribery Act 2010, which contains significant prohibitions on bribery and other corrupt business activities, and other local anti-corruption laws in the countries and territories in which we conduct operations.

Environmental Matters

We are subject to certain requirements and potential liabilities under various foreign and U.S. federal, state and local environmental, health and safety laws and regulations and incur costs in complying with such requirements. These laws and regulations govern actions including air emissions, the use, storage and disposal of hazardous and toxic substances, and wastewater disposal. In addition to investigation and remediation liabilities that could arise under such laws, we may also face personal injury, property damage, fines or other claims by third parties concerning environmental compliance or contamination. In addition to our hotel accommodations, we operate certain laundry facilities. We use and store hazardous and toxic substances, such as cleaning materials, pool chemicals, heating oil and fuel for back-up generators at some of our facilities, and we generate certain wastes in connection with our operations. Some of our properties include older buildings, and some may have, or may historically have had, dry-cleaning facilities and underground storage tanks for heating oil and back-up generators. We have from time to time been responsible for investigating and remediating contamination at some of our facilities, such as contamination that has been discovered when we have removed underground storage tanks, and we could be held responsible for any contamination resulting from the disposal of wastes that we generate, including at locations where such wastes have been sent for disposal. In some cases, we may be entitled to indemnification, but there can be no assurance that we would be able to recover all or any costs we incur in addressing such problems. From time to time, we may also be required to manage, abate, remove or contain mold, lead, asbestos-containing materials, radon gas or other hazardous conditions found in or on our properties. We have implemented an on-going operations and maintenance plan that seeks to identify and remediate these conditions as appropriate. Although we have incurred, and expect that we will continue to incur, costs relating to the investigation, identification and remediation of hazardous materials known or discovered to exist at our properties, those costs have not had, and are not expected to have, a material adverse effect on our financial condition, results of operations or cash flow.

REIT Qualification

We are a REIT for U.S. federal income tax purposes, and we expect to continue to be organized and operate so as to continue to qualify 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 qualify as a REIT, we generally will not be subject to U.S. federal and state income tax on taxable income generated by our REIT activities that we annually distribute to our stockholders. To comply with REIT requirements, we may need to forego otherwise attractive opportunities and limit our expansion opportunities and the manner in which we conduct our operations. Refer to "Risk Factors—Risks Related to our REIT Status and Certain Other Tax Items."

Insurance

We maintain insurance coverage for general liability, property, including business interruption, terrorism, workers' compensation and other risks with respect to our business for all of our hotels. Most of our insurance policies are written with self-insured retentions or deductibles that are common in the insurance market for similar risks. These policies provide coverage for claim amounts that exceed our self-insured retentions or deductibles. Our insurance provides coverage related to any claims or losses arising out of the design, development and operation of our hotels.

Employees

As of December 31, 2018, we had 517 employees, including 84 corporate employees, 169 employees of the Select Hotels, and 264 employees of our hotel laundry operations. This number does not include the hotel employees of certain of our hotels located outside of the United States, who, while legally our employees, are under the direct supervision and control of our third-party hotel managers. Our hotel managers are generally responsible for hiring and maintaining the labor force at each of our hotels, other than the Select Hotels. Although we generally do not manage employees at our hotels (other than the Select Hotels), we still are subject to many of the costs and risks generally associated with the hotel labor force, particularly those hotels with unionized labor. We believe relations are positive between our third-party hotel managers, and their employees. For a discussion of these relationships, refer to "Risk Factors—Risks Related to Our Business and Industry—We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor, which could increase our operating costs, reduce flexibility of our hotel managers to adjust the size of the workforce at our hotels and could materially and adversely affect our revenues and profitability."

Corporate Information

Our principal executive offices are currently located at 1775 Tysons Boulevard, 7th Floor, Tysons, Virginia 22102. Our telephone number is (571) 302-5757. Our website is located at www.pkhotelsandresorts.com. The information that is found on or accessible through our website is not incorporated into, and does not form a part of, this Annual Report on Form 10-K or any other report or document that we file with or furnish to the Securities and Exchange Commission ("SEC"). We have included our website address in this Annual Report on Form 10-K as an inactive textual reference and do not intend it to be an active link to our website.

We make available on our website, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also make our Code of Conduct, and any amendments or waivers thereto, for our directors, officers and employees available on our website on the Corporate Governance – Governance Documents page under the Investors section of our website.

Availability of Reports

The SEC maintains a website (http://www.sec.gov) that contains reports, proxy statements, information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS.

Owning our common stock involves a number of significant risks. You should consider carefully the following risk factors. If any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, occur, our business, liquidity, financial condition and results of operations could be materially and adversely affected. If this were to happen, the market price of our common stock could decline significantly, and you could lose all or a part of the value of your ownership in our common stock. In addition, the statements in the following risk factors include forward-looking statements. See "Forward-Looking Statements."

Risks Related to Our Business

We face various risks posed by our acquisition, redevelopment, repositioning, renovation and re-branding activities, as well as our disposition activities.

A key element of our business strategy is to invest in identifying and consummating acquisitions of additional hotels and portfolios. We can provide no assurances that we will be successful in identifying attractive hotels or that, once identified, we will be successful in consummating an acquisition. We face significant competition for attractive investment opportunities from other well-capitalized investors, some of which have greater financial resources and a greater access to debt and equity capital to acquire hotels than we do. This competition increases as investments in real estate become increasingly attractive relative to other forms of investment. As a result of such competition, we may be unable to acquire certain hotels or portfolios that we deem attractive or the purchase price may be significantly elevated or other terms may be substantially more onerous. In addition, we expect to finance future acquisitions through a combination of retained cash flows, borrowings and offerings of equity and debt securities, which may not be available on advantageous terms, or at all. Any delay or failure on our part to identify, negotiate, finance on favorable terms, consummate and integrate such acquisitions could materially impede our growth.

In addition, newly acquired, redeveloped, renovated, repositioned or re-branded hotels may fail to perform as expected and the costs necessary to bring such hotels up to brand standards may exceed our expectations, which may result in the hotels' failures to achieve projected returns.

In particular, these activities could pose the following risks to our ongoing operations:

- we may abandon such activities and may be unable to recover expenses already incurred in connection with exploring such opportunities;
- acquired, redeveloped, renovated or re-branded hotels may not initially be accretive to our results, and we and the third-party hotel managers may not successfully manage newly acquired, renovated, redeveloped, repositioned or re-branded hotels to meet our expectations;
- we may be unable to quickly, effectively and efficiently integrate new acquisitions, particularly acquisitions of portfolios of hotels, into our existing operations;
- our redevelopment, repositioning, renovation or re-branding activities may not be completed on schedule, which could result in increased debt service and other costs and lower revenues, and defects in design or construction may result in delays and additional costs to remedy the defect or require a portion of a property to be closed during the period required to rectify the defect;
- we may not be able to meet the loan covenants in any financing obtained to fund the new development, creating default risks;
- we may issue shares of stock or other equity interests in connection with such acquisitions that could dilute the interests of our existing stockholders; and
- we may assume various contingent liabilities in connection with such transactions.

We may also divest certain properties or assets, and any such divestments may yield lower than expected returns or otherwise fail to achieve the benefits we expect. For instance, we continue to explore sales of certain of our non-core hotels, and there can be no assurances that we will be able to recover the current carrying amount of these investments. In some circumstances, sales of properties or other assets may result in losses. Upon sales of properties or assets, we may become subject to contractual indemnity obligations, incur unusual or extraordinary distribution requirements or material tax liabilities or, as a result of required debt repayment, face a shortage of liquidity. In addition, we may not be able to reinvest the proceeds from any sales in new hotels at attractive rates of return, which may also impact our future operating results. Finally, any acquisitions, investments or dispositions could demand significant attention from management that would otherwise be available for business operations, which could harm our business. The occurrence of any of the foregoing events, among others, could materially and adversely affect our results of operations and profitability as well as limit or slow our future growth.

There are inherent risks with investments in real estate, including the relative illiquidity of such investments.

Investments in real estate are subject to varying degrees of risk. For example, an investment in real estate cannot generally be quickly sold, and we cannot predict whether we will be able to sell any hotel we desire to for the price or on the terms set by us or acceptable to us, or the length of time needed to find a willing purchaser and to close the sale of the hotel. Moreover, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs require that we hold our hotels for use in a trade or business or for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of hotels that otherwise would be in our best interests. Therefore, we may not be able to adjust the composition of our portfolio promptly in response to changing economic, financial and investment conditions or dispose of assets at opportune times or on favorable terms, which may adversely affect our cash flows and our ability to make distributions to stockholders.

In addition, our ability to dispose of some of our hotels could be constrained by their tax attributes. Our hotels, including related ancillary personal property, may have low tax bases. If we dispose of these hotels in taxable transactions, we may be required to pay tax on the taxable gain and will be required to distribute the after-tax gain to our stockholders under the requirements of the Code applicable to REITs, either of which, in turn, would impact our cash flow. To dispose of low basis hotels efficiently, we may from time to time use like-kind exchanges, which only qualify for non-recognition of taxable gain related to real property, and can be difficult to consummate and result in the hotel for which the disposed assets are exchanged inheriting their low tax bases and other tax attributes, and could result in taxable gain and a shareholder distribution requirement related to the non-real property associated with the hotel sale.

Our expenses may not decrease even if our revenue decreases.

Many of the expenses associated with owning and operating hotels, such as debt-service payments, property taxes, insurance, utilities, and employee wages and benefits, are relatively inflexible. They do not necessarily decrease in tandem with a reduction in revenue at the hotels and may be subject to increases that are not tied to the performance of our hotels or the increase in the rate of inflation generally. In addition, some of our third-party ground leases require periodic increases in ground rent payments. Our ability to pay these rents could be affected adversely if our hotel revenues do not increase at the same or a greater rate than the increases in rental payments under the ground leases.

Additionally, certain costs, such as wages, benefits and insurance, may exceed the rate of inflation in any given period. In the event of a significant decrease in demand, Hilton or other third-party hotel managers that we may engage in the future may not be able to reduce the size of hotel work forces to decrease wages and benefits. Our hotel managers also may be unable to offset any fixed or increased expenses with higher room rates. Any of our efforts to reduce operating costs also could adversely affect the future growth of our business and the value of our hotel properties.

We are subject to risks associated with the concentration of our portfolio in the Hilton family of brands. Any deterioration in the quality or reputation of the Hilton brands, including changes to the Hilton Honors guest loyalty program, could have an adverse effect on our reputation, business, financial condition or results of operations.

All of our properties currently utilize brands owned by Hilton and participate in the Hilton Honors guest loyalty and rewards program. As a result, our ability to attract and retain guests depends, in part, on the public recognition of the Hilton brands and their associated reputation. If the Hilton brands become obsolete or consumers view them as unfashionable or lacking in consistency and quality, we may be unable to attract guests to our hotels. In addition, any adverse developments in Hilton's business and affairs or financial condition could impair its ability to manage our properties and could have a material adverse effect on us. For example, the occurrence of a major data breach or similar event associated with Hilton could impair Hilton's ability to manage our properties and could have a material adverse effect on us.

Changes in ownership or management practices, the occurrence of accidents or injuries, force majeure events, crime, individual guest notoriety or similar events at our hotels or other properties managed, owned or leased by Hilton can harm our reputation, create adverse publicity and cause a loss of consumer confidence in our business. Because of the global nature of the Hilton brands and the broad expanse of its business and hotel locations, events occurring in one location could negatively affect the reputation and operations of otherwise successful individual locations, including properties in our portfolio. In addition, the recent expansion of social media has compounded the potential scope of negative publicity. We also could face legal claims related to negative events, along with resulting adverse publicity. If the perceived quality of the Hilton brands declines, or if Hilton's reputation is damaged, our business, financial condition or results of operations could be adversely affected.

In addition, Hilton Honors guest loyalty program allows program members to accumulate points based on eligible stays and hotel charges and redeem the points for a range of benefits including free rooms and other items of value. The program is an important aspect of our business and of the affiliation value of our hotels. In addition to the accumulation of points for future hotel stays at the Hilton family of brands, Hilton Honors arranges with third-party service providers, such as airlines and rail companies, to exchange monetary value represented by points for program awards. Currently, the program benefits are not taxed as income to members. We are not the owner of the Hilton Honors loyalty program and changes to the program or our access to it could negatively impact our business. If the program deteriorates or materially changes in an adverse manner, or is taxed such that a material number of Hilton Honors members choose to no longer participate in the program, our business, financial condition or results of operations could be materially adversely affected.

Contractual and other disagreements with or involving Hilton or other future third-party hotel managers and franchisors could make us liable to them or result in litigation costs or other expenses.

Our management and franchise agreements with Hilton require us and Hilton to comply with operational and performance conditions that are subject to interpretation and could result in disagreements, and we expect this will be true of any management and franchise agreements that we enter into with future third-party hotel managers or franchisors. At any given time, we may be in dispute with one or more third-party hotel managers or franchisors. Any such dispute could be very expensive for us, even if the outcome is ultimately in our favor. We cannot predict the outcome of any arbitration or litigation, the effect of any negative judgment against us or the amount of any settlement that we may enter into with Hilton or any other third-party. In the event we terminate a management or franchise agreement early and the hotel manager or franchisor considers such termination to have been wrongful, they may seek damages. Additionally, we may be required to indemnify our third-party hotel managers and franchisors against disputes with third parties, pursuant to our management and franchise agreements. An adverse result in any of these proceedings could materially and adversely affect our revenues and profitability.

We are dependent on the performance of Hilton and could be materially and adversely affected if Hilton does not properly manage our hotels or otherwise act in our best interests or if we are unable to maintain a good relationship with Hilton and other third-party hotel managers.

In order for us to continue to qualify as a REIT, independent third parties must operate our hotels. Except for the Select Hotels, we lease substantially all of our hotels to our TRS lessees. Our TRS lessees, in turn, have entered into management agreements with Hilton to operate our hotels. We could be materially and adversely affected if Hilton or any other future third-party hotel manager fails to provide quality services and amenities, fails to maintain a quality brand name or otherwise fails to manage our hotels in our best interest, and can be financially responsible for the actions and inactions of our third-party hotel managers pursuant to our management agreements. In addition, Hilton manages, and in some cases may own or lease, or may have invested in or may have provided credit support or operating guarantees to hotels that compete with our hotels, any of which could result in conflicts of interest. As a result, Hilton may make decisions regarding competing lodging facilities that are not in our best interests. Other third-party hotel managers that we engage in the future may also have similar conflicts of interest.

The success of our properties largely depends on our ability to establish and maintain good relationships with Hilton and other third-party hotel managers and franchisors that we may engage in the future. If we are unable to maintain good relationships with Hilton and such other third-party hotel managers and franchisors, we may be unable to renew existing management or franchise agreements or expand relationships with them. Additionally, opportunities for developing new relationships with additional third-party managers or franchisors may be adversely affected. This, in turn, could have an adverse effect on our results of operations and our ability to execute our growth strategy.

In the event that we terminate any of our management agreements, we can provide no assurances that we could find a replacement hotel manager or that any replacement hotel manager will be successful in operating our hotels. If any of the foregoing were to occur, it could materially and adversely affect us.

Cyber threats and the risk of data breaches or disruptions of our hotel managers' or our own information technology systems could materially adversely affect our business.

Hilton is dependent on information technology networks and systems, including the internet, to access, process, transmit and store proprietary and customer information, and we expect that other hotel managers that we contract with in the future also will be dependent on such networks. These complex networks include reservation systems, vacation exchange systems, hotel management systems, customer databases, call centers, administrative systems, and third-party vendor systems. These systems require the collection, retention and transfer of large volumes of personally identifiable information of hotel guests, including credit card numbers.

These information networks and systems can be vulnerable to threats such as system, network or internet failures; computer hacking or business disruption; cyber-terrorism; viruses, worms or other malicious software programs; and employee error, negligence or fraud. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, nation-state affiliated actors and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. We rely on Hilton, and other hotel managers that we may contract with in the future, to protect proprietary and customer information from these threats. Any compromise of our own network or hotel manager's networks could result in a disruption to operations, such as disruptions in fulfilling guest reservations, delayed bookings or sales, or lost guest reservations. Any of these events could, in turn, result in disruption of the operations of our hotels, in increased costs (e.g., related to response, investigation, and notification) or in potential litigation and liability. In addition, public disclosure, or loss of customer or proprietary information could result in damage to Hilton's or another applicable hotel manager's reputation, a loss of confidence among hotel guests, reputational harm for our hotels and potential litigation, which may have a material adverse effect on our business, financial condition and results of operations.

In addition to the information technologies and systems our hotel managers use to operate our hotels, we have our own corporate technologies and systems that are used to access, store, transmit, and manage or support a variety of business processes. We may be required to expend significant attention and financial resources to protect these technologies and systems against physical or cybersecurity incidents. There can be no assurance that the security measures we have taken to protect the contents of these systems will prevent failures, inadequacies or interruptions in system services or that system security will not be breached through physical or electronic break-ins, computer viruses, and attacks by hackers. Disruptions in service, system shutdowns and security breaches in the information technologies and systems we use, including unauthorized disclosure of confidential information, could have a material adverse effect on our business, our financial reporting and compliance, and could subject us to or result in liability claims, monetary losses or regulatory penalties which could be significant.

Restrictive covenants in certain of our hotel management and franchise agreements contain provisions limiting or restricting the sale of our hotels, which could materially and adversely affect our profitability.

Many of our hotel management and franchise agreements with Hilton generally contain restrictive covenants that limit or restrict our ability to sell a hotel free of the management or franchise encumbrance other than to permitted transferees. Generally, we may not agree to sell, lease or otherwise transfer particular hotels unless the transferee executes a new agreement or assumes the related hotel management and franchise agreements. As a result, we may be prohibited from taking actions that would otherwise be in our and our stockholders' best interests. In addition, as noted above, Hilton may have a conflict that results in Hilton's declining to approve a transfer that would be in our and our stockholders' best interests.

Costs associated with, or failure to maintain, brand operating standards may materially and adversely affect our results of operations and profitability.

The terms of our franchise agreements and management agreements generally require us to meet specified operating standards and other terms and conditions and compliance with such standards may be costly. We expect that Hilton and any other future third-party franchisors will periodically inspect our hotels to ensure that we and any third-party hotel managers follow brand standards. Failure by us, or any hotel management company that we engage, to maintain these standards or other terms and conditions could result in a franchise license being canceled or the franchisor requiring us to undertake a costly property improvement program. If a franchise license is terminated due to our failure to make required improvements or to otherwise comply with its terms, we also may be liable to the franchisor for a termination payment, which varies by franchisor and by hotel. If the funds required to maintain brand operating standards are significant, or if a franchise license is terminated, it could materially and adversely affect our results of operations and profitability.

If we were to lose a brand license, the underlying value of a particular hotel could decline significantly from the loss of associated name recognition, marketing support, participation in guest loyalty programs and the centralized reservation system provided by the franchisor or brand manager, which could require us to recognize an impairment on the hotel. Furthermore, the loss of a franchise license at a particular hotel could harm our relationship with the franchisor or brand manager, which could impede our ability to operate other hotels under the same brand, limit our ability to obtain new franchise licenses or brand management agreements from the franchisor or brand in the future on favorable terms, or at all, and cause us to incur significant costs to obtain a new franchise license or brand management agreement for the particular hotel. Accordingly, if we lose one or more franchise licenses or brand management agreements, it could materially and adversely affect our results of operations and profitability as well as limit or slow our future growth.

Our efforts to develop, redevelop or renovate our properties could be delayed or become more expensive, which could reduce revenues or impair our ability to compete effectively.

If not maintained, the condition of certain of our properties could negatively affect our ability to attract guests or result in higher operating and capital costs, if not sufficiently maintained. These factors could reduce revenues or profits from these properties. There can be no assurance that our planned replacements and repairs will occur, or even if completed, will result in improved performance. In addition, these efforts are subject to a number of risks, including:

- construction delays or cost overruns (including labor and materials);
- obtaining zoning, occupancy and other required permits or authorizations;
- changes in economic conditions that may result in weakened or lack of demand for improvements that we make or negative project returns;
- governmental restrictions on the size or kind of development;
- volatility in the debt and capital markets that may limit our ability to raise capital for projects or improvements;
- lack of availability of rooms or meeting spaces for revenue-generating activities during construction, modernization or renovation projects;

- force majeure events, including earthquakes, tornadoes, hurricanes, floods or tsunamis; and
- design defects that could increase costs.

If our properties are not updated to meet guest preferences, if properties under development or renovation are delayed in opening as scheduled, or if renovation investments adversely affect or fail to improve performance, our operations and financial results could be negatively affected.

Our hotels are geographically concentrated in a limited number of markets and, accordingly, we could be disproportionately harmed by adverse changes to these markets, natural disasters or threat of a terrorist attack.

A significant portion of our room count is located in a concentrated number of markets that exposes us to greater risk to local economic or business conditions, changes in hotel supply in these markets, and other conditions than more geographically diversified hotel companies. As of December 31, 2018, hotels in New York, Washington, D.C., San Francisco, New Orleans, Florida and Hawaii represented approximately 50% of our room count, with our hotels in Hawaii alone representing approximately 13% of our room count. An economic downturn, an increase in hotel supply in these markets, a force majeure event, a natural disaster (such as hurricanes, tropical storms, earthquakes, and fires), a terrorist attack or similar disaster in any one of these markets likely would cause a decline in the hotel market and adversely affect occupancy rates, the financial performance of our hotels in these markets and our overall results of operations.

The threat of terrorism also may negatively impact hotel occupancy and average daily rate, due to resulting disruptions in business and leisure travel patterns and concerns about travel safety. Hotels in major metropolitan areas, such as the gateway cities that represent our target markets, may be particularly adversely affected due to concerns about travel safety. The possibility of future attacks may hamper business and leisure travel patterns and, accordingly, the performance of our business and our operations.

If the insurance that we carry does not sufficiently cover damage or other potential losses or liabilities to third parties involving our properties, our profits could be reduced.

We operate in certain areas where the risk of natural disaster or other catastrophic losses vary, and the incidence of such an event could cause substantial damage to our properties or the surrounding area.

We carry insurance from solvent insurance carriers that we believe is adequate for foreseeable first- and third-party losses and with terms and conditions that are reasonable and customary. Nevertheless, market forces beyond our control could limit the scope of the insurance coverage that we can obtain or may otherwise restrict our ability to buy insurance coverage at reasonable rates. In the event of a substantial loss, the insurance coverage that we carry may not be sufficient to pay the full value of our financial obligations, our liabilities or the replacement cost of any lost investment or property. For example, in 2017, Hurricane Irma forced us to close two of our hotels in Key West, Florida for several weeks, and Hurricane Maria caused significant damage to the Caribe Hilton in Puerto Rico, which was closed throughout 2018. While we expect that insurance proceeds, excluding any applicable deductibles, will be sufficient to cover a significant portion of the property damage to the hotels and loss of business, the damage from Hurricane Maria could result in a reduction of our profits. To date, we have received $121 million of insurance proceeds for both Key West hotels and the Caribe Hilton. Additionally, we will continue to experience business disruptions at the Caribe Hilton until we make necessary repairs and reopen the hotel in 2019, which could also reduce our profits. Prior to the hurricane, the Caribe Hilton represented approximately 1% of Hotel Adjusted EBITDA.

Additionally, because certain types of losses are uncertain, they may be uninsurable or prohibitively expensive. There are also other risks that may fall outside the general coverage terms and limits of our policies. In some cases, these factors could result in certain losses being completely uninsured. As a result, we could lose some or all of the capital we have invested in a property, as well as the anticipated future revenues, profits, management fees or franchise fees from the property.

Our properties may not be permitted to be rebuilt if destroyed.

Certain of our properties may qualify as legally permissible nonconforming uses and improvements, including certain of our iconic and most profitable properties. If a substantial portion of any such properties were to be destroyed by fire or other casualty, we might not be permitted to rebuild that property as it now exists or at all, regardless of the availability of insurance proceeds. Any loss of this nature, whether insured or not, could materially adversely affect our results of operations and prospects.

We have investments in joint venture projects, which limit our ability to manage third-party risks associated with these projects.

In certain cases, we are minority participants and do not control the decisions of the joint ventures in which we are involved. Therefore, joint venture investments may involve risks such as the possibility that a co-venturer in an investment might become bankrupt, be unable to meet its capital contribution obligations, have economic or business interests or goals that are inconsistent with our business interests or goals or take actions that are contrary to our instructions or to applicable laws and regulations. In addition, we may be unable to take action without the approval of our joint venture partners, or our joint venture partners could take actions binding on the joint venture without our consent. Consequently, actions by a co-venturer or other third-party could expose us to claims for damages, financial penalties and reputational harm, any of which could adversely affect our business and operations. In addition, we may agree to guarantee indebtedness incurred by a joint venture or co-venturer or provide standard indemnifications to lenders for loss liability or damage occurring as a result of our actions or actions of the joint venture or other co-venturers. Such a guarantee or indemnity may be on a joint and several basis with a co-venturer, in which case we may be liable in the event that our co-venturer defaults on its guarantee obligation. The non-performance of a co-venturer's obligations may cause losses to us in excess of the capital we initially may have invested or committed.

Preparing our financial statements requires us to have access to information regarding the results of operations, financial position and cash flows of our joint ventures. Any deficiencies in our joint ventures' internal controls over financial reporting may affect our ability to report our financial results accurately or prevent or detect fraud. Such deficiencies also could result in restatements of, or other adjustments to, our previously reported or announced operating results, which could diminish investor confidence and reduce the market price for our shares. Additionally, if our joint ventures are unable to provide this information for any meaningful period or fail to meet expected deadlines, we may be unable to satisfy our financial reporting obligations or timely file our periodic reports.

Although our joint ventures may generate positive cash flow, in some cases they may be unable to distribute that cash to the joint venture partners. Additionally, in some cases our joint venture partners control distributions and may choose to leave capital in the joint venture rather than distribute it. Because our ability to generate liquidity from our joint ventures depends in part on their ability to distribute capital to us, our failure to receive distributions from our joint venture partners could reduce our cash flow return on these investments.

We own and lease hotels outside the United States, which exposes us to risks related to doing business in international markets.

Our portfolio includes four hotels located outside of the United States, including one joint venture interest. As a result, we are subject to the risks of doing business outside the United States, including:

- rapid changes in governmental, economic and political policy, political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation;
- increases in anti-American sentiment and the identification of the licensed brands as an American brand;
- recessionary trends or economic instability in international markets;
- changes in foreign currency exchange rates or currency restructurings and hyperinflation or deflation in the countries in which we operate;
- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult;
- the presence and acceptance of varying levels of business corruption in international markets and the effect of various anti-corruption and other laws;
- the imposition of restrictions on currency conversion or the transfer of funds or limitations on our ability to repatriate non-U.S. earnings in a tax-efficient manner;
- the ability to comply with or effect of complying with complex and changing laws, regulations and policies of foreign governments that may affect investments or operations, including foreign ownership restrictions, import and export controls, tariffs, embargoes, increases in taxes paid and other changes in applicable tax laws;
- uncertainties as to local laws regarding, and enforcement of, contract and intellectual property rights;
- forced nationalization of our properties by local, state or national governments;
- the difficulties involved in managing an organization doing business in many different countries; and
- difficulties in complying with U.S. rules governing REITs while operating outside of the United States.

These factors may adversely affect the revenues from and the market value of our properties located in international markets. While these factors and the effect of these factors are difficult to predict, any one or more of them could lower our revenues, increase our costs, reduce our profits or disrupt our business operations.

Failure to comply with laws and regulations applicable to our international operations may increase costs, reduce profits, limit growth or subject us to broader liability.

Our business operations in countries outside the U.S. are subject to a number of laws and regulations, including restrictions imposed by the FCPA, as well as trade sanctions administered by the OFAC. The FCPA is intended to prohibit bribery of foreign officials and requires us to keep books and records that accurately and fairly reflect our transactions. OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals.

Although we have policies in place designed to comply with applicable sanctions, rules and regulations, it is possible that hotels we own in the countries and territories in which we operate may provide services to persons subject to sanctions. In addition, some of our operations may be subject to the laws and regulations of non-U.S. jurisdictions, including the United Kingdom's Bribery Act 2010, which contains significant prohibitions on bribery and other corrupt business activities, and other local anti-corruption laws in the countries and territories in which we conduct operations.

If we fail to comply with these laws and regulations, we could be exposed to claims for damages, financial penalties, reputational harm and incarceration of employees or restrictions on our operation or ownership of hotels and other properties, including the termination of ownership rights. In addition, in certain circumstances, the actions of parties affiliated with us (including Hilton, or in the future, other hotel managers or franchisors, joint venture partners, and our and their respective employees and agents) may expose us to liability under the FCPA, U.S. sanctions or other laws. These restrictions could increase costs of operations, reduce profits or cause us to forgo development opportunities that would otherwise support growth.

We may be subject to unknown or contingent liabilities related to recently acquired hotels and the hotels that we may acquire in the future, which could materially and adversely affect our revenues and profitability growth.

Our current hotels, and the hotels that we may acquire in the future, may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers. In general, the representations and warranties provided under the transaction agreements related to the purchase of the hotels we acquire may not survive the completion of the transactions. Furthermore, indemnification under such agreements may be limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with these hotels may exceed our expectations, and we may experience other unanticipated adverse effects, all of which could materially and adversely affect our revenues and profitability.

We depend on external sources of capital for future growth. Therefore, any disruption to our ability to access capital at times and on terms reasonably acceptable to us may affect adversely our business and results of operations.

Ownership of hotels is a capital-intensive business that requires significant capital expenditures to acquire, operate, maintain and renovate properties. To continue to qualify as a REIT, we are required to distribute to our stockholders at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding any net capital gain), including taxable income recognized for U.S. federal income tax purposes but with regard to which we do not receive cash. As a result, we must finance our growth, fund debt repayments and fund these significant capital expenditures largely with external sources of capital. Our ability to access external capital could be hampered by a number of factors, many of which are outside of our control, including:

- price volatility, dislocations and liquidity disruptions in the U.S. and global equity and credit markets;
- changes in market perception of our growth potential, including downgrades by rating agencies;
- decreases in our current and estimated future earnings;
- decreases or fluctuations in the market price of our common stock;
- increases in interest rates; and
- the terms of our existing indebtedness.

