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

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**FORM 10-Q**

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

For the quarterly period ended March 23, 2012

OR

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

Commission File Number: 001-14625 (Host Hotels & Resorts, Inc.)  
0-25087 (Host Hotels & Resorts, L.P.)

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**HOST HOTELS & RESORTS, INC.**

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

(Exact name of registrant as specified in its charter)

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

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

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

20817  
(Zip Code)

**(240) 744-1000**

(Registrant's telephone number, including area code)

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

Host Hotels & Resorts, Inc.  
Host Hotels & Resorts, L.P.

Yes  No   
Yes  No

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

Host Hotels & Resorts, Inc.  
Host Hotels & Resorts, L.P.

Yes  No   
Yes  No

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

Host Hotels & Resorts, Inc.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Host Hotels & Resorts, L.P.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Host Hotels & Resorts, Inc.

Yes  No

Host Hotels & Resorts, L.P.

Yes  No

As of April 26, 2012 there were 719,149,595 shares of Host Hotels & Resorts, Inc.'s common stock, \$.01 par value per share, outstanding.

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**EXPLANATORY NOTE**

This report combines the quarterly reports on Form 10-Q for the quarter ended March 23, 2012 of Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. Unless stated otherwise or the context requires otherwise, references to “Host Inc.” mean Host Hotels & Resorts, Inc., a Maryland corporation, and references to “Host L.P.” mean Host Hotels & Resorts, L.P., a Delaware limited partnership, and its consolidated subsidiaries, in cases where it is important to distinguish between Host Inc. and Host L.P. We use the terms “we” or “our” or “the company” to refer to Host Inc. and Host L.P. together, unless the context indicates otherwise.

Host Inc. operates as a self-managed and self-administered real estate investment trust (“REIT”). Host Inc. owns properties and conducts operations through Host L.P., of which Host Inc. is the sole general partner and in which it holds approximately 98.6% of the partnership interests (“OP units”). The remaining OP units are owned by various unaffiliated limited partners. As the sole general partner of Host L.P., Host Inc. has the exclusive and complete responsibility for Host L.P.’s day-to-day management and control. Management operates Host Inc. and Host L.P. as one enterprise. The management of Host Inc. consists of the same members who direct the management of Host L.P. As general partner with control of Host L.P., Host Inc. consolidates Host L.P. for financial reporting purposes, and Host Inc. does not have significant assets other than its investment in Host L.P. Therefore, the assets and liabilities of Host Inc. and Host L.P. are substantially the same on their respective consolidated financial statements and the disclosures of Host Inc. and Host L.P. also are substantially similar. For these reasons, we believe that combining into a single report the quarterly reports on Form 10-Q of Host Inc. and Host L.P. results in benefits to management and investors.

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

This combined Form 10-Q for Host Inc. and Host L.P. includes, for each entity, separate interim financial statements (but combined footnotes), separate reports on disclosure controls and procedures and internal control over financial reporting and separate CEO/CFO certifications. In addition, with respect to any other financial and non-financial disclosure items required by Form 10-Q, any material differences between Host Inc. and Host L.P. are discussed separately herein. For a more detailed discussion of the substantive differences between Host Inc. and Host L.P. and why we believe the combined filing results in benefits to investors, see the discussion in the combined Annual Report on Form 10-K for the year ended December 31, 2011 under the heading “Explanatory Note”.

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**HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**March 23, 2012 and December 31, 2011**  
**(in millions, except share and per share amounts)**

|   | March 23,<br>2012<br>(unaudited) | December 31,<br>2011 |
|---|----------------------------------|----------------------|
| <b>ASSETS</b>   |                                  |                      |
| Property and equipment, net   | \$ 11,341                        | \$ 11,383            |
| Due from managers   | 54                               | 37                   |
| Advances to and investments in affiliates   | 217                              | 197                  |
| Deferred financing costs, net   | 57                               | 55                   |
| Furniture, fixtures and equipment replacement fund  | 185                              | 166                  |
| Other   | 388                              | 368                  |
| Restricted cash   | 33                               | 36                   |
| Cash and cash equivalents   | 1,312                            | 826                  |
| Total assets  | <u>\$ 13,587</u>                 | <u>\$ 13,068</u>     |
| <b>LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY</b>  |                                  |                      |
| Debt  |                                  |                      |
| Senior notes, including \$907 million and \$902 million, respectively, net of discount, of Exchangeable Senior<br>Debtures                            | \$ 4,899                         | \$ 4,543             |
| Credit facility   | 141                              | 117                  |
| Mortgage debt   | 1,011                            | 1,006                |
| Other   | 86                               | 87                   |
| Total debt  | 6,137                            | 5,753                |
| Accounts payable and accrued expenses   | 152                              | 175                  |
| Other   | 267                              | 269                  |
| Total liabilities   | <u>6,556</u>                     | <u>6,197</u>         |
| Non-controlling interests - Host Hotels & Resorts, L.P.   | 171                              | 158                  |
| Host Hotels & Resorts Inc. stockholders' equity:  |                                  |                      |
| Common stock, par value \$.01, 1,050 million shares authorized; 717.3 million shares and 705.1 million shares issued<br>and outstanding, respectively | 7                                | 7                    |
| Additional paid-in capital  | 7,920                            | 7,750                |
| Accumulated other comprehensive income (loss)   | 18                               | (1)                  |
| Deficit   | (1,123)                          | (1,079)              |
| Total equity of Host Hotels & Resorts, Inc. stockholders  | 6,822                            | 6,677                |
| Non-controlling interests—other consolidated partnerships   | 38                               | 36                   |
| Total equity  | <u>6,860</u>                     | <u>6,713</u>         |
| Total liabilities, non-controlling interests and equity   | <u>\$ 13,587</u>                 | <u>\$ 13,068</u>     |

See notes to condensed consolidated statements.

**HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Quarter Ended March 23, 2012 and March 25, 2011**  
**(unaudited, in millions, except per share amounts)**

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 23,<br>2012 | March 25,<br>2011 |
| <b>REVENUES</b>  |                   |                   |
| Rooms  | \$ 573            | \$ 516            |
| Food and beverage  | 293               | 267               |
| Other  | 59                | 54                |
| Owned hotel revenues   | 925               | 837               |
| Other revenues   | 60                | 56                |
| Total revenues   | <u>985</u>        | <u>893</u>        |
| <b>EXPENSES</b>  |                   |                   |
| Rooms  | 165               | 148               |
| Food and beverage  | 216               | 199               |
| Other departmental and support expenses                      | 250               | 235               |
| Management fees  | 34                | 32                |
| Other property-level expenses                                | 124               | 117               |
| Depreciation and amortization                                | 153               | 140               |
| Corporate and other expenses                                 | 22                | 25                |
| Total operating costs and expenses                           | <u>964</u>        | <u>896</u>        |
| <b>OPERATING PROFIT (LOSS)</b>                               | 21                | (3)               |
| Interest income  | 4                 | 4                 |
| Interest expense   | (86)              | (82)              |
| Net gains on property transactions and other                 | 1                 | 2                 |
| Gain (loss) on foreign currency transactions and derivatives | (1)               | 1                 |
| Equity in losses of affiliates                               | (2)               | (2)               |
| <b>LOSS BEFORE INCOME TAXES</b>                              | (63)              | (80)              |
| Benefit from income taxes                                    | 13                | 20                |
| <b>LOSS FROM CONTINUING OPERATIONS</b>                       | (50)              | (60)              |
| Income from discontinued operations, net of tax              | 50                | —                 |
| <b>NET LOSS</b>  | —                 | (60)              |
| Less: Net income attributable to non-controlling interests   | (2)               | —                 |
| <b>NET LOSS AVAILABLE TO COMMON STOCKHOLDERS</b>             | <u>\$ (2)</u>     | <u>\$ (60)</u>    |
| Basic earnings (loss) per common share:                      |                   |                   |
| Continuing operations  | \$ (.07)          | \$ (.09)          |
| Discontinued operations                                      | .07               | —                 |
| Basic loss per common share                                  | <u>\$ —</u>       | <u>\$ (.09)</u>   |
| Diluted earnings (loss) per common share:                    |                   |                   |
| Continuing operations  | \$ (.07)          | \$ (.09)          |
| Discontinued operations                                      | .07               | —                 |
| Diluted loss per common share                                | <u>\$ —</u>       | <u>\$ (.09)</u>   |

See notes to condensed consolidated statements.

**HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**Quarter Ended March 23, 2012 and March 25, 2011**  
**(unaudited, in millions)**

|  | <u>Quarter ended</u>      |                           |
|--|---------------------------|---------------------------|
|  | <u>March 23,<br/>2012</u> | <u>March 25,<br/>2011</u> |
| NET LOSS   | \$ —                      | \$ (60)                   |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:   |                           |                           |
| Foreign currency translation and other comprehensive income of unconsolidated affiliates | 21                        | 9                         |
| Change in fair value of derivative instruments   | (2)                       | (5)                       |
| OTHER COMPREHENSIVE INCOME, NET OF TAX.  | <u>19</u>                 | <u>4</u>                  |
| COMPREHENSIVE INCOME (LOSS)  | 19                        | (56)                      |
| Less: Comprehensive income attributable to non-controlling interests                     | (2)                       | —                         |
| COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO HOST HOTELS & RESORTS, INC                   | <u>\$ 17</u>              | <u>\$ (56)</u>            |

See notes to condensed consolidated statements.



**HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Quarter Ended March 23, 2012 and March 25, 2011**  
**(unaudited, in millions)**

|   | <u>Quarter ended</u>            |                                 |
|---|---------------------------------|---------------------------------|
|   | <u>March 23,</u><br><u>2012</u> | <u>March 25,</u><br><u>2011</u> |
| <b>OPERATING ACTIVITIES</b>   |                                 |                                 |
| Net loss  | \$ —                            | \$ (60)                         |
| Adjustments to reconcile to cash provided by operations:              |                                 |                                 |
| Discontinued operations:  |                                 |                                 |
| Gain on dispositions  | (48)                            | —                               |
| Depreciation  | —                               | 1                               |
| Depreciation and amortization   | 153                             | 140                             |
| Amortization of deferred financing costs                              | 3                               | 3                               |
| Amortization of debt premiums/discounts, net                          | 3                               | 5                               |
| Deferred income taxes   | (14)                            | (21)                            |
| Net gain on property transactions and other                           | (1)                             | (2)                             |
| (Gain) loss on foreign currency transactions and derivatives          | 1                               | (1)                             |
| Equity in losses of affiliates, net                                   | 2                               | 2                               |
| Change in due from managers   | (18)                            | (11)                            |
| Changes in other assets   | —                               | 5                               |
| Changes in other liabilities  | (8)                             | (24)                            |
| Cash provided by operating activities                                 | <u>73</u>                       | <u>37</u>                       |
| <b>INVESTING ACTIVITIES</b>   |                                 |                                 |
| Proceeds from sales of assets, net                                    | 108                             | —                               |
| Acquisitions  | —                               | (989)                           |
| Advances to and investment in affiliates                              | (19)                            | (5)                             |
| Capital expenditures:   |                                 |                                 |
| Renewals and replacements   | (100)                           | (48)                            |
| Redevelopment and other investments                                   | (62)                            | (46)                            |
| Change in furniture, fixtures and equipment (“FF&E”) replacement fund | (19)                            | (50)                            |
| Cash used in investing activities                                     | <u>(92)</u>                     | <u>(1,138)</u>                  |
| <b>FINANCING ACTIVITIES</b>   |                                 |                                 |
| Financing costs   | (5)                             | —                               |
| Issuances of debt   | 350                             | 80                              |
| Draws on credit facility  | 22                              | 103                             |
| Mortgage debt prepayments and scheduled maturities                    | —                               | (132)                           |
| Scheduled principal repayments  | (1)                             | (1)                             |
| Common stock issuance   | 173                             | 99                              |
| Dividends on common stock   | (35)                            | (7)                             |
| Distributions to non-controlling interests                            | (1)                             | (1)                             |
| Change in restricted cash for financing activities                    | 2                               | 1                               |
| Cash provided by financing activities                                 | <u>505</u>                      | <u>142</u>                      |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>               | <b>486</b>                      | <b>(959)</b>                    |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                 | <b>826</b>                      | <b>1,113</b>                    |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                       | <b><u>\$ 1,312</u></b>          | <b><u>\$ 154</u></b>            |

See notes to condensed consolidated statements.

**HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Quarter Ended March 23, 2012 and March 25, 2011**  
**(unaudited)**

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

|                   | <u>Quarter ended</u>            |                                 |
|-------------------|---------------------------------|---------------------------------|
|                   | <u>March 23,</u><br><u>2012</u> | <u>March 25,</u><br><u>2011</u> |
| Interest paid     | \$ 70                           | \$ 64                           |
| Income taxes paid | 4                               | 1                               |

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

For the quarters ended March 23, 2012 and March 25, 2011, Host Inc. issued approximately 0.2 million shares and 0.1 million shares, respectively, upon the conversion of operating partnership units ("OP units") of Host L.P. held by non-controlling partners valued at approximately \$2.9 million and \$1.7 million, respectively.

On March 17, 2011, we acquired the 1,625-room Manchester Grand Hyatt San Diego, and certain related rights. In connection with the acquisition, Host L.P. issued approximately 0.3 million common OP units valued at \$18.741 per unit, or approximately \$6 million.

See notes to condensed consolidated statements.

**HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**March 23, 2012 and December 31, 2011**  
**(in millions)**

|  | March 23,<br>2012<br><u>(unaudited)</u> | December 31,<br>2011<br><u></u> |
|--|---|---------------------------------|
| <b>ASSETS</b>  |   |                                 |
| Property and equipment, net  | \$ 11,341                               | \$ 11,383                       |
| Due from managers  | 54                                      | 37                              |
| Advances to and investments in affiliates  | 217                                     | 197                             |
| Deferred financing costs, net  | 57                                      | 55                              |
| Furniture, fixtures and equipment replacement fund   | 185                                     | 166                             |
| Other  | 388                                     | 368                             |
| Restricted cash  | 33                                      | 36                              |
| Cash and cash equivalents  | 1,312                                   | 826                             |
| Total assets   | <u>\$ 13,587</u>                        | <u>\$ 13,068</u>                |
| <b>LIABILITIES, LIMITED PARTNERSHIP INTEREST OF THIRD PARTIES AND CAPITAL</b>  |   |                                 |
| Debt   |   |                                 |
| Senior notes, including \$907 million and \$902 million, respectively, net of discount, of Exchangeable Senior<br>Debtures | \$ 4,899                                | \$ 4,543                        |
| Credit facility  | 141                                     | 117                             |
| Mortgage debt  | 1,011                                   | 1,006                           |
| Other  | 86                                      | 87                              |
| Total debt   | 6,137                                   | 5,753                           |
| Accounts payable and accrued expenses  | 152                                     | 175                             |
| Other  | 267                                     | 269                             |
| Total liabilities  | <u>6,556</u>                            | <u>6,197</u>                    |
| Limited partnership interests of third parties   | 171                                     | 158                             |
| Host Hotels & Resorts, L.P. capital:   |   |                                 |
| General partner  | 1                                       | 1                               |
| Limited partner  | 6,803                                   | 6,677                           |
| Accumulated other comprehensive income (loss)  | 18                                      | (1)                             |
| Total Host Hotels & Resorts, L.P. capital  | 6,822                                   | 6,677                           |
| Non-controlling interests—consolidated partnerships  | 38                                      | 36                              |
| Total capital  | 6,860                                   | 6,713                           |
| Total liabilities, limited partnership interest of third parties and capital   | <u>\$ 13,587</u>                        | <u>\$ 13,068</u>                |

See notes to condensed consolidated statements.

**HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Quarter Ended March 23, 2012 and March 25, 2011**  
**(unaudited, in millions, except per unit amounts)**

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 23,<br>2012 | March 25,<br>2011 |
| <b>REVENUES</b>  |                   |                   |
| Rooms  | \$ 573            | \$ 516            |
| Food and beverage  | 293               | 267               |
| Other  | 59                | 54                |
| Owned hotel revenues   | 925               | 837               |
| Other revenues   | 60                | 56                |
| Total revenues   | <u>985</u>        | <u>893</u>        |
| <b>EXPENSES</b>  |                   |                   |
| Rooms  | 165               | 148               |
| Food and beverage  | 216               | 199               |
| Other departmental and support expenses                      | 250               | 235               |
| Management fees  | 34                | 32                |
| Other property-level expenses                                | 124               | 117               |
| Depreciation and amortization                                | 153               | 140               |
| Corporate and other expenses                                 | 22                | 25                |
| Total operating costs and expenses                           | <u>964</u>        | <u>896</u>        |
| <b>OPERATING PROFIT (LOSS)</b>                               | 21                | (3)               |
| Interest income  | 4                 | 4                 |
| Interest expense   | (86)              | (82)              |
| Net gains on property transactions and other                 | 1                 | 2                 |
| Gain (loss) on foreign currency transactions and derivatives | (1)               | 1                 |
| Equity in losses of affiliates                               | (2)               | (2)               |
| <b>LOSS BEFORE INCOME TAXES</b>                              | (63)              | (80)              |
| Benefit from income taxes                                    | 13                | 20                |
| <b>LOSS FROM CONTINUING OPERATIONS</b>                       | (50)              | (60)              |
| Income from discontinued operations, net of tax.             | 50                | —                 |
| <b>NET LOSS</b>  | —                 | (60)              |
| Less: Net income attributable to non-controlling interests   | (2)               | (1)               |
| <b>NET LOSS AVAILABLE TO COMMON UNITHOLDERS</b>              | <u>\$ (2)</u>     | <u>\$ (61)</u>    |
| Basic earnings (loss) per common unit:                       |                   |                   |
| Continuing operations  | \$ (.07)          | \$ (.09)          |
| Discontinued operations                                      | .07               | —                 |
| Basic loss per common unit                                   | <u>\$ —</u>       | <u>\$ (.09)</u>   |
| Diluted earnings (loss) per common unit:                     |                   |                   |
| Continuing operations  | \$ (.07)          | \$ (.09)          |
| Discontinued operations                                      | .07               | —                 |
| Diluted loss per common unit                                 | <u>\$ —</u>       | <u>\$ (.09)</u>   |

See notes to condensed consolidated statements.

**HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**Quarter Ended March 23, 2012 and March 25, 2011**  
**(unaudited, in millions)**

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 23,<br>2012 | March 25,<br>2011 |
| NET LOSS   | \$ —              | \$ (60)           |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:   |                   |                   |
| Foreign currency translation and other comprehensive income of unconsolidated affiliates | 21                | 9                 |
| Change in fair value of derivative instruments   | (2)               | (5)               |
| OTHER COMPREHENSIVE INCOME, NET OF TAX.  | 19                | 4                 |
| COMPREHENSIVE INCOME (LOSS)  | 19                | (56)              |
| Less: Comprehensive income attributable to non-controlling interests                     | (2)               | (1)               |
| COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO HOST HOTELS & RESORTS, L.P.                  | <u>\$ 17</u>      | <u>\$ (57)</u>    |

See notes to condensed consolidated statements.

**HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Quarter Ended March 23, 2012 and March 25, 2011**  
**(unaudited, in millions)**

|   | Quarter ended          |                      |
|---|------------------------|----------------------|
|   | March 23,<br>2012      | March 25,<br>2011    |
| <b>OPERATING ACTIVITIES</b>   |                        |                      |
| Net loss  | \$ —                   | \$ (60)              |
| Adjustments to reconcile to cash provided by operations:              |                        |                      |
| Discontinued operations:  |                        |                      |
| Gain on dispositions  | (48)                   | —                    |
| Depreciation  | —                      | 1                    |
| Depreciation and amortization   | 153                    | 140                  |
| Amortization of deferred financing costs                              | 3                      | 3                    |
| Amortization of debt premiums/discounts, net                          | 3                      | 5                    |
| Deferred income taxes   | (14)                   | (21)                 |
| Net gain on property transactions and other                           | (1)                    | (2)                  |
| (Gain) loss on foreign currency transactions and derivatives          | 1                      | (1)                  |
| Equity in losses of affiliates, net                                   | 2                      | 2                    |
| Change in due from managers   | (18)                   | (11)                 |
| Changes in other assets   | —                      | 5                    |
| Changes in other liabilities  | (8)                    | (24)                 |
| Cash provided by operations   | <u>73</u>              | <u>37</u>            |
| <b>INVESTING ACTIVITIES</b>   |                        |                      |
| Proceeds from sales of assets, net                                    | 108                    | —                    |
| Acquisitions  | —                      | (989)                |
| Advances to and investment in affiliates                              | (19)                   | (5)                  |
| Capital expenditures:   |                        |                      |
| Renewals and replacements   | (100)                  | (48)                 |
| Redevelopment and other investments                                   | (62)                   | (46)                 |
| Change in furniture, fixtures and equipment (“FF&E”) replacement fund | (19)                   | (50)                 |
| Cash used in investing activities                                     | <u>(92)</u>            | <u>(1,138)</u>       |
| <b>FINANCING ACTIVITIES</b>   |                        |                      |
| Financing costs   | (5)                    | —                    |
| Issuances of debt   | 350                    | 80                   |
| Draw on credit facility   | 22                     | 103                  |
| Mortgage debt prepayments and scheduled maturities                    | —                      | (132)                |
| Scheduled principal repayments  | (1)                    | (1)                  |
| Common OP unit issuance   | 173                    | 99                   |
| Distributions on common OP units                                      | (36)                   | (7)                  |
| Distributions to non-controlling interests                            | —                      | (1)                  |
| Change in restricted cash for financing activities                    | 2                      | 1                    |
| Cash provided by financing activities                                 | <u>505</u>             | <u>142</u>           |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>               | <b>486</b>             | <b>(959)</b>         |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                 | <b>826</b>             | <b>1,113</b>         |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                       | <b><u>\$ 1,312</u></b> | <b><u>\$ 154</u></b> |

See notes to condensed consolidated statements.

**HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Quarter Ended March 23, 2012 and March 25, 2011**  
**(unaudited)**

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

|                   | <u>Quarter ended</u>            |                                 |
|-------------------|---------------------------------|---------------------------------|
|                   | <u>March 23,</u><br><u>2012</u> | <u>March 25,</u><br><u>2011</u> |
| Interest paid     | \$ 70                           | \$ 64                           |
| Income taxes paid | 4                               | 1                               |

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

For the quarters ended March 23, 2012 and March 25, 2011, limited partners converted operating partnership units (“OP units”) valued at approximately \$2.9 million and \$1.7 million, respectively, in exchange for approximately 0.2 million and 0.1 million shares, respectively, of Host Inc. common stock.

On March 17, 2011, we acquired the 1,625-room Manchester Grand Hyatt San Diego, and certain related rights. In connection with the acquisition, we issued approximately 0.3 million common OP units valued at \$18.741 per unit, or approximately \$6 million.

See notes to condensed consolidated statements.

**HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Organization****Description of Business**

Host Hotels & Resorts, Inc. operates as a self-managed and self-administered real estate investment trust (“REIT”), with its operations conducted solely through Host Hotels & Resorts, L.P. and its subsidiaries. Host Hotels & Resorts, L.P., a Delaware limited partnership, operates through an umbrella partnership structure, with Host Hotels & Resorts, Inc., a Maryland corporation, as its sole general partner. In the notes to the condensed consolidated financial statements, we use the terms “we” or “our” to refer to Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. together, unless the context indicates otherwise. We also use the term “Host Inc.” to specifically refer to Host Hotels & Resorts, Inc. and the term “Host L.P.” to specifically refer to Host Hotels & Resorts, L.P. in cases where it is important to distinguish between Host Inc. and Host L.P. As of March 23, 2012, Host Inc. holds approximately 98.6% of Host L.P.’s OP units.

**Consolidated Portfolio**

We have 120 hotels in our portfolio, primarily consisting of luxury and upper upscale hotels, with a total of 64,004 rooms as detailed below:

|               | <u>Hotels</u> | <u>Rooms</u>  |
|---------------|---------------|---------------|
| United States | 104           | 59,715        |
| Australia     | 1             | 364           |
| Brazil        | 1             | 245           |
| Canada        | 4             | 1,643         |
| Chile         | 2             | 518           |
| Mexico        | 1             | 312           |
| New Zealand   | 7             | 1,207         |
| Total         | <u>120</u>    | <u>64,004</u> |

**European Joint Venture**

We own a non-controlling interest in a joint venture in Europe (the “Euro JV”) that owns luxury and upper upscale hotels in two separate funds. We own a 32.1% interest in Fund I (11 hotels, 3,512 rooms) and a 33.4% interest in Fund II (two hotels, 676 rooms). The hotels are located in the following countries:

|                 | <u>Hotels</u> | <u>Rooms</u> |
|-----------------|---------------|--------------|
| Italy           | 3             | 1,053        |
| Spain           | 2             | 950          |
| United Kingdom  | 2             | 630          |
| Belgium         | 3             | 539          |
| France          | 1             | 396          |
| Poland          | 1             | 350          |
| The Netherlands | 1             | 270          |
| Total           | <u>13</u>     | <u>4,188</u> |

**Asian Joint Venture**

Our joint venture in Asia (“Asia/Pacific JV”), in which we own a 25% non-controlling interest, owns the 278-room Citigate Perth in Australia. The Asia/Pacific JV also has a non-controlling investment in a joint venture in India that is investing in seven hotels, totaling approximately 1,750 rooms, two of which recently opened in Bangalore and five that are in various stages of development in two major cities in India.

**2. Summary of Significant Accounting Policies**

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. generally accepted accounting principles (“GAAP”) in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made



**HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011.

The preparation of financial statements in conformity with 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.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of March 23, 2012 and the results of our operations and cash flows for the quarterly periods ended March 23, 2012 and March 25, 2011. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

**3. Earnings (Loss) Per Common Share (Unit)**

**Host Inc. Earnings (Loss) per Common Share**

Basic earnings (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of Host Inc. common stock outstanding. Diluted earnings (loss) per common share is computed by dividing net income (loss) available to common stockholders as adjusted for potentially dilutive securities, by the weighted average number of shares of Host Inc. common stock outstanding plus other potentially dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, other non-controlling interests that have the option to convert their limited partnership interests to common OP units and convertible debt securities. Due to the net loss for all periods presented, all of our securities are anti-dilutive and, therefore, no effect for such securities is shown.

|  | Quarter ended                           |                |
|--|---|----------------|
|  | March 23, 2012                          | March 25, 2011 |
|  | (in millions, except per share amounts) |                |
| Net loss   | \$ —                                    | \$ (60)        |
| Net income attributable to non-controlling interests | (2)                                     | —              |
| Loss available to common stockholders                | <u>\$ (2)</u>                           | <u>\$ (60)</u> |
| Diluted loss available to common stockholders        | <u>\$ (2)</u>                           | <u>\$ (60)</u> |
| Basic weighted average shares outstanding            | <u>707.5</u>                            | <u>677.3</u>   |
| Diluted weighted average shares outstanding (a)      | <u>707.5</u>                            | <u>677.3</u>   |
| Basic loss per share                                 | \$ —                                    | \$ (.09)       |
| Diluted loss per share                               | \$ —                                    | \$ (.09)       |

(a) There are 41 million and 51 million potentially dilutive shares for our exchangeable senior debentures and shares granted under comprehensive stock plans, which were not included in the computation of diluted EPS as of March 23, 2012 and March 25, 2011, respectively, because to do so would have been anti-dilutive for the period.

**Host L.P. Earnings (Loss) Per Common Unit**

Basic earnings (loss) per common unit is computed by dividing net income available to common unitholders by the weighted average number of common OP units outstanding. Diluted earnings (loss) per common unit is computed by dividing net income (loss) available to common unitholders as adjusted for potentially dilutive securities, by the weighted average number of common units outstanding plus other potentially dilutive securities. Dilutive securities may include units distributed to Host Inc. to support Host

**HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES**  
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Inc. common shares granted under comprehensive stock plans, other non-controlling interests that have the option to convert their limited partnership interests to common OP units and convertible debt securities. Due to the net loss for all periods presented, all of our securities are anti-dilutive and, therefore, no effect for such securities is shown.

|  | Quarter ended                          |                |
|--|--|----------------|
|  | March 23, 2012                         | March 25, 2011 |
|  | (in millions, except per unit amounts) |                |
| Net loss   | \$ —                                   | \$ (60)        |
| Net income attributable to non-controlling interests | (2)                                    | (1)            |
| Loss available to common unitholders                 | <u>\$ (2)</u>                          | <u>\$ (61)</u> |
| Diluted loss available to common unitholders         | <u>\$ (2)</u>                          | <u>\$ (61)</u> |
| Basic weighted average units outstanding             | <u>703.1</u>                           | <u>673.6</u>   |
| Diluted weighted average units outstanding (a)       | <u>703.1</u>                           | <u>673.6</u>   |
| Basic loss per unit                                  | \$ —                                   | \$ (.09)       |
| Diluted loss per unit                                | \$ —                                   | \$ (.09)       |

- (a) There are 40 million and 50 million potentially dilutive units for our exchangeable senior debentures and for units distributable to Host Inc. for shares granted under its comprehensive stock plans, which units were not included in the computation of diluted earnings per unit as of March 23, 2012 and March 25, 2011, respectively, because to do so would have been anti-dilutive for the period.

**4. Property and Equipment**

Property and equipment consists of the following (in millions):

|  | March 23,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| Land and land improvements                     | \$ 1,859          | \$ 1,852             |
| Buildings and leasehold improvements           | 13,183            | 13,168               |
| Furniture and equipment                        | 2,111             | 2,079                |
| Construction in progress                       | 201               | 196                  |
|  | <u>17,354</u>     | <u>17,295</u>        |
| Less accumulated depreciation and amortization | (6,013)           | (5,912)              |
|  | <u>\$ 11,341</u>  | <u>\$ 11,383</u>     |

**5. Investments in Affiliates**

On March 6, 2012, the Asia/Pacific JV acquired the 278-room Citigate Perth in Australia for A\$61 million (\$64 million). The Asia/Pacific JV expects to invest approximately A\$17 million (\$18 million) to upgrade and rebrand the hotel as a Four Points by Sheraton. We contributed A\$14 million (\$16 million) to the Asia/Pacific JV in connection with this acquisition.

**6. Debt**

*Senior notes.* On March 22, 2012, we issued \$350 million 5<sup>1</sup>/<sub>4</sub>% Series A senior notes due 2022. Subsequent to quarter end, net proceeds of the offering of approximately \$344 million, and available cash, were used to repay the \$113 million principal amount outstanding of the 7.5% mortgage secured by the JW Marriott, Washington, D.C. on April 2, 2012, and to redeem \$250 million of our 6<sup>7</sup>/<sub>8</sub>% Series S senior notes due in 2014 on April 13, 2012, resulting in a loss on extinguishment of \$8 million. Additionally, on April 26, 2012, we notified holders of our 6<sup>7</sup>/<sub>8</sub>% Series S senior notes due in 2014 that we intend to redeem the remaining \$250 million outstanding on May 29, 2012.

**HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES**  
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On March 15, 2012, we notified holders of our outstanding 2.625% Exchangeable Senior Debentures due 2027 (the “2007 Debentures”) that they have an option, pursuant to the terms of the 2007 Debentures, to require us to purchase, on April 16, 2012, all or a portion of such holders’ debentures at a price equal to 100% of the aggregate principal amount of the debentures. On April 16, 2012, the holders of \$386 million face amount of the 2007 Debentures exercised their option to require us to repurchase their debentures.

*Credit Facility.* On February 27, 2012, we drew A\$14 million (\$16 million) on our credit facility to fund our portion of the Asia/Pacific JV’s acquisition of the Citigate Perth, Australia. On February 17, 2012, we also drew C\$6 million (\$6 million) on our credit facility to fund capital expenditures at one of our Canadian hotels. We have \$859 million of remaining available capacity under our credit facility as of March 23, 2012.

**7. Equity of Host Inc. and Capital of Host L.P.**

**Equity of Host Inc.**

Equity is allocated between controlling and non-controlling interests as follows (in millions):

|                                    | Equity of<br>Host Hotels &<br>Resorts, Inc. | Non-redeemable<br>non-controlling<br>interests | Total equity    | Redeemable<br>non-controlling<br>interests |
|------------------------------------|---|--|-----------------|--|
| Balance, December 31, 2011         | \$ 6,677                                    | \$ 36  | \$ 6,713        | \$ 158                                     |
| Net income (loss)                  | (2)   | 2  | —               | —  |
| Issuance of common stock           | 183   | —  | 183             | —  |
| Dividends declared on common stock | (42)  | —  | (42)            | —  |
| Other changes in ownership         | (13)  | —  | (13)            | 13   |
| Other comprehensive income         | 19  | —  | 19              | —  |
| Balance, March 23, 2012            | <u>\$ 6,822</u>                             | <u>\$ 38</u>                                   | <u>\$ 6,860</u> | <u>\$ 171</u>                              |

**Capital of Host L.P.**

As of March 23, 2012, Host Inc. is the owner of approximately 98.6% of Host L.P.’s common OP units. The remaining 1.4% of the common OP units are held by third party limited partners. Each OP unit may be redeemed for cash or, at the election of Host Inc., Host Inc. common stock, based on the conversion ratio of 1.021494 shares of Host Inc. common stock for each OP unit.

In exchange for any shares issued by Host Inc., Host L.P. will issue OP units to Host Inc. based on the applicable conversion ratio. Additionally, funds used by Host Inc. to pay dividends on its common stock are provided by distributions from Host L.P.

Capital is allocated between controlling and non-controlling interests as follows (in millions):

|   | Capital of<br>Host L.P. | Non-controlling<br>interests | Total<br>Capital | Limited<br>Partnership<br>Interests of<br>Third Parties |
|---|-------------------------|------------------------------|------------------|---|
| Balance, December 31, 2011                | \$ 6,677                | \$ 36                        | \$ 6,713         | \$ 158  |
| Net income (loss)                         | (2)                     | 2                            | —                | —   |
| Issuance of common OP units               | 183                     | —                            | 183              | —   |
| Distributions declared on common OP units | (42)                    | —                            | (42)             | —   |
| Other changes in ownership                | (13)                    | —                            | (13)             | 13  |
| Other comprehensive income                | 19                      | —                            | 19               | —   |
| Balance, March 23, 2012                   | <u>\$ 6,822</u>         | <u>\$ 38</u>                 | <u>\$ 6,860</u>  | <u>\$ 171</u>   |

**HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES**  
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**Issuance of Common Stock**

On April 21, 2011, we entered into a Sales Financing Agreement with BNY Mellon Capital Markets, LLC, through which Host Inc. may issue and sell, from time to time, shares having an aggregate offering price of up to \$400 million in “at the market” offerings under SEC rules, including sales made directly on the NYSE. During the first quarter of 2012, we issued the remaining \$174 million of capacity under this program through the issuance of 11.1 million shares of common stock at an average price of \$15.67 per share, for proceeds of approximately \$172 million, net of \$2 million of commissions. On April 24, 2012, we entered into comparable Sales Agency Financing Agreements with BNY Mellon Capital Markets, LLC and Scotiabank for a new at-the-market equity offering program with \$400 million of issuance capacity. Host Inc. may sell shares of common stock under this program, from time to time, based on market conditions, although it is not under an obligation to sell any shares.

**Dividends/Distributions**

On March 8, 2012, Host Inc.’s Board of Directors declared a dividend of \$0.06 per share on its common stock. The dividend was paid on April 16, 2012 to stockholders of record as of March 30, 2012. Accordingly, Host L.P. made a distribution of \$0.06128964 per unit on its common OP units based on the current conversion ratio.

**Senior Executive Share Based Compensation**

On January 20, 2012, Host Inc. granted 1.6 million restricted shares for performance year 2012 (which represent the maximum number of shares that can be earned during the year if performance is at the “high” level of achievement). In addition, the Company awarded approximately .2 million stock options with an exercise price of \$16.23 per share for performance year 2012. Approximately 50% of the restricted shares are performance-based awards with vesting based on the level of achievement on specific management business objectives in 2012. The remaining awards are market-based awards and vesting is based on the Company’s performance on relative shareholder return as compared to three indices: the S&P 500 Index, the NAREIT Equity Index, and a lodging company index consisting of eight companies. Any performance-based awards and market-based awards that do not vest are forfeited. During the first quarter of 2012, we recorded approximately \$3 million of stock compensation expense associated with the 2012 grant.

**8. Dispositions**

On March 23, 2012, we disposed of the San Francisco Airport Marriott for proceeds of approximately \$108 million, plus \$5 million for the FF&E replacement fund and recorded a gain on the disposition of approximately \$48 million. The following table summarizes the revenues, income before income taxes, and the gain on disposition of the hotels which have been included in discontinued operations for all periods presented:

|                            | Quarter ended     |                   |
|----------------------------|-------------------|-------------------|
|                            | March 23,<br>2012 | March 25,<br>2011 |
|                            | (in millions)     |                   |
| Revenues                   | \$ 11             | \$ 10             |
| Income before income taxes | 2                 | —                 |
| Gain on disposition        | 48                | —                 |

**9. Fair Value Measurements**

Our recurring fair value measurements consist of the valuation of our derivative instruments, the majority of which are designated as accounting hedges. During the first quarter of 2012, there were no non-recurring fair value measurements. During 2011, non-recurring fair value measurements consisted of the impairment of two of our hotel properties, one of which was sold in 2011.

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In evaluating the fair value of both financial and non-financial assets and liabilities, GAAP outlines a valuation framework and creates a fair value hierarchy that distinguishes between market assumptions based on market data (observable inputs) and a reporting entity's own assumptions about market data (unobservable inputs). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly transaction (an exit price). Assets and liabilities are measured using inputs from three levels of the fair value hierarchy. The three levels are as follows:

Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. An active market is defined as a market in which transactions occur with sufficient frequency and volume to provide pricing on an ongoing basis.

Level 2 — Inputs include quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active (markets with few transactions), inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data correlation or other means.

Level 3 — Unobservable inputs reflect our assumptions about the pricing of an asset or liability when observable inputs are not available.

The following table details the fair value of our financial assets and liabilities that are required to be measured at fair value on a recurring basis, as well as non-recurring fair value measurements (there were none in the first quarter of 2012), at March 23, 2012 (in millions).

|  | Balance at<br>March 23,<br>2012 | Fair Value at Measurement Date Using                                       |  |  |
|--|---------------------------------|--|--|--|
|  |                                 | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Fair Value Measurements on a Recurring Basis:</b> |                                 |  |  |  |
| Interest rate swap derivatives (1)                   | \$ 8.2                          | \$ —   | \$ 8.2   | \$ —   |
| Forward currency sale contracts (1)                  | 7.6                             | —  | 7.6  | —  |

|  | Balance at<br>December 31,<br>2011 | Fair Value at Measurement Date Using                                       |  |  |
|--|------------------------------------|--|--|--|
|  |                                    | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Fair Value Measurements on a Recurring Basis:</b>     |                                    |  |  |  |
| Interest rate swap derivatives (1)                       | \$ 6.7                             | \$ —   | \$ 6.7   | \$ —   |
| Forward currency sale contract (1)                       | 10.8                               | —  | 10.8   | —  |
| <b>Fair Value Measurements on a Non-recurring Basis:</b> |                                    |  |  |  |
| Impaired hotel properties held and used (2)              | 5                                  | —  | 5  | —  |
| Impaired hotel properties sold (2)                       | —                                  | —  | 6  | —  |

(1) These derivative contracts have been designated as hedging instruments.

(2) The fair value measurements are as of the measurement date of the impairment and may not reflect the book value as of December 31, 2011.

**Derivatives and Hedging**

**Interest rate swap derivatives designated as cash flow hedges.** We have designated our floating-to-fixed interest rate swap derivatives as cash flow hedges. The derivatives are valued based on the prevailing

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market yield curve on the date of measurement. We also evaluate counterparty credit risk when we calculate the fair value of the swaps. Changes in the fair value of the derivatives are recorded to other comprehensive income (loss) on the accompanying balance sheets. The hedges were fully effective as of March 23, 2012.

As of March 23, 2012, we had two interest rate swap agreements designated as cash flow hedges. We recorded the change in fair value of \$1.7 million and \$(1.2) million to other comprehensive income (loss) for the quarters ended March 23, 2012 and March 25, 2011, respectively.

**Interest rate swap derivatives designated as fair value hedges.** We have designated our fixed-to-floating interest rate swap derivatives as fair value hedges. We enter into these derivative instruments to hedge changes in the fair value of fixed-rate debt that occur as a result of changes in market interest rates. The derivatives are valued based on the prevailing market yield curve on the date of measurement. We also evaluate counterparty credit risk in the calculation of the fair value of the swaps. The changes in the fair value of the derivatives are largely offset by corresponding changes in the fair value of the underlying debt due to changes in the 3-month LIBOR rate, which change is recorded as an adjustment to the carrying amount of the debt. Any difference between the change in the fair value of the swap and the change in the fair value in the underlying debt, which was not significant for the periods presented, is considered the ineffective portion of the hedging relationship and is recognized in net income (loss).

We have three fixed-to-floating interest rate swap agreements for an aggregate notional amount totaling \$300 million related to The Ritz-Carlton, Naples and Newport Beach Marriott Hotel & Spa mortgage loan in the amount of \$300 million. During the first quarters of 2012 and 2011, the fair value of the swaps decreased \$0.2 million and \$1.6 million, respectively.

**Foreign Currency Forward Sale Contracts.** We have six foreign currency forward sale contracts that hedge a portion of the foreign currency exposure resulting from the eventual repatriation of our net investments in foreign operations. These derivatives are considered a hedge of the foreign currency exposure of a net investment in a foreign operation with changes in fair value recorded to accumulated other comprehensive income (loss). The forward sale contracts are valued based on the forward yield curve of the foreign currency to U.S. Dollar exchange rate on the date of measurement. We evaluate counter party credit risk when we calculate the fair value of the derivatives. The following tables summarize our foreign currency sale contracts (in millions):

| Transaction Date Range  | Total Transaction Amount in Foreign Currency | Total Transaction Amount in Dollars | Forward Purchase Date Range | Fair Value at  |                   | Change in Fair Value for the quarter ended |                |
|-------------------------|--|-------------------------------------|-----------------------------|----------------|-------------------|--|----------------|
|                         |  |                                     |                             | March 23, 2012 | December 31, 2011 | March 23, 2012                             | March 25, 2011 |
| February 2008-July 2011 | € 100  | \$ 140                              | October 2012-August 2015    | \$ 6.8         | \$ 8.8            | \$ (2.0)                                   | \$ (4.1)       |
| July 2011               | NZ\$ 30                                      | \$ 25                               | August 2013                 | \$ .8          | \$ 1.9            | \$ (1.1)                                   | \$ —           |

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**Other Assets and Liabilities**

**Fair Value of Other Financial Assets and Liabilities.** We did not elect the fair value measurement option for any of our financial assets or liabilities. Notes receivable and other financial assets are valued based on the expected future cash flows, discounted at risk-adjusted rates, and are adjusted to reflect the effects of foreign currency translation. Valuations for secured debt and the credit facility are determined based on expected future payments, discounted at risk-adjusted rates. Senior Notes and the Exchangeable Senior Debentures are valued based on quoted market prices. The fair values of financial instruments not included in this table are estimated to be equal to their carrying amounts. The fair values of certain financial assets and liabilities and other financial instruments are shown below (in millions):

|  | March 23, 2012  |            | December 31, 2011 |            |
|--|-----------------|------------|-------------------|------------|
|  | Carrying Amount | Fair Value | Carrying Amount   | Fair Value |
| <b>Financial assets</b>                                  |                 |            |                   |            |
| Mortgage notes receivable (Level 2)                      | \$ 68           | \$ 79      | \$ 65             | \$ 76      |
| <b>Financial liabilities</b>                             |                 |            |                   |            |
| Senior notes (Level 1)                                   | 3,992           | 4,177      | 3,641             | 3,772      |
| Exchangeable Senior Debentures (Level 1)                 | 907             | 1,120      | 902               | 1,076      |
| Credit facility (Level 2)                                | 141             | 141        | 117               | 117        |
| Mortgage debt and other, net of capital leases (Level 2) | 1,096           | 1,117      | 1,091             | 1,114      |

**10. Geographic Information**

We consider each one of our hotels to be an operating segment, none of which meets the threshold for a reportable segment. We also allocate resources and assess operating performance based on individual hotels. All of our other real estate investment activities (primarily our leased hotels and office buildings) are immaterial and, with our operating segments, meet the aggregation criteria. Thus, we report one segment: hotel ownership. As of March 23, 2012, our foreign operations consist of 16 properties in six countries. There were no intercompany sales during the periods presented. The following table presents total revenues and long-lived assets for each of the geographical areas in which we operate (in millions):

|                | Revenues          |                   | Property and equipment, net |                      |
|----------------|-------------------|-------------------|-----------------------------|----------------------|
|                | Quarter ended     |                   | March 23,<br>2012           | December 31,<br>2011 |
|                | March 23,<br>2012 | March 25,<br>2011 |                             |                      |
| United States  | \$ 936            | \$ 851            | \$10,811                    | \$ 10,874            |
| Australia      | 6                 | —                 | 138                         | 136                  |
| Brazil         | 6                 | 5                 | 43                          | 42                   |
| Canada         | 23                | 23                | 131                         | 126                  |
| Chile          | 4                 | 4                 | 62                          | 58                   |
| Mexico         | 4                 | 4                 | 24                          | 23                   |
| New Zealand    | 6                 | 1                 | 132                         | 124                  |
| United Kingdom | —                 | 5                 | —                           | —                    |
| <b>Total</b>   | <b>\$ 985</b>     | <b>\$ 893</b>     | <b>\$11,341</b>             | <b>\$ 11,383</b>     |

**11. Non-controlling Interests**

**Other Consolidated Partnerships.** We consolidate five majority-owned partnerships that have third-party, non-controlling ownership interests. The third-party partnership interests are included in non-controlling interest — other consolidated partnerships on the unaudited condensed consolidated balance sheets and totaled \$38 million and \$36 million as of March 23, 2012 and December 31, 2011, respectively. Three of the partnerships have finite lives ranging from 99 to 100 years that terminate between 2081 and 2095, and the associated non-controlling interests are mandatorily redeemable at our option at the end of, but not prior to, the finite life. At March 23, 2012 and December 31, 2011, the fair values of the non-controlling interests in the partnerships with finite lives were approximately \$70 million and \$67 million, respectively.

**HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

Net income attributable to non-controlling interests of consolidated partnerships is included in our determination of net income. Net income attributable to non-controlling interests of third parties of \$2 million and \$1 million for the quarters ended March 23, 2012 and March 25, 2011, respectively, is included in the determination of net loss attributable to Host Inc. and Host L.P.

**Host Inc.'s treatment of the non-controlling interests of Host L.P.:** Host Inc. adjusts the non-controlling interests of Host L.P. each period so that the amount presented equals the greater of its carrying value based on the accumulated historical cost or its redemption value. The historical cost is based on the proportional relationship between the historical cost of equity held by our common stockholders relative to that of the unitholders of Host L.P. The redemption value is based on the amount of cash or Host Inc. stock, at our option, that would be paid to the non-controlling interests of Host L.P. if it were terminated. Therefore, the redemption value of the common OP units is equivalent to the number of shares issuable upon conversion of the common OP units held by third parties valued at the market price of Host Inc. common stock at the balance sheet date. Subsequent to the stock dividend issued in 2009, one common OP unit now may be exchanged into 1.021494 shares of Host Inc. common stock. Non-controlling interests of Host L.P. are classified in the mezzanine section of the balance sheet as they do not meet the requirements for equity classification because the redemption feature requires the delivery of registered shares. The table below details the historical cost and redemption values for the non-controlling interests:

|  | March 23,<br>2012 | December 31,<br>2011 |
|--|-------------------|----------------------|
| OP units outstanding (millions)                | 10.3              | 10.5                 |
| Market price per Host Inc. common share        | \$ 16.20          | \$ 14.77             |
| Shares issuable upon conversion of one OP unit | 1.021494          | 1.021494             |
| Redemption value (millions)                    | \$ 171            | \$ 158               |
| Historical cost (millions)                     | \$ 101            | \$ 102               |
| Book value (millions) (1)                      | \$ 171            | \$ 158               |

(1) The book value recorded is equal to the greater of the redemption value or the historical cost.

Net income (loss) is allocated to the non-controlling interests of Host L.P. based on their weighted average ownership percentage during the period. Net loss attributable to Host Inc. has been reduced by the amount attributable to non-controlling interests in Host L.P. The loss attributable to the non-controlling interests of Host L.P. was immaterial for the quarter ended March 23, 2012 and \$1 million for the quarter ended March 25, 2011.

## 12. Legal Proceedings

We are involved in various legal proceedings in the normal course of business regarding the operation of our hotels. To the extent not covered by insurance, these lawsuits generally fall into the following broad categories: disputes involving hotel-level contracts, employment litigation, compliance with laws such as the Americans with Disabilities Act, and other general matters. Under our management agreements, our operators have broad latitude to resolve individual hotel-level claims for amounts generally less than \$150,000. However, for matters exceeding such threshold, our operators may not settle claims without our consent. Based on our analysis of legal proceedings with which we are currently involved or of which we are aware and our experience in resolving similar claims in the past, we have accrued approximately \$5 million as of March 23, 2012 and estimate that, in the aggregate, our losses related to these proceedings could be as much as \$12 million. We are not aware of any other matters with a reasonably possible negative outcome for which disclosure of a loss contingency is required. No assurances can be given as to the outcome of any pending legal proceedings.



**HOST HOTELS & RESORTS, INC., HOST HOTELS & RESORTS, L.P., AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

We have also accrued a loss contingency of approximately \$57 million related to the litigation concerning the ground lease for the San Antonio Marriott Rivercenter. In relation to the proceedings, we have funded a court-ordered \$25 million escrow reserve, which is included in restricted cash. For further detail on this legal proceeding, see Part II, Item 1, Legal Proceedings, of this Form 10-Q.

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

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this report. Host Inc. operates as a self-managed and self-administered REIT. Host Inc. is the sole general partner of Host L.P. and holds 98.6% of its partnership interests. Host L.P. is a limited partnership operating through an umbrella partnership structure.

### Forward-Looking Statements

In this report on Form 10-Q, we make some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by their use of terms and phrases such as “anticipate,” “believe,” “could,” “expect,” “may,” “intend,” “predict,” “project,” “plan,” “will,” “estimate” and other similar terms and phrases, including references to assumptions and forecasts of future results. Forward-looking statements are based on management’s current expectations and assumptions and are not guarantees of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results to differ materially from those anticipated at the time the forward-looking statements are made.

The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- the effect on lodging demand of (i) changes in national and local economic and business conditions, including concerns about global economic prospects and the speed and strength of a recovery, and (ii) other factors such as natural disasters, weather, and the occurrence or potential occurrence of terrorist attacks, all of which will affect occupancy rates at our hotels and the demand for hotel products and services;
- operating risks associated with the hotel business;
- the continuing volatility in global financial and credit markets, and the impact of pending and future U.S. governmental action to address budget deficits through reductions in spending and similar austerity measures, which could materially adversely affect the U.S. and global economic conditions, business activity, credit availability, borrowing costs, and lodging demand;
- the impact of geopolitical developments outside the United States, such as the sovereign credit issues in certain countries in the European Union, or unrest in the Middle East, which could affect the relative volatility of global credit markets generally, global travel and lodging demand, including for our foreign hotel properties;
- the effect of rating agency downgrades of our debt securities on the cost and availability of new debt financings;
- the reduction in our operating flexibility and the limitation on our ability to pay dividends and make distributions resulting from restrictive covenants in our debt agreements, which limit the amount of distributions from Host L.P. to Host Inc., and other risks associated with the level of our indebtedness or related to restrictive covenants in our debt agreements, including the risk of default that could occur;
- our ability to maintain our properties in a first-class manner, including meeting capital expenditure requirements, and the effect of renovations on our hotel occupancy and financial results;
- our ability to compete effectively in areas such as access, location, quality of accommodations and room rate structures;

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- our ability to acquire or develop additional properties and the risk that potential acquisitions or developments may not perform in accordance with our expectations;
- relationships with property managers and joint venture partners and our ability to realize the expected benefits of our joint ventures and other strategic relationships;
- our ability to recover fully under our existing insurance policies for terrorist acts and our ability to maintain adequate or full replacement cost “all-risk” property insurance policies on our properties on commercially reasonable terms;
- the effects of tax legislative action and other changes in laws and regulations, or the interpretation thereof, including the need for compliance with new environmental and safety requirements; and
- the ability of Host Inc. and each of the REIT entities acquired, established or to be established by Host Inc. to continue to satisfy complex rules to qualify as REITs for federal income tax purposes, Host L.P.’s ability to satisfy the rules required to maintain its status as a partnership for federal income tax purposes, and Host Inc.’s and Host L.P.’s ability and the ability of our subsidiaries, and similar entities to be acquired or established by us to operate effectively within the limitations imposed by these rules.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions, including those risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2011 and in other filings with the Securities and Exchange Committee (“SEC”). Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material.

### **Outlook**

As of April 30, 2012, we owned 120 hotel properties, which operate primarily in the luxury and upper upscale hotel sectors. For a general overview of our business and a discussion of our reporting periods, see our most recent Annual Report on Form 10-K.

*Operating Results and Outlook.* RevPAR at our comparable hotels increased 6.1% for the first quarter of 2012 compared to 2011, as growth in the economy continues to drive lodging demand. RevPAR improvements for the quarter were driven by both an increase in average room rates of 2.9% and an increase in occupancy of 2.1 percentage points.

Consistent with our expectations, the completion of the 2011 rooms and meeting space renovations at the Philadelphia Downtown Marriott led to outstanding results in the first quarter, with RevPAR for the hotel up over 50% when compared to the first quarter of 2011. The improved results for this hotel accounted for approximately 80 basis points of our comparable hotel RevPAR growth.

The first quarter results do not reflect the month of March for our hotels that report results on a calendar quarter basis (approximately 45% of the comparable hotel revenue). On a calendar quarter basis, which includes the March results for these hotels, as well as eight additional days of March for our Marriott hotels, comparable hotel RevPAR increased 6.4% compared to the first calendar quarter of 2011.

Operating margins (calculated based on U.S. generally accepted accounting principles (“GAAP”) operating profit as a percentage of GAAP revenues) increased 150 basis points in the first quarter of 2012 compared to 2011. Operating margins calculated using GAAP measures are affected significantly by several items, including our most recent acquisitions. Our comparable hotel adjusted operating profit margins, which exclude, among other items, operations from our recently acquired hotels, depreciation and corporate expenses, increased 100 basis points in the quarter.

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Based on analysis provided by Smith Travel Research, for the three months ended March 31, 2012, industry-wide demand continued to improve, increasing at a rate of 4.1%, while supply growth remained low at a rate of 0.3%. Due to the lack of new construction starts in recent years, we believe that supply growth should remain below historical averages in the lodging industry for 2012 and 2013. We anticipate that this low supply growth, coupled with expected growth in demand, will allow operators to continue to increase average daily rates throughout the year. Therefore, we believe that the overall trends experienced in the first quarter of 2012 will continue and that comparable hotel RevPAR will increase 5% to 7% for 2012.

While lodging demand continued to improve on a year-over-year basis in the quarter, several key factors continue to negatively affect the economic recovery and add to general market uncertainty. These factors include, but are not limited to: (i) the uncertain financial environment in Europe, (ii) continued high levels of unemployment, (iii) gasoline price fluctuations, and (iv) uncertainty surrounding U.S. fiscal policy. Therefore, while we believe that lodging demand will continue to increase throughout 2012, there can be no assurance that any increases in hotel revenues or earnings at our properties or improvement in margins will continue for any number of reasons, including those listed above.

### *Investing activities outlook*

*Property acquisitions and other investments outlook.* We believe that the lodging industry will continue to present opportunities to purchase assets with high growth potential at a significant discount to replacement cost. Many of the near-term prospective acquisition opportunities are expected to be driven by debt maturities in 2012 and 2013 on over-leveraged assets that were financed or refinanced during the prior cycle. Owners may look to sell rather than face refinancing challenges with lower loan to value ratios and higher interest rates. In many cases, we expect that these owners will seek to meet their financing obligations through an all cash sale. However, many prospective sellers of the larger hotels, who are not facing maturity issues, have delayed sales to date in anticipation of further clarity with regards to the economy. As the recovery continues, we expect to see more competition in the acquisition market, especially from private equity and foreign sovereign wealth funds.

We also believe that there are opportunities to acquire properties outside the U.S., including through joint ventures. On March 6, 2012, the joint venture in Asia (“Asia/Pacific JV”), in which we hold a 25% interest, acquired the 278-room Citigate Perth in Australia for A\$61 million (\$64 million). In connection with the acquisition, we drew A\$14 million (\$16 million) on our credit facility. The Asia/Pacific JV expects to invest approximately A\$17 million (\$18 million) to upgrade and rebrand the hotel to a Four Points by Sheraton.

The important business considerations surrounding hotel acquisitions make the timing of any acquisitions difficult to predict. We may acquire properties using various structures, including transactions involving single assets, portfolios, joint ventures, or acquisitions of all or substantially all of the securities or assets of other REITs or similar real estate entities. Acquisitions will be financed through available cash or a combination of cash and other sources, including proceeds from equity offerings of Host Inc. or issuance of OP units by Host L.P., the incurrence of debt, proceeds from sales of properties and advances under our credit facility.

*Dispositions.* On March 23, 2012, we sold the San Francisco Airport Marriott for net proceeds of approximately \$108 million, plus \$5 million for the furniture, fixtures and equipment (“FF&E”) replacement fund and recorded a gain on disposition of approximately \$48 million.

*Redevelopment and Return on Investment Projects.* We believe these projects increase cash flow and improve profitability by capitalizing on changing market conditions and the favorable locations of our properties. As more fully discussed in our annual report on Form 10-K, we classify these capital projects as follows: redevelopment, targeted return on investment (ROI), value enhancement, and acquisition expenditures. We invested a total of \$62 million on these projects, including \$14 million on acquisition capital expenditures, in the first quarter of 2012, as compared to a total of \$46 million in the first quarter of 2011. These investments included renovations to (i) the lobby and restaurants at The Ritz-Carlton, San Francisco, W Seattle and the Atlanta Marriott Perimeter Center, (ii) the meeting space at the Chicago Marriott O’Hare and the San Diego Marriott Marquis & Marina and (iii) the conversion of hotel rooms to apartments at the Sheraton Indianapolis. During the quarter, acquisition capital projects included the work to convert the New York Helmsley to the Westin Grand Central, as well as substantially

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completing the renovation of the 270 rooms at the W New York – Union Square, which we acquired in late 2010. For the full year 2012, we expect that our redevelopment and return on investment capital expenditures will total \$250 to \$280 million, which includes \$100 to \$110 million of acquisition capital expenditures.

*Renewal and Replacement Capital Expenditures.* During the first quarter of 2012, we invested approximately \$100 million in renewal and replacement expenditures. Major renewal and replacement projects completed during the first quarter included the renovation of 743 guestrooms at The Ritz-Carlton, Amelia Island and the Pentagon City Residence Inn and almost 10,500 square feet of meeting space at the W New York. We expect that renewal and replacement expenditures for 2012 will total approximately \$300 million to \$330 million.

### *Financing activities outlook*

We continue to focus on our overall goal to strengthen our balance sheet by lowering our debt-to-equity ratio and extending debt maturities as we strategically raise and deploy capital in order to improve our overall leverage and coverage ratios, while at the same time completing substantial investments. As a result of our current operating environment and the flexibility provided by our credit facility, we anticipate that, over time, we will reduce our overall cash balances. We believe, based on the overall strength of our balance sheet, that we have sufficient liquidity and access to the capital markets in order to pay our near-term debt maturities, fund our capital expenditure programs and take advantage of investment opportunities (for a detailed discussion, see “—Liquidity and Capital Resources”).

*Debt Transactions.* On March 22, 2012, we issued \$350 million of 5 1/4% Series A senior notes due 2022, for net proceeds of approximately \$344 million. Subsequent to the end of the first quarter, proceeds from the Series A senior notes, along with available cash, were used to repay the \$113 million principal amount outstanding of the 7.5% mortgage secured by the JW Marriott, Washington, D.C. and to redeem \$250 million of the 6 7/8% Series S senior notes due in 2014. Additionally, on April 16, 2012, we redeemed \$386 million of the outstanding 2.625% Exchangeable Senior Debentures due 2027, pursuant to the exercise of a put right by the holders thereof. Additionally, on April 26, 2012, we notified holders of our 6 7/8% Series S senior notes due 2014 that we intend to redeem the remaining \$250 million outstanding on May 29, 2012. As a result of these transactions and other anticipated refinancing activities, we expect that our debt balance will decrease from \$6.1 billion at quarter end to approximately \$5.2 billion and cash and cash equivalents will be approximately \$400 million.