Any of these factors, individually or in combination, could prevent us from being able to obtain the external capital we require on terms that are acceptable to us, or at all, which could have a material adverse effect on our ability to finance our future growth and our financial condition and results of operations. Potential consequences of disruptions in U.S. and global equity and credit markets and, as a result, an inability for us to access external capital at times, and on terms, reasonably acceptable to us could include:

- a need to seek alternative sources of capital with less attractive terms, such as more restrictive covenants and shorter maturity;
- adverse effects on our financial condition and liquidity, and our ability to meet our anticipated requirements for working capital, debt service and capital expenditures;
- higher costs of capital;
- an inability to enter into derivative contracts to hedge risks associated with changes in interest rates and foreign currency exchange rates; or
- an inability to execute on our acquisition strategy.

The loss of senior executives or key field personnel, such as general managers, 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 could adversely affect strategic relationships, including relationships with Hilton 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. The failure by us, Hilton or other future third-party hotel managers to retain, train or successfully manage the general managers at our hotels could negatively affect our operations.

We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor, which could increase our operating costs, reduce the flexibility of our hotel managers to adjust the size of the workforce at our hotels and could materially and adversely affect our revenues and profitability.

We have entered into management agreements with Hilton to operate each of our hotels, with the exception of the Select Hotels. Hilton is generally responsible for hiring and maintaining the labor force at each of the hotels they manage. Although, with the exception of the Select Hotels and our international properties, we generally do not directly employ or manage employees at our hotels, we are subject to many of the costs and risks generally associated with the hotel labor force. Increased labor costs due to factors like additional taxes or requirements to incur additional employee benefits costs may adversely impact our operating costs. Labor costs can be particularly challenging at those of our hotels with unionized labor, and additional hotels may be subject to new collective bargaining agreements in the future.

From time to time, strikes, lockouts, public demonstrations or other negative actions and publicity may disrupt hotel operations at any of our hotels, negatively impact our reputation or the reputation of our brands, or harm relationships with the labor forces at our hotels. We also may incur increased legal costs and indirect labor costs as a result of contract disputes or other events. Additionally, hotels where our hotel managers have collective bargaining agreements with employees are more highly affected by labor force activities than others. The resolution of labor disputes or new or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Furthermore, labor agreements may limit the ability of our hotel managers to reduce the size of hotel workforces during an economic downturn because collective bargaining agreements are negotiated between the hotel managers and labor unions. We do not have the ability to control the outcome of these negotiations. We are also subject to similar risks where we directly employ labor at our Select Hotels and hotel laundry business.

Our active management and operation of the Select Hotels and the hotel laundry business may expose us to potential liabilities beyond those traditionally associated with lodging REITs.

In addition to owning hotels and engaging hotel managers to operate our hotels, we also manage and operate the Select Hotels and, through a TRS, manage and operate the hotel laundry business. Managing and operating the Select Hotels and the hotel laundry business requires us to employ significantly more people than a REIT that does not operate businesses of such type and scale. In addition, managing and operating both a hotel business and a hotel laundry business exposes us to potential liabilities associated with the operation of those businesses. Such potential liabilities are not typically associated with lodging REITs and include potential liabilities for environmental violations, wage and hour violations, workplace injury and other employment violations. In the event that one or more of the potential liabilities associated with managing and operating a hotel and hotel laundry business materializes, such liabilities could damage our reputation, and could adversely affect our financial position and results of operations, possibly to a material degree.

Changes to estimates or projections used to assess the fair value of our assets, or operating results that are lower than our current estimates at certain locations, may cause us to incur impairment losses that could adversely affect our results of operations.

Our total assets include goodwill, intangible assets with finite useful lives and substantial amounts of long-lived assets, principally property and equipment, including hotel properties. We evaluate our goodwill for impairment on an annual basis or at other times during the year if events or circumstances indicate that it is more likely than not that the fair value is below the carrying value. We evaluate our intangible assets with finite useful lives and long-lived assets for impairment when circumstances indicate that the carrying amount may not be recoverable. Our evaluation of impairment requires us to make certain estimates and assumptions including projections of future results. After performing our evaluation for impairment, including an analysis to determine the recoverability of long-lived assets, we will record an impairment loss when the carrying value of the underlying asset, asset group or reporting unit exceeds its fair value. If the estimates or assumptions used in our evaluation of impairment change, we may be required to record additional impairment losses on certain of these assets. If these impairment losses are significant, our results of operations would be adversely affected.

Exchange rate fluctuations and foreign exchange hedging arrangements could result in significant foreign currency gains and losses and affect our business results.

Conducting business in currencies other than the U.S. dollar subjects us to fluctuations in currency exchange rates that could have a negative effect on our financial results. We earn revenues and incur expenses in foreign currencies as part of our operations outside of the U.S. As a result, fluctuations in currency exchange rates may significantly increase the amount of U.S. dollars required for foreign currency expenses or significantly decrease the U.S. dollars received from foreign currency revenues. We also have exposure to currency translation risk because, generally, the results of our business outside of the U.S. are reported in local currency and then translated to U.S. dollars for inclusion in our consolidated financial statements. As a result, changes between the foreign exchange rates and the U.S. dollar will affect the recorded amounts of our foreign assets, liabilities, revenues and expenses and could have a negative effect on our financial results. Our exposure to foreign currency exchange rate fluctuations will grow if the relative contribution of our operations outside the U.S. increases.

To attempt to mitigate foreign currency exposure, we may enter into foreign exchange hedging agreements with financial institutions. However, these hedging agreements may not eliminate foreign currency risk entirely and involve costs and risks of their own in the form of transaction costs, credit requirements and counterparty risk. The REIT rules impose certain restrictions on our ability to utilize hedges, swaps and other types of derivatives to hedge our liabilities.

We will not recognize any increase in the value of the land or improvements subject to our ground leases and may only receive a portion of compensation paid in any eminent domain proceeding with respect to the hotel.

Unless we purchase a fee interest in the land and improvements subject to our ground leases, we will not have any economic interest in the land or improvements at the expiration of our ground leases and therefore we generally will not share in any increase in value of the land or improvements beyond the term of a ground lease, notwithstanding our capital outlay to purchase our interest in the hotel or fund improvements thereon, and will lose our right to use the hotel. Furthermore, if a governmental authority seizes a hotel subject to a ground lease under its eminent domain power, we may only be entitled to a portion of any compensation awarded for the seizure.

Adverse judgments or settlements resulting from legal proceedings in which we may be involved in the normal course of our business could reduce our profits or limit our ability to operate our business.

In the normal course of our business, we are involved in various legal proceedings. Hilton and other third-party hotel managers that we may engage in the future, whom we indemnify for legal costs resulting from management of our hotels, may also be involved in various legal proceedings relating to the management of our hotels. The outcome of these proceedings cannot be predicted. If any of these proceedings were to be determined adversely to us or our third-party hotel managers or a settlement involving a payment of a material sum of money were to occur, it could materially and adversely affect our profits or ability to operate our business. Additionally, we could become the subject of future claims by third parties, including current or former third-party property owners, guests who use our properties, our employees, our investors or regulators. Any significant adverse judgments or settlements would reduce our profits and could limit our ability to operate our business. Further, we may incur costs related to claims for which we have appropriate third-party indemnity, but such third parties fail to fulfill their contractual obligations.

Risks Related to Our Industry

We operate in a highly competitive industry.

The lodging industry is highly competitive. Our principal competitors are other owners and investors in upper upscale, full-service hotels, including other lodging REITs, as well as major hospitality chains with well-established and recognized brands. Our hotels face competition for individual guests, group reservations and conference business. We also compete against smaller hotel chains, independent and local hotel owners and operators. Increasingly, we also face competition from peer-to-peer inventory sources that allow travelers to stay at homes and apartments booked from owners, thereby providing an alternative to hotel rooms. We compete for these customers based primarily on brand name recognition and reputation, as well as location, room rates, property size and availability of rooms and conference space, quality of the accommodations, customer satisfaction, amenities and the ability to earn and redeem loyalty program awards. New hotels may be constructed and these additions create new competitors, in some cases without corresponding increases in demand for hotel rooms. Our competitors may have greater commercial, financial and marketing resources and more efficient technology platforms, which could allow them to improve their properties and expand and improve their marketing efforts in ways that could affect our ability to compete for guests effectively and adversely affect our revenues and profitability as well as limit or slow our future growth.

We are subject to the business, financial and operating risks inherent to the lodging industry, any of which could reduce our revenues, the value of our properties and our ability to make distributions and limit opportunities for growth.

Our business is subject to a number of business, financial and operating risks inherent to the lodging industry, including:

- significant competition from other lodging businesses and hospitality providers in the markets in which we operate;
- changes in operating costs, including energy, food, employee compensation and benefits and insurance;
- increases in costs due to inflation or otherwise, including increases in our operating costs, that may not be fully offset by revenue increases in our business;
- changes in taxes and governmental regulations that influence or set wages, prices, interest rates or construction and maintenance procedures and costs;
- the costs and administrative burdens associated with complying with applicable laws and regulations;
- the costs or desirability of complying with local practices and customs;
- significant increases in cost for health care coverage for employees, including employees of our hotel managers, and potential government regulation with respect to health care coverage;
- shortages of labor or labor disruptions;
- the ability of third-party internet and other travel intermediaries to attract and retain customers;
- the availability and cost of capital necessary to fund investments, capital expenditures and service debt obligations;
- delays in or cancellations of planned or future development or refurbishment projects;
- the quality of services provided by Hilton and any other future third-party hotel managers;
- the financial condition of Hilton and any other future third-party hotel managers and franchisors, developers and joint venture partners;
- relationships with Hilton and any other future third-party hotel managers, developers and joint venture partners, including the risk that Hilton or any other future third-party hotel managers or franchisors may terminate our management or franchise agreements and that joint venture partners may terminate joint venture agreements;
- cyclical over-building in the hotel industry;
- changes in desirability of geographic regions of the hotels in our portfolio, geographic concentration in our portfolio and shortages of desirable locations for development;
- changes in the supply and demand for hotel services (including rooms, food and beverage and other products and services); and
- decreases in the frequency of business travel that may result from alternatives to in-person meetings, including virtual meetings hosted online or over private teleconferencing networks.

Any of these factors could increase our costs or reduce our revenues, adversely impacting our ability to make distributions to our stockholders or otherwise affect our ability to maintain existing properties or develop new properties.

Macroeconomic and other factors beyond our control can adversely affect and reduce lodging demand.

Macroeconomic and other factors beyond our control can reduce demand for our products and services, including demand for rooms at our hotels. These factors include, but are not limited to:

- changes in general economic conditions, including low consumer confidence, unemployment levels and depressed real estate prices resulting from the severity and duration of any downturn in the U.S. or global economy;
- war, political conditions or civil unrest, violence or terrorist activities or threats and heightened travel security measures instituted in response to these events;
- decreased corporate or government travel-related budgets and spending, as well as cancellations, deferrals or renegotiations of group business such as industry conventions;

- actual or threatened reductions in federal government spending and/or changes to the timing of government spending, and the resulting effects on travel patterns, as have occurred during recent federal government shutdowns;
- risks that proposed immigration policies could reduce international travel to the United States generally;
- statements, actions, or interventions by governmental officials related to travel and corporate travel-related activities and the resulting negative public perception of such travel and activities;
- the financial and general business condition of the airline, automotive and other transportation-related industries and its effect on travel, including decreased airline capacity and routes, as well as the price of crude oil and refined products;
- conditions that negatively shape public perception of travel, including travel-related accidents and outbreaks of pandemic or contagious diseases, such as Ebola, avian flu, severe acute respiratory syndrome (SARS), H1N1 (swine flu) and the Zika virus;
- cyber-attacks;
- climate change or availability of natural resources;
- natural or manmade disasters, such as earthquakes, windstorms, tsunamis, tornadoes, hurricanes, typhoons, tsunamis, volcanic eruptions, floods, drought, fires, oil spills and nuclear incidents;
- changes in the desirability of particular locations or travel patterns of customers; and
- organized labor activities, which could cause a diversion of business from hotels involved in labor negotiations and loss of business for our hotels generally as a result of certain labor tactics.

Any one or more of these factors can adversely affect, and from time to time have adversely affected, individual hotels, particular regions and our business, financial condition and results of operations.

Contraction in the global economy or low levels of economic growth could adversely affect our revenues and profitability as well as limit or slow our future growth.

Consumer demand for products and services provided by the lodging industry is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Decreased global or regional demand for products and services provided by the lodging industry can be especially pronounced during periods of economic contraction or low levels of economic growth, and the recovery period in our industry may lag overall economic improvement. Declines in demand for our products and services due to general economic conditions could negatively affect our business by decreasing the revenues and profitability of our properties.

New hotel room supply is also an important factor that can affect the lodging industry's performance and overbuilding has the potential to further exacerbate the negative impact of an economic downturn. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. A reduction or slowdown in growth of lodging demand or increased growth in lodging supply could result in returns that are substantially below expectations or result in losses, which could materially and adversely affect our revenues and profitability as well as limit or slow our future growth.

The lodging industry is subject to seasonal volatility, which is expected to contribute to fluctuations in our financial condition and results of operations.

The lodging industry is seasonal in nature. The periods during which our properties experience higher revenues vary from property to property, depending principally upon location and the customer base served. This seasonality can be expected to cause periodic fluctuations in a hotel's rooms revenues, occupancy levels, room rates and operating expenses. We can provide no assurances that our cash flows will be sufficient to offset any shortfalls that occur as a result of these fluctuations. Consequently, volatility in our financial performance resulting from the seasonality of the lodging industry could adversely affect our financial condition and results of operations.

With respect to our leased hotels, we could be materially and adversely affected if we are found to be in breach of a ground lease or are unable to renew a ground lease.

If we are found to be in breach of certain of our third-party ground leases, we could lose the right to use the applicable hotel. In addition, unless we can purchase a fee interest in the underlying land and improvements or extend the terms of these leases before their expiration, as to which no assurance can be given, we will lose our right to operate these properties and our interest in the improvements upon expiration of the leases. Our ability to exercise any extension options relating to our ground leases is subject to the condition that we are not in default under the terms of the ground lease at the time that we exercise such options, and we can provide no assurances that we will be able to exercise any available options at such time. Furthermore, we can provide no assurances that we will be able to renew any ground lease upon its expiration. If we were to lose the right to use a hotel due to a breach or non-renewal of the ground lease, we would be unable to derive income from such hotel and may be required to purchase an interest in another hotel in an attempt to replace that income, which could adversely affect us.

The growth of internet reservation channels could adversely affect our business and profitability.

A significant percentage of hotel rooms for individual guests are booked through internet travel intermediaries. Search engines and peer-to-peer inventory sources also provide online travel services that compete with our hotels. If bookings shift to higher cost distribution channels, including internet travel intermediaries and meeting procurement firms, it could materially impact our profits. Additionally, as intermediary bookings increase, these intermediaries may be able to obtain higher commissions, reduced room rates or other significant contract concessions from our brands and management companies. Moreover, hospitality intermediaries generally employ aggressive marketing strategies, including expending significant resources for online and television advertising campaigns to drive consumers to their websites. As a result, consumers may develop brand loyalties to the intermediaries' offered brands, websites and reservations systems rather than those of the Hilton and the other brands of hotels we may contract with in the future. If this happens, our business and profitability may be adversely affected. Internet travel intermediaries also have recently been subject to regulatory scrutiny. The outcome of this regulatory activity may affect the ability of Hilton and other brand managers to compete for direct bookings through their own internet channels.

In addition, although internet travel intermediaries have traditionally competed to attract individual consumers or "transient" business rather than group and convention business, in recent years they have expanded their business to include marketing to large group and convention business. If that growth continues, it could both divert group and convention business away from our hotels and also increase our cost of sales for group and convention business. Consolidation of internet travel intermediaries, and the entry of major internet companies into the internet travel bookings business, also could divert bookings away from Hilton or other brand manager websites and increase our cost of sales.

Governmental regulation may adversely affect the operation of our properties.

In many jurisdictions, the hotel industry is subject to extensive foreign or U.S. federal, state and local governmental regulations, including those relating to the service of alcoholic beverages, the preparation and sale of food and those relating to building and zoning requirements. We and our hotel managers are also subject to licensing and regulation by foreign or U.S. state and local departments relating to health, sanitation, fire and safety standards, and to laws governing our relationships with employees, including minimum wage requirements, overtime, working conditions status and citizenship requirements. We and our hotel managers may be required to expend funds to meet foreign or U.S. federal, state and local regulations in connection with the continued operation or remodeling of certain of our properties. The failure to meet the requirements of applicable regulations and licensing requirements, or publicity resulting from actual or alleged failures, could have an adverse effect on our results of operations.

Foreign or U.S. laws and regulations may cause us to incur substantial costs or subject us to potential liabilities.

We are subject to certain compliance costs and potential liabilities under various foreign and U.S. federal, state and local environmental, health and safety laws and regulations. These laws and regulations govern actions including air emissions, the use, storage and disposal of hazardous and toxic substances, and wastewater disposal. Our failure to comply with such laws, including any required permits or licenses, could result in substantial fines or possible revocation of our authority to conduct some of our operations. We could also be liable under such laws for the costs of investigation, removal or remediation of hazardous or toxic substances at our currently or formerly owned or leased real property or at third-party locations in connection with our waste disposal operations, regardless of whether or not we knew of, or caused, the presence or release of such substances. From time to time, we may be required to remediate such substances or remove, abate or manage asbestos, mold, radon gas, lead or other hazardous conditions at our properties. The presence or release of such toxic or hazardous substances could result in third-party claims for personal injury, property or natural resource damages, business interruption or other losses. Such claims and the need to investigate, remediate or otherwise address hazardous, toxic or unsafe conditions could adversely affect our operations, the value of any affected real property, or our ability to sell, lease or assign our rights in any such property, or could otherwise harm our business or reputation. Environmental, health and safety requirements have also become increasingly stringent, and our costs may increase as a result. New or revised laws and regulations or new interpretations of existing laws and regulations, such as those related to climate change, could affect the operation of our properties or result in significant additional expense and operating restrictions on us or our hotel managers.

In addition, failure of a property to comply with the ADA could result in injunctive relief, fines, an award of damages to private litigants or mandated capital expenditures to remedy such noncompliance. Any imposition of injunctive relief, fines, damage awards or capital expenditures could adversely impact our business or results of operations. If we fail to comply with the requirements of the ADA, we could be subject to fines, penalties, injunctive action, reputational harm and other business effects which could materially and negatively affect our performance and results of operations.

Terrorist attacks, military conflicts and the availability of terrorism insurance may adversely affect the lodging industry.

The terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001 underscore the possibility that large public facilities or economically important assets could become the target of terrorist attacks in the future. In particular, properties that are well-known or are located in concentrated business sectors in major cities where our hotels are located may be subject to the risk of terrorist attacks.

The occurrence or the possibility of terrorist attacks or military conflicts could:

- cause damage to one or more of our properties that may not be fully covered by insurance to the value of the damages;
- cause all or portions of affected properties to be shut down for prolonged periods, resulting in a loss of income;
- generally reduce travel to affected areas for tourism and business or adversely affect the willingness of customers to stay in or avail themselves of the services of the affected properties;
- expose us to a risk of monetary claims arising out of death, injury or damage to property caused by any such attacks; and
- result in higher costs for security and insurance premiums or diminish the availability of insurance coverage for losses related to terrorist attacks, particularly for properties in target areas, all of which could adversely affect our results.

The occurrence of a terrorist attack with respect to one of our properties could directly and materially adversely affect our results of operations. Furthermore, the loss of any of our well-known buildings could indirectly affect the value of the brands with which we are affiliated, which would in turn adversely affect our business prospects.

Following the September 11, 2001 terrorist attacks in New York City and the Washington, D.C. area, Congress passed the Terrorism Risk Insurance Act of 2002, which established the Terrorism Risk Insurance Program ("Program") to provide insurance capacity for terrorist acts. The Program expired at the end of 2014 but was reauthorized, with some adjustments to its provisions, in January 2015 for six years through December 31, 2020. We carry insurance from solvent insurance carriers to respond to both first-party and third-party liability losses related to terrorism. We purchase our first-party property damage and business interruption insurance from a stand-alone market in place of and to supplement insurance from government run pools. If the Program is not extended or renewed upon its expiration in 2020, or if there are changes to the Program that would negatively affect insurance carriers, premiums for terrorism insurance coverage will likely increase and/or the terms of such insurance may be materially amended to increase stated exclusions or to otherwise effectively decrease the scope of coverage available, perhaps to the point where it is effectively unavailable.

Changes to accounting rules or regulations may adversely affect our reported financial condition and results of operations.

New accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. A change in accounting rules or regulations may require retrospective application and affect our reporting of transactions completed before the change is effective, and future changes to accounting rules or regulations may adversely affect our reported financial condition and results of operations. Refer to Note 2: "Basis of Presentation and Summary of Significant Accounting Policies" in our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a summary of accounting standards issued but not yet adopted that may have material effect on our financial condition and results of operations.

Risks Related to Our Indebtedness

Our indebtedness and other contractual obligations could adversely affect our financial condition, our ability to raise additional capital to fund our operations, our ability to operate our business, our ability to react to changes in the economy or our industry and our ability to pay our debts and could divert our cash flow from operations for debt payments.

Our outstanding debt and other contractual obligations could have important consequences, including:

- requiring a substantial portion of cash flow from operations to be dedicated to debt service payments, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures, distributions to stockholders and to pursue future business opportunities;
- increasing our vulnerability to adverse economic, industry or competitive developments;
- exposing us to increased interest expense, as our degree of leverage may cause the interest rates of any future indebtedness (whether fixed or floating rate interest) to be higher than they would be otherwise;
- exposing us to the risk of increased interest rates because certain of our indebtedness is at variable rates of interest;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants, could result in an event of default that accelerates our obligation to repay indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, satisfaction of debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who may be better positioned to take advantage of opportunities that our leverage prevents us from exploiting.

Certain of our debt agreements impose significant operating and financial restrictions on us and our subsidiaries, which may prevent us from capitalizing on business opportunities.

The debt agreements that govern our outstanding indebtedness impose, and the credit agreement that governs our senior unsecured credit facilities imposes, significant operating and financial restrictions on us. These restrictions may limit our ability and/or the ability of our subsidiaries to, among other things:

- incur or guarantee additional debt or issue disqualified stock or preferred stock;
- make certain investments;
- incur certain liens;
- enter into transactions with affiliates;
- merge or consolidate;
- enter into agreements that restrict the ability of subsidiaries to make dividends or other payments to us or the other subsidiaries; and
- transfer or sell assets.

In addition, the credit agreement that governs our senior unsecured credit facilities contains certain affirmative covenants that require us to be in compliance with certain leverage and financial ratios and the mortgage-backed loans of our subsidiaries also require them to maintain certain debt service coverage ratios and minimum net worth requirements.

As a result of these restrictions, we are limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We may not be able to maintain compliance with these covenants in the future and, if we fail to do so, we may not be able to obtain waivers from the lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above, as well as other terms of our other indebtedness and/or the terms of any future indebtedness from time to time, could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or are unable to refinance these borrowings, our financial condition and results of operations could be adversely affected.

Servicing our indebtedness will require a significant amount of cash. Our ability to generate sufficient cash depends on many factors, some of which are not within our control.

Our ability to make payments on our indebtedness, to fund planned capital expenditures and to make distributions to our stockholders will depend on our ability to generate cash in the future. To a certain extent, this is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are unable to generate sufficient cash flow to service our debt and meet our other commitments, we may need to restructure or refinance all or a portion of our debt, sell material assets or operations or raise additional debt or equity capital. We may not be able to effect any of these actions on a timely basis, on commercially reasonable terms or at all, and these actions may not be sufficient to meet our capital requirements. In addition, the terms of our existing or future debt arrangements may restrict us from effecting any of these alternatives. Our ability to raise additional equity capital may be restricted because the issuance of our stock may cause the spin-off to be a taxable event for Hilton Parent under Section 355(e) of the Code, and under the Tax Matters Agreement, we could be required to indemnify Hilton Parent and/or HGV Parent for that tax. See "Spin-off Related Agreements—Tax Matters Agreement."

We may be able to incur substantially more debt and enter into other transactions, which could further exacerbate the risks to our financial condition described above. The use of debt to finance future acquisitions could restrict operations, inhibit our ability to grow our business and revenues, and negatively affect our business and financial results.

We may be able to incur significant additional indebtedness, including secured debt, in the future. We may also incur significant additional obligations, such as trade payables without restrictions under our debt instruments. In addition, our organizational documents contain no limitation on the amount of debt we may incur, and our board of directors may change our financing policy at any time without stockholder notice or approval. To the extent new debt is added to our current debt levels, the substantial leverage risks described in the preceding three risk factors would increase.

We intend to incur additional debt in connection with future hotel acquisitions. We may, in some instances, borrow under our senior unsecured revolving credit facility or borrow new funds to acquire hotels. In addition, we may incur mortgage debt by obtaining loans secured by a portfolio of some or all of the hotels that we own or acquire. If necessary or advisable, we also may borrow funds to make distributions to our stockholders to maintain our qualification as a REIT for U.S. federal income tax purposes. To the extent that we incur debt in the future and do not have sufficient funds to repay such debt at maturity, it may be necessary to refinance the debt through debt or equity financings, which may not be available on acceptable terms or at all and which could be dilutive to our stockholders. If we are unable to refinance our debt on acceptable terms or at all, we may be forced to dispose of hotels at inopportune times or on disadvantageous terms, which could result in losses. To the extent we cannot meet our future debt service obligations, we will risk losing to foreclosure some or all of our hotels that may be pledged to secure our obligation.

For tax purposes, a foreclosure of any of our hotels would be treated as a sale of the hotel for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the hotel, we would recognize taxable gain on foreclosure, but we would not receive any cash proceeds, which could impact our ability to meet the REIT distribution requirements imposed by the Code. In addition, we may give full or partial guarantees to lenders of mortgage debt on behalf of the entities that own our hotels. When we give a guarantee on behalf of an entity that owns one of our hotels, we will be responsible to the lender for satisfaction of the debt if it is not paid by such entity. If any of our hotels are foreclosed on due to a default, our ability to pay cash distributions to our stockholders will be limited.

Hedging against interest rate exposure may adversely affect us and may be limited by REIT requirements.

We intend to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as cap agreements and swap agreements. These agreements involve the risks that these arrangements may fail to protect or adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related liability;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

As a result of any of the foregoing, our hedging transactions, which are intended to limit losses, could have a material adverse effect on us. In addition, if we fail to maintain adequate hedging arrangements, an increase in interest rates would increase our interest expense on our floating rate debt, including our anticipated senior unsecured credit facilities, reducing our cash flow available for other corporate purposes, including investments and distributions to stockholders. In addition, the REIT rules impose certain restrictions on our ability to utilize hedges, swaps and other types of derivatives to hedge our liabilities.

Covenants applicable to future debt could restrict our ability to make distributions to our stockholders, and as a result, we may be unable to make distributions necessary to qualify as a REIT, which could materially and adversely affect us and the market price of our common shares.

We are a REIT for U.S. federal income tax purposes. To continue to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gains) each year to our stockholders. To the extent that we satisfy this distribution requirement but distribute less than 100% of our REIT taxable income, including net capital gains, we will be subject to U.S. federal and state corporate income tax on our undistributed taxable income and gains. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount of REIT taxable income and net capital gains as specified under the Code. If, as a result of covenants applicable to our future debt, we are restricted from making distributions to our stockholders, we may be unable to make distributions necessary for us to avoid U.S. federal corporate income and excise taxes and to qualify and maintain our qualification as a REIT, which could materially and adversely affect us.

We may be adversely affected by changes in LIBOR reporting practices, the method in which LIBOR is determined or the use of alternative reference rates.

As of December 31, 2018, we have $780 million of debt outstanding that is indexed to the London Interbank Offered Rate (“LIBOR”). In July 2017, the United Kingdom regulator that regulates LIBOR announced its intention to phase out LIBOR rates by the end of 2021. It is not possible to predict the further effect of this announcement, any changes in the methods by which LIBOR is determined or any other reforms to LIBOR that may be enacted in the United Kingdom, the European Union or elsewhere. In April 2018, the New York Federal Reserve commenced publishing an alternative reference rate, the Secured Overnight Financing Rate (“SOFR”), proposed by a group of major market participants, called the Alternative Reference Rates Committee ("ARRC"), convened by the U.S. Federal Reserve with participation by SEC Staff and other regulators. SOFR is based on transactions in the more robust U.S. Treasury repurchase market and has been proposed as the alternative to LIBOR for use in derivatives and other financial contracts that currently rely on LIBOR as a reference rate. ARRC has proposed a paced market transition plan to SOFR from LIBOR and organizations are currently working on industry-wide and company-specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR, and it is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether LIBOR rates will cease to be published or supported before or after 2021 or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. Such developments and any other legal or regulatory changes in the method by which LIBOR is determined or the transition from LIBOR to a successor benchmark may result in, among other things, a sudden or prolonged increase or decrease in LIBOR, a delay in the publication of LIBOR, and changes in the rules or methodologies in LIBOR, which may discourage market participants from continuing to administer or to participate in LIBOR's determination and, in certain situations, could result in LIBOR no longer being determined and published. If a published U.S. dollar LIBOR rate is unavailable after 2021, the interest rates on our debt which is indexed to LIBOR will be determined using various alternative methods, any of which may result in interest obligations which are more than or do not otherwise correlate over time with the payments that would have been made on such debt if U.S. dollar LIBOR was available in its current form. Further, the same costs and risks that may lead to the unavailability of U.S. dollar LIBOR may make one or more of the alternative methods impossible or impracticable to determine. Any of these proposals or consequences could have a material adverse effect on our financing costs, and as a result, our financial condition, operating results and cash flows.

Risks Related to the Spin-Off

We may be responsible for U.S. federal income tax liabilities that relate to the spin-off.