*Equity Transactions.* On April 21, 2011, we entered into a Sales Financing Agreement with BNY Mellon Capital Markets, LLC, through which Host Inc. may issue and sell, from time to time, shares having an aggregate offering price of up to \$400 million in “at the market” offerings under SEC rules, including sales made directly on the NYSE. During the first quarter of 2012, we issued the remaining \$174 million of capacity under this program through the issuance of 11.1 million shares of common stock at an average price of \$15.67 per share, for proceeds of approximately \$172 million, net of \$2 million of commissions. On April 24, 2012, we entered into comparable Sales Agency Financing Agreements with BNY Mellon Capital Markets, LLC and Scotiabank for a new at-the-market equity offering program with \$400 million of issuance capacity. Host Inc. may sell shares of common stock under this program, from time to time, based on market conditions, although it is not under an obligation to sell any shares.

**Results of Operations**

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

|  | Quarter ended     |                   | % Increase<br>(Decrease) |
|--|-------------------|-------------------|--------------------------|
|  | March 23,<br>2012 | March 25,<br>2011 |                          |
| <b>Revenues:</b>                                     |                   |                   |                          |
| Owned hotel revenues                                 | \$ 925            | \$ 837            | 10.5%                    |
| Other revenues (1)                                   | 60                | 56                | 7.1%                     |
| <b>Operating costs and expenses:</b>                 |                   |                   |                          |
| Property-level costs (2)                             | 942               | 871               | 8.2%                     |
| Corporate and other expenses                         | 22                | 25                | (12.0)%                  |
| Operating profit (loss)                              | 21                | (3)               | N/M                      |
| Interest expense                                     | 86                | 82                | 4.9%                     |
| Income from discontinued operations                  | 50                | —                 | N/M                      |
| <b>All hotel operating statistics (3):</b>           |                   |                   |                          |
| RevPAR   | \$125.61          | \$116.61          | 7.7%                     |
| Average room rate                                    | \$181.46          | \$176.16          | 3.0%                     |
| Average occupancy                                    | 69.2%             | 66.2%             | 3.0 pts.                 |
| <b>Comparable hotel operating statistics (4):</b>    |                   |                   |                          |
| RevPAR   | \$126.21          | \$118.93          | 6.1%                     |
| Average room rate                                    | \$182.24          | \$177.16          | 2.9%                     |
| Average occupancy                                    | 69.3%             | 67.1%             | 2.1 pts.                 |
| <b>Host Inc.:</b>                                    |                   |                   |                          |
| Net income attributable to non-controlling interests | \$ 2              | \$ —              | N/M                      |
| Net loss attributable to Host Hotels & Resorts, Inc. | 2                 | 60                | (96.7)%                  |
| <b>Host L.P.:</b>                                    |                   |                   |                          |
| Net income attributable to non-controlling interest  | \$ 2              | \$ 1              | 100.0%                   |
| Net loss attributable to Host Hotels & Resorts L.P.  | 2                 | 61                | (96.7)%                  |

- (1) The quarters ended March 23, 2012 and March 25, 2011 include the results of the 53 Courtyard by Marriott properties leased from Hospitality Properties Trust (“HPT”), whose operations we consolidated beginning July 7, 2010 as a result of the termination of the sublease with our subtenant.
- (2) Amount represents total operating costs and expenses from our unaudited condensed consolidated statements of operations less corporate expenses and includes costs associated with the properties leased from HPT.
- (3) Operating statistics are for all properties as of March 23, 2012 and March 25, 2011, and include the results of operations for certain hotels prior to their disposition.
- (4) Comparable hotel operating statistics for the quarters ended March 23, 2012 and March 25, 2011 are based on 106 comparable hotels as of March 23, 2012.
- (5) \*N/M=Not meaningful.

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### 2012 Compared to 2011

#### Hotel Sales Overview

|                      | Quarter ended     |                   | % Increase |
|----------------------|-------------------|-------------------|------------|
|                      | March 23,<br>2012 | March 25,<br>2011 |            |
|                      | (in millions)     |                   |            |
| Revenues:            |                   |                   |            |
| Rooms                | \$ 573            | \$ 516            | 11.0%      |
| Food and beverage    | 293               | 267               | 9.7        |
| Other                | 59                | 54                | 9.3        |
| Owned hotel revenues | 925               | 837               | 10.5       |
| Other revenues       | 60                | 56                | 7.1        |
| Total revenues       | \$ 985            | \$ 893            | 10.3       |

Overall, total revenues grew 10.3% for the quarter due to strong growth in RevPAR at our properties, as well as the inclusion of the operations of ten hotels acquired in 2011 (the “Recent Acquisitions”). In our discussion of operating revenues and expenses, we have separated the effect of the Recent Acquisitions to help investors distinguish between improvements in continuing operations from the growth provided by acquisitions. Additionally, revenues and expenses for the two properties sold in 2011 and 2012 have been reclassified to discontinued operations.

*Rooms.* The increase in room revenue in 2012 reflects our 6.1% improvement in comparable hotel RevPAR, which was driven by the 2.9% increase in average room rates and the 2.1 percentage point increase in occupancy. Room revenue increased an additional \$28 million, or 5.4%, due to revenues from our Recent Acquisitions.

*Food and beverage.* Food and beverage revenue increased 9.7% for the quarter, which reflects a 5.9% improvement in food and beverage revenues at our comparable hotels that reflects improvements in banquet and audio-visual revenue. Our overall improvement also reflects the revenues from our Recent Acquisitions, which increased food and beverage revenue by \$14 million, or 5.2%, for the quarter.

*Other revenues from owned hotels.* For the first quarter, other revenues from owned hotels increased 9.3%, which includes a 3.2% increase in our comparable hotels.

*Comparable Portfolio Operating Results.* We discuss operating results for our hotels on a comparable basis. Comparable hotels are those properties that we have consolidated for the entirety of the reporting periods being compared. Comparable hotels do not include the results of properties acquired or sold, or that incurred significant property damage or business interruption or large scale capital projects during these periods. As of March 23, 2012, 106 of our 120 owned hotels have been classified as comparable hotels. The 14 non-comparable hotels include the ten acquired in 2011 and four hotels currently undergoing large-scale capital projects. See “Comparable Hotel Operating Statistics” for a complete description of our comparable hotels. We also discuss our comparable operating results by property type (i.e. urban, suburban, resort/conference or airport), geographic region and mix of business (i.e. transient, group or contract).

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### Comparable Hotel Sales by Property Type

The following tables set forth performance information for our comparable hotels by property type as of March 23, 2012 and March 25, 2011:

#### Comparable Hotels by Property Type (a)

|                   | As of March 23, 2012 |               | Quarter ended March 23, 2012 |                              |               | Quarter ended March 25, 2011 |                              |               | Percent Change in RevPAR |
|-------------------|----------------------|---------------|------------------------------|------------------------------|---------------|------------------------------|------------------------------|---------------|--------------------------|
|                   | No. of Properties    | No. of Rooms  | Average Room Rate            | Average Occupancy Percentage | RevPAR        | Average Room Rate            | Average Occupancy Percentage | RevPAR        |                          |
| Urban             | 53                   | 33,222        | \$187.66                     | 68.3%                        | \$128.13      | \$183.34                     | 65.7%                        | \$120.46      | 6.4%                     |
| Suburban          | 28                   | 10,572        | 148.96                       | 66.0                         | 98.35         | 145.96                       | 63.9                         | 93.23         | 5.5                      |
| Resort/Conference | 13                   | 8,083         | 243.25                       | 74.3                         | 180.67        | 232.85                       | 73.2                         | 170.53        | 5.9                      |
| Airport           | 12                   | 5,592         | 127.49                       | 74.0                         | 94.37         | 122.32                       | 73.0                         | 89.32         | 5.7                      |
| <b>All Types</b>  | <b>106</b>           | <b>57,469</b> | <b>182.24</b>                | <b>69.3</b>                  | <b>126.21</b> | <b>177.16</b>                | <b>67.1</b>                  | <b>118.93</b> | <b>6.1</b>               |

- (a) The reporting period for our comparable operating statistics for the quarters ended March 23, 2012 and March 25, 2011 is from December 31, 2011 to March 23, 2012 and January 1, 2011 to March 25, 2011, respectively. For further discussion, see "Reporting Periods" in our most recent Annual Report on Form 10-K.

Our urban properties led the portfolio with a 6.4% increase for the quarter, driven by improvements in average room rates of 2.4% and average occupancy of 2.6 percentage points. Our urban hotels were led by the strong performance in Philadelphia, Chicago and San Francisco, which was partially offset by weak overall demand in Washington, D.C. Our resort/conference hotels experienced a RevPAR increase of 5.9%, led by strong performance at our Hawaiian hotels. RevPAR at our airport hotels experienced growth of 5.7% due to an increase in average room rates of 4.2% and an increase in occupancy of 1.0 percentage point. The RevPAR increase of 5.5% at our suburban properties was driven by an increase in average room rates of 2.1% coupled with the average occupancy increase of 2.2 percentage points.

### Comparable Hotel Sales by Geographic Region

The following tables set forth performance information for our comparable hotels by geographic region as of March 23, 2012 and March 25, 2011:

#### Comparable Hotels by Region (a)

|                    | As of March 23, 2012 |               | Quarter ended March 23, 2012 |                              |               | Quarter ended March 25, 2011 |                              |               | Percent Change in RevPAR |
|--------------------|----------------------|---------------|------------------------------|------------------------------|---------------|------------------------------|------------------------------|---------------|--------------------------|
|                    | No. of Properties    | No. of Rooms  | Average Room Rate            | Average Occupancy Percentage | RevPAR        | Average Room Rate            | Average Occupancy Percentage | RevPAR        |                          |
| Pacific            | 25                   | 13,896        | \$183.79                     | 73.2%                        | \$134.49      | \$176.54                     | 70.6%                        | \$124.58      | 8.0%                     |
| Mid-Atlantic       | 11                   | 8,623         | 209.71                       | 70.5                         | 147.95        | 205.45                       | 65.1                         | 133.79        | 10.6                     |
| South Central      | 9                    | 5,695         | 153.83                       | 75.0                         | 115.32        | 153.30                       | 73.0                         | 111.86        | 3.1                      |
| Florida            | 9                    | 5,680         | 219.93                       | 78.7                         | 173.03        | 207.25                       | 79.5                         | 164.69        | 5.1                      |
| DC Metro           | 12                   | 5,416         | 190.00                       | 62.2                         | 118.24        | 192.90                       | 63.8                         | 123.07        | (3.9)                    |
| North Central      | 11                   | 4,782         | 131.77                       | 61.4                         | 80.85         | 124.00                       | 57.1                         | 70.79         | 14.2                     |
| New England        | 7                    | 3,924         | 150.05                       | 54.5                         | 81.80         | 145.55                       | 52.1                         | 75.82         | 7.9                      |
| Atlanta            | 7                    | 3,846         | 161.63                       | 68.6                         | 110.86        | 158.92                       | 66.5                         | 105.72        | 4.9                      |
| Mountain           | 7                    | 2,889         | 179.65                       | 65.1                         | 116.91        | 180.06                       | 63.9                         | 115.07        | 1.6                      |
| International      | 8                    | 2,718         | 191.41                       | 64.2                         | 122.87        | 178.06                       | 63.7                         | 113.37        | 8.4                      |
| <b>All Regions</b> | <b>106</b>           | <b>57,469</b> | <b>182.24</b>                | <b>69.3</b>                  | <b>126.21</b> | <b>177.16</b>                | <b>67.1</b>                  | <b>118.93</b> | <b>6.1</b>               |

- (a) The reporting period for our comparable operating statistics for the quarters ended March 23, 2012 and March 25, 2011 is from December 31, 2011 to March 23, 2012 and January 1, 2011 to March 25, 2011, respectively. For further discussion, see "Reporting Periods" in our most recent Annual Report on Form 10-K.



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For the first quarter, our North Central region was the top performing region, with RevPAR growth of 14.2%, as average room rates increased 6.3% and average occupancy increased 4.3 percentage points. The increase resulted from a strong performance in our Chicago market, as both city-wide and overall group demand increased.

The 10.6% RevPAR improvement in our Mid-Atlantic region was driven primarily by strong performance at our Philadelphia hotels, as occupancy improved 15 percentage points due to an increase in group and transient demand. Our Philadelphia hotels also benefited from the renovations of the rooms and meeting space at the Philadelphia Marriott Downtown which were completed during the first half of 2011 and caused significant business interruption during that period. RevPAR at our New York properties slightly outperformed the overall portfolio with a RevPAR increase of 6.5%, although the results were negatively affected by capital expenditures at several of our New York properties.

The Pacific region had an increase in RevPAR of 8.0%, led by our Hawaiian and San Francisco hotels, which saw gains in both corporate group and transient business, resulting in RevPAR growth of 15.1% and 10.9%, respectively. Our Los Angeles properties also had a strong quarter as strong group demand drove an 8.5% RevPAR improvement.

Results in our Florida region were mixed. The Miami and Ft. Lauderdale market experienced a RevPAR increase of 11.3%, as demand shifted away from discounted and contract business into higher-paying segments. RevPAR growth at our Tampa hotels and our Orlando World Center increased just 3.6% and 1.8%, respectively, as overall decreases in occupancy largely offset rate growth.

RevPAR in our South Central and Atlanta regions lagged the portfolio as a whole with RevPAR increases of 3.1% and 4.9%, respectively. For our South Central region, an increase in our Houston hotels of 12.8% was partially offset by a decrease of 8.0% in our San Antonio hotels. For our Atlanta market, an increase in occupancy resulting from improvements in city wide demand was partially offset by the impact of renovations at the JW Marriott, Buckhead and Atlanta Marriott Perimeter Center.

Our DC Metro region continued to underperform the portfolio as a whole, with a RevPAR decline of 3.9% due to lower levels of demand for government and government-related business, which led to weak group and transient demand.

*Hotels Sales by Business Mix.* The majority of our customers fall into three broad groups: transient, group and contract business. The information below is derived from business mix data for 106 of our hotels for which business mix data is available from our managers. For further detail on our business mix, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Annual Report on Form 10-K.

Transient revenue increased 6.5% for the quarter, reflecting a 3.0% increase in room nights and a 3.4% improvement in average rate. The improvement in both room nights and average rate was driven by increases in the special corporate and retail segments, as both demand and average rate grew approximately 3.6% which led to a combined revenue increase of 7.3%.

Group revenue increased 5.3% for the quarter, reflecting a 3.8% increase in room nights and a 1.5% improvement in average rate. The room night increase resulted from strong demand growth in the association and corporate segments of 11.3% and 6.2%, respectively, partially offset by a decline of 5.3% in our discount segment.

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### Property-level Operating Expenses

|   | Quarter ended     |                   | % Increase |
|---|-------------------|-------------------|------------|
|   | March 23,<br>2012 | March 25,<br>2011 |            |
|   | (in millions)     |                   |            |
| Rooms                                   | \$ 165            | \$ 148            | 11.5%      |
| Food and beverage                       | 216               | 199               | 8.5        |
| Other departmental and support expenses | 250               | 235               | 6.4        |
| Management fees                         | 34                | 32                | 6.3        |
| Other property-level expenses           | 124               | 117               | 6.0        |
| Depreciation and amortization           | 153               | 140               | 9.3        |
| Total property-level operating expenses | <u>\$ 942</u>     | <u>\$ 871</u>     | 8.2        |

Our operating costs and expenses, which are both fixed and variable, are affected by changes in occupancy, inflation and revenues (which affect management fees), though the effect on specific costs will differ. Our wages and benefits account for approximately 55% of the operating expenses at our hotels (which excludes depreciation). Wages and benefits for our comparable hotels increased 4.4% for the quarter. Other property level expenses consist of property taxes, the amounts and structure of which are highly dependent on local jurisdiction taxing authorities, and property and general liability insurance, and do not necessarily change based on changes in revenues at our hotels. Operating expenses in 2012 also include the operations of our Recent Acquisitions, which increased our total property-level operating expenses by an incremental \$41 million, or 4.7%, for the quarter.