Hilton Parent received a ruling ("IRS Ruling") from the IRS regarding certain U.S. federal income tax aspects of the spin-off. The IRS Ruling received is binding on the IRS, however, the validity of the IRS Ruling is based upon and subject to the accuracy of factual statements and representations made to the IRS by Hilton Parent. As a result of the IRS's ruling policy at the time of Hilton Parent's submission, with respect to transactions under Section 355 of the Code, the IRS Ruling is limited to specified aspects of the spin-off under Section 355 of the Code and does not represent a determination by the IRS that all of the requirements necessary to obtain tax-free treatment to holders of Hilton Parent's common stock and to Hilton Parent have been satisfied. Moreover, if any statement or representation upon which the IRS Ruling is based is incorrect or untrue in any material respect, or if the facts upon which the IRS Ruling is based are materially different from the facts that prevailed at the time of the spin-off, the IRS Ruling could be invalidated. Additionally, legislation enacted after the ruling was requested denies tax-free treatment to a spin-off if only one of either the distributing corporation or the spun-off corporation is a REIT and prevents a distributing corporation or a spun-off corporation from electing REIT status for a 10-year period following a tax-free spin-off. Moreover, U.S. Treasury regulations would require the recognition of taxable gain in connection with the spin-off of an entity that is a REIT or elects REIT status. Under effective date provisions, the legislation and regulations do not apply to distributions described in a ruling request initially submitted to the IRS before December 7, 2015. Because the initial request for the IRS Ruling was submitted before that date and because we believe the distribution will be considered to have been described in that initial request, we believe the legislation and regulations do not apply to the spin-off. However, no ruling was obtained on the effective date provisions and thus no assurance can be given in that regard. In particular, the IRS or a court could disagree with our view regarding the effective date provisions based on any differences that exist between the description in the ruling request and the actual facts relating to the spin-off. If the effective date provisions did not apply to the spin-off, either the spin-off would not qualify for tax-free treatment or we would not be eligible to elect REIT status for a 10-year period following the spin-off.

In addition, the spin-off was conditioned on the receipt of an opinion of legal counsel to the effect that the distributions of Park Parent (and HGV Parent) common stock will qualify as tax-free distributions under Section 355 of the Code. An opinion of legal counsel is not binding on the IRS. Accordingly, the IRS may reach conclusions with respect to the spin-off that are different from the conclusions reached in the opinion. The opinion was based on certain factual statements and representations, which, if incomplete or untrue in any material respect, could alter legal counsel's conclusions.

We are not aware of any facts or circumstances that would cause any such factual statements or representations to the IRS Ruling or spin-off tax counsel to be incomplete or untrue or cause the facts on which the IRS Ruling and legal opinion are based to be materially different from the facts at the time of the spin-off.

If all or a portion of the spin-off does not qualify as a tax-free transaction for any reason, including because any of the factual statements or representations to the IRS or to spin-off tax counsel are incomplete or untrue, because the facts upon which the IRS Ruling is based are materially different from the facts at the time of the spin-off or because one or more sales of our common stock, Hilton Parent common stock or HGV Parent common stock by our respective stockholders, including Blackstone, after the spin-off caused the spin-off not to qualify as a tax-free transaction, Hilton Parent may recognize a substantial gain for U.S. federal income tax purposes. In such case, under U.S. Treasury regulations, each member of the Hilton consolidated group at the time of the spin-off (including us) would be jointly and severally liable for the resulting entire amount of any U.S. federal income tax liability. Additionally, if the distribution of HGV

Parent common stock and/or the distribution of Park Parent common stock do not qualify as tax-free under Section 355 of the Code, Hilton Parent stockholders will be treated as having received a taxable dividend to the extent of Hilton Parent's current and accumulated earnings and profits and then would have a tax-free basis recovery up to the amount of their tax basis in their shares and then would have taxable gain from the sale or exchange of the shares to the extent of any excess.

Even if the spin-off otherwise qualifies as a tax-free transaction for U.S. federal income tax purposes, the distribution would be taxable to us, Hilton Parent and HGV Parent (but not to Hilton Parent stockholders) pursuant to Section 355(e) of the Code if there were one or more acquisitions (including issuances) of our stock, the stock of HGV Parent or the stock of Hilton Parent, representing 50% or more, measured by vote or value, of the stock of any such corporation and the acquisition or acquisitions are deemed to be part of a plan or series of related transactions that include the distribution. The distribution occurred on January 3, 2017. Any acquisition of our common stock within the two-year period before or after January 3, 2017 (with exceptions, including public trading by less-than-5% stockholders and certain compensatory stock issuances) generally would be presumed to have been part of such a plan; however, that presumption is rebuttable. The resulting tax liability would be substantial, and under U.S. Treasury regulations, each member of the Hilton consolidated group at the time of the spin-off (including us and our subsidiaries) would be jointly and severally liable for the resulting U.S. federal income tax liability. We do not believe that there have been acquisitions of 50% or more of our stock pursuant to a plan that would cause the distribution to be taxable pursuant to Section 355(e) of the Code. This determination relies in part upon factual statements and representations by Hilton Parent and certain of our shareholders. Also, the rules for determining whether our shares have been acquired pursuant to the requisite plan are not clear in all cases. Accordingly, the IRS or a court could disagree with our view.

Pursuant to the Tax Matters Agreement, we agreed, subject to certain exceptions, not to enter into certain transactions that could cause any portion of the spin-off to be taxable to Hilton Parent, including under Section 355(e) of the Code. Pursuant to the Tax Matters Agreement, we also agreed to indemnify Hilton Parent and HGV Parent for any tax liabilities resulting from such transactions or other actions we take, or fail to take, and Hilton Parent and HGV Parent agreed to indemnify us for any tax liabilities resulting from transactions entered into by Hilton Parent or HGV Parent. These obligations could have discouraged, delayed or prevented a change of control of our company but these restrictions no longer apply after January 4, 2019. For additional detail, see "Spin-off Related Agreements—Tax Matters Agreement."

The spin-off and related transactions may expose us to potential liabilities arising out of state and U.S. federal fraudulent conveyance laws and legal distribution requirements.

The spin-off could be challenged under various state and U.S. federal fraudulent conveyance laws. An unpaid creditor or an entity vested with the power of such creditor (such as a trustee or debtor-in-possession in a bankruptcy) could claim that Hilton Parent did not receive fair consideration or reasonably equivalent value in the spin-off, and that the spin-off left Hilton Parent insolvent or with unreasonably small capital or that Hilton Parent intended or believed it would incur debts beyond its ability to pay such debts as they mature. If a court were to agree with such a plaintiff, then such court could void the spin-off as a fraudulent transfer and could impose a number of different remedies, including without limitation, returning our assets or your shares in our company to Hilton Parent or providing Hilton Parent with a claim for money damages against us in an amount equal to the difference between the consideration received by Hilton Parent and the fair market value of our company at the time of the spin-off.

In addition, the distribution of our estimated share of C corporation earnings and profits attributable to the period prior to spin-off ("E&P Dividend") could similarly be challenged as a fraudulent conveyance or transfer. If a court were to find that the E&P Dividend was a fraudulent transfer or conveyance, a court could void the E&P Dividend, require stockholders to return to us some or all of the E&P Dividend or require stockholders to pay as money damages an equivalent of the value of the E&P Dividend. Moreover, stockholders could be required to return any dividends previously paid by us.

The measure of insolvency for purposes of the fraudulent conveyance laws may vary depending on which jurisdiction's law is applied. Generally, however, an entity would be considered insolvent if the fair saleable value of its assets is less than the amount of its liabilities (including the probable amount of contingent liabilities), and such entity would be considered to have unreasonably small capital if it lacked adequate capital to conduct its business in the ordinary course and pay its liabilities as they become due. No assurance can be given as to what standard a court would apply to determine insolvency or that a court would determine that Hilton Parent were solvent at the time of or after giving effect to the spin-off, including the distribution of our common stock, or that Park Parent was solvent at the time of or after giving effect to the E&P Dividend.

We could be required to assume responsibility for obligations allocated to Hilton Parent or HGV Parent under the Distribution Agreement.

Under the Distribution Agreement and related ancillary agreements, from and after the spin-offs, each of Hilton Parent, Park Parent and HGV Parent are generally responsible for the debts, liabilities and other obligations related to the business or businesses which they own and operate following the spin-off. Although we do not expect to be liable for any obligations that are not allocated to us under the Distribution Agreement, a court could disregard the allocation agreed to between the parties, and require that we assume responsibility for obligations allocated to Hilton Parent or HGV (for example, tax and/or environmental liabilities), particularly if Hilton Parent or HGV Parent were to refuse or were unable to pay or perform the allocated obligations. See "Spin-off Related Agreements—Distribution Agreement."

In addition, losses in respect of certain shared contingent liabilities, which generally are not specifically attributable to our business, HGV business or the retained business of Hilton, were determined on the date on which the Distribution Agreement was entered into. The percentage of shared contingent liabilities for which we are responsible was fixed in a manner that is intended to approximate our estimated enterprise value on the distribution date relative to the estimated enterprise values of HGV and Hilton. Subject to certain limitations and exceptions, Hilton will generally be vested with the exclusive management and control of all matters pertaining to any such shared contingent liabilities, including the prosecution of any claim and the conduct of any defense. See "Spin-off Related Agreements—Distribution Agreement."

Hilton may fail to perform under various transaction agreements that we have executed as part of the spin-offs.

In connection with the spin-offs, we, Hilton Parent and HGV Parent entered into the Distribution Agreement and various other agreements, including the Tax Matters Agreement and the Management Agreements. Certain of these agreements provide for the performance of services by each company for the benefit of the other following the spin-offs. We are relying on each of Hilton and HGV to satisfy its performance and payment obligations under these agreements. In addition, it is possible that a court would disregard the allocation agreed to between us, Hilton and HGV and require that we assume responsibility for certain obligations allocated to Hilton and to HGV, particularly if Hilton or HGV were to refuse or were unable to pay or perform such obligations. The impact of any of these factors is difficult to predict, but one or more of them could cause reputational harm and could have an adverse effect on our financial position, results of operations and/or cash flows.

In connection with the spin-offs, Hilton and HGV indemnified us for certain liabilities. These indemnities may not be sufficient to insure us against the full amount of the liabilities assumed by Hilton and HGV, and Hilton and HGV may be unable to satisfy their indemnification obligations to us in the future.

In connection with the spin-offs, each of Hilton and HGV indemnified us with respect to such parties' assumed or retained liabilities pursuant to the Distribution Agreement and breaches of the Distribution Agreement or other agreements related to the spin-offs. The assumed or retained liabilities for which we are indemnified by Hilton and HGV include liabilities associated with businesses and assets allocated to Hilton and HGV in connection with the spin-offs. There can be no assurance that the indemnities from each of Hilton and HGV will be sufficient to protect us against the full amount of these and other liabilities. Third parties also could seek to hold us responsible for any of the liabilities that Hilton and HGV have agreed to assume. Even if we ultimately succeed in recovering from Hilton or HGV any amounts for which we are held liable, we may be temporarily required to bear those losses ourselves. Each of these risks could negatively affect our business, financial condition, results of operations and cash flows.

We have a limited operating history as an independent company and our pre-spin financial information does not predict our future results.

The pre-spin financial information we have included in this Annual Report on Form 10-K, for periods prior to the date of the spin-off, have been derived from the consolidated financial statements of Hilton Parent and do not necessarily reflect what our financial position, results of operations and cash flows would have been as a separate, stand-alone entity during periods prior to the date of the spin-off. Hilton Parent did not account for us, and we were not operated, as a single stand-alone entity for the periods prior to the date of the spin-off. The costs and expenses reflected in our pre-spin financial statements include an allocation for certain corporate functions historically provided by Hilton Parent. These allocations were based on what we and Hilton Parent considered to be reasonable reflections of the pre-spin utilization levels of these services required in support of our business. The pre-spin information does not necessarily indicate what our results of operations, financial position, cash flows or costs and expenses would have been following the spin-off or will be in the future, and we may incur greater costs as a separate public company than we did when we were part of Hilton. For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Consolidated Financial Data," and the notes to those statements included elsewhere in this Annual Report on Form 10-K.

Failure to maintain an effective system of internal controls could result in our inability to report our financial results accurately or on a timely basis, which could adversely affect our business, reputation, results of operations, financial condition or liquidity.

Effective internal and disclosure controls are necessary for us to provide reliable financial reports and effectively prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. As part of our ongoing monitoring of internal controls we may discover material weaknesses or significant deficiencies in our internal controls. As a result of weaknesses that may be identified in our internal controls, we may also identify certain deficiencies in some of our disclosure controls and procedures that we believe require remediation. If we discover weaknesses, we will make efforts to improve our internal and disclosure controls. However, there is no assurance that we will be successful. Any failure to maintain effective controls or timely effect any necessary improvement of our internal and disclosure controls could harm operating results or cause us to fail to meet our reporting obligations, which could, among other consequences, affect our ability to remain listed with the NYSE. Ineffective internal and disclosure controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the per share trading price of our common shares.

If we do not maintain our qualification as a REIT, we will be subject to tax as a C corporation and could face a substantial tax liability.

We have been taxed as a REIT for U.S. federal income tax purposes beginning January 4, 2017. We are currently structured and operate consistent with the requirements to be a REIT and we expect to continue to operate so as to qualify as a REIT under the Code. However, qualification as a REIT involves the interpretation and application of highly technical and complex Code provisions for which no or only a limited number of judicial or administrative interpretations may exist. Notwithstanding the availability of cure provisions in the Code, we could fail to meet various compliance requirements, which could jeopardize our REIT status. Furthermore, new tax legislation, administrative guidance or court decisions, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT. If we fail to qualify as a REIT in any tax year, then:

- we would be taxed as a C corporation, which under current laws, among other things, means being unable to deduct dividends paid to stockholders in computing taxable income and being subject to U.S. federal income tax on our taxable income at normal corporate income tax rates;
- any resulting tax liability could be substantial and could have a material adverse effect on our value and financial condition;
- unless we were entitled to relief under applicable statutory provisions, we would be required to pay income taxes, and thus, our cash available for distribution to stockholders would be reduced for each of the years during which we did not qualify as a REIT; and
- we generally would not be eligible to requalify as a REIT for the subsequent four taxable years.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders, and all distributions to stockholders will be subject to tax to the extent of our current and accumulated earnings and profits. As a result of all these factors, our failure to qualify as a REIT could impair our ability to execute our business and growth strategies, as well as make it more difficult for us to raise capital and service our indebtedness.

Qualifying as a REIT involves highly technical and complex provisions of the Code and therefore, in certain circumstances, may be subject to uncertainty.

In order to continue to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets, the sources of our income and the diversity of our share ownership. Also, we must make distributions to stockholders aggregating annually at least 90% of our "REIT taxable income" (determined without regard to the dividends paid deduction and excluding net capital gain). Compliance with these requirements and all other requirements for qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code is greater in the case of a REIT that, like us, conducts significant business operations through one or more TRSs. Even a technical or inadvertent action could jeopardize our REIT status. In addition, the determination of various factual matters and circumstances relevant to REIT qualification is not entirely within our control and may affect our ability to qualify as a REIT. Accordingly, we cannot be certain that our organization and operation will enable us to qualify as a REIT for U.S. federal income tax purposes.

We may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, built-in gain tax on the taxable sale of assets, tax on income from some activities conducted as a result of a foreclosure, and non-U.S. income, state or local income, property and transfer taxes. Moreover, if we have net income from "prohibited transactions," that income will be subject to a 100% tax. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. We are subject to U.S. federal and state income tax (and any applicable non-U.S. taxes) on the income earned by our TRSs. Any of these taxes would decrease cash available for distributions to stockholders. Finally, we have operations and assets outside the U.S. that are subject to tax in those countries. Any of these taxes decrease cash available for distribution to our stockholders.

A forced liquidation of assets may jeopardize our REIT qualification and subject us to taxes.

To continue to qualify as a REIT, we must comply with requirements regarding our assets, our sources of income and our distributions. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to corporate tax or a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Complying with REIT requirements may cause us to forego and/or liquidate otherwise attractive opportunities and limit our expansion opportunities.

To continue to qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, our sources of income, the nature of our investments in real estate and related assets, the amounts we distribute to our stockholders and the ownership of our stock. We may also be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution.

As a REIT, we must ensure that at the end of each calendar quarter, at least 75% of the value of our gross assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities cannot include more than 10% of the outstanding voting securities of any one issuer or 10% of the total value of the outstanding securities of any one issuer unless we and such issuer jointly elect for such issuer to be treated as a TRS under the Code. The total value of all of our investments in TRSs cannot exceed 20% of the value of our total assets. No more than 5% of the value of our assets can consist of the securities of any one issuer other than a TRS. In addition, not more than 25% of our total assets may be represented by debt instruments issued by publicly offered REITs that are "nonqualified" debt instruments. If we fail to comply with these requirements, we must dispose of a portion of our assets within 30 days after the end of the calendar quarter in which such discrepancy arises or qualify for certain statutory relief provisions to avoid losing our REIT status and suffering adverse tax consequences. As a result, we may be required to liquidate from our portfolio, or contribute to a TRS, otherwise attractive investments in order to maintain our qualification as a REIT. These actions could have the effect of reducing our income, increasing our income tax liability, and reducing amounts available for distribution to our stockholders. In addition, we may also be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments (or, in some cases, forego the sale of such investments) that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

Complying with REIT requirements may force us to borrow to make distributions to stockholders.

From time to time, our taxable income may be greater than our cash flow available for distribution to stockholders. If we do not have other funds available in these situations, we may be unable to distribute substantially all of our taxable income as required by the REIT provisions of the Code. Thus, we could be required to borrow funds, raise additional equity capital, sell a portion of our assets at disadvantageous prices or find another alternative to make distributions to stockholders. These options could increase our costs or reduce our equity.

The ownership of our TRSs (including our TRS lessees) increases our overall tax liability.

Our domestic TRSs are subject to U.S. federal, state and local income tax on their taxable income, which in the case of our TRS lessees, consists of the revenues from the hotels leased by our TRS lessees, net of the operating expenses for such hotels and rent payments to us. Accordingly, although our ownership of our TRS lessees allows us to participate in the operating income from our hotels in addition to receiving rent, that operating income is fully subject to income tax. Our TRSs operating outside of the U.S. are subject to tax in those countries. The after-tax net income of our TRSs, including our TRS lessees is available for distribution to us.

Our ownership of our TRSs, and any other TRSs we form, will be subject to limitations, and our transactions with our TRSs, and any other TRSs we form, may cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms.

Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the Code limits the deductibility of interest paid or accrued by a TRS, subject to an exception for an electing, eligible real property trade or business. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. The 100% tax may apply, for example, to the extent that we were found to have charged our TRS lessees rent in excess of an arm's-length rent. It is our policy to evaluate material intercompany transactions and to attempt to set the terms of such transactions so as to achieve substantially the same result as they believe would have been the case if they were unrelated parties. As a result, we believe that all material transactions between and among us and the entities in which we own a direct or indirect interest have been and will be negotiated and structured with the intention of achieving an arm's-length result and that the potential application of the 100% excise tax will not have a material effect on us. There can be no assurance, however, that we will be able to comply with the TRS limitation or to avoid application of the 100% excise tax.

If the leases of our hotels to our TRS lessees are not respected as true leases for U.S. federal income tax purposes, we will fail to qualify as a REIT.

To continue to qualify as a REIT, we must annually satisfy two gross income tests, under which specified percentages of our gross income must be derived from certain sources, such as "rents from real property." Rents paid to us by our TRS lessees pursuant to the leases of our hotels will constitute substantially all of our gross income. In order for such rent to qualify as "rents from real property" for purposes of the gross income tests, the leases must be respected as true leases for U.S. federal income tax purposes and not be treated as service contracts, financing arrangements, joint ventures or some other type of arrangement. We have structured our leases, and intend to structure any future leases, so that the leases will be respected as true leases for U.S. federal income tax purposes, but there can be no assurance that the IRS will agree with this characterization, not challenge this treatment or that a court would not sustain such a challenge. If our leases are not respected as true leases for U.S. federal income tax purposes, we will fail to qualify as a REIT.

If any third-party hotel managers do not qualify as "eligible independent contractors," or if our hotels are not "qualified lodging facilities," we will fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. An exception is provided, however, for leases of "qualified lodging facilities" to a TRS so long as the hotels are operated by an "eligible independent contractor" and certain other requirements are satisfied. Substantially all of our hotels are leased to our TRS lessees which have engaged third-party hotel managers (including Hilton, which manages nearly all of our hotels) that we believe qualify as "eligible independent contractors." Among other requirements, to qualify as an eligible independent contractor (i) the hotel manager cannot own, actually or constructively, more than 35% of our outstanding shares, and (ii) one or more actual or constructive owners of more than 35% of the hotel manager cannot own 35% or more of our outstanding shares (determined by taking into account the shares held by persons owning, actually or constructively, more than 5% of our outstanding shares because our shares are regularly traded on an established securities market and, if the stock of the hotel manager is regularly traded on an established securities market, determined by taking into account only shares held by persons owning, actually or constructively, more than 5% of the publicly traded stock of the hotel manager). The ownership attribution rules that apply for purposes of these 35% thresholds are complex, and monitoring actual and constructive ownership of our shares by our hotel managers and their owners may not be practical. Accordingly, there can be no assurance that these ownership levels will not be exceeded, in particular, with respect to Hilton.

In addition, for a hotel management company to qualify as an eligible independent contractor, such company or a related person must be actively engaged in the trade or business of operating "qualified lodging facilities" (as defined below) for one or more persons not related to the REIT or its TRSs at each time that such company enters into a hotel management contract with a TRS or its TRS lessee. No assurances can be provided that any of our current and future hotel managers will in fact comply with this requirement. Failure to comply with this requirement would require us to find other hotel managers for future contracts, and, if we hired a management company without knowledge of the failure, it could jeopardize our status as a REIT.

Finally, each property with respect to which our TRS lessees pay rent must be a "qualified lodging facility." A "qualified lodging facility" is a hotel, motel or other establishment more than one-half of the dwelling units in which are used on a transient basis, including customary amenities and facilities, provided that no wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. We believe that the properties that are leased to our TRS lessees are qualified lodging facilities. Although we intend to monitor future acquisitions and improvements of properties, REIT provisions of the Code provide no or only limited guidance for making determinations under the requirements for qualified lodging facilities, and there can be no assurance that these requirements will be satisfied.

Our amended and restated certificate of incorporation does not permit any person to own more than 4.9% of our outstanding common stock or more than 4.9% of any outstanding class or series of our preferred stock, and attempts to acquire our common stock or any class or series of our preferred stock in excess of these 4.9% limits would not be effective without an exemption from these limits by our board of directors.

For us to qualify as a REIT under the Code, not more than 50% of the value of our outstanding stock may be owned directly or indirectly, by five or fewer individuals (including certain entities treated as individuals for this purpose) during the last half of a taxable year. In addition, for the rental income we receive on the hotels leased to our TRS lessees and operated by Hilton (or another hotel manager) to be qualifying REIT income, Hilton (or the other hotel manager) must qualify as an "eligible independent contractor," as described above.

For the purpose of assisting our qualification as a REIT for U.S. federal income tax purposes, among other purposes, our amended and restated certificate of incorporation prohibits beneficial or constructive ownership by any person of more than 4.9%, in value or by number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 4.9%, in value or by number of shares, whichever is more restrictive, of any outstanding class or series of our preferred stock, which we refer to as the "ownership limit." The constructive ownership rules under the Code are complex and may cause shares of the outstanding common stock or preferred stock owned by a group of related persons to be deemed to be constructively owned by one person. As a result, the acquisition of less than 4.9% of our outstanding common stock or any class or series of our preferred stock by a person could cause a person to own constructively in excess of 4.9% of our outstanding common stock or any class or series of our preferred stock, respectively, and thus violate the ownership limit. There can be no assurance that our board of directors, as permitted in the amended and restated certificate of incorporation, will not decrease this ownership limit in the future. Any attempt to own or transfer shares of our common stock or preferred stock in excess of the ownership limit without the consent of our board of directors will result either in the shares in excess of the limit being transferred by operation of the amended and restated certificate of incorporation to a charitable trust, and the person who attempted to acquire such excess shares will not have any rights in such excess shares, or in the transfer being void.

The ownership limit may have the effect of precluding a change in control of us by a third party, even if such change in control would be in the best interests of our stockholders or would result in receipt of a premium to the price of our common stock (and even if such change in control would not reasonably jeopardize our REIT status). In addition, exemptions to the ownership limit may limit our board of directors' power to grant further exemptions in the future.

Our amended and restated certificate of incorporation prohibits any person from owning shares of our stock to the extent such ownership would result in our failing to qualify as a "domestically controlled qualified investment entity," and, as a result, foreign persons collectively will be prohibited from owning more than 49.9% of our common stock.

Our amended and restated certificate of incorporation prohibits any person from beneficially owning shares of our stock to the extent such ownership would result in our failing to qualify as a "domestically controlled qualified investment entity" within the meaning of Section 897(h) of the Code (a "Domestically Controlled REIT"). A Domestically Controlled REIT is a REIT in which less than 50% in value of the stock is held directly or indirectly by foreign persons. This restriction may have the effect of precluding certain transfers of our stock to a third party, even if such transfer would be in the best interests of our stockholders.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code substantially limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets (each such hedge, a "Borrowings Hedge"), or manage the risk of certain currency fluctuations (each such hedge, a "Currency Hedge"), if clearly identified under applicable Treasury Regulations, does not constitute "gross income" for purposes of the two gross income tests that we must satisfy in order to maintain our qualification as a REIT. Exclusion from the gross income tests also applies if we previously entered into a Borrowings Hedge or a Currency Hedge, a portion of the hedged indebtedness or property is disposed of, and in connection with such extinguishment or disposition we enter into a new "clearly identified" hedging transaction to offset the prior hedging position. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we intend to limit our use of hedging techniques or implement those hedges through a domestic TRS. This could increase the cost of our hedging activities because our TRSs would be subject to tax on gains or it could expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future taxable income as allowable under the Code in the TRSs. In this regard, losses in our TRSs arising in taxable years beginning after December 31, 2017 may only be deducted against 80% of future taxable income in the TRSs.

Dividends payable by REITs are taxed differently than other dividends.

The maximum U.S. federal income tax rate applicable to qualified dividend income payable from C corporations to certain non-corporate U.S. stockholders is currently 23.8% (taking into account the 3.8% Medicare tax applicable to net investment income). Dividends payable by REITs, however, generally are not qualified dividends. Effective for taxable years beginning after December 31, 2017 and before January 1, 2026, noncorporate U.S. stockholders may deduct 20% of their dividends from REITs (excluding qualified dividend income and capital gains dividends). This does not adversely affect the taxation of REITs; however, the more favorable rates applicable to C corporation qualified dividends could cause certain non-corporate investors to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

We may be subject to adverse legislative or regulatory tax changes that could increase our tax liability, reduce our operating flexibility and reduce the price of our common stock.

Congress, the United States Treasury Department, the IRS and state legislatures and taxing authorities frequently review income tax legislation, regulations and other guidance. We cannot predict whether, when or to what extent new tax laws, regulations, interpretations or rulings will be adopted. Any legislative action may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect taxation of us and our investors. We urge you to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our shares. Although REITs receive certain tax advantages compared to entities taxed as C corporations, it is possible that future legislation would result in a REIT having fewer tax advantages, and it could become more advantageous for a company that invests in real estate to elect to be treated for U.S. federal income tax purposes as a C corporation. As a result, our amended and restated certificate of incorporation provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a C corporation, without the approval of our stockholders.

The ability of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

Our amended and restated certificate of incorporation provides our board of directors with the power, under certain circumstances, to revoke or otherwise terminate our REIT election and cause us to be taxed as a regular corporation, without the approval of our stockholders. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our net taxable income and we generally would no longer be required to distribute any of our net taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Even if we continue to qualify to be a REIT, we could be subject to tax on any recognized net built-in gains in our assets held before electing to be treated as a REIT.

We own appreciating assets that were held by Hilton, a C corporation, and were acquired by us in the spin-off from Hilton Parent in a transaction in which the adjusted tax basis of the assets in our hands was determined by reference to the adjusted basis of the assets in the hands of Hilton. If we dispose of any such appreciated assets during the five-year period following the effective date of our REIT election (January 4, 2017), we will be subject to tax at the highest corporate tax rates on the lesser of (i) the amount of gain that we recognize at the time of the sale or disposition; and (ii) the amount of gain that we would have recognized if we had sold the assets at the time that we acquired them (i.e., the effective date of our REIT election) (such gain referred to as "built-in gains"). We would be subject to this tax liability even if we maintain our status as a REIT. The amount of tax could be significant. Any recognized built-in gain will retain its character as ordinary income or capital gain and will be taken into account in determining REIT taxable income and our REIT distribution requirement. Any tax on the recognized built-in gain will reduce our REIT taxable income. We may choose not to sell in a taxable transaction appreciated assets we might otherwise sell during the five-year period in which the built-in gain tax applies to avoid the built-in gain tax. However, there can be no assurances that such a taxable transaction will not occur. If we sell such assets in a taxable transaction, the amount of corporate tax that we will pay will vary depending on the actual amount of net built-in gain or loss present in those assets as of the time we became a REIT. The amount of tax could be significant. The same rules would apply to any assets we acquire in the future from a C corporation in a carryover basis transaction with built-in gain at the time of the acquisition by us. If we choose to dispose of any assets within the specified period, we will attempt to utilize various tax planning strategies, including Code Section 1031 like-kind exchanges, to mitigate the exposure to the built-in-gains tax. However, effective for taxable years beginning after December 31, 2017, personal property including ancillary hotel furniture, fixtures and equipment is no longer eligible for Section 1031 treatment. Gain from a sale of an asset occurring after the specified period ends will not be subject to this corporate level tax.

There are uncertainties relating to the E&P Dividend.

Hilton Parent allocated its accumulated earnings and profits (as determined for U.S. federal income tax purposes) for periods prior to the spin-off between Hilton Parent, HGV Parent and us in a manner that, in its best judgment, was in accordance with the provisions of the Code. To comply with certain REIT qualification requirements, we declared a dividend to our stockholders to distribute our accumulated earnings and profits attributable to non-REIT years, including the earnings and profits allocated to us in connection with the spin-off. The calculation of the amount of earnings and profits was a complex factual and legal determination. We believe that our E&P Dividend satisfies the requirements relating to the distribution of our pre-REIT accumulated earnings and profits. No assurance can be given, however, that the IRS will agree with our or Hilton Parent's calculation or allocation of earnings and profits to us. If the IRS is successful in asserting that we have additional amounts of pre-REIT earnings and profits, there are procedures generally available to cure any failure to distribute all of our pre-REIT earnings and profits, but there can be no assurance that we will be able to successfully implement such procedures.

Risks Related to Ownership of Our Common Stock

Our board of directors may change significant corporate policies without stockholder approval.

Our investment, financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, will be determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of our board of directors without a vote of our stockholders. Our amended and restated certificate of incorporation also provides that our board of directors may revoke or otherwise terminate our REIT election without approval of our stockholders, if it determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. In addition, our board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements. A change in these policies or the termination of our REIT election could have an adverse effect on our financial condition, our results of operations, our cash flow, the per share trading price of our common stock and our ability to satisfy our debt service obligations and to pay dividends to our stockholders.

Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and bylaws contains provisions that may make the merger or acquisition of our company more difficult without the approval of our board of directors. Among other things:

- the restrictions on ownership and transfer of our stock discussed under the caption "Description of Capital Stock—Restrictions on Ownership and Transfer" prevent any person from acquiring more than 4.9% (in value or by number of shares, whichever is more restrictive) of our outstanding common stock or more than 4.9% (in value or by number of shares, whichever is more restrictive) of any outstanding class or series of our preferred stock without the approval of our board of directors;
- although we do not have a stockholder rights plan, and would either submit any such plan to stockholders for ratification or cause such plan to expire within a year, these provisions would allow us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- these provisions prohibit stockholder action by written consent unless such action is recommended by all directors then in office;
- these provisions provide that our board of directors is expressly authorized to make, alter or repeal our bylaws and that our stockholders may only amend our bylaws with the approval of 80 percent or more of all the outstanding shares of our capital stock entitled to vote; and
- these provisions establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

The market price and trading volume of our common stock may fluctuate widely.

The market price of our common stock may fluctuate significantly, depending upon many factors, some of which may be beyond our control, including, but not limited to:

- a shift in our investor base;
- our quarterly or annual earnings, or those of comparable companies;
- actual or anticipated fluctuations in our operating results;
- our ability to obtain financing as needed;
- changes in laws and regulations affecting our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions or dispositions;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating performance and stock price of comparable companies;
- overall market fluctuations;
- a decline in the real estate markets; and
- general economic conditions and other external factors.

Moreover, securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of shares without regard to our operating performance. For example, the trading prices of equity securities issued by REITs historically have been affected by changes in market interest rates. One of the factors that may influence the market price of our common stock is the annual yield from distributions on our common stock as compared to yields on other financial instruments. An increase in market interest rates, or a decrease in our distributions to stockholders, may lead prospective purchasers of shares of our common stock to demand a higher distribution rate or seek alternative investments. As a result, if interest rates rise, it is likely that the market price of our common stock will decrease as market rates on interest-bearing securities increase. In addition, our operating results could be below the expectations of public market analysts and investors, and in response the market price of our shares could decrease significantly. The market value of the equity securities of a REIT is also based upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales or refinancings, and is secondarily based upon the real estate market value of the underlying assets. For that reason, our common stock may trade at prices that are higher or lower than our net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our common stock. Our failure to meet the market's expectations with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock.

Future issuances of common stock by us may cause the market price of our common stock to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, could substantially decrease the market price of our common stock. The market price of our common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them.

In connection with the spin-off, we adopted an Omnibus Incentive Plan, under which an aggregate of 8,000,000 shares of common stock are available for future issuance. In addition, in connection with the spin-off, we adopted a Non-Employee Director Stock Plan, under which an aggregate of 450,000 shares of Park Parent common stock are available for future issuance. We filed a registration statement on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our Omnibus Incentive Plan and Non-Employee Director Stock Plan. Accordingly, shares registered under such registration statements are available for sale in the open market.

The cash available for distribution to stockholders may not be sufficient to pay dividends at expected levels, nor can we assure you of our ability to make distributions in the future. We may use borrowed funds to make distributions.

We are a REIT for U.S. federal income tax purposes. The Code generally requires that a REIT annually distribute at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain, and imposes tax on any taxable income retained by a REIT, including capital gains. We anticipate making quarterly distributions to our stockholders. We expect that the cash required to fund our dividends will be covered by cash generated by operations. However, our ability to make distributions to our stockholders will depend upon the performance of our asset portfolio. If our operations do not generate sufficient cash flow to allow us to satisfy the REIT distribution requirements, we may be required to fund distributions from working capital, borrow funds, raise additional equity capital, sell assets or reduce such distributions. If such cash available for distribution decreases in future periods from expected levels, our inability to make the expected distributions could result in a decrease in the market price of our common stock. All distributions will be made at the sole discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT qualification and other factors as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future. In addition, some of our distributions may include a return of capital. To the extent that we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for U.S. federal income tax purposes to the extent of the stockholder's adjusted tax basis in their shares. If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

The stock ownership limits imposed by the Code for REITs and our amended and restated certificate of incorporation restrict stock transfers and/or business combination opportunities.

In order for us to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year. Our amended and restated certificate of incorporation, with certain exceptions, authorizes our board of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, no person or entity (other than a person or entity who has been granted an exception) may directly or indirectly, beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 4.9%, in value or by number of shares, whichever is more restrictive, of our outstanding common stock, or more than 4.9%, in value or by number of shares, whichever is more restrictive, of any outstanding class or series of our preferred stock.

Our board may, in its sole discretion, grant an exemption to the ownership limits, subject to certain conditions and the receipt by our board of certain representations and undertakings. In addition, our board of directors may change the share ownership limits. Our amended and restated certificate of incorporation also prohibits any person from: (1) beneficially or constructively owning, as determined by applying certain attribution rules of the Code, our stock if that would result in us being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT; (2) beneficially or constructively owning shares of our stock that would cause any person, including Hilton Parent, to fail to qualify as our eligible independent contractor; (3) transferring stock if such transfer would result in our stock being owned by fewer than 100 persons; and (4) beneficially owning shares of our stock to the extent such ownership would result in our failing to qualify as a "domestically controlled qualified investment entity" within the meaning of Section 897(h) of the Code. The stock ownership limits contained in our amended and restated certificate of incorporation key off the ownership at any time by any "person," which term includes entities, and take into account direct and indirect ownership as determined under various ownership attribution rules in the Code. The stock ownership limits also might delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our Properties

The following table provides a list of our portfolio as of February 28, 2019:

Location	Type[1]	Ownership Percentage	Rooms
Arizona			
Embassy Suites Phoenix Airport	GL	100%	182
California			
Hilton San Francisco Union Square	FS	100%	1,921
Hilton San Diego Bayfront	JV, GL	25%	1,190
Parc 55 San Francisco - a Hilton Hotel	FS	100%	1,024
DoubleTree Hotel San Jose	FS	100%	505
DoubleTree Hotel Ontario Airport	FS	67%	482
Hilton La Jolla Torrey Pines	JV, GL	25%	394
Hilton Santa Barbara Beachfront Resort	FS	50%	360
Hilton Oakland Airport	GL	100%	360
DoubleTree Hotel San Diego – Mission Valley	GL	100%	300
DoubleTree Hotel Sonoma Wine Country	GL	100%	245
Juniper Hotel Cupertino, Curio Collection	FS	100%	224
Hilton Garden Inn LAX/El Segundo	FS	100%	162
Colorado			
DoubleTree Hotel Durango	GL	100%	159
District of Columbia			
Capital Hilton	JV	25%	550
Embassy Suites Washington DC Georgetown	FS	100%	197
Florida			
Hilton Orlando	JV	20%	1,424
Hilton Orlando Bonnet Creek	FS	100%	1,009
Hilton Orlando Lake Buena Vista	GL	100%	814
Hilton Miami Airport	FS	100%	508
Waldorf Astoria Orlando	FS	100%	502
Casa Marina, A Waldorf Astoria Resort	FS	100%	311
The Reach, A Waldorf Astoria Resort	FS	100%	150
Georgia			
Hilton Atlanta Airport	FS	100%	507
Hawaii			
Hilton Hawaiian Village Waikiki Beach Resort	FS[2]	100%	2,860
Hilton Waikoloa Village	FS[2]	100%	1,110[3]

Location	Type[1]	Ownership Percentage	Rooms
Illinois			
Hilton Chicago	FS	100%	1,544
Hilton Chicago/Oak Brook Suites	FS	100%	211
Hilton Garden Inn Chicago/Oak Brook Terrace	FS	100%	128
Louisiana			
Hilton New Orleans Riverside	FS[2]	100%	1,622
Hilton New Orleans Airport	FS	100%	317
Massachusetts			
Hilton Boston Logan Airport	GL	100%	599
Missouri			
Embassy Suites Kansas City Plaza	GL	100%	266
Nevada			
DoubleTree Hotel Las Vegas Airport	JV[2]	50%	190
New Jersey			
Hilton Short Hills	FS	100%	314
Embassy Suites Parsippany	FS	100%	274
Embassy Suites Secaucus Meadowlands	JV, GL	50%	261
New York			
New York Hilton Midtown	FS[2]	100%	1,878
Puerto Rico			
Caribe Hilton	FS[2]	100%	748
Tennessee			
Hampton Inn & Suites Memphis – Shady Grove	FS	100%	130
Texas			
Embassy Suites Austin Downtown Town Lake	GL	100%	259
Utah			
Hilton Salt Lake City Center	GL	100%	499
Virginia			
DoubleTree Hotel Washington DC – Crystal City	FS	100%	627
Hilton McLean Tysons Corner	FS	100%	458
Embassy Suites Alexandria Old Town	JV[2]	50%	288
Washington			
DoubleTree Hotel Seattle Airport	GL	100%	850
Hilton Seattle Airport & Conference Center	GL	100%	396
DoubleTree Hotel Spokane City Center	FS	10%	375
Brazil			
Hilton São Paulo Morumbi	FS	100%	503
Germany			
Hilton Nuremberg Hotel	GL	100%	152
Ireland			
Conrad Dublin	JV	48%	192
United Kingdom			
Hilton Sheffield Hotel	GL	100%	128
Total			**30,659**

(1) "FS" refers to fee simple ownership interest; "GL" refers to ground lease; "JV" refers to unconsolidated joint venture.

(2) Certain portions of land or facilities are subject to lease.

(3) Includes approximately 466 rooms transferred to HGV in October 2016 that we reserved exclusive rights to occupy and operate through December 2019; refer to Note 4: "Property and Equipment" in our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS.

We are involved in various claims and lawsuits arising in the ordinary course of business, 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.

As previously reported in our Annual Report on Form 10-K for the period ended December 31, 2017 filed with the SEC on March 1, 2018, (the "2017 Form 10-K"), on February 5, 2018, we, along with Hilton and related individuals, were named in a claim in the High Court of Justice in England and Wales filed by Top Zinc Limited, the alleged ultimate parent company for landlord entities of ten Hilton hotels retained by Hilton as part of the spin-off. We are the guarantor on the applicable leases for these hotels. The claim alleged damages in excess of £90 million from breach of lease obligations, collusion by Hilton and other parties to destroy the claimant's equity in assets and unlawful interference in a sale process. As previously reported in our Quarterly Report on Form 10-Q for the period ended June 30, 2018 filed with the SEC on August 2, 2018 (the "June 2018 Form 10-Q"), the claim was formally served in May 2018 and was being defended. On July 24, 2018, Top Zinc Limited filed a notice of discontinuance, voluntarily dismissing without prejudice all claims as to the defendants. Fees and costs were recovered from Top Zinc by Hilton, and this matter concluded upon the court's final order on November 26, 2018. Further related to this claim, Park was the subject of an application in the Southern District of New York for discovery/depositions. However, in light of the discontinuance of the related claim in the High Court of Justice in England and Wales, this application was also discontinued in the Southern District of New York. In a related matter, as previously reported in the 2017 Form 10-K, on May 12, 2016, we, along with certain tenant entities, were named as defendant in a suit filed by the landlord entities of these hotels in the High Court of Justice in England and Wales seeking either an order for specific performance for work to be performed on the hotels or to collect £113 million in damages plus litigation costs related to alleged failure to keep the assets in the condition required by the applicable leases. As previously reported in the June 2018 Form 10-Q, on July 30, 2018, the claim was discontinued by the relevant claimants for the Hilton London Kensington and the Hilton London Kensington was sold to a new owner on September 25, 2018. The remaining nine hotels were sold to a new owner (as a portfolio) in December 2018. The remaining claims were dismissed by consent of all parties in January 2019 on the basis that each party agreed to pay their own costs of the litigation. This matter has now concluded by the court's final order dated January 30, 2019.

Because the assets were retained by Hilton as part of the spin-off, any associated liabilities with respect to these matters are expected to be fully indemnified by Hilton pursuant to the Distribution Agreement. See "Spin-off Related Agreements—Distribution Agreement." To date, we have not incurred any costs or losses related to either of these matters and do not anticipate incurring any losses.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock began "regular way" trading on the NYSE under the symbol "PK" on January 4, 2017.

Shareholder Information

At February 25, 2019, we had 9 holders of record of our common stock. However, because our common stock is held by brokers and other institutions on behalf of stockholders, we believe there are substantially more beneficial holders of our common stock than record holders.

In order to comply with certain requirements related to our qualification as a REIT, subject to certain exceptions, our amended and restated certificate of incorporation provides that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 4.9% (in value or by number of shares, whichever is more restrictive) of our outstanding common stock or more than 4.9% (in value or by number of shares, whichever is more restrictive) of any outstanding class or series of our preferred stock.

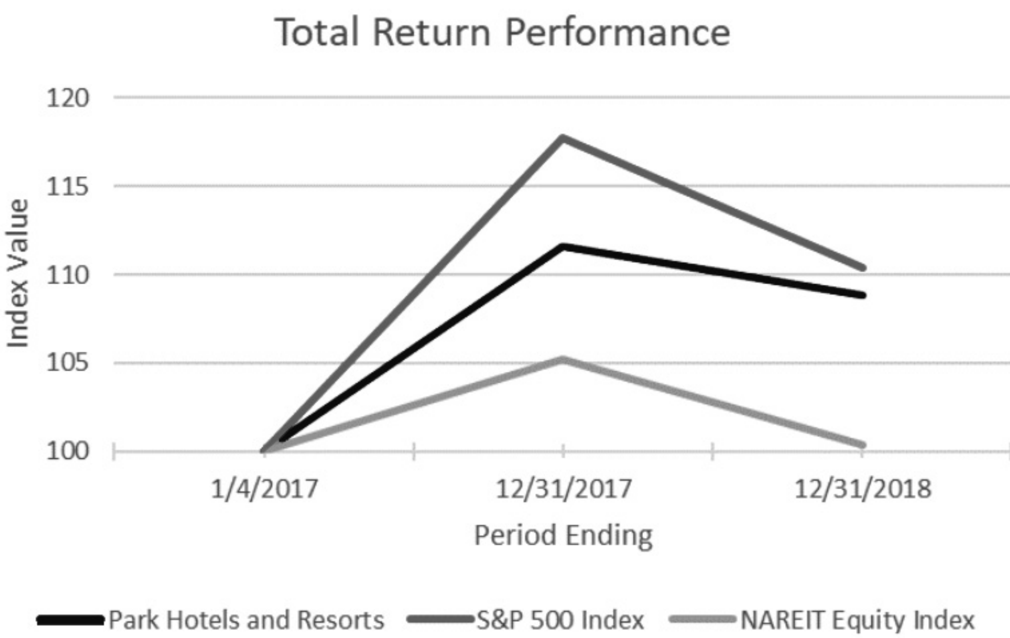
Distribution Information

In order to maintain our qualification for taxation as a REIT, we intend to distribute annually at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and excluding any net capital gain). To avoid paying tax on our income, we intend to make distributions of all, or substantially all, of our REIT taxable income (including net capital gains) to our stockholders. We declare regular quarterly cash dividends and expect to continue paying regular cash dividends on a quarterly basis.

Our future distributions will be at the sole discretion of our board of directors. When determining the amount of future distributions, we expect that our board of directors will consider, among other factors, (1) the amount required to be distributed to maintain our status as a REIT, (2) the amount of cash generated from our operating activities, (3) our expectations of future cash flows, (4) our determination of near-term cash needs for debt repayments, existing or future share repurchases, and selective acquisitions of new properties, (5) the timing of significant capital investments and expenditures and the establishment of any cash reserves, (6) our ability to continue to access additional sources of capital, (7) any limitations on our distributions contained in our debt agreements, including, without limitation, in our anticipated senior unsecured credit facilities, and (8) the sufficiency of legally available assets.

Share Performance Graph

The following graph compares our cumulative total stockholder return since January 4, 2017 against the cumulative total returns of the Standard and Poor's Corporation Composite 500 Index ("S&P 500 Index") and the National Association of Real Estate Investment Trust ("NAREIT") Equity Index. The graph assumes an initial investment of $100 in our common stock and each of the indexes on January 4, 2017, and that all dividends and other distributions were reinvested.



	1/4/2017	12/31/2017	12/31/2018
Park Hotels and Resorts Inc.	$ 100.00	$ 111.56	$ 108.81
S&P 500 Index	100.00	117.74	110.40
NAREIT Equity Index	100.00	105.23	100.36

This performance graph shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, or incorporated by reference into any filing by us under the Securities Act, except as shall be expressly set forth by specific reference in such filing.

Unregistered Sales of Equity Securities

We did not sell any securities during the fiscal year ended December 31, 2018 that were not registered under the Securities Act of 1933, as amended.

Use of Proceeds from Registered Securities

We did not receive any proceeds from registered securities during the fiscal year ended December 31, 2018.

Purchases of Equity Securities by the Issuer and Affiliate Purchasers

Record Date	Total number of shares purchased[(1)(2)]	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, 2018 through January 31, 2018	—	$ —	N/A	N/A
February 1, 2018 through February 28, 2018	36,428	$ 26.10	N/A	N/A
March 1, 2018 through March 31, 2018	14,007,416	$ 24.85	14,000,000	—
April 1, 2018 through April 30, 2018	—	$ —	N/A	N/A
May 1, 2018 through May 31, 2018	1,920	$ 28.58	N/A	N/A
June 1, 2018 through June 30, 2018	—	$ —	N/A	N/A
July 1, 2018 through July 31, 2018	153	$ 31.10	N/A	N/A
August 1, 2018 through August 31, 2018	6,845	$ 31.38	N/A	N/A
September 1, 2018 through September 30, 2018	10,730	$ 32.60	N/A	N/A
October 1, 2018 through October 31, 2018	43	$ 32.17	N/A	N/A
November 1, 2018 through November 30, 2018	8	$ 29.42	N/A	N/A
December 1, 2018 through December 31, 2018	—	$ —	N/A	N/A
	14,063,543			

(1) On March 5, 2018, certain selling stockholders affiliated with HNA Tourism Group Co. Ltd (the "Selling Stockholders") granted us a right to repurchase up to 15,750,000 shares of our common stock held by the Selling Stockholders concurrently with a secondary offering of shares of our common stock by the Selling Stockholders. In March 2018, we exercised our right to repurchase 14,000,000 shares of our common stock, and the Selling Stockholders sold all other shares of our common stock held by them. The repurchase and the offering each closed on March 9, 2018. Accordingly, we do not have any further rights to repurchase shares of our common stock from the Selling Stockholder. All 14,000,000 shares repurchased from the Selling Stockholders were retired.

(2) With the exception of the 14,000,000 shares repurchased in March 2018, the number of shares purchased represents shares of common stock surrendered by certain of our employees to satisfy their U.S. 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.

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.

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 are derived from audited consolidated financial statements. This selected financial data is not necessarily indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we been operating as an independent, publicly traded company during the periods presented prior to the spin-off date of January 3, 2017. For example, our pre-spin consolidated financial statements include allocations of certain expenses from Hilton, including expenses for costs related to functions such as information technology support, systems maintenance, financial services, human resources and other shared services. These costs may not be representative of the future costs we will incur, either positively or negatively, as an independent, public company.

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements as of December 31, 2018 and 2017 and for the three years ended December 31, 2018, 2017 and 2016, and the related notes included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
			(in millions)		
Statement of Operations Data:					
Total revenues	$ 2,737	$ 2,791	$ 2,727	$ 2,688	$ 2,513
Operating income	504	371	419	586	440
Net income	477	2,631	139	299	181
Net income attributable to stockholders	472	2,625	133	292	176
Earnings per share:					
Earnings per share - Basic(1)	$ 2.32	$ 12.38	$ 0.67	$ 1.48	$ 0.89
Earnings per share - Diluted(1)	$ 2.31	$ 12.21	$ 0.67	$ 1.48	$ 0.89
Dividends declared per common share	$ 2.74	$ 1.84	$ —	$ —	$ —
Balance Sheet Data:					
Total assets	$ 9,363	$ 9,714	$ 9,834	$ 9,787	$ 9,714
Debt	2,948	2,961	3,012	4,057	4,246
Total equity	5,586	5,962	3,823	2,797	2,593

(1) *For 2016 and prior, per share amounts were calculated using the number of shares of common stock outstanding upon the completion of the spin-off. Per share amounts are calculated based on unrounded numbers and are calculated independently for each period presented.*

ITEM 7. 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 consolidated financial statements, related notes included thereto and Item 1A., "Risk Factors," appearing elsewhere in this Annual Report on Form 10-K.

Overview

We have a diverse portfolio of iconic and market-leading hotels and resorts with significant underlying real estate value. We hold investments in entities that have ownership or leasehold interests in 52 hotels, consisting of premium-branded hotels and resorts with over 30,000 rooms, of which over 85% are luxury and upper upscale and over 97% are located in the U.S. Luxury and upper upscale refers to luxury hotels and upper upscale hotels as defined by Smith Travel Research. 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 15: "Geographic and Business Segment Information" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information regarding our operating segments.

Spin-Off from Hilton Worldwide Holdings Inc.

On January 3, 2017, Hilton Worldwide Holdings Inc. ("Hilton" or "Parent") completed the spin-off of a portfolio of hotels and resorts that resulted in the establishment of Park Hotels & Resorts Inc. ("we," "us," "our" or the "Company") as an independent, publicly traded company. As a result of the agreements we entered into in connection with the spin-off and our intention to elect to be taxed as a REIT, the below items affected the comparability of our results of operations.

In connection with the spin-off, we entered into agreements, including long-term hotel management and franchise agreements, with our hotel managers that have either not existed historically, or that are on different terms than the terms of the arrangement or agreements that existed prior to the spin-off. Our pre-spin consolidated financial statements do not reflect the effect of these new or revised agreements and our pre-spin expenses, including corporate and other expense and management fee expense, may not be reflective of our consolidated results of operations, financial position and cash flows had we been a stand-alone company during the periods discussed in our "Results of Operations" section.

We elected to be taxed as a REIT for U.S. federal income tax purposes for our tax year ended December 31, 2017. We believe we are currently organized and operate consistent with the requirements to be a REIT and we expect to continue to be organized and operate so as to qualify as a REIT. So long as we qualify as a REIT, except as it relates to our U.S. taxable REIT subsidiaries, we generally will not be subject to U.S. federal income tax on income that we distribute annually to our stockholders. In order to qualify as a REIT, we must continually satisfy tests concerning, 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 and the diversity of ownership of our stock. In order to comply with REIT requirements, we may need to forego otherwise attractive opportunities and limit our expansion opportunities and the manner in which we conduct our operations.

We expect to make distributions to our stockholders in amounts that equal or exceed the requirements to maintain our qualification as a REIT. Prior to making any distributions, we must first satisfy our operating and debt service obligations. Although we currently anticipate that our estimated cash available for distribution will exceed the REIT annual distribution requirements (including to avoid corporate level taxation), it is possible that it would be necessary to utilize cash reserves, liquidate assets at unfavorable prices or incur additional indebtedness in order to make required distributions.

Basis of Presentation

The 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"). The pre-spin consolidated financial statements represent the financial position and results of operations of a combination of entities under common control that have been "carved out" of Hilton's consolidated financial statements and reflect significant assumptions and allocations. References to "pre-spin" periods within this Annual Report on Form 10-K are for periods prior to the spin-off date of January 3, 2017. Refer to Note 2: "Basis of Presentation and Summary of Significant Accounting Policies" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

The pre-spin consolidated statements of comprehensive income include the results of operations of the DoubleTree Hotel Missoula/Edgewater and the Hilton Templepatrick Hotel & Country Club in each of the periods discussed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations." In September 2016, we distributed interests in entities with ownership interests in these two hotels as they were not retained by us after the spin-off. Accordingly, these hotels were not reflected in our consolidated financial statements from and after such distribution. These hotels were not material to our results of operations in any of the pre-spin periods reflected in the consolidated statements of comprehensive income included in this Annual Report on Form 10-K. Refer to Note 14: "Net Parent Investment" in our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Outlook

The U.S. lodging industry benefited during 2018 from a positive macro-economic landscape overall, with third quarter of 2018 gross domestic product ("GDP") increasing 3.4%, coupled with continued improvements in non-residential fixed business investment, a key indicator of RevPAR performance. Our ability to experience continued RevPAR growth during 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 macroeconomic factors, including corporate profitability consumer confidence, unemployment rates (and resulting increase in wages) and GDP growth, supply growth and increased popularity of online booking services and short-term lodging websites.

Recent Events

The City of Chicago did not extend the ground lease for the Hilton Chicago O'Hare Airport, which ended on December 31, 2018, and assumed ownership of the hotel on that date. Additionally, in February 2019, we sold the Pointe Hilton Squaw Peak Resort for a sales price of approximately $51 million.

Principal Components of and Factors Affecting Our Results of Operations

Revenues

Revenues from our hotels are primarily derived from two categories of customers: transient and group, which account for approximately two thirds and one third, respectively, of our rooms revenue. Transient guests are individual travelers who are traveling for business or leisure. Group guests are traveling for group events that reserve rooms for meetings, conferences or social functions sponsored by associations, corporate, social, military, educational, religious or other organizations. Group business usually includes a block of room accommodations, as well as other ancillary services, such as meeting facilities, catering and banquet services. A majority of our food and beverage sales and other ancillary services are provided to customers who also are occupying rooms at our hotels. As a result, occupancy affects all components of revenues from our hotels.

Principal Components

Rooms. Represents the sale of room rentals at our hotels and accounts for a substantial majority of our total revenue.

Food and beverage. Represents revenue from group functions, which may include both banquet revenue and audio and visual revenue, as well as revenue from outlets such as restaurants and lounges at our hotels.

Ancillary hotel. Represents revenue for guest services provided at our hotels, including parking, telecommunications, golf course and spa. Also includes tenant leases and other rental revenue.

Other. Represents revenue related to our laundry business and support services we provide to Hilton Grand Vacations ("HGV") timeshare properties that have a presence within or adjacent to certain of our hotels, which include cost reimbursements for the costs of providing housekeeping, landscaping, general maintenance and other services plus a fee representing a percentage of cost reimbursements.

Factors Affecting our Revenues

Consumer demand. Consumer demand for our products and services is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Leading indicators of demand include gross domestic product, non-residential fixed investment and the consumer price index. Declines in consumer demand due to adverse general economic conditions, reductions in travel patterns, lower consumer confidence and adverse political conditions can lower the revenues and profitability of our hotels. Further, competition for guests and the supply of services at our hotels affect our ability to sustain or increase rates charged to customers at our hotels. As a result, changes in consumer demand and general business cycles have historically subjected and could in the future subject our revenues to significant volatility. In addition, leisure travelers make up the majority of our transient demand. Therefore, we will be significantly more affected by trends in leisure travel than trends in business travel.

Supply. New room supply is an important factor that can affect the lodging industry's performance. Room rates and occupancy, and thus RevPAR, tend to increase when demand growth exceeds supply growth. The addition of new competitive hotels and resorts affects the ability of existing hotels and resorts to sustain or grow RevPAR, and thus profits. New development is determined largely by construction costs, the availability of financing and expected performance of existing hotels and resorts.

Expenses

Principal Components

Rooms. These costs include housekeeping, reservation systems, room supplies, laundry services at our hotels and front desk costs.

Food and beverage. These costs primarily include food, beverage and the associated labor and will correlate closely with food and beverage revenues.

Other departmental and support. These costs include labor and other costs associated with other ancillary revenue, such as parking, telecommunications, golf course and spa, as well as labor and other costs associated with administrative departments, sales and marketing, repairs and minor maintenance and utility costs.

Other property-level. These costs consist primarily of real and personal property taxes, other local taxes, ground rent, equipment rent and property insurance.

Management and franchise fees. Base management fees are computed as a percentage of gross revenue. Incentive management fees generally are paid if specified financial performance targets are achieved. Franchise fees for our Select Hotels are generally computed as a percentage of rooms revenues. Refer to Item 1: “Business – Our Principal Agreements,” included elsewhere in this Annual Report on Form 10-K for additional information.

Casualty (gain) loss and impairment loss, net. Casualty losses are expenses that represent losses incurred resulting from property damage or destruction caused by any sudden, unexpected or unusual event such as a hurricane. Impairment losses are non-cash expenses that are recognized when circumstances indicate that the carrying value of a long-lived asset is not recoverable. An impairment loss is recognized for the excess of the carrying value over the fair value of the asset.

Depreciation and amortization. These are non-cash expenses that primarily consist of depreciation of fixed assets such as buildings, furniture, fixtures and equipment at our hotels and certain assets from our laundry facilities, as well as amortization of finite lived intangible assets.

Corporate general & administrative. These costs include general and administrative expenses, including costs associated with the potential disposition of hotels. General and administrative expenses consist primarily of compensation expense for our corporate staff and personnel supporting our business, professional fees, travel and entertainment expenses, and office administrative and related expenses. The pre-spin financial statements included general and administrative expenses allocated to us by Hilton on the basis of financial and operating metrics that were historically used by Hilton to allocate resources and evaluate performance against its strategic objectives.

Other. These costs include expenses for our laundry business and costs to provide support services to certain HGV timeshare properties.

Factors Affecting our Costs and Expenses

Variable expenses. Expenses associated with our room expense and food and beverage expense are mainly affected by occupancy and correlate closely with their respective revenues. These expenses can increase based on increases in salaries and wages, as well as on the level of service and amenities that are provided. Additionally, food and beverage expense is affected by the mix of business between banquet, catering and outlet sales.

Fixed expenses. Many of the other expenses associated with our hotels are relatively fixed. These expenses include portions of rent expense, property taxes and insurance. Since we generally are unable to decrease these costs significantly or rapidly when demand for our hotels decreases, any resulting decline in our revenues can have a greater adverse effect on our net cash flow, margins and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth. The effectiveness of any cost-cutting efforts is limited by the amount of fixed costs inherent in our business. As a result, we may not be able to successfully offset revenue reductions through cost cutting. The individuals employed at certain of our hotels are party to collective bargaining agreements with our hotel managers that may also limit the manager’s ability to make timely staffing or labor changes in response to declining revenues. In addition, any efforts to reduce costs, or to defer or cancel capital improvements, could adversely affect the economic value of our hotels. We have taken steps to reduce our fixed costs to levels we believe are appropriate to maximize profitability and respond to market conditions without jeopardizing the overall customer experience or the value of our hotels.

Changes in depreciation and amortization expense. Changes in depreciation expense are due to renovations of existing hotels, acquisition or development of new hotels, the disposition of existing hotels through sale or closure or changes in estimates of the useful lives of our assets. As we place new assets into service, we will be required to recognize additional depreciation expense on those assets.