*Rooms.* The increase in rooms expense reflects a 6.9% increase in expenses at our comparable hotels, which reflects the overall increase in occupancy at our hotels, as well as higher wage rates, benefits and travel agent commissions. These increased costs were partially offset by improved productivity. Rooms expense also increased 5.9% for the quarter due to the inclusion of an incremental \$9 million in expenses from our Recent Acquisitions.

*Food and beverage.* Food and beverage costs at our comparable hotels increased 5.1% for the quarter, which is in-line with the increase in comparable food and beverage revenues and also reflects an overall increase in wages and benefits.

*Other departmental and support expenses.* The increase for the quarter was driven by higher sales and marketing expenses, which are variable and dependent upon revenues, such as loyalty rewards expense and national sales allocations. Our other departmental and support expenses also increased 4.1% for the quarter due to the inclusion of an incremental \$10 million from our Recent Acquisitions.

*Management fees.* Base management fees, which generally are calculated as a percentage of total revenues, increased 9.3% for the quarter, which is consistent with our overall increase in revenue, including the revenue from our Recent Acquisitions. Incentive management fees, which generally are based on the level of operating profit at each property after we have received a priority return on our investment, increased \$0.6 million, or 9.9%, for the quarter.

*Other property-level expenses.* These expenses generally do not vary significantly based on occupancy and include expenses such as property taxes and insurance. Other property-level expenses also increased 3.7% for the quarter due to the inclusion of an incremental \$4 million from our Recent Acquisitions.

*Depreciation and Amortization.* The increase in depreciation and amortization expense in 2012 is primarily due to the inclusion of depreciation expense from newly acquired properties and recent capital expenditures.

#### *Other Income and Expense*

*Corporate Expenses.* Corporate expenses decreased \$3 million during the first quarter. This decrease was primarily driven by a reduction in restricted stock expense. The expense for stock-based compensation awards is based on Host Inc.'s stock price, stockholder return relative to the S&P 500 Index, the NAREIT Equity Index and to other lodging companies, as well as employee performance.

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*Interest Expense.* The \$4 million increase in interest expense for the first quarter reflects the temporary increase in the outstanding debt balances compared to prior year. Subsequent to quarter end, we repaid \$750 million of debt.

*Benefit from Income Taxes.* We lease substantially all of our properties to consolidated subsidiaries designated as taxable REIT subsidiaries (“TRS”) for federal income tax purposes. The difference between hotel-level operating cash flow and the aggregate rent paid to Host L.P. by the TRS represents taxable income or loss, on which we record an income tax provision or benefit. The \$13 million income tax benefit recorded in the first quarter of 2012 is due primarily to the tax loss incurred by the TRS as a result of the seasonality of hotel operations.

*Income from Discontinued Operations.* The income from discontinued operations primarily relates to the \$48 million gain recorded as a result of the sale of the San Francisco Airport Marriott during the quarter.

### **Liquidity and Capital Resources**

*Liquidity and Capital Resources of Host Inc. and Host L.P.* The liquidity and capital resources of Host Inc. and Host L.P. are derived primarily from the activities of Host L.P. Host L.P. generates the capital required by our business through its operations, the direct or indirect incurrence of indebtedness, the issuance of OP units, or the sale of properties. Host Inc. is a REIT and its only material asset is the ownership of partnership interests of Host L.P.; therefore, its financing and investing activities are conducted through Host L.P., except for the issuance of its common stock and preferred stock. However, proceeds from stock issuances by Host Inc. are contributed to Host L.P. in exchange for OP units. Additionally, funds used by Host Inc. to pay dividends or to repurchase stock are provided by Host L.P. Therefore, while we have noted those areas in which it is important to distinguish between Host Inc. and Host L.P., we have not included a separate discussion of the liquidity and capital resources of each entity as the discussion below can be applied to both Host Inc. and Host L.P.

*Overview.* We look to maintain a capital structure and liquidity profile with an appropriate balance of cash, debt and equity in order to provide financial flexibility, given the inherent volatility in the lodging industry. During 2012, as operations have improved, we continue to focus on strategically decreasing our debt-to-equity ratio through (i) acquisitions and other investments, and (ii) the repayment and refinancing of senior notes and mortgage debt to extend maturity dates and lower interest rates. Consistent with this strategy, during 2012 we issued \$350 million 5 1/4% Series A senior notes, which represents the lowest interest rate on senior note debt in the company’s history, and used the proceeds, along with available cash, to repay \$113 million of 7.5% mortgage debt, \$250 million of 6 7/8% senior notes and to redeem \$386 million of our 2 5/8% exchangeable debentures, subsequent to quarter-end. Additionally, during the quarter, we issued \$172 million of equity through our “at-the-market” offering program.

We also look to structure our debt profile to allow us to access different forms of financing, primarily senior notes, exchangeable debentures and corporate credit facility draws, as well as mortgage debt. Generally, this means that we will look to minimize the number of assets that are encumbered by mortgage debt, minimize near-term maturities, and maintain a balanced maturity schedule. Following the transactions described above, 107 of our 120 hotels are unencumbered by mortgage debt and approximately 82% of our debt consists of senior notes, exchangeable debentures and borrowings under our credit facility, none of which are collateralized by specific hotel properties.

*Cash Requirements.* We use cash primarily for acquisitions, capital expenditures, debt payments, operating costs, corporate and other expenses, as well as dividends and distributions to stockholders and unitholders. As a REIT, Host Inc. is required to distribute to its stockholders at least 90% of its taxable income, excluding net capital gain, on an annual basis. Funds used by Host Inc. to pay dividends are provided by Host L.P.

*Capital Resources.* As of March 23, 2012, we had approximately \$1.3 billion of cash and cash equivalents and \$859 million available under our credit facility. Subsequent to quarter end, we used approximately \$750 million of this cash to complete the debt repayments discussed above, which lowered our cash and cash equivalents to approximately \$560 million. We believe that we have sufficient liquidity and access to the capital markets in order

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to take advantage of opportunities to enhance our portfolio, withstand declines in operating cash flow, pay our near-term debt maturities, and fund our capital expenditures program. We depend primarily on external sources of capital to finance future growth, including acquisitions, and to fund our near-term debt maturities and increase our liquidity. If, at any time, we determine that market conditions are favorable, after taking into account our liquidity requirements, we may seek to issue and sell shares of Host Inc. common stock in registered public offerings, including through sales directly on the NYSE through our current “at-the-market” offering program described previously, or to issue and sell shares of Host Inc. preferred stock. We also may seek to cause Host L.P. to issue senior notes or debentures exchangeable for shares of Host Inc. common stock. Because a portion of our debt matures every year, we will continue to use our available cash or new debt issuances to redeem or refinance senior notes and mortgage debt over time, taking advantage of favorable market conditions, when available. We also may pursue opportunistic refinancings to improve our liquidity, extend debt maturities and reduce interest expense.

In February of 2012, Host Inc.’s Board of Directors authorized repurchases of up to \$500 million of senior notes, exchangeable debentures and mortgage debt (other than in accordance with its terms). As of March 23, 2012, we had \$500 million available for repurchases pursuant to this authority. Separately, the Board of Directors authorized redemptions and repurchases of all or a portion of \$175 million principal amount of our 3.25% exchangeable debentures. Any redemption of the 3.25% exchangeable debentures will not reduce the \$500 million of Board authority noted above to repurchase other debt securities. We may purchase senior notes and exchangeable debentures for cash or other consideration through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. Repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Any refinancing or retirement before the maturity date would affect earnings and NAREIT Funds From Operations (“FFO”) per diluted share, as defined below, as a result of the payment of any applicable call premiums and the acceleration of the expense of previously deferred financing costs. Accordingly, in light of our priorities in managing our capital structure and liquidity profile, and given the movement in prevailing conditions in the capital markets and relative pricing, we may, at any time, subject to applicable securities laws, be considering, or be in discussions with respect to, the purchase or sale of common stock, exchangeable debentures and/or senior notes. Any such transactions may, subject to applicable securities laws, occur contemporaneously.

During the first quarter of 2012, we issued the remaining \$174 million of capacity under our at-the-market program through the issuance of 11.1 million shares of Host Inc. common stock at an average price of \$15.67 per share, for net proceeds of approximately \$172 million. Subsequent to quarter end, we entered into a new at-the-market program with \$400 million of available capacity.

**Sources and Uses of Cash.** Our principal sources of cash include operations, the sale of assets, and proceeds from debt and equity issuances. Our principal uses of cash include acquisitions, debt repayments and repurchases, capital expenditures, operating costs, corporate expenses and distributions to equity holders.

**Cash Provided by Operations.** Cash provided by operations during the first quarter of 2012 increased by \$36 million to \$73 million compared to the first quarter of 2011, due primarily to improved operating profit at our hotels.

**Cash Used in Investing Activities.** Approximately \$92 million of cash was used in investing activities during the first quarter of 2012 compared to \$1.1 billion during the first quarter of 2011. This includes approximately \$162 million used for our capital expenditures partially offset by proceeds of \$108 million from the disposition of one hotel, while the prior year activity included the acquisition of nine properties. Our renewal and replacement capital expenditures were approximately \$100 million, compared to \$48 million during the first quarter of 2011. We also spent approximately \$62 million during the first quarter of 2012 on ROI/redevelopment projects, compared to \$46 million in the first quarter of 2011.

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The following table summarizes the significant investments and dispositions that have been completed as of April 30, 2012 (in millions):

| Transaction date                | Description of transaction  | Investment price |
|---------------------------------|---|------------------|
| <b>Acquisitions/Investments</b> |   |                  |
| March                           | Investment in the Asia/Pacific joint venture – Citigate Perth acquisition | \$ (16)          |
|                                 | Total acquisitions/investments  | <u>\$ (16)</u>   |
| <b>Dispositions</b>             |   |                  |
| March                           | Disposition of San Francisco Airport Marriott (1)                         | \$ 108           |
|                                 | Total dispositions  | <u>\$ 108</u>    |

(1) Hotel was sold at a sale price of \$108 million plus \$5 million for FF&E replacement fund.

*Cash Provided by Financing Activities.* Approximately \$505 million of cash was provided by financing activities for the first quarter of 2012. The following table summarizes the significant debt and equity transactions as of April 30, 2012 (in millions):

| Transaction Date           | Description of transaction  | Transaction Amount |
|----------------------------|---|--------------------|
| <b>Debt</b>                |   |                    |
| April                      | Redemption of 2007 Debentures   | \$ (386)           |
| April                      | Redemption of \$250 million face amount of 6 7/8% Series S senior notes                                       | (254)              |
| April                      | Repayment of 7.5% mortgage loan secured by JW Marriott, Washington, D.C. (1)                                  | (113)              |
| March                      | Proceeds from the issuance of 5 1/4%, \$350 million Series A senior notes                                     | 344                |
| February                   | Draw on credit facility for investment in the Asia/Pacific joint venture                                      | 16                 |
| February                   | Draw on credit facility for capital expenditures at a Canadian hotel  | 6                  |
|                            | Net repayments  | <u>\$ (387)</u>    |
| <b>Equity of Host Inc.</b> |   |                    |
| January – March            | Issuance of approximately 11.1 million common shares under Host Inc.'s continuous equity offering program (2) | \$ 172             |
|                            | Total proceeds  | <u>\$ 172</u>      |

(1) In connection with the repayment, \$3 million of our restricted cash was released and we paid a \$1 million repayment premium.

(2) In exchange for the cash consideration received from the issuance of these shares, Host L.P. issued to Host Inc. approximately 10.9 million common OP units.

## **Debt**

As of March 23, 2012, our total debt was \$6.1 billion and 106 of our hotels were unencumbered by mortgage debt. Following the transactions that occurred subsequent to quarter-end, described below, our total debt was \$5.4 billion, 107 of our hotels were unencumbered by mortgage debt and our debt had an overall average interest rate of 6.2% and an average maturity of 5.0 years. Currently, 91% of our debt has a fixed rate of interest.

*Senior notes.* On March 22, 2012, we issued \$350 million 5 1/4% Series A senior notes due 2022. The net proceeds of the offering of approximately \$344 million, along with available cash, were used to repay the \$113 million principal amount outstanding of the 7.5% mortgage secured by the JW Marriott, Washington, D.C., and to redeem \$250 million of our 6 7/8% Series S senior notes due in 2014 subsequent to quarter end.

*Credit Facility.* On February 27, 2012, we drew A\$14 million (\$16 million) on our credit facility to fund our portion of the Asia/Pacific JV's acquisition of the Citigate Perth, Australia. On February 17, 2012, we also drew C\$6 million (\$6 million) on our credit facility to fund capital expenditures at one of our Canadian hotels.

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*Exchangeable Senior Debentures.* As of March 23, 2012, we have three issuances of exchangeable senior debentures outstanding: \$400 million, 2 1/2% debentures that were issued on December 22, 2009 (the “2009 Debentures”), \$388 million (\$386 million of which was repaid as noted below), 2 5/8% debentures that were issued on March 23, 2007 (the “2007 Debentures”) and \$175 million, 3 1/4% debentures that were issued on March 16, 2004 (the “2004 Debentures”, collectively, the “Debentures”). The Debentures are equal in right of payment with all of our other senior notes. Holders have the right to require us to purchase the Debentures at a price equal to 100% of the principal amount outstanding plus accrued interest (the “put option”) on certain dates subsequent to their respective issuances. Holders of the Debentures also have the right to exchange the Debentures prior to maturity under certain conditions, including at any time at which the closing price of our common stock is more than 120% (for the 2004 Debentures) or 130% (for the 2007 and 2009 Debentures) of the exchange price per share for at least 20 of 30 consecutive trading days during certain periods or any time up to two days prior to the date on which the Debentures have been called for redemption. We can redeem for cash all, or part of, any of the Debentures at any time subsequent to each of their respective redemption dates at a redemption price of 100% of the principal amount plus accrued interest. If, at any time, we elect to redeem the Debentures and the exchange value exceeds the cash redemption price, we would expect the holders to elect to exchange the Debentures at the respective exchange value rather than receive the cash redemption price. The exchange value is equal to the applicable exchange rate multiplied by the price of the common shares of Host Inc. Upon exchange, the 2004 Debentures would be exchanged for Host Inc. common stock, the 2007 Debentures would be exchanged for a combination of cash (for the principal balance of the 2007 Debentures) and Host Inc. common stock (for the remainder of the exchange value) and the 2009 Debentures would be exchanged for Host Inc. common stock, cash or a combination thereof, at our option. Currently, none of the Debentures are exchangeable by holders. On April 16, 2012, pursuant to the terms of the 2007 Debentures, the holders of \$386 million face amount of the 2007 Debentures exercised their right to put the 2007 Debentures to us for a purchase price equal to the face amount of the 2007 Debentures.