Other Items

Effect of foreign currency exchange rate fluctuations

Certain of our hotels' operations are conducted in functional currencies other than our reporting currency, which is the United States ("U.S.") dollar ("USD"), and we have assets and liabilities denominated in a variety of foreign currencies. As a result, we are required to translate those results, assets and liabilities from the functional currency into USD at market based exchange rates for each reporting period. When comparing our results of operations between periods, there may be material portions of the changes in our revenues or expenses that are derived from fluctuations in exchange rates experienced between those periods.

Seasonality

The lodging industry is seasonal in nature. However, the periods during which our hotels experience higher or lower levels of demand vary from hotel to hotel and depend upon location, type of hotel and competitive mix within the specific location.

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.

2018 Comparable Hotels

Of the 46 hotels that we consolidated as of December 31, 2018, 44 hotels have been 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 exclude the 12 consolidated hotels that were sold in January and February 2018. Refer to Note 3: "Dispositions and Assets Held for Sale" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

2017 Comparable Hotels

Of the 58 hotels that we consolidated as of December 31, 2017, 55 hotels were classified as comparable hotels. Due to the conversion, or planned conversions, of a significant number of rooms at the Hilton Waikoloa Village and Embassy Suites Washington DC Georgetown in 2016 to HGV timeshare units, 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, 2017 also included the 12 consolidated hotels that were sold in January and February 2018. Refer to Note 3: "Dispositions and Assets Held for Sale" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

2016 Comparable Hotels

Our comparable hotels as of December 31, 2016 exclude the DoubleTree Hotel Missoula/Edgewater and the Hilton Templepatrick Hotel & Country Club, as these hotels were not retained by us as part of the spin-off.

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.

Average 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 acquisition or disposition costs expensed during the period;
- Severance expense;
- Share-based compensation expense;
- Casualty 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 tools 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:

	Year Ended December 31,		
	2018[1]	2017[2]	2016[3]
		(in millions)	
Comparable Hotel Adjusted EBITDA	$ 716	$ 709	$ 670
Non-comparable Hotel Adjusted EBITDA	45	49	134
Hotel Adjusted EBITDA	**$ 761**	**$ 758**	**$ 804**

(1) Based on our 2018 comparable hotels as of December 31, 2018.

(2) Based on our 2017 comparable hotels as of December 31, 2017.

(3) Based on our 2016 comparable hotels as of December 31, 2016.

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

	Year Ended December 31,		
	2018	2017	2016
		(in millions)	
Net income	$ 477	$ 2,631	$ 139
Depreciation and amortization expense	277	288	300
Interest income	(6)	(2)	(2)
Interest expense	127	124	181
Income tax expense (benefit)	23	(2,346)	82
Interest expense, income tax and depreciation and amortization included in equity in earnings from investments in affiliates	26	24	24
EBITDA	924	719	724
Gain on sales of assets, net	(96)	(1)	(1)
Gain on sale of investments in affiliates[1]	(107)	—	—
Loss (gain) on foreign currency transactions	3	4	(3)
Transition expense	3	9	26
Transaction expense	2	2	—
Severance expense	2	1	—

	Year Ended December 31,		
	2018	2017	2016
		(in millions)	
Share-based compensation expense	16	14	—
Casualty (gain) loss and impairment loss, net	(1)	26	15
Impairment loss included in equity in earnings from investments in affiliates	—	—	17
Other items[(2)]	8	(17)	36
Adjusted EBITDA	754	757	814
Less: Adjusted EBITDA from investments in affiliates	45	45	44
Less: All other[(3)]	(52)	(46)	(34)
Hotel Adjusted EBITDA	**$ 761**	**$ 758**	**$ 804**

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

(2) For 2017, includes $18 million of distributions received from investments in affiliates in excess of the investment balance that were included within equity in earnings from investments in affiliates in our consolidated statements of comprehensive income. For 2016, includes $19 million of deferred financing costs expensed in connection with the extinguishment of CMBS debt.

(3) Includes other revenues and other expenses, non-income taxes on REIT 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 acquisition or disposition costs expensed during the period;
- Severance expense;
- Share-based compensation expense;
- Casualty gains or losses;
- Litigation gains and losses outside the ordinary course of business; 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:

	Year Ended December 31,		
	2018	2017	2016
	(in millions)		
Net income attributable to stockholders	$ 472	$ 2,625	$ 133
Depreciation and amortization expense	277	288	300
Depreciation and amortization expense attributable to noncontrolling interests	(4)	(3)	(3)
Gain on sales of assets, net	(96)	(1)	(1)
Gain on sale of investments in affiliates[1]	(107)	—	—
Impairment loss	—	10	15
Equity investment adjustments:			
Equity in earnings from investments in affiliates	(18)	(40)	(3)
Pro rata FFO of investments in affiliates	34	52	35
NAREIT FFO attributable to stockholders	558	2,931	476
Loss (gain) on foreign currency transactions	3	4	(3)
Casualty (gain) loss, net	(1)	16	—
Transition expense	3	9	26
Transaction expense	2	2	—
Severance expense	2	1	—
Share-based compensation expense	16	14	—
Other items[2]	20	(2,381)	23
Adjusted FFO attributable to stockholders	**$ 603**	**$ 596**	**$ 522**
NAREIT FFO per share - Diluted[3]	$ 2.73	$ 13.67	$ 2.41
Adjusted FFO per share - Diluted[3]	$ 2.96	$ 2.78	$ 2.64

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

(2) *For 2018, includes $13 million of income tax expense, primarily attributable to an additional built-in gain deferred tax liability as a result of the enactment of the Tax Cuts and Jobs Act, which prohibits the sale of ancillary hotel furniture, fixtures and equipment to be included in a like-kind exchange. For 2017, includes $18 million in distributions received from investments in affiliates, net of $7 million of income tax expense, in excess of the investment balance that were included within equity in earnings from investments in affiliates in our consolidated statements of comprehensive income and derecognition and remeasurement of net deferred tax liabilities for the year ended December 31, 2017 of $2,347 million associated with our intent to elect REIT status. In addition, we recognized an income tax benefit of approximately $25 million associated with the revaluation of our deferred tax assets and liabilities related to the reduction of the corporate tax rate to 21% as a result of the enactment of the Tax Cuts and Jobs Act. For 2016, represents costs incurred and accelerated amortization of deferred financing fees on extinguished debt.*

(3) *For 2016, per share amounts were calculated using the number of shares of common stock outstanding upon the completion of the spin-off. Per share amounts are calculated based on unrounded numbers and are calculated independently for each period presented.*

Comparable Hotel Data

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

The following table sets forth data for our 2018 comparable hotels by geographic market as of December 31, 2018 and 2017:

	As of December 31, 2018		Year Ended December 31, 2018			Year Ended December 31, 2017			
Market	No. of Hotels	No. of Rooms	ADR	Occupancy	RevPAR	ADR	Occupancy	RevPAR	Percent Change in RevPAR
Hawaii	1	2,860	$ 259.17	94.0%	$ 243.56	$ 258.09	93.9%	$ 242.38	0.5%
Northern California	6	4,279	249.39	87.0	216.96	237.79	84.8	201.60	7.6
Florida	6	3,294	214.33	80.5	172.57	205.47	81.8	168.16	2.6
Other	14	5,373	168.07	77.7	130.61	165.51	78.1	129.32	1.0
New Orleans	2	1,939	177.37	75.3	133.64	177.12	73.2	129.71	3.0
Chicago	4	2,743	184.19	76.9	141.70	176.64	75.4	133.17	6.4
New York	1	1,878	293.08	88.7	259.93	294.32	87.1	256.33	1.4
Southern California	4	1,304	174.01	83.1	144.53	168.65	84.8	142.88	1.2
Washington, D.C.	3	1,282	179.10	76.7	137.36	182.64	79.2	144.67	(5.1)
Total Domestic	41	24,952	$ 214.00	82.3%	$ 176.17	$ 209.19	81.8%	$ 171.48	2.7%
Total International	3	783	$ 156.33	73.1%	$ 114.32	$ 146.02	69.2%	$ 101.04	13.1%
All Markets	**44**	**25,735**	**$ 212.44**	**82.0%**	**$ 174.29**	**$ 207.56**	**81.5%**	**$ 169.34**	**2.9%**

Our comparable hotels experienced RevPAR growth of 2.9%, primarily attributable to an increase in ADR of 2.4%. The overall increase in RevPAR was primarily a result of increases in ADR and occupancy at our Northern California and Chicago hotels from an increase in group business of 15.6% and an increase in contract business of 41.7% at our San Francisco hotels, coupled with an increase in group business of 10.3% at the Hilton Chicago. Additionally, RevPAR at our Florida hotels increased primarily due to an increase in occupancy and ADR in our Key West hotels that were closed during a portion of September and October 2017 following Hurricane Irma. RevPAR increased at our New Orleans hotels as a result of an increase in transient business at the Hilton New Orleans Riverside. The overall increase in RevPAR for our comparable hotels was partially offset by declines in RevPAR in our Washington D.C. hotels due to a decrease in group business.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

The following table sets forth data for our 2017 comparable hotels by geographic market as of December 31, 2017 and 2016:

	As of December 31, 2017		Year Ended December 31, 2017			Year Ended December 31, 2016			
Market	No. of Hotels	No. of Rooms	ADR	Occupancy	RevPAR	ADR	Occupancy	RevPAR	Percent Change in RevPAR
Hawaii	1	2,860	$ 258.09	93.9%	$ 242.38	$ 248.81	94.6%	$ 235.47	2.9%
Northern California	7	4,513	234.61	84.8	199.04	234.93	85.5	200.79	(0.9)%
Florida	6	3,294	205.47	81.8	168.16	203.50	80.5	163.81	2.7%
Other	16	5,803	163.50	77.9	127.34	157.55	77.7	122.38	4.1%
New Orleans	2	1,939	177.12	73.2	129.71	178.18	74.7	133.10	(2.5)%
Chicago	4	2,743	176.64	75.4	133.17	181.86	74.6	135.75	(1.9)%
New York	1	1,907	294.32	87.1	256.33	296.13	89.1	263.72	(2.8)%
Southern California	4	1,304	168.65	84.7	142.88	167.75	85.5	143.43	(0.4)%
Washington, D.C.	2	1,085	171.47	78.2	134.02	163.68	79.2	129.70	3.3%
Total Domestic	43	25,448	$ 207.52	81.9%	$ 169.88	$ 205.46	82.1%	$ 168.69	0.7%
Total International	12	2,699	$ 139.40	74.0%	$ 103.17	$ 138.94	73.4%	$ 102.05	1.1%
All Markets	**55**	**28,147**	**$ 201.56**	**81.1%**	**$ 163.49**	**$ 199.70**	**81.3%**	**$ 162.30**	**0.7%**

Our domestic hotels experienced RevPAR growth of 0.7%, primarily attributable to an increase in ADR of 1.0%. Our Hawaii hotel led RevPAR growth with an increase in ADR from increased group demand. RevPAR at our Florida hotels increased primarily due to an increase in occupancy from both group and transient business. Our Washington D.C. hotels experienced an increase in ADR of 4.8% due to increased demand during the inauguration and related political events in the first quarter. The overall increase in RevPAR at our domestic hotels was partially offset by declines in RevPAR in our New York, Chicago, New Orleans, and Northern California hotels. Our New York hotel experienced a decline in RevPAR, attributable to declines in occupancy and ADR, mainly resulting from disruptions from renovations during the year coupled with reduced demand. Chicago experienced a decline in RevPAR primarily attributable to a decline in ADR from a decrease in both group and transient business. Our New Orleans hotels experienced a decline in RevPAR due to the effects of Hurricane

Harvey coupled with a decrease in group business. Northern California experienced an overall decline in RevPAR, attributable to lower ADR and occupancy as a result of decreased demand in 2017 associated with the renovations at the Moscone Convention Center, the Super Bowl taking place in San Francisco in February 2016, disruption from renovation of rooms during the first quarter of 2017, partially offset by increased group and transient demand in the second half of 2017.

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 year ended December 31, 2018, we sold 12 consolidated hotels and one hotel owned by unconsolidated affiliates.* Refer to Note 3: "Dispositions and Assets Held for Sale" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information. Additionally, the results of operations during our period of ownership of the sold consolidated hotels are included within non-comparable revenues and operating expenses for the year ended December 31, 2018 compared to the same period in 2017.
- *Hurricane Maria: As a result of Hurricane Maria in September 2017, the Caribe Hilton sustained significant damage and was closed for the remainder of 2017 and all of 2018.* While the results of operations are included within non-comparable revenues and operating expenses, the closure has resulted in a reduction in hotel revenues and expenses for the year ended December 31, 2018 compared to the same period in 2017, as well as the year ended December 31, 2017 compared to the same period in 2016.

Revenue

Rooms

	Year ended December 31,			Year ended December 31,		
	2018[1]	2017[1]	Percent Change	2017[2]	2016[2]	Percent Change
	(in millions)			(in millions)		
Comparable rooms revenue	$ 1,637	$ 1,595	2.6%	$ 1,680	$ 1,672	0.5%
Non-comparable rooms revenue	79	199	(60.3)	114	123	(7.3)
Total rooms revenue	**$ 1,716**	**$ 1,794**	**(4.3)%**	**$ 1,794**	**$ 1,795**	**(0.1)%**

(1) Based on our 2018 comparable hotels as of December 31, 2018.

(2) Based on our 2017 comparable hotels as of December 31, 2017.

Comparable rooms revenue increased $42 million in 2018 and $8 million in 2017 primarily as a result of an increase in comparable hotel RevPAR of 2.9% and 0.7%, respectively. For a discussion of comparable hotel RevPAR see "—Comparable Hotel Data." Non-comparable rooms revenue decreased $120 million in 2018 primarily as a result of our asset sales in 2018 and lost business at the Caribe Hilton. Non-comparable rooms revenue decreased $9 million in 2017 primarily from the post hurricane effect at the Caribe Hilton.

Food and beverage

	Year ended December 31,			Year ended December 31,		
	2018[1]	2017[1]	Percent Change	2017[2]	2016[2]	Percent Change
	(in millions)			(in millions)		
Comparable food and beverage revenue	$ 672	$ 663	1.4%	$ 690	$ 656	5.2%
Non-comparable food and beverage revenue	41	76	(46.1)	49	63	(22.2)
Total food and beverage revenue	**$ 713**	**$ 739**	**(3.5)%**	**$ 739**	**$ 719**	**2.8%**

(1) Based on our 2018 comparable hotels as of December 31, 2018.

(2) Based on our 2017 comparable hotels as of December 31, 2017.

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Comparable food and beverage revenue increased $9 million in 2018 and $34 million in 2017. The increases in food and beverage revenue at our comparable hotels in both 2018 and 2017 were as a result of an increase in banquet and catering revenue. Food and beverage revenue at our non-comparable hotels decreased $35 million in 2018 primarily as a result of our asset sales in 2018 and lost business at the Caribe Hilton. Food and beverage revenue declined $14 million in 2017 primarily from reduced group demand resulting in a decrease in catering revenue at the Hilton Waikoloa Village.

Ancillary hotel

	Year ended December 31,			Year ended December 31,		
	2018(1)	2017(1)	Percent Change	2017(2)	2016(2)	Percent Change
	(in millions)			(in millions)		
Comparable ancillary hotel revenue	$ 179	$ 156	14.7%	$ 158	$ 152	3.9%
Non-comparable ancillary hotel revenue	57	38	50.0	36	38	(5.3)
Total ancillary hotel revenue	**$ 236**	**$ 194**	**21.6%**	**$ 194**	**$ 190**	**2.1%**

(1) Based on our 2018 comparable hotels as of December 31, 2018.

(2) Based on our 2017 comparable hotels as of December 31, 2017.

Ancillary revenue at our comparable hotels increased $23 million in 2018 and $6 million in 2017 primarily as a result of an increase in resort and parking fees. Ancillary revenue at our non-comparable hotels increased $19 million in 2018 compared to 2017 as a result of the recognition of $25 million in business interruption proceeds for the Caribe Hilton.

Other

	Year ended December 31,			Year ended December 31,		
	2018	2017	Percent Change	2017	2016	Percent Change
	(in millions)			(in millions)		
Laundry revenue	$ 14	$ 13	7.7%	$ 13	$ 13	—%
Support service revenue	58	51	13.7	51	10	NM(1)
Total other revenue	**$ 72**	**$ 64**	**12.5%**	**$ 64**	**$ 23**	**NM(1)**

(1) Percentage change is not meaningful.

Support service revenue increased $7 million in 2018 primarily due to an increase in the number of timeshare units for which we provide services. Support service revenue increased $41 million in 2017 primarily due to increases in revenue at the Hilton Hawaiian Village Waikiki Beach Resort earned from services agreements entered into with HGV in connection with the spin-off and an increase in the number of rooms of timeshare units for which we provide services.

Operating Expenses

Rooms

	Year ended December 31,			Year ended December 31,		
	2018(1)	2017(1)	Percent Change	2017(2)	2016(2)	Percent Change
	(in millions)			(in millions)		
Comparable rooms expense	$ 425	$ 413	2.9%	$ 434	$ 428	1.4%
Non-comparable rooms expense	24	53	(54.7)	32	36	(11.1)
Total rooms expense	**$ 449**	**$ 466**	**(3.6)%**	**$ 466**	**$ 464**	**0.4%**

(1) Based on our 2018 comparable hotels as of December 31, 2018.

(2) Based on our 2017 comparable hotels as of December 31, 2017.

Non-comparable rooms expense decreased $29 million in 2018 as a result of our asset sales in 2018 and the closure of the Caribe Hilton. Non-comparable rooms expense decreased $4 million in 2017 primarily from the post hurricane effect at the Caribe Hilton.

Food and beverage

	Year ended December 31,			Year ended December 31,		
	2018[1]	2017[1]	Percent Change	2017[2]	2016[2]	Percent Change
	(in millions)			(in millions)		
Comparable food and beverage expense	$ 461	$ 451	2.2%	$ 473	$ 456	3.7%
Non-comparable food and beverage expense	34	60	(43.3)	38	47	(19.1)
Total food and beverage expense	**$ 495**	**$ 511**	**(3.1)%**	**$ 511**	**$ 503**	**1.6%**

(1) Based on our 2018 comparable hotels as of December 31, 2018.

(2) Based on our 2017 comparable hotels as of December 31, 2017.

Food and beverage expense at our comparable hotels increased $10 million in 2018 and $17 million in 2017 primarily as a result of increases in banquet and catering expenses from the costs associated with the increase in group food and beverage business. Non-comparable food and beverage expense decreased $26 million in 2018 primarily as a result of our asset sales in 2018 and the closure of the Caribe Hilton. Non-comparable food and beverage expense decreased $9 million in 2017 primarily as a result of decreases in wages and benefits.

Other departmental and support

	Year ended December 31,			Year ended December 31,		
	2018[1]	2017[1]	Percent Change	2017[2]	2016[2]	Percent Change
	(in millions)			(in millions)		
Comparable other departmental and support expense	$ 571	$ 561	1.8%	$ 599	$ 580	3.3%
Non-comparable other departmental and support expense	55	91	(39.6)	53	73	(27.4)
Total other departmental and support expense	**$ 626**	**$ 652**	**(4.0)%**	**$ 652**	**$ 653**	**-0.2%**

(1) Based on our 2018 comparable hotels as of December 31, 2018.

(2) Based on our 2017 comparable hotels as of December 31, 2017.

Other departmental and support expense at our non-comparable hotels decreased $36 million in 2018 primarily from our asset sales in 2018 and the closure of the Caribe Hilton. Other departmental and support expense decreased $20 million in 2017 at our non-comparable hotels primarily from the post hurricane effect at the Caribe Hilton.

Other property-level

	Year ended December 31,			Year ended December 31,		
	2018[1]	2017[1]	Percent Change	2017[2]	2016[2]	Percent Change
	(in millions)			(in millions)		
Comparable other property-level expense	$ 195	$ 188	3.7%	$ 194	$ 182	6.6%
Non-comparable other property-level expense	12	18	(33.3)	12	11	9.1
Total other property-level expense	**$ 207**	**$ 206**	**0.5%**	**$ 206**	**$ 193**	**6.7%**

(1) Based on our 2018 comparable hotels as of December 31, 2018.

(2) Based on our 2017 comparable hotels as of December 31, 2017.

Other property-level expenses at our non-comparable hotels decreased $6 million in 2018 primarily due to our asset sales in 2018 and the closure of the Caribe Hilton.

Management and franchise fees

	Year ended December 31,			Year ended December 31,		
	2018[1]	2017[1]	Percent Change	2017[2]	2016[2]	Percent Change
	(in millions)			(in millions)		
Comparable management and franchise fees expense	$ 129	$ 126	2.4%	$ 131	$ 82	59.8%
Non-comparable management and franchise fees expense	9	15	(40.0)	10	9	11.1
Total management and franchise fees expense	**$ 138**	**$ 141**	**(2.1)%**	**$ 141**	**$ 91**	**54.9%**

(1) Based on our 2018 comparable hotels as of December 31, 2018.

(2) Based on our 2017 comparable hotels as of December 31, 2017.

Management and franchise fees at our comparable hotels increased $49 million in 2017 as a result of the management agreements we entered into in connection with the spin-off. Non-comparable management and franchise fees decreased $6 million in 2018 primarily due to our asset sales in 2018.

Casualty gain (loss) and impairment loss, net

During the year ended December 31, 2017 we recognized $16 million of casualty loss from Hurricanes Irma and Maria; refer to Note 4: "Property and Equipment" and Note 16: "Commitments and Contingencies" in our consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information. Additionally, we recognized $10 million of impairment losses related to certain of our hotels either classified as held for sale as of December 31, 2017 or that were sold in January 2018.

During the year ended December 31, 2016, we recorded an impairment of $15 million for certain hotel assets resulting from a significant decline in market value of those assets. Refer to Note 8: "Fair Value Measurements" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

Corporate general and administrative

	Year Ended December 31,			Percent Change	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
		(in millions)			
General and administrative expenses	$ 43	$ 42	$ 45	2.4%	(6.7)%
Transition expense	3	9	26	(66.7)	(65.4)
Transaction expense	2	2	—	—	NM[1]
Severance expense	1	1	—	—	NM[1]
Share-based compensation expense	16	14	—	14.3	NM[1]
Total corporate general and administrative	**$ 65**	**$ 68**	**$ 71**	**(4.4)%**	**(4.2)%**

(1) Percentage change is not meaningful.

Transition costs decreased $6 million during 2018 as we incurred more costs during 2017 related to our establishment as an independent company after our spin-off. Prior to 2017, general and administrative and transition costs were allocated to us by Hilton.

Other

	Year Ended December 31,			Percent Change	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
		(in millions)			
Laundry expense	$ 18	$ 16	$ 14	12.5%	14.3%
Support services expense	55	47	5	17.0	NM[1]
Total other	**$ 73**	**$ 63**	**$ 19**	**15.9%**	**NM[1]**

(1) Percentage change is not meaningful.

The increase in support services expense in 2018 is primarily attributable to an increase in total number of timeshare units for which we provide services. The increase in support services expense in 2017 was primarily due to increased costs at the Hilton Hawaiian Village Waikiki Beach Resort in relation to services agreements entered into with HGV in connection with the spin-off and an increase in the number of timeshare units for which we provide services.

Gain on sales of assets, net

During the year ended December 31, 2018, we recognized a gain of $98 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. Additionally, we recognized a $2 million loss as a result of the sale of furniture and equipment to the ground lessor at the Hilton Chicago O'Hare Airport, in connection with the termination of the ground lease. Refer to Note 3: "Dispositions and Assets Held for Sale" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

Non-operating Income and Expenses

Interest expense

	Year Ended December 31,			Percent Change	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
		(in millions)			
SF and HHV CMBS Loans[2]	$ 85	$ 85	$ 17	—	NM[1]
Existing CMBS Loan[3]	—	—	121	—	NM[1]
Mortgage Loans	9	8	25	12.5	(68.0)
Term Loan	26	19	—	36.8	NM[1]
Other	7	12	18	(41.7)	(33.3)
Total interest expense	**$ 127**	**$ 124**	**$ 181**	**2.4%**	**(31.5)%**

(1) Percentage change is not meaningful.

(2) 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").

(3) During 2016, we repaid in full the 2013 CMBS loan ("Existing CMBS Loan").

Interest expense on the Term Loan increased $7 million in 2018 primarily as a result of an increase in the one-month LIBOR of approximately 100 basis points during 2018. Other interest expense decreased $5 million in 2018 as a result of the repayment of $55 million of unsecured notes in December 2017. In connection with the spin-off, we refinanced certain of our outstanding debt, resulting in a decrease in interest expense in 2017 compared to 2016.

Our current debt outstanding is approximately $3.0 billion at a weighted average interest rate of 4.1%, of which approximately 74% is fixed-rate debt, refer to Item 7A: "Interest Rate Risk" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

Equity in earnings from investments in affiliates

The $22 million decrease in 2018 compared to 2017 was due to an $18 million distribution in excess of the investment carrying amount of one of our unconsolidated affiliates that was received in 2017.

The $37 million increase in 2017 compared to 2016 was due to the $18 million distribution in excess of the investment carrying amount of one of our unconsolidated affiliates received in 2017. Additionally, in 2016, we recognized an impairment loss of $17 million related to one of our investments in affiliates.

Other gain (loss), net

During the year ended December 31, 2018, we recognized a net gain of $102 million, which is primarily due to the sale of our interests in the unconsolidated affiliates that owned the Hilton Berlin. Refer to Note 3: "Dispositions and Assets Held for Sale" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

In 2016, we recognized a net loss primarily as a result of the recognition of $19 million in remaining deferred financing costs associated with the debt payoff of the Existing CMBS Loan, which was fully repaid in December 2016.

Income tax (expense) benefit

	Year Ended December 31,			Percent Change	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
		(in millions)			
Income tax (expense) benefit	(23)	2,346	(82)	NM[1]	NM[1]

(1) Percentage change is not meaningful.

Income tax expense for the year ended December 31, 2018 included $10 million of deferred income tax expense from an additional built-in gain deferred tax liability resulting from the enactment of the Tax Cuts and Jobs Act, which prohibits the sale of ancillary hotel furniture, fixtures and equipment to be included in a like-kind exchange.

For the year ended December 31, 2017, we recognized an income tax benefit of $2,351 million as a result of the derecognition and re-measurement of deferred tax assets and liabilities. In addition, we recognized an income tax benefit of approximately $25 million associated with the reduction of the corporate tax rate to 21% as a result of the enactment of the Tax Cuts and Jobs Act. The income tax benefit was partially offset by current income tax expense associated with our taxable REIT subsidiaries and foreign operations of $32 million.

Prior to January 4, 2017, we were included in the Hilton's tax group and subject to corporate income taxes at an effective U.S. federal, state and foreign tax rate of approximately 39%. Refer to Note 10: "Income Taxes" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

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 December 31, 2018, we had total cash and cash equivalents of $425 million, including $15 million of restricted cash. Restricted cash consists of cash restricted as to use by our debt agreements. 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.

Our known short-term liquidity requirements primarily consist of funds necessary to pay for operating 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 expenditures 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 associated 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.

Sources and Uses of Our Cash and Cash Equivalents

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

	Year Ended December 31,			Percent Change	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
		(in millions)			
Net cash provided by operating activities	$ 444	$ 653	$ 399	(32.0)%	63.7%
Net cash provided by (used in) investing activities	419	(165)	(224)	NM[1]	(26.3)
Net cash (used in) provided by financing activities	(816)	(459)	29	NM[1]	NM[1]

(1) Percentage change is not meaningful.

Operating Activities

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

The $209 million decrease in net cash provided by operating activities for the year ended December 31, 2018 compared to the year ended December 31, 2017 was primarily due to a $47 million increase in cash paid for income taxes. This was coupled with decreases in working capital resulting from the timing of receipts from our customers and payments to our vendors and other third parties.

The $254 million increase in net cash provided by operating activities for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily due to a $51 million decrease in cash paid for interest and a $130 million decrease in income tax payments. Additionally, the change was due to the timing of payments to our hotel manager, resulting in a $50 million increase, and the timing of payments to our vendors, resulting in a $20 million increase.

Investing Activities

For the year ended December 31, 2018, net cash provided by investing activities of $419 million was primarily attributable to $519 million in net proceeds from the sale of 13 hotels and $88 million of insurance proceeds received for property damage claims; refer to Note 3: "Dispositions and Assets Held for Sale" and Note 4: "Property and Equipment" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information. This amount was offset by $188 million of capital expenditures for property and equipment at our hotels.

For the years ended December 31, 2017 and 2016, net cash used in investing activities of $165 million and $224 million, respectively, consisted primarily of capital expenditures for property and equipment at our hotels. Capital expenditures in 2017 were offset by a $19 million distribution from unconsolidated affiliates representing returns of our investments.

Financing Activities

For the year ended December 31, 2018, net cash used in financing activities of $816 million is primarily attributable to the repurchase of 14,000,000 shares of our common stock for $348 million and $464 million of dividends paid.

For the year ended December 31, 2017, net cash used in financing activities of $459 million primarily consisted of $386 million of dividends paid and the repayment of our secured notes of $55 million.

During the year ended December 31, 2016, we received $847 million from Parent, net of distributions and including $40 million in net transfers, which was used to make net repayments of $786 million of debt.

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 2018:

Record Date	Payment Date	Dividend per Share
March 30, 2018	April 16, 2018	$ 0.43
June 29, 2018	July 16, 2018	$ 0.43
June 29, 2018	July 16, 2018(1)	$ 0.45
September 28, 2018	October 15, 2018	$ 0.43
December 31, 2018	January 15, 2019(2)	$ 1.00

(1) We utilized a portion of the net proceeds from the sale of the Hilton Berlin to declare a special cash dividend of $0.45 per share, or approximately $90 million.

(2) Of the full $1.00 per share payment, $0.70 per share represented the fourth quarter payment based on 2018 results of operations. The remaining $0.30 per share was attributable to gains from the sale of our assets during 2018.

Debt

As of December 31, 2018, our total indebtedness was approximately $3 billion, excluding approximately $233 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 7: "Debt" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2018:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in millions)		
Debt[1][2]	$ 3,678	$ 122	$ 1,006	$ 939	$ 1,611
Operating leases[3]	355	27	56	49	223
Total contractual obligations	**$ 4,033**	**$ 149**	**$ 1,062**	**$ 988**	**$ 1,834**

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

(2) Includes principal, as well as estimated interest payments. For our variable-rate debt, we have assumed a constant 30-day LIBOR rate of 2.52% as of December 31, 2018.

(3) Only includes our future minimum lease payments, refer to Note 9: "Leases" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K for additional information.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements as of December 31, 2018 included construction contract commitments of approximately $34 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 historical consolidated financial statements and accompanying footnotes. We believe that of our significant accounting policies, which are described in Note 2: "Basis of Presentation and Summary of Significant Accounting Policies" in our audited consolidated financial statements included elsewhere within this Annual Report on Form 10-K, the following accounting policies are critical because they involve a higher degree of judgment, and the estimates required to be made were based on assumptions that are inherently uncertain. As a result, these accounting policies could materially affect our financial position, results of operations and related disclosures. On an ongoing basis, we evaluate these estimates and judgments based on historical experiences and various other factors that are believed to reflect the current circumstances. While we believe our estimates, assumptions and judgments are reasonable, they are based on information presently available. Actual results may differ significantly from these estimates due to changes in judgments, assumptions and conditions as a result of unforeseen events or otherwise, which could have a material effect on our financial position or results of operations.

Acquisitions

We evaluate each of our acquisitions to determine if it is as an asset acquisition or a business combination. An asset acquisition occurs when substantially all the fair value of an acquisition is concentrated in a single identifiable asset or a group of similar identifiable assets. In an acquisition of assets, the total cash consideration, including transaction costs is allocated to the individual assets acquired and liabilities assumed, respectively, on a relative fair value basis. In a business combination, the assets acquired and liabilities assumed are measured at fair value. We evaluate several factors, including market data for similar assets, expected future cash flows discounted at risk-adjusted rates and replacement cost for the assets to determine an appropriate fair value of the assets. Changes to these factors could affect the measurement of assets and liabilities.

Impairment of Long-Lived Assets with Finite Lives

We evaluate the carrying value of our property and equipment and intangible assets with finite lives by comparing the expected undiscounted future cash flows to the net book value of the assets if we determine there are indicators of potential impairment. If it is determined that the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value is recorded in our consolidated statements of comprehensive income as an impairment loss.

As part of the process described above, we exercise judgment to:

- determine if there are indicators of impairment present. Factors we consider when making this determination include assessing the overall effect of trends in the hospitality industry and the general economy, historical experience, capital costs and other asset-specific information;
- determine the projected undiscounted future cash flows when indicators of impairment are present. Judgment is required when developing projections of future revenues and expenses based on estimated growth rates over the expected useful life of the asset group. These estimated growth rates are based on historical operating results, as well as various internal projections and external sources; and
- determine the asset fair value when required. In determining the fair value, we often use internally-developed discounted cash flow models. Assumptions used in the discounted cash flow models include estimating cash flows, which may require us to adjust for specific market conditions, as well as capitalization rates, which are based on location, property or asset type, market-specific dynamics and overall economic performance. The discount rate takes into account our weighted average cost of capital according to our capital structure and other market specific considerations.

Changes in estimates and assumptions used in our impairment testing of property and equipment and intangible assets with finite lives could result in future impairment losses, which could be material.

We did not identify any additional property and equipment or intangible assets with finite lives with indicators of impairment for which an additional 10% change in our estimates of undiscounted future cash flows or other significant assumptions would result in material impairment losses.

Assets Held for Sale

We classify a property as held for sale when we commit to a plan to sell the asset, the sale of the asset is probable within one year, and it is unlikely that action to complete the sale will change or that the sale will be withdrawn. When we determine that classification of an asset as held for sale is appropriate, we cease recording depreciation for the asset and value the property at the lower of depreciated cost or fair value, less costs to dispose. Further, the related assets and liabilities of the held for sale property will be classified as assets held for sale in our consolidated balance sheets. Any gains on sales of properties are recognized at the time of sale or deferred and recognized in net income (loss) in subsequent periods as any relevant conditions requiring deferral are satisfied.

Investments in Affiliates

We evaluate our investments in affiliates for impairment when there are indicators that the fair value of our investment may be less than our carrying value. We record an impairment loss when we determine there has been an “other-than-temporary” decline in the investment’s fair value. If an identified event or change in circumstances requires an evaluation to determine if the value of an investment may have an other-than-temporary decline, we assess the fair value of the investment based on the accepted valuation methods, which include discounted cash flows, estimates of sales proceeds and external appraisals. If an investment’s fair value is below its carrying value and the decline is considered to be other-than-temporary, we will recognize an impairment loss in equity in earnings (losses) from investments in affiliates for equity method investments in our consolidated statements of comprehensive income.

Our investments in affiliates consist primarily of our interests in entities that own or lease properties. As such, the factors we consider when determining if there are indicators of potential impairment are similar to property and equipment discussed above. If there are indicators of potential impairment, we estimate the fair value of our equity method and cost method investments by internally developed discounted cash flow models. The principal factors used in our discounted cash flow models that require judgment are the same as the items discussed in property and equipment above.

Changes in estimates and assumptions used in our impairment testing of investments in affiliates could result in future impairment losses, which could be material.

We did not identify any additional investments in affiliates with indicators of impairment for which a 10% change in our estimates of future cash flows or other significant assumptions would result in material impairment losses.

Goodwill

We review the carrying value of our goodwill by comparing the carrying values of our reportable units to their fair values. Our reporting units are the same as our operating segments as described in Note 15: "Geographic and Business Segment Information". We perform this evaluation annually or at an interim date if indicators of impairment exist. In any given year we may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If we cannot determine qualitatively that the fair value is in excess of the carrying value, or we decide to bypass the qualitative assessment, we proceed to the two-step quantitative process. In the first step, we evaluate the fair value of our reporting unit quantitatively. When determining fair value, we utilize discounted future cash flow models, as well as market conditions relative to the operations of our reporting unit. When using a discounted cash flow approach, we utilize various assumptions that require judgment, including projections of revenues and expenses based on estimated long-term growth rates, and discount rates based on weighted average cost of capital. Our estimates of long-term growth and costs are based on historical data, as well as various internal projections and external sources. The weighted average cost of capital is estimated based on the reporting units' cost of debt and equity and a selected capital structure. The selected capital structure for the reporting unit is based on consideration of capital structures of comparable publicly traded REITs. If the carrying amount of the reporting unit exceeds its estimated fair value, then the second step must be performed. In the second step, we estimate the implied fair value of goodwill, which is determined by taking the fair value of the reporting unit and allocating it to all of its assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination.

Changes in the estimates and assumptions used in our goodwill impairment testing could result in future impairment losses, which could be material. A change in our estimates and assumptions that would reduce the fair value of our reporting units by 10% would not result in an impairment.

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using currently enacted tax rates. In relation to our deferred tax liabilities, to the extent we dispose of hotels we owned as of the date of spin-off within a five-year period, we would be subject to income tax on any gain on sale, to the extent the gain existed as of the date of the spin-off ("built-in-gain"). Each period we are required to assess our intent and ability to hold or dispose of hotels that had built-in-gains as of the spin-off, as well as the fair value of those hotels relative to the fair value at the spin-off. Changes in these assumptions could result in an increase or decrease in our deferred tax liabilities associated with built-in-gains.

We use a prescribed more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return if there is uncertainty in income taxes recognized in the financial statements. Assumptions and estimates are used to determine the more-likely-than-not designation. Changes to these assumptions and estimates can lead to an additional income tax expense (benefit), which can materially change our consolidated financial statements.

Consolidations

We use judgment when evaluating whether we have a controlling financial interest in an entity, including the assessment of the importance of rights and privileges of the partners based on voting rights, as well as financial interests in an entity that are not controllable through voting interests. If the entity is considered to be a variable interest entity ("VIE"), we use judgment determining whether we are the primary beneficiary, and then consolidate those VIEs for which we have determined we are the primary beneficiary. If the entity in which we hold an interest does not meet the definition of a VIE, we evaluate whether we have a controlling financial interest through our voting interest in the entity. Changes to judgments used in evaluating our partnerships and other investments could materially affect our consolidated financial statements.

ITEM 7A. 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.

Interest Rate Risk

We are exposed to interest rate risk on our variable-rate debt. Interest rates on our variable-rate debt discussed below are based on one-month LIBOR, so we are most vulnerable to changes in this rate.

The following table sets forth the contractual maturities and the total fair values as of December 31, 2018 for our financial instruments that are materially affected by interest rate risk:

	Maturities by Period							
	2019	2020	2021	2022	2023	Thereafter	Carrying Value	Fair Value
	(in millions, excluding average interest rate)							
Liabilities:								
Fixed-rate debt(1)	$ —	$ 12	$ —	$ 2	$ 729	$ 1,434	$ 2,177	$ 2,091
Average interest rate							4.17%	
Variable-rate debt	$ —	$ —	$ 750	$ 30	$ —	$ —	$ 780	$ 762
Average interest rate							4.00%	

(1) Excludes capital lease obligations with a carrying value of $1 million as of December 31, 2018.

Refer to Note 7: “Debt” in our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K for additional information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Management’s Report on Internal Control Over Financial Reporting

Management of Park Hotels & Resorts Inc. (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company’s management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets of the Company that could have a material effect on the financial statements.

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

Management has assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2018.

Ernst & Young LLP, the independent registered public accounting firm that has audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company’s internal control over financial reporting as of December 31, 2018. The report is included herein.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Park Hotels & Resorts Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Park Hotels & Resorts Inc. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, cash flows, and equity for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2016.

Tysons, Virginia
February 28, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Park Hotels & Resorts Inc.

Opinion on Internal Control over Financial Reporting

We have audited Park Hotels & Resorts Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Park Hotels & Resorts Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, cash flows, and equity for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15 and our report dated February 28, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Tysons, Virginia
February 28, 2019

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

	December 31	
	2018	2017
ASSETS		
Property and equipment, net	$ 7,975	$ 8,311
Assets held for sale, net	—	37
Investments in affiliates	50	84
Goodwill	607	606
Intangibles, net	27	41
Cash and cash equivalents	410	364
Restricted cash	15	15
Accounts receivable, net of allowance for doubtful accounts of $1 and $1	153	125
Prepaid expenses	82	48
Other assets	44	83
TOTAL ASSETS (variable interest entities - $242 and $240)	**$ 9,363**	**$ 9,714**
LIABILITIES AND EQUITY		
Liabilities		
Debt	$ 2,948	$ 2,961
Accounts payable and accrued expenses	183	198
Due to hotel manager	137	141
Due to Hilton Grand Vacations	135	138
Deferred income tax liabilities	42	65
Other liabilities	332	249
Total liabilities (variable interest entities - $217 and $217)	3,777	3,752
Commitments and contingencies - refer to Note 16		
Stockholders' Equity		
Common stock, par value $0.01 per share, 6,000,000,000 shares authorized, 201,290,458 shares issued and 201,198,381 shares outstanding as of December 31, 2018 and 214,873,778 shares issued and 214,845,244 shares outstanding as of December 31, 2017	2	2
Additional paid-in capital	3,589	3,825
Retained earnings	2,047	2,229
Accumulated other comprehensive loss	(6)	(45)
Total stockholders' equity	5,632	6,011
Noncontrolling interests	(46)	(49)
Total equity	5,586	5,962
TOTAL LIABILITIES AND EQUITY	**$ 9,363**	**$ 9,714**

Refer to the notes to consolidated financial statements.

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

	Year Ended December 31, 2018	2017	2016
Revenues			
Rooms	$ 1,716	$ 1,794	$ 1,795
Food and beverage	713	739	719
Ancillary hotel	236	194	190
Other	72	64	23
Total revenues	2,737	2,791	2,727
Operating expenses			
Rooms	449	466	464
Food and beverage	495	511	503
Other departmental and support	626	652	653
Other property-level	207	206	193
Management and franchise fees	138	141	91
Casualty (gain) loss and impairment loss, net	(1)	26	15
Depreciation and amortization	277	288	300
Corporate general and administrative	65	68	71
Other	73	63	19
Total expenses	2,329	2,421	2,309
Gain on sales of assets, net	96	1	1
Operating income	504	371	419
Interest income	6	2	2
Interest expense	(127)	(124)	(181)
Equity in earnings from investments in affiliates	18	40	3
(Loss) gain on foreign currency transactions	(3)	(4)	3
Other gain (loss), net	102	—	(25)
Income before income taxes	500	285	221
Income tax (expense) benefit	(23)	2,346	(82)
Net income	477	2,631	139
Net income attributable to noncontrolling interests	(5)	(6)	(6)
Net income attributable to stockholders	**$ 472**	**$ 2,625**	**$ 133**
Other comprehensive income (loss), net of tax expense:			
Currency translation adjustment, net of tax of $4, $0 and $(4)	39	22	(7)
Total other comprehensive income (loss)	39	22	(7)
Comprehensive income	$ 516	$ 2,653	$ 132
Comprehensive income attributable to noncontrolling interests	(5)	(6)	(6)
Comprehensive income attributable to stockholders	**$ 511**	**$ 2,647**	**$ 126**
Earnings per share:			
Earnings per share - Basic	$ 2.32	$ 12.38	$ 0.67
Earnings per share - Diluted	$ 2.31	$ 12.21	$ 0.67
Weighted average shares outstanding - Basic	203	211	198
Weighted average shares outstanding - Diluted	204	214	198

Refer to the notes to consolidated financial statements.

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

	Year Ended December 31,		
	2018	2017	2016
Operating Activities:			
Net income	$ 477	$ 2,631	$ 139
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	277	288	300
Gain on sales of assets, net	(96)	(1)	(1)
Casualty (gain) loss and impairment loss, net	(1)	16	15
Equity in earnings from investments in affiliates	(18)	(40)	(3)
Loss (gain) on foreign currency transactions	3	4	(3)
Other (gain) loss, net	(102)	—	25
Share-based compensation expense	16	14	—
Amortization of deferred financing costs	4	5	11
Distributions from unconsolidated affiliates	18	19	19
Deferred income taxes	(20)	(2,378)	(66)
Changes in operating assets and liabilities:			
Accounts receivable, net	(27)	4	(9)
Prepaid expenses	(34)	8	(6)
Other assets	(34)	(1)	(1)
Accounts payable and accrued expenses	(21)	20	(1)
Due to hotel manager	(4)	50	(18)
Other liabilities	14	20	(5)
Other	(8)	(6)	3
Net cash provided by operating activities	444	653	399
Investing Activities:			
Capital expenditures for property and equipment	(188)	(185)	(227)
Proceeds from asset dispositions, net	369	—	—
Proceeds from the sale of investments in affiliates, net	150	—	—
Insurance proceeds for property damage claims	88	2	—
Investments in affiliates	—	(1)	—
Distributions from unconsolidated affiliates	—	19	3
Net cash provided by (used in) investing activities	419	(165)	(224)
Financing Activities:			
Dividends paid	(464)	(386)	—
Distributions to noncontrolling interests	(2)	(6)	(32)
Tax withholdings on share-based compensation	(2)	(3)	—
Repurchase of common stock	(348)	—	—
Contribution from Parent	—	—	987
Borrowings	—	—	2,915
Repayment of debt	—	(55)	(3,680)
Debt issuance costs	—	—	(21)
Net transfers (to) from Parent	—	(9)	40
Cash dividends paid to Parent	—	—	(180)
Net cash (used in) provided by financing activities	(816)	(459)	29
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1)	—	2
Net increase in cash and cash equivalents and restricted cash	46	29	206
Cash and cash equivalents and restricted cash, beginning of period	379	350	144
Cash and cash equivalents and restricted cash, end of period	**$ 425**	**$ 379**	**$ 350**

For supplemental disclosures, refer to Note 17: "Supplemental Disclosures of Cash Flow Information."

Refer to the notes to consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Net Parent Investment	Non-controlling Interests	Total
	Shares	Amount						
Balance as of December 31, 2015	—	$ —	$ —	$ —	$ (63)	$ 2,884	$ (24)	$ 2,797
Net income	—	—	—	—	—	133	6	139
Other comprehensive loss	—	—	—	—	(7)	—	—	(7)
Net transfers from Parent	—	—	—	—	—	40	—	40
Capital contribution from Parent	—	—	—	—		337		337
Cash contribution from Parent	—	—	—	—	—	987	—	987
Distribution to Parent	—	—	—	—	3	(259)	—	(256)
Cash dividends paid to Parent	—	—	—	—	—	(180)	—	(180)
Distributions to noncontrolling interests	—	—	—	—	—	—	(32)	(32)
Cumulative effect of the adoption of ASU 2015-02	—	—	—	—	—	(3)	1	(2)
Balance as of December 31, 2016	—	—	—	—	(67)	3,939	(49)	3,823
Net transfers to Parent	—	—	—	—	—	(13)	—	(13)
Issuance of common stock and reclassification of former Parent investment	198	2	3,924	—	—	(3,926)	—	—
Share-based compensation, net	1	—	11	—	—	—	—	11
Net income	—	—	—	2,625	—	—	6	2,631
Other comprehensive income	—	—	—	—	22	—	—	22
Dividends and dividend equivalents	16	—	(110)	(396)	—	—	—	(506)
Distributions to noncontrolling interests	—	—	—	—	—	—	(6)	(6)
Balance as of December 31, 2017	215	2	3,825	2,229	(45)	—	(49)	5,962
Share-based compensation, net	—	—	14	—	—	—	—	14
Net income	—	—	—	472	—	—	5	477
Other comprehensive income	—	—	—	—	39	—	—	39
Dividends and dividend equivalents	—	—	—	(556)	—	—	—	(556)
Repurchase of common stock	(14)	—	(250)	(98)	—	—	—	(348)
Distributions to noncontrolling interests	—	—	—	—	—	—	(2)	(2)
Balance as of December 31, 2018	**201**	**$ 2**	**$ 3,589**	**$ 2,047**	**$ (6)**	**$ —**	**$ (46)**	**$ 5,586**

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. As a result of the spin-off, each holder of Hilton common stock on the record date of December 15, 2016 received one share of our common stock for every five shares of Hilton common stock owned.

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.

NOTE 2: BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Principles of Combination and Consolidation

Subsequent to January 3, 2017, the consolidated financial statements include the accounts of the Company, our wholly owned subsidiaries and entities in which we have a controlling financial interest, including variable interest entities ("VIEs") where we are the primary beneficiary. The pre-spin consolidated financial statements through January 3, 2017 represent the financial position and results of operations of entities held by us after the spin-off that had historically been under common control of the Parent. The pre-spin consolidated financial statements were prepared on a carve-out basis and reflect significant assumptions and allocations. The 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"). All significant intercompany transactions and balances within these consolidated financial statements have been eliminated.

On October 24, 2007, a predecessor to Hilton became a wholly owned subsidiary of an affiliate of The Blackstone Group L.P. ("Blackstone") following the completion of a merger ("Merger"). Our consolidated financial statements reflect adjustments made as a result of applying push down accounting at the time of the Merger. The Company's consolidated financial statements include certain assets and liabilities that have historically been held by Hilton but are specifically identifiable or otherwise attributable to the Company, including goodwill and intangibles.

Allocations

Through January 3, 2017, the pre-spin consolidated statements of comprehensive income included allocations of corporate general and administrative expenses from Hilton on the basis of financial and operating metrics that Hilton historically used to allocate resources and evaluate performance against its strategic objectives. We considered the basis on which expenses were allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by us during the historical periods presented. However, the allocations may not include all of the actual expenses that would have been incurred by us and may not reflect our consolidated results of operations, financial position and cash flows had we been a stand-alone company during the historical periods presented. Actual costs that might have been incurred had we been a stand-alone company would depend on a number of factors, including the chosen organizational structure, what functions we might have performed ourselves or outsourced and strategic decisions we might have made in areas such as information technology and infrastructure. Following the spin-off, we performed these functions using our own resources or purchased services. For an interim period, some of these functions were provided by Hilton through a transition services agreement ("TSA"). The majority of the services provided pursuant to the TSA were terminated effective January 1, 2018 and the TSA expired on December 31, 2018.

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.

Reclassifications

Certain line items on the consolidated balance sheet as of December 31, 2017 and on the statements of comprehensive income and statements of cash flows for the years ended December 31, 2017 and 2016 have been reclassified to conform to the current period presentation.

Summary of Significant Accounting Policies

Property and Equipment

Property and equipment are recorded at cost, and interest applicable to major construction or development projects is capitalized. Costs of improvements that extend the economic life or improve service potential are also capitalized. Capitalized costs are depreciated over their estimated useful lives. Costs for normal repairs and maintenance are expensed as incurred.

Depreciation is recorded using the straight-line method over the assets' estimated useful lives, which are generally as follows: buildings and improvements (8 to 40 years); furniture and equipment (3 to 8 years); and computer equipment and acquired software (3 years). Leasehold improvements are depreciated over the shorter of the estimated useful life, based on the estimates above, or the lease term.

We evaluate the carrying value of our property and equipment if there are indicators of potential impairment. We perform an analysis to determine the recoverability of the asset's carrying value by comparing the expected undiscounted future cash flows to the net book value of the asset. If it is determined that the expected undiscounted future cash flows are less than the net book value of the asset, the excess of the net book value over the estimated fair value is recorded in our consolidated statements of comprehensive income within impairment losses. Fair value is generally estimated using valuation techniques that consider the discounted cash flows of the asset using discount and capitalization rates deemed reasonable for the type of asset, as well as prevailing market conditions, appraisals, recent similar transactions in the market and, if appropriate and available, current estimated net sales proceeds from pending offers.

If sufficient information exists to reasonably estimate the fair value of a conditional asset retirement obligation, including environmental remediation liabilities, we recognize the fair value of the obligation when the obligation is incurred, which is generally upon acquisition, construction or development and/or through the normal operation of the asset.

Assets Held for Sale

We classify a property as held for sale when we commit to a plan to sell the asset, the sale of the asset is probable within one year, and it is unlikely that action to complete the sale will change or that the sale will be withdrawn. When we determine that classification of an asset as held for sale is appropriate, we cease recording depreciation for the asset and value the property at the lower of depreciated cost or fair value, less costs to dispose. Further, the related assets and liabilities of the held for sale property will be classified as assets held for sale in our consolidated balance sheets. Any gains on sales of properties are recognized at the time of sale or deferred and recognized in *net income (loss)* in subsequent periods as any relevant conditions requiring deferral are satisfied.

Investments in Affiliates

The consolidated financial statements include entities in which we have a controlling financial interest, including VIEs where we are the primary beneficiary. The determination of a controlling financial interest is based upon the terms of the governing agreements of the respective entities, including the evaluation of rights held by other interests. If the entity is considered to be a VIE, we determine whether we are the primary beneficiary, and then consolidate those VIEs for which we have determined we are the primary beneficiary. If the entity in which we hold an interest does not meet the definition of a VIE, we evaluate whether we have a controlling financial interest through our voting interests in the entity. We consolidate entities when we own more than 50 percent of the voting shares of a company or otherwise have a controlling financial interest. References in these financial statements to *net income (loss) attributable to stockholders* do not include non-controlling interests, which represent the outside ownership interests of our consolidated, non-wholly owned entities and are reported separately.

We hold investments in affiliates that primarily own or lease hotels. Investments in affiliates over which we exercise significant influence, but lack a controlling financial interest, are accounted for using the equity method. We account for investments using the equity method when we have the ability to exercise significant influence over the entity, typically through a more than minimal investment.

Our proportionate share of earnings (losses) from our equity method investments is presented as *equity in earnings (losses) from investments in affiliates* in our consolidated statements of comprehensive income. Distributions from investments in affiliates are presented as an operating activity in our consolidated statements of cash flows when such distributions are a return on investment. Distributions from investments in affiliates are recorded as an investing activity in our consolidated statements of cash flows when such distributions are a return of investment.

We assess the recoverability of our equity method investments if there are indicators of potential impairment. If an identified event or change in circumstances requires an evaluation to determine if an investment may have an other-than-temporary impairment, we assess the fair value of the investment based on accepted valuation methodologies, which include discounted cash flows, estimates of sales proceeds and external appraisals. If an investment's fair value is below its carrying value and the decline is considered to be other-than-temporary, we will recognize an impairment loss in *equity in earnings (losses) from investments in affiliates* in our consolidated statements of comprehensive income.

Non-controlling Interests

We present the portion of any equity that we do not own in entities that we have a controlling financial interest (and thus consolidate) as non-controlling interests and classify those interests as a component of total equity, separate from total stockholders' equity, on our consolidated balance sheets. For consolidated joint ventures with pro rata distribution allocations, net income or loss is allocated between the joint venture partners based on their respective stated ownership percentages. In addition, we include net income (loss) attributable to the noncontrolling interest in net income (loss) in our consolidated statements of comprehensive income.

Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. We do not amortize goodwill, but rather evaluate goodwill for potential impairment on an annual basis or at other times during the year if events or circumstances indicate that the carrying amount may not be recoverable.

We have two reporting units, consolidated and unconsolidated hotels, to which goodwill has been allocated. Certain of the entities that are included in our consolidated financial statements were consolidated subsidiaries of our Parent at the time of the Merger. Our Parent allocated goodwill to us based on the relative fair value of our properties compared to that of Parent's ownership segment as of the date of the Merger. We review the carrying value of goodwill by comparing the carrying value of a reporting unit to its fair value. In any year, we may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is in excess of its carrying value. If we cannot determine qualitatively that the fair value is in excess of the carrying value, or we decide to bypass the qualitative assessment, we proceed to the two-step quantitative process. In the first step, we determine the fair value of the reporting unit. The valuation is based on internal projections of expected future cash flows and operating plans, as well as market conditions relative to the operations of our reporting unit. If the estimated fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. However, if the carrying amount of the reporting unit exceeds its estimated fair value, then the second step must be performed. In the second step, we estimate the implied fair value of goodwill, which is determined by taking the fair value of the reporting unit and allocating it to all of its assets and liabilities (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, the excess is recognized within *casualty (gain) loss and impairment loss, net* in our consolidated statements of comprehensive income.

Intangible Assets

Intangible assets with finite useful lives primarily include ground and hotel operating lease contracts recorded by our Parent at the time of the Merger and allocated to us based on either specific identification or the relative fair values as of the date of the Merger. These contract values are based on the present value of the difference between contractual amounts to be paid pursuant to the contracts acquired and the estimate of the fair value of rates for corresponding contracts measured over the period equal to the remaining non-cancelable term of the contract. Intangible assets are amortized using the straight-line method over the remaining non-cancelable term of the contract.

We review all finite lived intangible assets for impairment when circumstances indicate that their carrying amounts may not be recoverable. If the carrying value of an asset group is not recoverable, we recognize an impairment loss for the excess of the carrying value over the fair value in our consolidated statements of comprehensive income.

Asset Acquisitions

We consider an asset acquisition to occur when substantially all the fair value of an acquisition is concentrated in a single identifiable asset or a group of similar identifiable assets. In an acquisition of assets, we are not required to expense our acquisition-related costs, and goodwill is not assigned. We will account for the properties purchased as asset acquisitions by allocating the total cash consideration, including transaction costs, to the individual assets acquired and liabilities assumed, respectively, on a relative fair value basis.

Business Combinations

We consider a business combination to occur when we take control of a business by acquiring its net assets or equity interests. We record the assets acquired, liabilities assumed and non-controlling interests at fair value as of the acquisition date, including any contingent consideration. We evaluate factors, including market data for similar assets, expected future cash flows discounted at risk-adjusted rates and replacement cost for the assets to determine an appropriate fair value of the assets. Acquisition-related costs, such as due diligence, legal and accounting fees, are expensed in the period incurred and are not capitalized or applied in determining the fair value of the acquired assets.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities, when purchased, of three months or less.

Restricted Cash

Restricted cash includes cash balances established as lender reserves required by our debt agreements. For purposes of our consolidated statement of cash flows, changes in restricted cash caused by changes in lender reserves due to restrictions under our loan agreements are shown as financing activities and changes in deposits for assets we plan to acquire are shown as investing activities.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided on accounts receivable when losses are probable based on historical collection activity and current business conditions.

Fair Value Measurements—Valuation Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (an exit price). We use the three-level valuation hierarchy for classification of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-level hierarchy of inputs is summarized below:

- Level 1—Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2—Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.
- Level 3—Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety at the end of each reporting period.

Derivative Instruments

We may use derivative instruments as part of our overall strategy to manage our exposure to market risks associated with fluctuations in interest rates. We will regularly monitor the financial stability and credit standing of the counterparties to our derivative instruments. Under the terms of certain loan agreements, we may be required to maintain derivative financial instruments to manage interest rates. We do not enter into derivative financial instruments for trading or speculative purposes.

We record all derivatives at fair value. On the date the derivative contract is entered, we designate the derivative as one of the following: a hedge of a forecasted transaction or the variability of cash flows to be paid ("cash flow hedge"); a hedge of the fair value of a recognized asset or liability ("fair value hedge"); or an undesignated hedge instrument. Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge or net investment hedge are recorded in Other comprehensive income (loss) in the consolidated statements of comprehensive income until they are reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of a derivative that is qualified, designated and highly effective as a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in current period earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in current period earnings. Cash flows from designated derivative financial instruments are classified within the same category as the item being hedged in the consolidated statements of cash flows. Cash flows from undesignated derivative financial instruments are included as an investing activity in our consolidated statements of cash flows.

If we determine that we qualify for and will designate a derivative as a hedging instrument, at the designation date we formally document all relationships between hedging activities, including the risk management objective and strategy for undertaking various hedge transactions. This process includes matching all derivatives that are designated as cash flow hedges to specific forecasted transactions and linking all derivatives designated as fair value hedges to specific assets and liabilities in our consolidated balance sheets.

To the extent we have designated a derivative as a hedging instrument, each reporting period we assess the effectiveness of our designated hedges in offsetting the variability in the cash flows or fair values of the hedged assets or obligations using the Hypothetical Derivative Method. This method compares the cumulative change in fair value of each hedging instrument to the cumulative change in fair value of a hypothetical hedging instrument, which has terms that identically match the critical terms of the respective hedged transactions. Thus, the hypothetical hedging instrument is presumed to perfectly offset the hedged cash flows. Ineffectiveness results when the cumulative change in the fair value of the hedging instrument exceeds the cumulative change in the fair value of the hypothetical hedging instrument. We discontinue hedge accounting prospectively, when the derivative is not highly effective as a hedge, the underlying hedged transaction is no longer probable, or the hedging instrument expires, is sold, terminated or exercised.