The following chart details our outstanding Debentures as of April 30, 2012, following the transaction described above:

|                                       | Maturity date | Next put option date | Redemption date | Outstanding principal amount (in millions) | Current exchange rate for each \$1,000 of principal (in shares) | Current equivalent exchange price | Exchangeable share equivalents (in shares) |
|---------------------------------------|---------------|----------------------|-----------------|--|---|-----------------------------------|--|
| 2009 Debentures                       | 10/15/2029    | 10/15/2015           | 10/20/2015      | \$ 400                                     | 71.9264   | \$ 13.90                          | 28.8 million                               |
| 2007 Debentures                       | 4/15/2027     | 4/15/2017            | 4/20/2012       | 2  | 32.0239   | 31.23                             | 0.1 million                                |
| 2004 Debentures                       | 4/15/2024     | 4/15/2014            | 4/19/2009       | 175  | 66.4091   | 15.06                             | 11.6 million                               |
| Total principal currently outstanding |               |                      |                 | <u>\$ 577</u>                              |   |                                   |  |

We account separately for the liability and equity components of our Debentures in order to reflect the fair value of the liability component based on our non-convertible borrowing cost at the issuance date. Accordingly, we record the liability components of the Debentures at fair value as of the date of issuance and amortize the resulting discount as an increase to interest expense through the initial put option date of the Debentures, which is the expected life of the debt. However, there is no effect of this accounting on our cash interest payments. The following chart details the initial allocations between the debt and equity components of the Debentures, net of the original issue discount, based on the effective interest rate at the time of issuance, as well as the debt balances at March 23, 2012 (in millions):

|                 | Initial face amount | Initial debt value | Initial equity value | Face amount outstanding at 3/23/12 | Debt carrying value at 3/23/12 | Unamortized discount at 3/23/12 |
|-----------------|---------------------|--------------------|----------------------|------------------------------------|--------------------------------|---------------------------------|
| 2009 Debentures | \$ 400              | \$ 316             | \$ 82                | \$ 400                             | \$ 345                         | \$ 55                           |
| 2007 Debentures | 600                 | 502                | 89                   | 388                                | 387                            | 1                               |
| 2004 Debentures | 500                 | 413                | 76                   | 175                                | 175                            | —                               |
| Total           | <u>\$1,500</u>      | <u>\$1,231</u>     | <u>\$247</u>         | <u>\$ 963</u>                      | <u>\$ 907</u>                  | <u>\$ 56</u>                    |

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Interest expense recorded for the Debentures for the periods presented consists of the following (in millions):

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 23,<br>2012 | March 25,<br>2011 |
| Contractual interest expense (cash)                    | \$ 6              | \$ 9              |
| Non-cash interest expense due to discount amortization | 5                 | 7                 |
| Total interest expense                                 | <u>\$ 11</u>      | <u>\$ 16</u>      |

### Financial Covenants

*Credit Facility Covenants.* Our credit facility contains certain important financial covenants concerning allowable leverage, unsecured interest coverage and required fixed charge coverage. Total debt used in the calculation of our leverage ratio is based on a “net debt” concept, under which cash and cash equivalents in excess of \$100 million are deducted from our total debt balance for purposes of measuring compliance. To the extent that no amounts are outstanding under the credit facility, breaching these covenants would not be an event of default thereunder.

We are in compliance with all of our financial covenants under the credit facility. The following table summarizes the financial tests contained in the credit facility as of March 23, 2012:

|                                       | Actual Ratio | Covenant Requirement for all years |
|---------------------------------------|--------------|------------------------------------|
| Leverage ratio                        | 4.7x         | Maximum ratio of 7.25x             |
| Fixed charge coverage ratio           | 2.1x         | Minimum ratio of 1.25x             |
| Unsecured interest coverage ratio (a) | 3.0x         | Minimum ratio of 1.75x             |

(a) If, at any time, our leverage ratio exceeds 7.0x, our minimum unsecured interest coverage ratio will be reduced to 1.5x.

*Senior Notes Indenture Covenants.* Under the terms of our senior notes indenture, which includes our Debentures, our ability to incur indebtedness and make distributions is subject to certain restrictions and the satisfaction of various financial conditions, including maintaining a certain EBITDA-to-interest coverage ratio and levels of indebtedness and secured indebtedness relative to adjusted total assets. Even if we are below the coverage levels otherwise required to incur debt and make distributions, we still are permitted to incur certain types of debt, including (i) credit facility debt, (ii) refinancing debt, (iii) up to \$300 million or \$400 million, depending on the series of senior notes, of mortgage debt whose proceeds would be used to repay debt under the credit facility (and permanently reduce our ability to borrow under the credit facility by such amount), and (iv) up to \$100 million or \$150 million, depending on the series of senior notes, of other debt. We also are permitted to make distributions of estimated taxable income that are necessary to maintain REIT status.

Our senior notes indenture also imposes a requirement to maintain unencumbered assets (as defined in the indenture based on undepreciated book value) of not less than 125% of the aggregate amount of senior note debt plus other debt not secured by mortgages. This coverage must be maintained at all times and is distinct from the coverage requirements necessary to incur debt or to make distributions as discussed above (whose consequences, where we fall below the coverage level, are limited to restricting our ability to incur new debt or to make distributions, but which would not otherwise cause a default under our senior notes indenture).

We are in compliance with all of our financial covenants under the senior notes indenture. The following table summarizes the financial tests contained in the senior notes indenture as of March 23, 2012:

|                                      | Actual Ratio | Covenant Requirement  |
|--------------------------------------|--------------|-----------------------|
| Unencumbered assets tests            | 334%         | Minimum ratio of 125% |
| Total indebtedness to total assets   | 32%          | Maximum ratio of 65%  |
| Secured indebtedness to total assets | 5%           | Maximum ratio of 45%  |
| EBITDA-to-interest coverage ratio    | 2.9x         | Minimum ratio of 2.0x |

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For further detail on our credit facility and senior notes, see our Annual Report on Form 10-K for the year ended December 31, 2011.

### **European Joint Venture**

We own an interest in a joint venture in Europe (the "Euro JV") that owns luxury and upper upscale hotels in two separate funds. We own a 32.1% interest in Fund I (11 hotels, 3,512 rooms) and a 33.4% interest in Fund II (two hotels, 676 rooms). The Euro JV currently has €784 million in mortgage debt. Operations have improved at the Euro JV properties; however, due to weakness at the Sheraton Roma Hotel & Conference Center as a result of significant renovations, the portfolio of six properties that secures €340 million of mortgage loans due in 2013 continues to remain below levels required by certain debt covenants, which have triggered covenant defaults and cash sweeps under the loans. These loans are cross-collateralized, meaning that a default under one loan could trigger a default on the loans for the other five properties. The joint venture has the right to cure certain covenants, including debt-service-coverage and loan-to-value covenants, a limited number of times by making cash deposits, which it has exercised in 2012. We also have entered into discussions with the lenders regarding refinancing of this debt. Due to the current difficult economic climate in Europe, the refinancing options for this debt may be limited and we expect that lenders may require more stringent financial covenants, higher rates of interest, and lower loan-to-value ratios on future loans. These requirements, upon a refinancing or a debt extension transaction, likely will require a partial principal reduction via an equity contribution from the partners of the Euro JV. A covenant default has also been triggered under a mortgage loan secured by three properties totaling €70.5 million that is due in 2014. The joint venture has the ability to cure certain covenants under this loan, including debt-service-coverage covenants, a limited number of times by making cash deposits, which it last exercised in 2010. If operations do not improve, discussions with lenders are unsuccessful, and the Euro JV does not elect to cure future defaults, the lenders may, among other remedies, accelerate the loans. All of these mortgage loans are non-recourse to Host and our partners and a default under these loans does not trigger a default under any of Host's debt.

### **Dividend Policy**

Host Inc. is required to distribute at least 90% of its annual taxable income, excluding net capital gains, to its stockholders in order to maintain its qualification as a REIT, including taxable income recognized for federal income tax purposes but with regard to which we do not receive cash. Funds used by Host Inc. to pay dividends on its common stock are provided through distributions from Host L.P. As of March 23, 2012, Host Inc. is the owner of approximately 98.6% of the Host L.P. common OP units. The remaining 1.4% of the Host L.P. common OP units are held by various third party limited partners. Each Host L.P. OP unit may be redeemed for cash or, at the election of Host Inc., Host Inc. common stock based on the conversion ratio. The current conversion ratio is 1.021494 shares of Host Inc. common stock for each Host L.P. OP unit.

Investors should take into account the 1.4% non-controlling interest in Host L.P. common OP units when analyzing common dividend payments by Host Inc. to its stockholders, as these common OP unit holders share, on a pro rata basis, in cash amounts distributed by Host L.P. to all of its common OP unit holders. For example, if Host Inc. paid a \$1 per share dividend on its common stock, it would be based on the payment of a \$1.021494 per common unit distribution by Host L.P. to Host Inc., as well as to the other Host L.P. common OP unit holders.

Host Inc.'s policy on common dividends generally is to distribute, over time, 100% of its taxable income. The amount of any future dividends will be determined by the Board of Directors of Host Inc.

On March 8, 2012, the Board of Directors of Host Inc. declared a dividend of \$0.06 per share on our common stock, an increase of \$0.01 per share from the previous quarter. The dividend was paid on April 16, 2012 to stockholders of record as of March 30, 2012. Accordingly, Host L.P. made a distribution of \$0.06128964 per unit on its common OP units.

### **Critical Accounting Policies**

Our unaudited condensed consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the



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reporting period. While we do not believe that the reported amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on experience and on various other assumptions that we believe to be reasonable under the circumstances. All of our significant accounting policies, including certain critical accounting policies, are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

### **Comparable Hotel Operating Statistics**

To facilitate a year-to-year comparison of our operations, we present certain operating statistics (i.e., RevPAR, average daily rate and average occupancy) and operating results (revenues, expenses, adjusted operating profit and associated margins) for the periods included in this report on a comparable hotel basis. Because these statistics and operating results are for our hotel properties, they exclude results for our non-hotel properties and other real estate investments. We define our comparable hotels as properties:

- (i) that are owned or leased by us and the operations of which are included in our consolidated results, whether as continuing operations or discontinued operations, for the entirety of the reporting periods being compared; and
- (ii) that have not sustained substantial property damage or business interruption (for example, the New Orleans Marriott which was substantially damaged by Hurricane Katrina), or undergone large-scale capital projects (as further defined below) during the reporting periods being compared.

The hotel business is capital-intensive and renovations are a regular part of the business. Generally, hotels under renovation remain comparable hotels. A large scale capital project that would cause a hotel to be excluded from our comparable hotel set is an extensive renovation of several core aspects of the hotel, such as rooms, meeting space, lobby, bars, restaurants and other public spaces. Both quantitative and qualitative factors are taken into consideration in determining if the renovation would cause a hotel to be removed from the comparable hotel set, including unusual or exceptional circumstances such as: a reduction or increase in room count, rebranding, a significant alteration of the business operations, or the closing of the hotel during the renovation.

We do not include an acquired hotel in our comparable hotel set until the operating results for that hotel have been included in our consolidated results for one full calendar year. For example, we acquired the Westin Chicago River North in August of 2010. The hotel was not included in our comparable hotels until January 1, 2012. Hotels that we sell are excluded from the comparable hotel set once the transaction has closed. Similarly, hotels are excluded from our comparable hotel set from the date that they sustain substantial property damage or business interruption or commence a large-scale capital project. In each case, these hotels are returned to the comparable hotel set when the operations of the hotel have been included in our consolidated results for one full calendar year after completion of the repair of the property damage or cessation of the business interruption, or the completion of large-scale capital projects, as applicable.

Of the 120 hotels that we owned on March 23, 2012, 106 have been classified as comparable hotels. The operating results of the following hotels that we owned as of March 23, 2012 are excluded from comparable hotel results for these periods:

- Hilton Melbourne South Wharf (acquired in April 2011);
- New York Helmsley Hotel (acquired in March 2011);
- Manchester Grand Hyatt San Diego (acquired in March 2011);
- The portfolio of seven hotels in New Zealand (acquired in February 2011);
- Atlanta Marriott Perimeter Center (business interruption due to extensive renovations, which included renovation of the guest rooms, lobby, bar and restaurant and the demolition of one tower of the hotel, reducing the room count at the hotel);
- Chicago Marriott O'Hare (business interruption due to extensive renovations, which included renovating every aspect of the hotel and shutting down over 200 rooms);
- Sheraton Indianapolis Hotel at Keystone Crossing (business interruption due to extensive renovations, which included the conversion of one tower of the hotel into apartments, reducing the room count, and the renovation of the remaining guest rooms, lobby, bar and meeting space); and

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- San Diego Marriott Marquis & Marina (business interruption due to extensive renovations, which included the renovation of every aspect of the hotel and required the entire hotel to be closed for a period of time).

The operating results of (i) one hotel that we disposed of during the first quarter of 2012, (ii) the Le Méridien Piccadilly, which was transferred to the European joint venture in 2011, and (iii) one hotel that we disposed of in 2011, as well as the 53 Courtyard by Marriott properties leased from HPT, are not included in comparable hotel results for the periods presented herein.

### **Non-GAAP Financial Measures**

We use certain “non-GAAP financial measures,” which are measures of our historical financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. These measures are as follows: (i) Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization (“EBITDA”) and Adjusted EBITDA, as a measure of performance for Host Inc. and Host L.P., (ii) FFO and FFO per diluted share (both NAREIT and Adjusted), as a measure of performance for Host Inc., and (iii) comparable hotel operating results, as a measure of performance for Host Inc. and Host L.P. The following discussion defines these terms and presents why we believe they are useful measures of our performance.

### ***EBITDA and Adjusted EBITDA***

#### ***EBITDA***

EBITDA is a commonly used measure of performance in many industries. Management believes EBITDA provides useful information to investors regarding our results of operations because it helps us and our investors evaluate the ongoing operating performance of our properties after removing the impact of our capital structure (primarily interest expense) and our asset base (primarily depreciation and amortization). Management also believes the use of EBITDA facilitates comparisons between us and other lodging REITs, hotel owners who are not REITs and other capital-intensive companies. Management uses EBITDA to evaluate property-level results and as one measure in determining the value of acquisitions and dispositions and, like FFO and Adjusted FFO per diluted share, is widely used by management in the annual budget process and for compensation programs.

#### ***Adjusted EBITDA***

Historically, management has adjusted EBITDA when evaluating the performance of Host Inc. and Host L.P. because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance and that the presentation of Adjusted EBITDA, when combined with the primary GAAP presentation of net income, is beneficial to an investor’s complete understanding of our operating performance. Adjusted EBITDA also is a relevant measure in calculating certain credit ratios. We adjust EBITDA for the following items, which may occur in any period, and refer to this measure as Adjusted EBITDA:

- Real Estate Transactions – We exclude the effect of gains and losses, including the amortization of deferred gains, recorded on the disposition of assets and property insurance gains in our consolidated statement of operations because we believe that including them in Adjusted EBITDA is not consistent with reflecting the ongoing performance of our assets. In addition, material gains or losses from the depreciated value of the disposed assets could be less important to investors given that the depreciated asset value often does not reflect its market value (as noted below for FFO).
- Equity Investment Adjustments – We exclude the equity in earnings (losses) of affiliates as presented in our consolidated statement of operations because it includes our pro rata portion of the depreciation, amortization and interest expense related to such investments, which are excluded from EBITDA. We include our pro rata share of the Adjusted EBITDA of our equity investments as we believe this reflects more accurately the performance of our investments. The pro rata Adjusted EBITDA of equity investments is defined as the EBITDA of our equity investments, adjusted for any gains or losses on property transactions, multiplied by our percentage ownership in the partnership or joint venture.