Revenue Recognition

Our results of operations primarily consist of room rentals, food and beverage sales and other ancillary goods and services from hotel properties. Other revenues are from our laundry business and service arrangements with Hilton Grand Vacations ("HGV"). Hotel operating revenues are disaggregated into room revenue, food and beverage revenue, ancillary hotel revenue and other revenue on the consolidated statements of comprehensive income to illustrate how economic factors affect the nature, amount and timing, and uncertainty of revenue and cash flows. Rooms revenue is recognized over time when rooms are occupied and food and beverage revenue is recognized at a point in time when goods and services have been delivered or rendered. Ancillary hotel revenue and other revenue is generally recognized at a point in time as goods and services are delivered or rendered.

We assess if we are the principal or agent for certain ancillary services provided by third parties. If we are the principal, we recognize revenue based on the gross sales price. If we are the agent, we recognize revenue net of costs paid to service providers. Payment received for a future stay or event is recognized as an advance deposit, which is included in *other liabilities* on our consolidated balance sheet. Advance deposits are recognized as revenue when rooms are occupied or goods or services have been delivered or rendered to our customer. Our advance deposit balance as of December 31, 2018 and 2017 was $90 million and $80 million, respectively, and are generally recognized as revenue within a one-year period. Additionally, we collect sales, use, occupancy and similar taxes at our hotels, which we present on a net basis (excluded from revenues) in our consolidated statements of comprehensive income.

Currency Translation

The United States dollar ("USD") is our reporting currency and is the functional currency of our consolidated and unconsolidated entities operating in the U.S. The functional currency for our consolidated and unconsolidated entities operating outside of the U.S. is the currency of the primary economic environment in which the respective entity operates. Assets and liabilities measured in foreign currencies are translated into USD at the prevailing exchange rates in effect as of the financial statement date and the related gains and losses, net of applicable deferred income taxes, are reflected in *accumulated other comprehensive income (loss)* in our consolidated balance sheets. Income and expense accounts are translated at the average exchange rate for the period. Gains and losses from foreign exchange rate changes related to transactions denominated in a currency other than an entity's function currency are recognized as *(loss) gain on foreign currency transactions* in our consolidated statements of comprehensive income.

Share-based Compensation

We recognize the cost of services received in share-based payment transactions with employees and non-employee directors as services are received and recognize a corresponding increase in additional paid-in capital for equity classified awards. We account for any forfeitures when they occur.

The measurement objective for these equity awards is the estimated fair value at the grant date of the equity instruments that we will be obligated to issue when employees have rendered the requisite service and satisfied any other conditions necessary to earn the right to benefit from the instruments. The compensation expense for an award classified as an equity instrument is recognized ratably over the requisite service period. The requisite service period is the period during which an employee is required to provide service in exchange for an award.

Income Taxes

We are a REIT for U.S. federal income tax purposes, and we expect to continue to be organized and operate so as to qualify as a REIT. To qualify as a REIT, we must continually satisfy tests concerning, 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 qualify 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 to our stockholders. Accordingly, no provision for U.S. federal income taxes has been included in our accompanying consolidated financial statements for the years ended December 31, 2018 and 2017 related to our REIT activities, other than the derecognition and remeasurement of deferred tax assets and liabilities associated with our election to be taxed as a REIT and taxes associated with built-in gains related to our assets owned at 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).

Through January 3, 2017, we had been included in the consolidated U.S. federal income tax return of Hilton, as well as certain state tax returns where Hilton files on a consolidated or combined basis, and foreign tax returns, as applicable. For purposes of our pre-spin consolidated financial statements, we have recorded deferred tax balances as if we filed tax returns on a stand-alone basis separate from Hilton, but not as a REIT. The separate return method applies the accounting guidance for income taxes to the stand-alone financial statements as if we were a separate taxpayer and a standalone enterprise for the periods presented. The calculation of our income taxes on a separate return basis requires a considerable amount of judgment and use of both estimates and allocations. We believe that the assumptions and estimates used to determine these tax amounts are reasonable. However, our consolidated financial statements may not necessarily reflect what our tax amounts would have been if we had been a stand-alone enterprise during the periods presented.

We account for income taxes using the asset and liability method. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year, to recognize the deferred tax assets and liabilities that relate to tax consequences in future years, which result from differences between the respective tax basis of assets and liabilities and their financial reporting amounts, and tax loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the respective temporary differences or operating loss or tax credit carry forwards are expected to be recovered or settled. The realization of deferred tax assets and tax loss and tax credit carry forwards is contingent upon the generation of future taxable income and other restrictions that may exist under the tax laws of the jurisdiction in which a deferred tax asset exists. Valuation allowances are provided to reduce such deferred tax assets to amounts more likely than not to be ultimately realized.

We use a prescribed recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. For all income tax positions, we first determine whether it is "more-likely-than-not" that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If it is determined that a position meets the more-likely-than-not recognition threshold, the benefit recognized in the financial statements is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement.

Recently Issued Accounting Pronouncements

Adopted Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers (Topic 606)*, which supersedes existing guidance on accounting for revenue in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent to ASU 2014-09, the FASB issued several related ASUs. We adopted the provisions of ASU 2014-09 and the related ASUs as of January 1, 2018 using a modified retrospective approach, which resulted in no cumulative effect adjustment to retained earnings as of January 1, 2018. The timing and amount of revenue recognition from rooms, food and beverage and other ancillary hotel goods and services will not change. Revenue will continue to be recognized at the point in time or over the period of time when goods and services have been delivered or rendered to the customer. Payment for room rentals is generally due on the last date of the hotel stay and the payment for goods and services are generally due at the time the goods and services are delivered or rendered to the customer.

In January 2017, the FASB issued ASU No. 2017-01 ("ASU 2017-01"), *Business combinations (Topic 805) – Clarifying the definition of a business*, which adds guidance to assist with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or business. ASU 2017-01 clarified that when the gross assets acquired (or disposed of) are concentrated in a single identifiable asset or a group of similar identifiable assets, the acquisition would not be considered a business. We adopted this ASU on a prospective basis on January 1, 2018. Transactions before January 1, 2018 were not affected.

Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02"), *Leases (Topic 842)*, which supersedes existing guidance on accounting for leases in *Leases (Topic 840)* and generally requires all leases to be recognized in the statement of financial position. We anticipate recognizing a lease obligation liability for our long-term leases that are currently accounted for as operating leases ranging from $200 million to $225 million and a corresponding right-of-use asset. Additionally, we will reclassify below market ground lease intangibles of $23 million from *intangibles*, net on our consolidated balance sheet and $8 million of deferred rent liabilities from *other liabilities* on our consolidated balance sheet to the right-of-use asset. We anticipate electing certain practical expedients that will allow us to utilize historical lease classifications and electing an accounting policy to continue accounting for leases with an initial term of 12 months and less under existing guidance for operating leases. We will adopt the 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.

NOTE 3: DISPOSITIONS AND ASSETS HELD FOR SALE

Dispositions

During the year ended December 31, 2018, we sold our interests in the 12 consolidated hotels listed in the table below and received total gross proceeds of $379 million. We recognized a net gain of approximately $98 million on the 12 hotels, including the reclassification of a currency translation adjustment of $31 million from accumulated other comprehensive loss into earnings concurrent with the dispositions, which is included in *gain on sales of assets*, net in our 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 $151 million. We recognized a net gain of approximately $107 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 gain (loss)*, net in our consolidated statements of comprehensive income.

Hotel	Location	Month Sold
Hilton Rotterdam	Rotterdam, Netherlands	January 2018
Embassy Suites Portfolio[1]		February 2018
Embassy Suites by Hilton Kansas City Overland Park	Overland Park, Kansas	
Embassy Suites by Hilton San Rafael Marin County	San Rafael, California	
Embassy Suites by Hilton Atlanta Perimeter Center	Atlanta, Georgia	
UK Portfolio[1]		February 2018
Hilton Blackpool	Blackpool, United Kingdom	
Hilton Belfast	Belfast, United Kingdom	
Hilton London Angel Islington	London, United Kingdom	
Hilton Edinburgh Grosvenor	Edinburgh, United Kingdom	
Hilton Coylumbridge	Aviemore, United Kingdom	
Hilton Bath City	Bath, United Kingdom	
Hilton Milton Keynes	Milton Keynes, United Kingdom	
Hilton Durban	Durban, South Africa	February 2018
Hilton Berlin[2]	Berlin, Germany	May 2018

(1) *Hotels were sold as a portfolio.*

(2) *Unconsolidated joint venture.*

Assets Held for Sale

Hilton Durban

In December 2017, we executed an agreement to sell the Hilton Durban, a wholly owned hotel, for a sales price of $33 million, which was payable in cash at closing and was subject to customary pro rations and adjustments. We disposed of the Hilton Durban in February 2018.

Assets and liabilities held for sale related to the Hilton Durban were as follows as of December 31, 2017:

	(in millions)
Assets:	
Property and equipment, net	$ 31
Cash and cash equivalents	2
Accounts receivable	2
Prepaid expenses	2
Total Assets Held for Sale	**$ 37**
Liabilities:	
Liabilities related to assets held for sale[1]	$ 1
Total Liabilities Held for Sale	**$ 1**

(1) *Amounts included in other liabilities in our consolidated balance sheet as of December 31, 2017.*

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment were:

	December 31,	
	2018	2017[1]
	(in millions)	
Land	$ 3,344	$ 3,364
Buildings and leasehold improvements	5,616	5,911
Furniture and equipment	949	966
Construction-in-progress	124	117
	10,033	10,358
Accumulated depreciation and amortization	(2,058)	(2,047)
	$ 7,975	$ 8,311

(1) *Excludes $31 million of property and equipment, net classified as held for sale as of December 31, 2017.*

Depreciation of property and equipment, including capital lease assets, was $273 million, $283 million and $295 million during the years ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018 and 2017, property and equipment included approximately $1 million and $20 million, respectively, of capital lease assets primarily consisting of buildings and leasehold improvements, net of $0 million and $10 million, respectively, of accumulated depreciation.

Certain capital lease assets were disposed of in connection with the sale of our UK portfolio in February 2018. Additionally, the City of Chicago did not extend the ground lease for the Hilton Chicago O'Hare Airport, which ended on December 31, 2018. Accordingly, the city of Chicago assumed ownership of the hotel as of the end of the contract term.

Transactions with HGV

In October 2016, we completed the sale of 600 rooms at the Hilton Waikoloa Village to HGV in connection with timeshare projects. The net book value of these assets was approximately $177 million. Due to our continuing involvement, this transaction was not recognized as a sale and was accounted for as a sales-leaseback liability under the financing method. The assets will be derecognized at the end of lease term. Pursuant to an arrangement representing a lease, we reserved exclusive rights to occupy and operate these rooms beginning on the date of transfer and continuing until the end of the lease term. The lease term expires December 2019, but may be extended if mutually agreed to by all parties. During 2017, 134 of the 600 rooms at the Hilton Waikoloa Village previously transferred to HGV and leased back by us were released to HGV; accordingly, we derecognized $38 million of property and equipment, net, and the related $39 million liability due to HGV. During 2018, we transferred a restaurant at the Hilton Waikoloa Village to HGV and derecognized $3 million of property and equipment, net and $3 million of the related liability due to HGV.

In June 2016, we transferred assets, including legal title, related to certain floors at the Embassy Suites Washington, D.C. to HGV in connection with a timeshare project. The net book value of these assets was approximately $40 million. No cash consideration was received for this transfer; therefore, the net book value of the assets was recognized as a $33 million non-cash equity distribution to Parent for the year ended December 31, 2016.

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. 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 year ended December 31, 2017, we incurred $20 million of expenses and recognized a loss of $54 million for property and equipment that was damaged during the hurricanes, both of which are included in *casualty (gain) loss and impairment loss, net* in our consolidated statement of comprehensive income. We received $2 million of insurance proceeds, none of which related to business interruption insurance. The insurance receivable as of December 31, 2017 was $56 million, which is included within other assets in our consolidated balance sheets.

During the year ended December 31, 2018, we incurred an additional $35 million of expenses, and based upon additional information, 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 additional insurance receivable of $57 million. We received $119 million of insurance proceeds, of which $25 million related to business interruption and $6 million related to expense reimbursements. Business interruption proceeds are included within *ancillary hotel revenue* in our consolidated statements of comprehensive income. The insurance receivable as of December 31, 2018 was $25 million, which is included within other assets in our consolidated balance sheets.

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 consolidated balance sheets include the following assets and liabilities of these entities:

	December 31, 2018	December 31, 2017
	(in millions)	
Property and equipment, net	$ 223	$ 215
Cash and cash equivalents	12	14
Restricted cash	1	7
Accounts receivable, net	4	2
Prepaid expenses	2	2
Debt	207	207
Accounts payable and accrued expenses	7	8
Due to hotel manager	2	1
Other liabilities	1	1

During the years ended December 31, 2018 and 2017, 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 %	December 31, 2018	December 31, 2017
		(in millions)	
Hilton Berlin(1)	40%	$ —	$ 33
Hilton San Diego Bayfront	25%	19	20
All others (7 hotels)	20% - 50%	31	31
		$ 50	$ 84

(1) Disposed of in May 2018. Refer to Note 3: "Dispositions and Assets Held for Sale" for additional information.

The affiliates in which we own investments accounted for under the equity method had total debt of approximately $955 million and $962 million as of December 31, 2018 and 2017, 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: GOODWILL AND INTANGIBLES

Hilton allocated $3.5 billion of goodwill to us as part of the Merger and during the year ended December 31, 2008, we recognized a $2.7 billion impairment loss. Our goodwill balance and related activity was:

	Goodwill	Accumulated Impairment Losses	Balance
		(in millions)	
Balance as of December 31, 2016	$ 2,706	$ (2,102)	$ 604
Distribution to Parent	—	—	—
Foreign currency translation	2	—	2
Balance as of December 31, 2017	2,708	(2,102)	606
Distribution to Parent	—	—	—
Foreign currency translation	1	—	1
Balance as of December 31, 2018	**$ 2,709**	**$ (2,102)**	**$ 607**

Intangible assets were:

	December 31,	
	2018	2017
	(in millions)	
Acquired below market leases	$ 61	$ 74
Other	10	10
Accumulated amortization	(44)	(43)
	$ 27	**$ 41**

As of December 31, 2018, we estimated our future amortization expense for our intangible assets to be:

Year	(in millions)
2019	$ 5
2020	4
2021	4
2022	3
2023	3
Thereafter	8
	$ 27

NOTE 7: DEBT

Debt balances, including obligations for capital leases, and associated interest rates as of December 31, 2018 were:

	Interest Rate at December 31, 2018	Maturity Date	Principal balance as of December 31, 2018	Principal balance as of December 31, 2017
			(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 4.20%	2020 to 2026[1]	207	207
Term Loan	L + 1.45%	December 2021	750	750
Revolving Credit Facility[2]	L + 1.50%	December 2021[1]	—	—
Capital lease obligations[3]	Average rate of 3.07%	2021 to 2022	1	16
			2,958	2,973
Less: unamortized deferred financing costs and discount			(10)	(12)
			$ 2,948	**$ 2,961**

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

(2) $1 billion available.

(3) Capital lease obligations of $15 million were disposed of in connection with the sale of our UK portfolio in February 2018.

CMBS Loans and Mortgage Loans

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"). Both the SF CMBS Loan and the HHV CMBS Loan bear interest at a fixed-rate and require interest-only payments through their respective maturity dates. At any time after the permitted release date of May 1, 2019, or earlier subject to certain conditions, the SF CMBS Loan and HHV CMBS Loan may be partially or fully prepaid, subject to prepayment penalties.

Our mortgage loans, which are associated with our three consolidated VIEs, bear interest at either a fixed-rate or variable rate.

We are required to deposit with lenders certain cash reserves for restricted uses. As of December 31, 2018 and 2017, our consolidated balance sheets included $15 million and $14 million, respectively, of restricted cash related to our CMBS loans and mortgage loans.

Credit Facilities

In December 2016, we entered into a credit agreement ("Credit Agreement") with Wells Fargo Bank, National Association as administrative agent, and certain others financial institutions party thereto as lenders. The facility includes a $1 billion revolving credit facility ("Revolver"), which has a scheduled maturity date of December 24, 2020 with two, six-month extension options if certain conditions are satisfied, and a $750 million term loan ("Term Loan"). The Credit Agreement includes the option to increase the size of the Revolver and enter into additional incremental term loan credit facilities, subject to certain limitations, in an aggregate commitment or principal amount not to exceed $500 million for all such increases.

The Revolver permits one or more standby letters of credit, up to a maximum aggregate outstanding balance of $50 million, to be issued on behalf of us. Any outstanding standby letters of credit reduce the available borrowings on the Revolver by a corresponding amount.

Revolver and Term Loan borrowings bear interest at variable rates at our option, based upon either a base rate or LIBOR rate, plus an applicable margin based on our leverage ratio. We incur an unused facility fee on the Revolver of between 0.2% and 0.3%, based on our level of usage.

The Credit Agreement contains certain financial covenants relating to our maximum leverage ratio, minimum fixed charge coverage ratio, maximum secured indebtedness, maximum unsecured indebtedness and minimum unsecured interest coverage ratio. If an event of default exists, we are not permitted to make distributions to shareholders, other than those required to qualify for and maintain REIT status.

Debt Maturities

The contractual maturities of our debt, assuming the exercise of all extensions that are exercisable solely at our option, as of December 31, 2018 were:

Year	(in millions)
2019	$ —
2020	12
2021	751
2022	32
2023	729
Thereafter[1]	1,434
	$ 2,958

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

NOTE 8: 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:

		December 31, 2018		December 31, 2017	
	Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(in millions)			
Liabilities:					
SF CMBS Loan	3	$ 725	$ 706	$ 725	$ 721
HHV CMBS Loan	3	1,275	1,214	1,275	1,256
Term Loan	3	750	732	750	749
Mortgage loans	3	207	201	207	204

During the years ended December 31, 2017 and 2016, respectively, we recognized impairment losses from the classification of the asset held for sale, a current expectation that is more likely than not an asset will be sold before the end of its previously estimated useful life, or for certain assets resulting from a significant decline in market value of those assets. No such impairment loss was recognized for the year ended December 31, 2018. The estimated fair values of these assets that were measured on a nonrecurring basis were:

	December 31, 2017		December 31, 2016	
	Fair Value[1]	Impairment Loss	Fair Value[2]	Impairment Loss
	(in millions)			
Investments in affiliates	$ —	$ —	$ 7	$ 17
Property and equipment	92	10	6	14
Intangibles	—	—	—	1
Total	$ 92	$ 10	$ 13	$ 32

(1) *Fair value for the year ended December 31, 2017, was based upon the contracted sales price for a property, less costs to sell, as applicable (Level 2).*

(2) *Fair value for the year ended December 31, 2016, is measured using significant unobservable inputs (Level 3). We estimated fair value of the assets using discounted cash flow analyses, with estimated stabilized growth rates ranging from 1% to 3%, a discounted cash flow term between 10 to 15 years, terminal capitalization rates ranging from 5% to 8% percent, and discount rates ranging from 7% to 10%. The discount and terminal capitalization rates used for the fair value of the assets reflect the risk profile of the market where the property is located and are not necessarily indicative of our hotel portfolio as a whole.*

NOTE 9: LEASES

We lease hotel properties, land and equipment under operating and capital leases. We are subject to ground leases for 14 of our consolidated properties and 3 of our unconsolidated joint ventures. Our leases expire at various dates through 2071, with varying renewal options, and the majority expire before 2026.

Our operating leases may require minimum rent payments, contingent rent payments based on a percentage of revenue or income or rent payments equal to the greater of a minimum rent or contingent 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.

Amortization of capital lease assets is recorded in *depreciation and amortization* in our consolidated statements of comprehensive income and is recognized over the lease term.

The future minimum rent payments under non-cancelable operating leases, due in each of the next five years and thereafter as of December 31, 2018, were:

Year	Operating Leases (in millions)
2019	$ 27
2020	28
2021	28
2022	27
2023	22
Thereafter	223
Total minimum rent payments	**$ 355**

Rent expense for all operating leases, included in other property-level expenses, was:

	Year Ended December 31,		
	2018	2017	2016
		(in millions)	
Minimum rentals	$ 31	$ 26	$ 25
Contingent rentals	20	23	21
	$ 51	**$ 49**	**$ 46**

NOTE 10: INCOME TAXES

We are a REIT for U.S. federal income tax purposes, and we expect to continue to be organized and operate so as to continue to qualify 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 qualify 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 consolidated financial statements for the years ended December 31, 2018 and 2017 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 and the remeasurement of deferred tax assets and liabilities.

H.R. 1, commonly referred to as The Tax Cuts and Jobs Act of 2017 (the "Act") was enacted on December 22, 2017. The Act, which amended the Internal Revenue Code of 1986, was the most significant tax legislative development in decades. Major elements of the Act from our perspective include reducing the corporate tax rate; restricting the eligibility for tax deferred like-kind exchange treatment solely to real property; limiting the deductibility of interest expense; the one-time transition tax on foreign cash and unremitted earnings; and the treatment of global intangible low-taxed income for REIT gross income purposes. We completed our analysis, and as a result of the changes in the Act, we recognized a $25 million income tax benefit for the year ended December 31, 2017 and an additional $8 million of income tax expense for the year ended December 31, 2018 when our analysis of the effects of the Act was completed.

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).

Our tax provision includes U.S. federal, state and foreign income taxes payable. The domestic and foreign components of income before income taxes were:

	Year Ended December 31,		
	2018	2017	2016
		(in millions)	
U.S. income before tax	$ 498	$ 279	$ 188
Foreign income before tax	2	6	33
Income before income taxes	**$ 500**	**$ 285**	**$ 221**

The components of our (benefit) provision for income taxes were:

	Year Ended December 31,		
	2018	2017	2016
		(in millions)	
Current:			
U.S. Federal	$ 34	$ 21	$ 130
State	6	2	16
Foreign	3	9	2
Total current	43	32	148
Deferred:			
U.S. Federal	(18)	(2,373)	(60)
State	—	—	(7)
Foreign	(2)	(5)	1
Total deferred	(20)	(2,378)	(66)
Total provision (benefit) for income taxes	**$ 23**	**$ (2,346)**	**$ 82**

Reconciliations of our tax provision at the U.S. statutory rate to the (benefit) provision for income taxes were:

	Year Ended December 31,		
	2018	2017	2016
		(in millions)	
Statutory U.S. federal income tax provision	$ 105	$ 100	$ 77
State income taxes, net of U.S. federal tax benefit	3	2	9
Foreign income tax expense	2	4	5
U.S. benefit of foreign taxes	—	—	(3)
Change in deferred tax asset valuation allowance	—	3	(2)
Change in basis difference in foreign subsidiaries	—	—	(5)
Tax rate change	(2)	(25)	—
Non-deductible transaction costs	—	—	3
REIT income not subject to tax	(92)	(83)	—
Derecognition and remeasurement of deferred taxes	7	(2,347)	—
Other, net	—	—	(2)
Provision (benefit) for income taxes	**$ 23**	**$ (2,346)**	**$ 82**

Through January 3, 2017, we had been included in the consolidated U.S. federal income tax return of Hilton, as well as certain state tax returns where Hilton filed on a consolidated or combined basis, and foreign tax returns, as applicable. During the year ended December 31, 2016, Hilton paid $146 million of income tax liabilities related to us.

Deferred income taxes represent the tax effect of the differences between the book and tax bases of assets and liabilities plus carryforward items. The composition of net deferred tax balances were as follows:

	December 31, 2018	December 31, 2017
	(in millions)	
Deferred income tax assets[1]	$ 3	$ 6
Deferred income tax liabilities	(42)	(65)
Net deferred tax liability	**$ (39)**	**$ (59)**

(1) Included within other assets in our consolidated balance sheets.

The tax effects of the temporary differences and carryforwards that give rise to our net deferred tax liability were:

	December 31, 2018	December 31, 2017
	(in millions)	
Deferred tax assets:		
Net operating loss carryforwards	$ 8	$ 10
Other reserves	—	1
Capital lease obligations	—	2
Deferred income	3	3
Property and equipment	1	7
Accrued compensation	3	2
Other	3	2
Total gross deferred tax assets	18	27
Less: valuation allowance	(4)	(4)
Deferred tax assets	$ 14	$ 23
Deferred tax liabilities:		
Property and equipment	$ (44)	$ (77)
Investments	(9)	(4)
Other	—	(1)
Deferred tax liabilities	(53)	(82)
Net deferred tax liability	**$ (39)**	**$ (59)**

As of December 31, 2018, we had U.S. federal, state and foreign net operating loss carryforwards of $58 million, which resulted in deferred tax assets of $8 million. Our U.S. federal and state net operating loss carryforwards of approximately $10 million and $19 million begin to expire in 2038 and 2025, respectively and our foreign net operating loss carryforwards of approximately $29 million are not subject to expiration. There was no change to our valuation allowance during the year ended December 31, 2018.

For periods ended prior to January 4, 2017, Hilton filed income tax returns, including returns for us, with U.S. federal, state and foreign jurisdictions. Hilton is under regular and recurring audit by the Internal Revenue Service on open tax positions. The timing of the resolution of tax audits is highly uncertain, as are the amounts, if any, that may ultimately be paid upon such resolution. Changes may result from the conclusion of ongoing audits, appeals or litigation in state, local, U.S. federal and foreign tax jurisdictions or from the resolution of various proceedings between the U.S. and foreign tax authorities. Hilton is no longer subject to U.S. federal income tax examination for years through 2005. As of December 31, 2018, Hilton remains subject to U.S. federal examinations from 2006 through 2016, state examinations from 2006 through 2016 and foreign examinations of their income tax returns for the years 1997 through 2016. We will be subject to U.S. federal, state and foreign examinations for periods ending after January 4, 2017.

For U.S. federal income tax purposes, the cash distributions to stockholders are characterized as follows:

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Common distributions (per share):		
Ordinary dividends	$ 1.64	$ 4.41
Qualified dividends	—	2.62
Capital gain distributions	1.32	—

NOTE 11: 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 December 31, 2018, 6,059,579 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 December 31, 2018, 345,768 shares of common stock remain available for future issuance. For the years ended December 31, 2018 and 2017, we recognized $16 and $15 million of share-based compensation expense. As of December 31, 2018, unrecognized compensation expense was $17 million, which is expected to be recognized over a weighted-average period of 1.2 years. The total fair value of shares vested during each of the years ended December 31, 2018 and 2017 was $9 million.

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 years ended December 31, 2018 and 2017:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2017	—	$ —
Granted	594,213	26.52
Vested	(106,795)	26.85
Forfeited	(25,779)	26.22
Unvested at December 31, 2017	461,639	26.47
Granted	367,463	27.34
Vested	(214,208)	26.67
Forfeited	(29,788)	27.48
Unvested at December 31, 2018	**585,106**	**$ 26.89**

Performance Stock Units

Performance Stock Units ("PSUs") generally vest at the end of a two or 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 years ended December 31, 2018 and 2017:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2017	—	$ —
Granted	387,642	31.95
Vested	—	—
Forfeited	(16,085)	31.73
Unvested at December 31, 2017	371,557	31.96
Granted	179,774	29.47
Vested	—	—
Forfeited	(13,395)	30.48
Unvested at December 31, 2018	**537,936**	**$ 31.16**

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

	Year Ended December 31,	
	2018	2017
Expected volatility(1)	20.0% - 24.0%	25.5% - 29.5%
Dividend yield(2)	—	—
Risk-free rate	2.4% - 2.7%	1.2% - 1.5%
Expected term	3 years	2 - 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 12: EARNINGS PER SHARE

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

	Year Ended December 31,		
	2018	2017	2016(1)
	(in millions, except per share amounts)		
Numerator:			
Net income attributable to stockholders(2)	$ 472	$ 2,625	$ 133
Earnings allocated to participating securities	(2)	(8)	—
Net income attributable to stockholders net of earnings allocated to participating securities	$ 470	$ 2,617	$ 133
Denominator:			
Weighted average shares outstanding – basic	203	211	198
Unvested restricted shares	1	—	—
Net effect of shares issued with respect to E&P Dividend(3)	—	3	—
Weighted average shares outstanding – diluted	204	214	198
Basic EPS(4)	$ 2.32	$ 12.38	$ 0.67
Diluted EPS(4)	$ 2.31	$ 12.21	$ 0.67

(1) For 2016, basic and diluted earnings per share was calculated using the number of shares of common stock outstanding upon the completion of the spin-off.

(2) Includes the derecognition and remeasurement of deferred tax assets and liabilities for the year ended December 31, 2017 of $2,347 million associated with our intent to be taxed as a REIT.

(3) Shares issued in connection with the distribution of our C corporation earnings and profits attributable to the period prior to spin-off ("E&P Dividend").

(4) 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 years ended December 31, 2018 and 2017 because their effect would have been anti-dilutive.

NOTE 13: HOTEL MANAGEMENT OPERATING AND LICENSE AGREEMENTS

Management and Franchise Fees

We have management agreements, whereby we pay a base fee equal to a percentage of total revenues, as defined, as well as an incentive fee if specified financial performance targets are achieved. Our managers generally have sole responsibility for all activities necessary for the operation of the hotels, including establishing room rates, processing reservations and promoting and publicizing the hotels. Our managers also generally provide all employees for the hotels, prepare reports, budgets and projections, and provide other administrative and accounting support services to the hotels. We have consultative and limited approval rights with respect to certain actions of our managers, including entering into long-term or high value contracts, engaging in certain actions relating to legal proceedings, approving the operating budget, making certain capital expenditures and the hiring of certain management personnel.

Our management agreements that were entered into in connection with the spin-off have terms ranging from 20 to 30 years and allow for one or more renewal periods at the option of our hotel managers. Assuming all renewal periods are exercised by our hotel managers, the total term of our management agreements range from 30 to 70 years.

We also have franchise agreements for four hotels that we operate without a management agreement. The franchise agreements have an initial term of 20 years and cannot be extended without the franchisor's consent.

Marketing Fees

Additionally, the management and franchise agreements generally require a marketing fee equal to a percentage of rooms revenues. Total marketing fees were $53 million, $55 million and $56 million for the years ended December 31, 2018, 2017 and 2016, respectively, and were included in *other departmental and support expense* in our consolidated statements of comprehensive income.

Employee Cost Reimbursements

We are responsible for reimbursing our managers for certain employee related costs outside of payroll. These costs include contributions to a defined contribution 401(k) Retirement Savings Plan administered by our managers, union-sponsored pension plans and other post-retirement plans. All of these plans are the responsibility of our managers and our obligation is only for the reimbursement of these costs for individuals who work at our hotel properties. Total employee cost reimbursements were $134 million, $131 million and $130 million for the years ended December 31, 2018, 2017 and 2016, respectively, and were included in the respective operating expenses line item in our consolidated statements of comprehensive income based upon the nature of services provided by such employees.

NOTE 14: NET PARENT INVESTMENT

Net Parent investment on our historical consolidated balance sheets and consolidated statements of equity represents Hilton's historical investment in us, the net effect of transactions with and allocations from Hilton and our accumulated earnings. Net transfers from Parent are included within Net Parent investment. There were no transfers (to) from Parent during the year ended December 31, 2018. The components of the *net transfers (to) from Parent* on the consolidated statements of cash flows and consolidated statements of equity were:

	Year Ended December 31,	
	2017	2016
	(in millions)	
Cash pooling and general financing activities	$ (9)	$ (172)
Corporate allocations	—	66
Income taxes	(4)	146
Net transfers (to) from Parent	**$ (13)**	**$ 40**

Cash Management

Hilton uses a centralized approach for cash management. Transfers of cash both to and from Hilton are included within Net transfer from Parent on the consolidated statements of cash flows and consolidated statements of equity. Historically, Hilton has not charged us interest expense and we have not earned interest revenue on our net cash balance due to or from Hilton, respectively. Prior to 2017, cash at certain of our properties secured by our 2013 CMBS loans coupled with our non-wholly owned entities and VIEs ("Restricted Subsidiaries") would only be transferred to the extent the Restricted Subsidiaries declare a dividend. During the year ended December 31, 2016, the Restricted Subsidiaries paid cash dividends which are presented in the consolidated statements of cash flows and consolidated statements of equity as *cash dividends paid to Parent.*

Corporate Allocations

Our historical consolidated statements of comprehensive income include allocations of costs from certain corporate and shared functions provided to us by Hilton. Refer to Note 2: "Basis of Presentation and Summary of Significant Accounting Policies" for additional information. During the year ended December 31, 2016 we recognized $66 million of costs within *corporate general and administrative* in the consolidated statements of comprehensive income related to allocations of corporate general and administrative expenses from Parent.

Borrowings from Parent

In 2015, we borrowed $45 million from Hilton with an interest rate of 1.82%. The note and accrued interest was forgiven in September 2016 and we recognized $45 million as a non-cash contribution from Hilton.

Non-cash Distribution to and Contribution from Parent

In December 2016, the $450 million loan on the Hilton Orlando Bonnet Creek was repaid in full. We repaid $158 million of the loan and the remaining $292 million was repaid by a wholly owned subsidiary of Hilton and recognized as a non-cash equity contribution from Parent.

In September 2016, we distributed interests in entities with ownership interests in the DoubleTree Hotel Missoula/Edgewater and the Hilton Templepatrick Hotel & Country Club to Hilton as these two hotels were not retained by us. The amount of the non-cash equity distribution, representing the carrying value of the assets and liabilities associated with these entities, was $20 million.

NOTE 15: GEOGRAPHIC AND BUSINESS SEGMENT INFORMATION

As of December 31, 2018, 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:

	Year Ended December 31,		
	2018	2017	2016
		(in millions)	
Revenues:			
Total consolidated hotel revenue	$ 2,665	$ 2,727	$ 2,704
Other revenues	72	64	23
Total revenues	**$ 2,737**	**$ 2,791**	**$ 2,727**
Hotel Adjusted EBITDA	$ 761	$ 758	$ 804
Other revenues	72	64	23
Casualty gain (loss) and impairment loss, net	1	(26)	(15)
Depreciation and amortization expense	(277)	(288)	(300)
Corporate general and administrative expense	(65)	(68)	(71)
Other expenses	(73)	(63)	(19)
Gain on sales of assets, net	96	1	1
Interest income	6	2	2
Interest expense	(127)	(124)	(181)
Equity in earnings from investments in affiliates	18	40	3
(Loss) gain on foreign currency transactions	(3)	(4)	3
Income tax (expense) benefit	(23)	2,346	(82)
Other gain (loss), net	102	—	(25)
Other items	(11)	(7)	(4)
Net income	**$ 477**	**$ 2,631**	**$ 139**

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

	December 31, 2018	December 31, 2017
	(in millions)	
Consolidated hotels	$ 9,305	$ 9,623
All other	58	91
	$ 9,363	**$ 9,714**

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

	As of and for the Year Ended December 31,					
	2018		2017		2016	
	Revenues	Property and Equipment, net	Revenues	Property and Equipment, net	Revenues	Property and Equipment, net
			(in millions)			
United States(1)(2)	$ 2,676	$ 7,906	$ 2,618	$ 8,089	$ 2,580	$ 8,300
All other	61	69	173	222	147	241
	$ 2,737	**$ 7,975**	**$ 2,791**	**$ 8,311**	**$ 2,727**	**$ 8,541**

(1) Includes revenues of $14 million for the year ended December 31, 2018 and $13 million for each of the years ended December 31, 2017 and 2016 from our laundry operations which is not part of our segment. Also includes property and equipment, net of $5 million, $5 million and $4 million as of December 31, 2018, 2017 and 2016, respectively, from our laundry operations.

(2) Excludes $31 million of property and equipment, net classified as held for sale as of December 31, 2017.

NOTE 16: 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; refer to Note 4: "Property and Equipment." The amount of the loss for property damage and 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 December 31, 2018, we had outstanding commitments under third-party contracts of approximately $34 million for capital expenditures at certain owned and leased 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, for which we are indemnified 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 December 31, 2018 will not have a material effect on our consolidated results of operations, financial position or cash flows.

NOTE 17: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid during the years ended December 31, 2018, 2017 and 2016, was $123 million, $118 million and $169 million, respectively.

We paid $63 million and $16 million in income taxes in 2018 and 2017, respectively. There were no income taxes paid by us during the year ended December 31, 2016.

Capital expenditures included within accounts payable and accrued expenses in our consolidated balance sheets were $15 million, $20 million, and $2 million during the years ended December 31, 2018, 2017, and 2016, respectively.

The following non-cash investing and financing activities were excluded from the consolidated statements of cash flows:

During the year ended December 31, 2018:

- We transferred a restaurant at the Hilton Waikoloa Village to HGV and accordingly derecognized $3 million of property and equipment, net and $3 million of the related liability due to HGV.
- We declared $206 million of dividends that were unpaid and accrued as of December 31, 2018.

During the year ended December 31, 2017:

- We transferred rooms at the New York Hilton Midtown and Hilton Waikoloa Village to HGV and accordingly derecognized $70 million of property and equipment, net and $72 million of the related liability due to HGV.
- We issued $441 million in shares of common stock in connection with our E&P stock dividend.
- We declared $120 million of dividends that were unpaid and accrued as of December 31, 2017.

During the year ended December 31, 2016:

- We received an equity contribution of $45 million from Hilton related to a note payable and accrued interest that was forgiven.
- We made an equity distribution of $33 million to Hilton and derecognized $40 million of property and equipment, net, related to the transfer of certain floors at the Embassy Suites Washington, DC Georgetown to a wholly owned subsidiary of Parent.
- We made an equity distribution of $203 million to Hilton related to the transfer of certain rooms at the New York Hilton Midtown and Hilton Waikoloa Village to a wholly owned subsidiary of Parent.
- We made an equity distribution of $20 million related to the distribution of interests in entities in the DoubleTree Hotel Missoula/Edgewater and the Hilton Templepatrick Hotel & Country Club to Hilton.
- We received an equity contribution of $292 million from Hilton related to the repayment of a portion of mortgage loan secured by the Hilton Orlando Bonnet Creek ("Bonnet Creek Loan") on our behalf.

NOTE 18: SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth the historical unaudited quarterly financial data for the periods indicated. The information for each of these periods has been prepared on the same basis as the audited consolidated financial statements and, in our opinion, reflects all adjustments necessary to present fairly our financial results. Operating results for previous periods do not necessarily indicate results that may be achieved in any future period.

	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
			(in millions)		
Revenues	$ 668	$ 731	$ 652	$ 686	$ 2,737
Operating income	174	149	84	97	504
Net income	149	218	55	55	477
Net income attributable to stockholders	150	216	52	54	472
Earnings per share - Basic[1]	0.71	1.07	0.26	0.27	2.32
Earnings per share - Diluted[1]	0.71	1.07	0.26	0.27	2.31

(1) Per share amounts are calculated based on unrounded numbers and are calculated independently for each period presented, therefore, the sum of the quarterly EPS does not equal the EPS for the full year.

	2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
			(in millions)		
Revenues	$ 684	$ 733	$ 688	$ 686	$ 2,791
Operating income	94	123	89	65	371
Net income	2,350	115	105	61	2,631
Net income attributable to stockholders	2,350	112	103	60	2,625
Earnings per share - Basic[1]	11.65	0.52	0.48	0.28	12.38
Earnings per share - Diluted[1]	11.02	0.52	0.48	0.28	12.21

(1) Per share amounts are calculated based on unrounded numbers and are calculated independently for each period presented, therefore, the sum of the quarterly EPS does not equal the EPS for the full year.

NOTE 19: SUBSEQUENT EVENTS

In February 2019, we sold the Pointe Hilton Squaw Peak Resort in Phoenix, AZ for a sales price of approximately $51 million.

Park Hotels & Resorts Inc.
Schedule III
Real Estate and Accumulated Depreciation
(Dollars in millions)
December 31, 2018

		Initial Cost				
Hotel Property	**Encumbrances**	**Land**	**Building & Improvements**	**Furniture, Fixtures & Equipment**	**Costs Capitalized Subsequent to Acquisition**	**Foreign Currency Adjustment**
Waldorf Astoria Orlando	$ —	$ 34	$ 274	$ 29	$ 8	$ —
Casa Marina, A Waldorf Astoria Resort	—	164	174	9	4	—
The Reach, A Waldorf Astoria Resort	—	57	67	3	(1)	—
Hilton Hawaiian Village Waikiki Beach Resort	1,275	925	807	17	314	—
New York Hilton Midtown	—	1,096	542	13	148	—
Hilton San Francisco Union Square	—[(1)]	113	232	16	147	—
Hilton New Orleans Riverside	—	89	217	3	76	—
Hilton Chicago	—	69	233	12	153	—
Hilton Waikoloa Village	—	160	340	25	96	—
Parc 55 San Francisco - A Hilton Hotel	725[(1)]	175	315	32	11	—
Hilton Orlando Bonnet Creek	—	15	377	31	16	—
Caribe Hilton	—	38	56	7	12	—
Hilton Chicago O'Hare Airport[(2)]	—	—	114	8	(122)	—
Hilton Orlando Lake Buena Vista	—	—	137	10	33	—
Hilton Boston Logan Airport	—	—	108	6	20	—
Pointe Hilton Squaw Peak Resort	—	14	45	5	(19)	—
Hilton Miami Airport	—	64	36	3	37	—
Hilton Atlanta Airport	—	10	99	3	22	—
Hilton São Paulo Morumbi	—	18	116	4	35	(84)
Hilton McLean Tysons Corner	—	50	82	3	(16)	—
Hilton Seattle Airport & Conference Center	—	—	70	3	15	—
Hilton Oakland Airport	—	—	13	3	1	—
Hilton New Orleans Airport	—	12	32	4	17	—
Hilton Short Hills	—	59	54	3	20	—
Hilton Nuremberg Hotel	—	—	2	—	7	(1)

(1) *Single $725 million CMBS loan secured by Hilton San Francisco Union Square and Parc 55 San Francisco – A Hilton Hotel.*

(2) *The ground lease for the Hilton Chicago O'Hare Airport terminated on December 31, 2018.*

Gross Amounts at Which Carried at Close of Period							
Land	Building & Improvements	Furniture, Fixtures & Equipment	Total	Accumulated Depreciation	Date of Construction	Date Acquired[(a)]	Life Upon Which Depreciation is Computed
$ 34	$ 276	$ 35	$ 345	$ (60)	2009	2/12/2015	3 - 40 years
164	175	12	351	(25)	1920	2/17/2015	3 - 40 years
57	64	5	126	(10)	1970	2/17/2015	3 - 40 years
964	1,019	80	2,063	(376)	1961	10/24/2007	3 - 40 years
1,043	650	106	1,799	(225)	1963	10/24/2007	3 - 40 years
113	331	64	508	(129)	1964	10/24/2007	3 - 40 years
90	259	36	385	(101)	1977	10/24/2007	3 - 40 years
69	338	60	467	(133)	1927	10/24/2007	3 - 40 years
154	393	74	621	(180)	1988	10/24/2007	3 - 40 years
175	322	36	533	(61)	1984	2/12/2015	3 - 40 years
16	386	37	439	(70)	2009	2/12/2015	3 - 40 years
38	62	13	113	(23)	1949	10/24/2007	3 - 40 years
—	—	—	—	—	1971	10/24/2007	3 - 40 years
—	157	23	180	(50)	1983	8/30/2010	3 - 40 years
—	121	13	134	(42)	1999	10/24/2007	3 - 40 years
5	23	17	45	(14)	1977	10/24/2007	3 - 40 years
64	60	16	140	(30)	1984	12/14/2007	3 - 40 years
10	111	13	134	(41)	1989	10/24/2007	3 - 40 years
9	69	11	89	(23)	2002	10/24/2007	3 - 40 years
23	55	41	119	(57)	1987	10/24/2007	3 - 40 years
—	80	8	88	(33)	1961	10/24/2007	3 - 40 years
—	9	8	17	(7)	1970	10/24/2007	3 - 40 years
12	38	15	65	(19)	1989	10/24/2007	3 - 40 years
59	65	12	136	(23)	1988	10/24/2007	3 - 40 years
—	4	4	8	(5)	1990	5/31/2013	3 - 40 years

Park Hotels & Resorts Inc.
Schedule III
Real Estate and Accumulated Depreciation—(continued)
(Dollars in millions)
December 31, 2018

		Initial Cost				
Hotel Property	**Encumbrances**	**Land**	**Building & Improvements**	**Furniture, Fixtures & Equipment**	**Costs Capitalized Subsequent to Acquisition**	**Foreign Currency Adjustment**
Hilton Sheffield	—	—	14	2	(12)	(4)
Hilton Salt Lake City Center	—	—	—	10	20	—
Juniper Hotel Cupertino, Curio Collection	—	40	64	8	3	—
DoubleTree Hotel Washington DC—Crystal City	—	43	95	2	48	—
DoubleTree Hotel San Jose	—	15	67	5	22	—
DoubleTree Hotel Ontario Airport	30	14	58	3	9	—
DoubleTree Hotel Spokane City Center	12	3	24	2	8	—
DoubleTree Hotel Seattle Airport	—	—	—	11	25	—
DoubleTree Hotel San Diego—Mission Valley	—	—	—	2	16	—
DoubleTree Hotel Sonoma Wine Country	—	—	—	4	11	—
DoubleTree Hotel Durango	—	—	—	2	6	—
Hilton Santa Barbara Beachfront Resort	165	71	50	2	21	—
Embassy Suites Washington DC Georgetown	—	62	53	2	(25)	—
Embassy Suites Parsippany	—	6	32	1	3	—
Embassy Suites Kansas City—Plaza	—	—	26	1	2	—
Embassy Suites Austin—Downtown Town Lake	—	—	45	2	16	—
Embassy Suites Phoenix—Airport	—	—	15	1	(10)	—
Total	**$ 2,207**	**$ 3,416**	**$ 5,085**	**$ 312**	**$ 1,197**	**$ (89)**

(a) On October 24, 2007, a predecessor to our Parent became a wholly owned subsidiary of an affiliate of Blackstone following the completion of the Merger.

Gross Amounts at Which Carried at Close of Period							
Land	Building & Improvements	Furniture, Fixtures & Equipment	Total	Accumulated Depreciation	Date of Construction	Date Acquired[a]	Life Upon Which Depreciation is Computed
—	—	—	—	—	1997	10/24/2007	3 - 40 years
—	9	21	30	(21)	2002	10/24/2007	3 - 40 years
40	65	10	115	(15)	1973	6/2/2015	3 - 40 years
43	127	18	188	(51)	1982	12/14/2007	3 - 40 years
15	79	15	109	(33)	1980	10/24/2007	3 - 40 years
12	60	12	84	(18)	1974	10/24/2007	3 - 40 years
3	29	5	37	(9)	1986	1/1/2010	3 - 40 years
—	11	25	36	(27)	1969	10/24/2007	3 - 40 years
—	9	9	18	(10)	1989	10/24/2007	3 - 40 years
—	6	9	15	(9)	1977	10/24/2007	3 - 40 years
—	3	5	8	(5)	1985	10/24/2007	3 - 40 years
71	62	11	144	(15)	1986	10/24/2007	3 - 40 years
39	43	10	92	(14)	1990	12/4/2007	3 - 40 years
6	33	3	42	(5)	1984	7/25/2014	3 - 40 years
—	27	2	29	(11)	1973	7/25/2014	3 - 40 years
—	56	7	63	(26)	1983	10/24/2007	3 - 40 years
—	2	4	6	(5)	1986	10/24/2007	3 - 40 years
$ 3,328	**$ 5,688**	**$ 905**	**$ 9,921**	**$ (2,011)**			

Park Hotels & Resorts Inc.
Schedule III
Real Estate and Accumulated Depreciation—(continued)
(Dollars in millions)
December 31, 2018

Notes:

(A) The change in total cost of properties for the fiscal years ended December 31, 2018, 2017 and 2016 is as follows:

	Year Ended December 31,		
	2018	2017	2016
		(in millions)	
Balance at beginning of period	$ 10,249	$ 10,310	$ 10,253
Additions during period:			
Capital expenditures	192	198	224
Deductions during period:			
Transfers to assets held for sale	—	(46)	—
Dispositions, including casualty losses and impairment loss on planned dispositions	(512)	(236)	(161)
Foreign exchange effect	(8)	23	(6)
Balance at end of period	**$ 9,921**	**$ 10,249**	**$ 10,310**

(B) The change in accumulated depreciation for the fiscal years ended December 31, 2018, 2017 and 2016 is as follows:

	Year Ended December 31,		
	2018	2017	2016
		(in millions)	
Balance at beginning of period	$ 2,004	$ 1,832	$ 1,639
Additions during period:			
Depreciation expense	268	280	292
Deductions during period:			
Transfers to assets held for sale	—	(15)	—
Dispositions, including casualty losses	(262)	(85)	(95)
Foreign exchange effect	1	(8)	(4)
Balance at end of period	**$ 2,011**	**$ 2,004**	**$ 1,832**

(C) The aggregate cost of real estate for U.S. federal income tax purposes is approximately $5.069 billion as of December 31, 2018.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. 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, or 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 December 31, 2018, our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports filed or submitted with the Securities and Exchange Commission (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's 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.

Management's Annual Report on Internal Control over Financial Reporting

We have set forth management's report on internal control over financial reporting and the attestation report of our independent registered public accounting firm on the effectiveness of our internal control over financial reporting in Item 8 of this Annual Report on Form 10-K. Management's report on internal control over financial reporting is incorporated in this Item 9A by reference.

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.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item will be incorporated by reference from our definitive Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item will be incorporated by reference from our definitive Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item will be incorporated by reference from our definitive Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item will be incorporated by reference from our definitive Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item will incorporated by reference from our definitive Proxy Statement to be filed pursuant to Regulation 14A.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as part of this report.

(a) Financial Statements
We include this portion of Item 15 under Item 8 of this Annual Report on Form 10-K.

(b) Financial Statement Schedules
Schedule III – Real Estate and Accumulated Depreciation is filed herewith.

(c) Exhibits

Exhibit Index

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).
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 March 17, 2017).
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	Employee Matters 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 10.1 to our Current Report on Form 8-K, filed on January 4, 2017).
10.2	Tax Matters 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 10.2 to our Current Report on Form 8-K, filed on January 4, 2017).
10.3	Master Transition Services Agreement by and among Hilton Worldwide Holdings Inc., Park Hotels & Resorts Inc. and Hilton Grand Vacations Inc., dated as of January 2, 2017 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on January 4, 2017).
10.4	Park Hotels & Resorts Inc. 2017 Omnibus Incentive Plan, dated as of January 3, 2017 (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K, filed on January 4, 2017).
10.5	Loan Agreement, dated as of October 7, 2016, among S.F. Hilton LLC and P55 Hotel Owner LLC, collectively, as Borrowers and JPMorgan Chase Bank, National Association, Deutsche Bank, AG, New York Branch, Goldman Sachs Mortgage Company, Barclays Bank PLC and Morgan Stanley Bank, N.A., collectively, as Lenders and the other parties thereto (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form 10 (File No. 001-37795), as filed on November 14, 2016).
10.6	Guaranty Agreement, dated as of October 7, 2016, among Park Intermediate Holdings LLC and JPMorgan Chase Bank, National Association, Deutsche Bank AG, New York Branch, Goldman Sachs Mortgage Company, Barclays Bank PLC and Morgan Stanley Bank, N.A., collectively, as Lender (incorporated by reference to Exhibit 10.8 to our Registration Statement on Form 10 (File No. 001-37795), as filed on November 14, 2016).
10.7	Employment Agreement dated April 26, 2016, between Park Hotels & Resorts Inc. and Thomas J. Baltimore Jr (incorporated by reference to Exhibit 10.10 to our Registration Statement on Form 10 (File No. 001-37795), as filed on September 16, 2016).†
10.8	Park Hotels & Resorts Inc. 2017 Stock Plan for Non-Employee Directors, dated as of January 3, 2017 (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K, filed on January 4, 2017).†

Exhibit Number	Description
10.9	Park Hotels & Resorts Inc. 2017 Executive Deferred Compensation Plan, dated as of January 3, 2017 (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K, filed on January 4, 2017).†
10.10	Loan Agreement, dated as of October 24, 2016, among Hilton Hawaiian Village LLC, as Borrower, Hilton Hawaiian Village Lessee LLC, as Operating Lessee, and JPMorgan Chase Bank, National Association, Deutsche Bank AG, New York Branch, Goldman Sachs Mortgage Company, Barclays Bank PLC and Morgan Stanley Bank, N.A., collectively, as Lender and the other parties thereto (incorporated by reference to Exhibit 10.15 to our Registration Statement on Form 10 (File No. 001-37795), as filed on November 14, 2016).
10.11	Guaranty Agreement, dated as of October 24, 2016, among Park Intermediate Holdings LLC and JPMorgan Chase Bank, National Association, Deutsche Bank AG, New York Branch, Goldman Sachs Mortgage Company, Barclays Bank PLC and Morgan Stanley Bank, N.A., collectively, as Lender (incorporated by reference to Exhibit 10.16 to our Registration Statement on Form 10 (File No. 001-37795), as filed on November 14, 2016).
10.12	Credit Agreement, dated as of December 28, 2016, by and among Park Intermediate Holdings LLC, Park Hotels & Resorts Inc., the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as syndication agents, Barclays Bank PLC, Deutsche Bank Securities Inc., Goldman Sachs Bank USA and Morgan Stanley Senior Funding, Inc., as documentation agents, and The Bank of New York Mellon, Citibank, N.A., PNC Bank, National Association and Royal Bank of Canada, as senior managing agents (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on December 30, 2016).
10.13	Form of Performance Stock Unit Agreement by and between us and Thomas J. Baltimore, Jr. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on January 26, 2017).†
10.14	Form of Restricted Stock Agreement by and between us and each of Robert D. Tanenbaum and Thomas C. Morey (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on January 26, 2017).†
10.15	Form of Indemnification Agreement entered into between Park Hotels & Resorts Inc. and each of its directors and executive officers (incorporated by reference to Exhibit 10.5 to our Registration Statement on Form 10 (File No. 0001-37795), filed on November 14, 2016).†
10.16	Park Hotels & Resorts Inc. Executive Short-Term Incentive Program (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on March 1, 2017).†
10.17	Park Hotels & Resorts Inc. Executive Long-Term Incentive Program (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on March 1, 2017).†
10.18	Form of CEO Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on March 1, 2017).†
10.19	Form of CEO Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, filed on March 1, 2017).†
10.20	Form of Executive Performance Stock Unit Award Agreement (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K, filed on March 1, 2017).†
10.21	Form of Executive Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K, filed on March 1, 2017).†
10.22	Park Hotels & Resorts Inc. Executive Severance Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on May 3, 2017).†
10.23	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.17 to our Quarterly Report on Form 10-Q, filed on May 4, 2017).†
10.24	Form of Performance Share Agreement (Converted Award – 2014 Grant) (incorporated by reference to Exhibit 10.18 to our Quarterly Report on Form 10-Q, filed on May 4, 2017).†
10.25	Form of Award Notice and Nonqualified Stock Option Agreement (Converted Award) (incorporated by reference to Exhibit 10.19 to our Quarterly Report on Form 10-Q, filed on May 4, 2017).†

Exhibit Number	Description
10.26	Form of Nonqualified Stock Option Agreement (Converted Award-2014 Grant) (incorporated by reference to Exhibit 10.20 to our Quarterly Report on Form 10-Q, filed on May 4, 2017).†
10.27	Form of Award Notice and Restricted Stock Unit Agreement (Converted Award—2016 Grant) (incorporated by reference to Exhibit 10.21 to our Quarterly Report on Form 10-Q, filed on May 4, 2017).†
10.28	Form of Award Notice and Restricted Stock Unit Agreement (Converted Award—2015 Grant) (incorporated by reference to Exhibit 10.22 to our Quarterly Report on Form 10-Q, filed on May 4, 2017).†
10.29	Form of Award Notice and Restricted Stock Unit Agreement (Converted Award—2016 Grant) by and between us and Thomas J. Baltimore, Jr. (incorporated by reference to Exhibit 10.23 to our Quarterly Report on Form 10-Q, filed on May 4, 2017).†
10.30	Master Amendment and Option Agreement, by and among the Company, HNA Tourism Group Co., Ltd. and HNA HLT Holdco I LLC, dated March 5, 2018 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on March 5, 2018).
10.31*	Park Hotels & Resorts Inc. Executive Long-Term Incentive Program (amended and restated as of January 25, 2019).
10.32*	Park Hotels & Resorts Inc. Executive Short-Term Incentive Program (amended and restated as of January 25, 2019).
11.1	Computation of Per Share Earnings from Operations (included in the notes to the consolidated financial statements contained in this Report).
21*	Subsidiaries of Park Hotels & Resorts Inc.
23*	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP.
24.1*	Power of Attorney (included on the Signature Page of this Annual Report on Form 10-K).
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.
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*

† *Denotes a management contract or compensatory plan, contract or arrangement.*

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURE

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: February 28, 2019

By: /s/ Thomas J. Baltimore Jr.

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

SIGNATURES AND POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Thomas J. Baltimore, Jr., Sean M. Dell'Orto and Thomas C. Morey, and each of them (with full power to act alone), the individual's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for the person and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

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

Name	Title	Date
/s/ Thomas J. Baltimore, Jr. Thomas J. Baltimore, Jr.	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	February 28, 2019
/s/ Sean M. Dell'Orto Sean M. Dell'Orto	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 28, 2019
/s/ Darren W. Robb Darren W. Robb	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2019
/s/ Patricia M. Bedient Patricia M. Bedient	Director	February 28, 2019
/s/ Gordon M. Bethune Gordon M. Bethune	Director	February 28, 2019
/s/ Geoffrey M. Garrett Geoffrey M. Garrett	Director	February 28, 2019
/s/ Christie B. Kelly Christie B. Kelly	Director	February 28, 2019
/s/ Joseph I. Lieberman Joseph I. Lieberman	Director	February 28, 2019
/s/ Timothy J. Naughton Timothy J. Naughton	Director	February 28, 2019
/s/ Stephen I. Sadove Stephen I. Sadove	Director	February 28, 2019

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 Annual Report on Form 10-K 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 Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: February 28, 2019

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

Thomas J. Baltimore, Jr.
Chief Executive Officer & President

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 Annual Report on Form 10-K 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 Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: February 28, 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 Annual Report of Park Hotels & Resorts Inc. (the "Company") on Form 10-K for the year ended December 31, 2018 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: February 28, 2019

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

Thomas J. Baltimore, Jr.
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 Annual Report of Park Hotels & Resorts Inc. (the "Company") on Form 10-K for the year ending December 31, 2018 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: February 28, 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.

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Company Information

Board of Directors

Thomas J. Baltimore, Jr.
Chairman of the Board, President and
Chief Executive Officer
Park Hotels & Resorts Inc.

Patricia M. Bedient
Former Executive Vice President and
Chief Financial Officer
Weyerhaeuser Company

Gordon M. Bethune
Former Chairman of the Board and
Chief Executive Officer
United Continental Holdings, Inc.

Geoffrey Garrett
Dean
The Wharton School of the
University of Pennsylvania

Christie B. Kelly
Former Executive Vice President and
Chief Financial Officer
Jones Lang LaSalle Inc.

Senator Joseph I. Lieberman
Former U.S. Senator
State of Connecticut and
current Senior Counsel at
Kasowitz Benson Torres LLP

Timothy J. Naughton
Chairman of the Board,
Chief Executive Officer and President
AvalonBay Communities, Inc.

Stephen I. Sadove
Founding Partner
JW Levin Management Partners LLC and
Former Chairman and
Chief Executive Officer
Saks Incorporated

Executive Officers

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

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

Carl A. Mayfield
Executive Vice President,
Design & Construction

Thomas C. Morey
Executive Vice President,
General Counsel and Secretary

Jill C. Olander
Executive Vice President,
Human Resources

Matthew A. Sparks
Executive Vice President and
Chief Investment Officer

Robert D. Tanenbaum
Executive Vice President,
Asset Management

Common Stock and Dividends

2018	Stock Price High	Stock Price Low	Dividends Declared Per Share
1st Quarter	$ 29.80	$ 24.42	$0.43
2nd Quarter	$ 32.43	$ 26.18	$0.43
			$0.45*
3rd Quarter	$ 34.01	$ 30.49	$0.43
4th Quarter	$ 32.64	$ 25.61	$1.00**

* *Special Dividend*
** *Of the full $1.00 per share dividend, $0.70 per share represents the fourth quarter payment based on 2018 results of operation and $0.30 per share represents gains from the sale of Park's assets during 2018*

Corporate Headquarters
Park Hotels & Resorts
1775 Tysons Blvd, 7th Floor
Tysons, VA 22102
(571) 302-5757
(703) 442-0370 (fax)

Transfer Agent and Registrar
EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120
(800) 468-9716 Toll Free
(651) 450-4064 (Outside U.S.)
www.shareowneronline.com

Stock Exchange Listing
New York Stock Exchange
Ticker Symbol: PK

Stockholders of Record
9 as of March 18, 2019

Website
Visit the company's website at www.pkhotelsandresorts.com

www.pkhotelsandresorts.com

1775 TYSONS BOULEVARD, 7TH FLOOR
TYSONS, VA 22102
(571) 302-5757