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- Consolidated Partnership Adjustments – We deduct the non-controlling partners’ pro rata share of the Adjusted EBITDA of our consolidated partnerships as this reflects the non-controlling owners’ interest in the EBITDA of our consolidated partnerships. The pro rata Adjusted EBITDA of non-controlling partners is defined as the EBITDA of our consolidated partnerships, adjusted for any gains or losses on property transactions, multiplied by the non-controlling partners’ percentage ownership in the partnership or joint venture.
- Cumulative Effect of a Change in Accounting Principle – Infrequently, the Financial Accounting Standards Board promulgates new accounting standards that require the consolidated statement of operations to reflect the cumulative effect of a change in accounting principle. We exclude these one-time adjustments because they do not reflect our actual performance for that period.
- Impairment Losses – We exclude the effect of impairment losses because we believe that including them in Adjusted EBITDA is not consistent with reflecting the ongoing performance of our remaining assets. In addition, we believe that impairment charges are similar to gains and losses on dispositions and depreciation expense, both of which also are excluded from EBITDA.
- Acquisition Costs – Under GAAP, costs associated with completed property acquisitions are expensed in the year incurred. We exclude the effect of these costs because we believe they are not reflective of the ongoing performance of the company.

EBITDA and Adjusted EBITDA, as presented, may not be comparable to measures calculated by other companies. This information should not be considered as an alternative to net income, operating profit, cash from operations or any other operating performance measure calculated in accordance with GAAP. Cash expenditures for various long-term assets (such as renewal and replacement capital expenditures), interest expense and other items have been and will be incurred and are not reflected in the EBITDA and Adjusted EBITDA presentations. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our consolidated statement of operations and cash flows include interest expense, capital expenditures, and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures. Additionally, EBITDA and Adjusted EBITDA should not be considered as a measure of our liquidity or indicative of funds available to fund our cash needs, including our ability to make cash distributions.

The following table provides a reconciliation of net loss to EBITDA and Adjusted EBITDA (in millions):

### Reconciliation of Net Loss to EBITDA, Adjusted EBITDA

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 23,<br>2012 | March 25,<br>2011 |
| <b>Net loss</b>  | \$ —              | \$ (60)           |
| Interest expense   | 86                | 82                |
| Depreciation and amortization  | 153               | 140               |
| Income taxes   | (13)              | (20)              |
| Discontinued operations (a)  | —                 | 1                 |
| <b>EBITDA</b>  | 226               | 143               |
| Gain on dispositions   | (48)              | —                 |
| Acquisition costs  | —                 | 3                 |
| Amortization of deferred gains   | (1)               | (1)               |
| Equity investment adjustments:   |                   |                   |
| Equity in losses of affiliates   | 2                 | 2                 |
| Pro rata Adjusted EBITDA of equity investments   | 2                 | 2                 |
| Consolidated partnership adjustments:  |                   |                   |
| Pro rata Adjusted EBITDA attributable to non-controlling partners in other consolidated partnerships | (5)               | (5)               |
| <b>Adjusted EBITDA</b>   | \$ 176            | \$ 144            |

(a) Reflects the interest expense, depreciation and amortization and income taxes included in discontinued operations.

**NAREIT FFO, NAREIT FFO per Diluted Share and Adjusted FFO per Diluted Share.** We present NAREIT FFO and NAREIT FFO per diluted share as non-GAAP measures of our performance in addition to our earnings per share (calculated in accordance with GAAP). We calculate NAREIT FFO per diluted share as our NAREIT FFO (defined as set forth below) for a given operating period, as adjusted for the effect of dilutive securities, divided by the number of fully diluted shares outstanding during such period, in accordance with NAREIT guidelines. NAREIT defines FFO as net income (calculated in accordance with GAAP), excluding gains and losses from sales of real estate, the cumulative effect of changes in accounting principles, real estate-related depreciation, amortization and impairments and adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect our pro rata FFO of those entities on the same basis.

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

We also present Adjusted FFO per diluted share when evaluating our performance because management believes 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, in our annual budget process and for our compensation programs. We believe that the presentation of Adjusted FFO per diluted share, when combined with both the primary GAAP presentation of earnings per share and FFO per diluted share as defined by NAREIT, provides useful supplemental information that is beneficial to an investor’s complete understanding of our operating performance. We adjust NAREIT FFO per diluted share for the following items, which may occur in any period, and refer to this measure as Adjusted FFO per diluted share:

- *Gains and Losses on the Extinguishment of Debt* – We exclude the effect of finance charges and premiums associated with the extinguishment of debt, including the acceleration of deferred financing costs from the original issuance of the debt being redeemed or retired. We also exclude the gains on debt repurchases and the original issuance costs associated with the retirement of preferred stock. We believe that these items are not reflective of our ongoing finance costs.
- *Acquisition Costs* – Under GAAP, costs associated with completed property acquisitions are expensed in the year incurred. We exclude the effect of these costs because we believe they are not reflective of the ongoing performance of the company.
- *Litigation Gains and Losses* – We exclude the effect of gains or losses associated with litigation recorded under GAAP that we consider outside the ordinary course of business. We believe that including these items is not consistent with our ongoing operating performance.

We calculate NAREIT FFO per diluted share in accordance with standards established by NAREIT, which may not be comparable to measures calculated by other companies who do not use the NAREIT definition of FFO or do not calculate FFO per diluted share in accordance with NAREIT guidance. In addition, although FFO per diluted share is a useful measure when comparing our results to other REITs, it may not be helpful to investors when

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comparing us to non-REITs. We also calculate Adjusted FFO per diluted share, which metric is not in accordance with NAREIT guidance and may not be comparable to measures calculated by other REITs. This information should not be considered as an alternative to net income, operating profit, cash from operations or any other operating performance measure calculated in accordance with GAAP. Cash expenditures for various long-term assets (such as renewal and replacement capital expenditures) and other items have been and will be incurred and are not reflected in the NAREIT FFO per diluted share and Adjusted FFO per diluted share presentations. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our consolidated statement of operations and cash flows include capital expenditures, and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures. Additionally, NAREIT FFO per diluted share and Adjusted FFO per diluted share should not be considered as a measure of our liquidity or indicative of funds available to fund our cash needs, including our ability to make cash distributions. In addition, NAREIT FFO per diluted share and Adjusted FFO per diluted share do not measure, and should not be used as a measure of, amounts that accrue directly to the benefit of Host Inc. stockholders.

**Host Inc. Reconciliation of Net Loss Available to  
Common Stockholders to NAREIT and Adjusted Funds From Operations per Diluted Share**

|   | Quarter ended     |                   |
|---|-------------------|-------------------|
|   | March 23,<br>2012 | March 25,<br>2011 |
| <b>Net loss</b>   | \$ —              | \$ (60)           |
| Less: Net income attributable to non-controlling interests                    | (2)               | —                 |
| <b>Net loss available to common stockholders</b>                              | (2)               | (60)              |
| Adjustments:  |                   |                   |
| Gain on dispositions, net of taxes  | (48)              | —                 |
| Amortization of deferred gains and other property transactions, net of taxes  | (1)               | (1)               |
| Depreciation and amortization   | 153               | 141               |
| Partnership adjustments   | —                 | (2)               |
| FFO of non-controlling interests of Host LP                                   | (1)               | (1)               |
| <b>NAREIT Funds From Operations</b>   | 101               | 77                |
| Adjustments to NAREIT FFO:  |                   |                   |
| Acquisition costs   | —                 | 3                 |
| <b>Adjusted FFO</b>   | <u>\$ 101</u>     | <u>\$ 80</u>      |
| <b>Adjustments to NAREIT FFO for dilutive securities (a):</b>                 |                   |                   |
| Assuming conversion of Exchangeable Senior Debentures                         | \$ 1              | \$ —              |
| <b>Diluted NAREIT FFO</b>   | <u>\$ 102</u>     | <u>\$ 77</u>      |
| <b>Adjustments to Adjusted FFO for dilutive securities (a):</b>               |                   |                   |
| Assuming conversion of Exchangeable Senior Debentures                         | \$ 1              | \$ 2              |
| <b>Diluted Adjusted FFO</b>   | <u>\$ 102</u>     | <u>\$ 82</u>      |
| <b>Diluted weighted average shares outstanding-EPS</b>                        | 707.5             | 677.3             |
| Assuming issuance of common shares granted under the Comprehensive Stock Plan | 0.7               | 1.7               |
| Assuming conversion of Exchangeable Senior Debentures                         | 11.5              | —                 |
| <b>Diluted weighted average shares outstanding – NAREIT FFO</b>               | 719.7             | 679.0             |
| Assuming conversion of Exchangeable Senior Debentures                         | —                 | 21.2              |
| <b>Diluted weighted average shares outstanding – Adjusted FFO</b>             | 719.7             | 700.2             |
| <b>NAREIT FFO per diluted share (a)</b>                                       | <u>\$ .14</u>     | <u>\$ .11</u>     |
| <b>Adjusted FFO per diluted share (a)</b>                                     | <u>\$ .14</u>     | <u>\$ .12</u>     |

(a) Earnings/loss per diluted share and NAREIT FFO and Adjusted FFO per diluted share are adjusted for the effects of dilutive securities. Dilutive securities may include Host Inc. shares granted under Host Inc.'s comprehensive stock plans, preferred OP units held by non-controlling partners, exchangeable debt securities and other non-controlling interests that have the option to convert their limited partnership interests to common OP units. No effect is shown for securities if they are anti-dilutive.

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*Comparable Hotel Operating Results*

We present certain operating results of our hotels, such as hotel revenues, expenses and adjusted operating profit, on a comparable hotel, or “same store” basis as supplemental information for investors. We present these hotel operating results on a comparable hotel basis because we believe that doing so provides investors and management with useful information for evaluating the period-to-period performance of our hotels and facilitates comparisons with other hotel REITs and hotel owners. For further information on the calculation of comparable hotel results, why we believe they are useful and the limitations on their use, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures” in our Annual Report on Form 10-K for the year ended December 31, 2011. The following table presents certain operating results and statistics for our comparable hotels for the periods presented herein:

**Comparable Hotel Results for Host Inc. and Host L.P.**  
(in millions, except hotel statistics) (a)

|   | Quarter ended     |                   |
|---|-------------------|-------------------|
|   | March 23,<br>2012 | March 25,<br>2011 |
| Number of hotels                                      | 106               | 106               |
| Number of rooms                                       | 57,469            | 57,469            |
| Percent change in comparable hotel RevPAR             | 6.1%              | —                 |
| Operating profit margin under GAAP (b)                | 2.1%              | (0.3)%            |
| Comparable hotel adjusted operating profit margin (b) | 20.7%             | 19.7%             |
| Comparable hotel revenues                             |                   |                   |
| Room  | \$ 538            | \$ 504            |
| Food and beverage                                     | 283               | 267               |
| Other   | 54                | 53                |
| Comparable hotel revenues (c)                         | <u>875</u>        | <u>824</u>        |
| Comparable hotel expenses                             |                   |                   |
| Room  | 153               | 143               |
| Food and beverage                                     | 207               | 195               |
| Other   | 31                | 30                |
| Management fees, ground rent and other costs          | 303               | 294               |
| Comparable hotel expenses (d)                         | <u>694</u>        | <u>662</u>        |
| <b>Comparable hotel adjusted operating profit</b>     | <b>181</b>        | <b>162</b>        |
| Non-comparable hotel results, net (e)                 | 19                | 6                 |
| Loss from hotels leased from HPT                      | (4)               | (6)               |
| Depreciation and amortization                         | (153)             | (140)             |
| Corporate and other expenses                          | (22)              | (25)              |
| <b>Operating profit (loss)</b>                        | <b>\$ 21</b>      | <b>\$ (3)</b>     |

- (a) The reporting period for our comparable operating statistics for the first quarter of 2012 is from December 31, 2011 to March 23, 2012 and for the first quarter of 2011 is from January 1, 2011 to March 25, 2011. For further discussion, see “Reporting Periods” in our most recent Annual Report on Form 10-K.
- (b) Operating profit margins are calculated by dividing the applicable operating profit by the related revenue amount. GAAP margins are calculated using amounts presented in the condensed consolidated statements of operations. Comparable margins are calculated using amounts presented in the above table.

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

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 23,<br>2012 | March 25,<br>2011 |
| Revenues per the consolidated statements of operations | \$ 985            | \$ 893            |
| Non-comparable hotel revenues                          | (75)              | (37)              |
| Hotel revenues for which we record rental income, net  | 14                | 13                |
| Revenues for hotels leased from HPT                    | (49)              | (45)              |
| Comparable hotel revenues                              | <u>\$ 875</u>     | <u>\$ 824</u>     |

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

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 23,<br>2012 | March 25,<br>2011 |
| Operating costs and expenses per the consolidated statements of operations | \$ 964            | \$ 896            |
| Non-comparable hotel expenses  | (56)              | (31)              |
| Hotel expenses for which we record rental income                           | 14                | 13                |
| Expense for hotels leased from HPT   | (53)              | (51)              |
| Depreciation and amortization  | (153)             | (140)             |
| Corporate and other expenses   | (22)              | (25)              |
| Comparable hotel expenses  | <u>\$ 694</u>     | <u>\$ 662</u>     |

(e) Non-comparable hotel results, net, includes the following items: (i) the results of operations of our non-comparable hotels whose operations are included in our condensed consolidated statements of operations as continuing operations, (ii) gains on insurance settlements, (iii) the results of our office buildings, and (iv) the difference between the number of days of operations reflected in the comparable hotel results and the number of days of operations reflected in the condensed consolidated statements of operations.

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### Item 3. Quantitative and Qualitative Disclosures about Market Risk

All information in this section applies to Host Inc. and Host L.P.

#### **Interest Rate Sensitivity**

As of both March 23, 2012 and December 31, 2011, 90% of our outstanding debt bore interest at fixed rates. To manage interest rate risk applicable to our debt, we may enter into interest rate swaps or caps. The interest rate derivatives into which we enter are strictly to hedge interest rate risk, and are not for trading purposes. The percentage above reflects the effect of any derivatives into which we have entered to manage interest rate risk. No interest rate swaps or caps were entered into during the first quarter of 2012. See Item 7A of our most recent Annual Report on Form 10-K and Note 12 – “Fair Value Measurements.”

#### **Exchange Rate Sensitivity**

As we have operations outside of the United States (specifically, the ownership of hotels in Australia, Brazil, Canada, Mexico, Chile, New Zealand and our investments in the European and Asia/Pacific joint ventures), currency exchange risks arise in the normal course of our business. To manage the currency exchange risk applicable to ownership in non-U.S. hotels, where possible, we may enter into forward or option contracts or hedge our investment through the issuance of foreign currency denominated debt. No contracts were entered into during the first quarter of 2012. The following table summarizes our foreign currency sale contracts (in millions):

| Transaction Date Range  | Total Transaction Amount in Foreign Currency | Total Transaction Amount in Dollars | Forward Purchase Date Range | Fair Value at  |                   | Change in Fair Value for the period ended |                |
|-------------------------|--|-------------------------------------|-----------------------------|----------------|-------------------|---|----------------|
|                         |  |                                     |                             | March 23, 2012 | December 31, 2011 | March 23, 2012                            | March 25, 2011 |
| February 2008-July 2011 | € 100  | \$ 140                              | October 2012-August 2015    | \$ 6.8         | \$ 8.8            | \$ (2.0)                                  | \$ (4.1)       |
| July 2011               | NZ\$ 30                                      | \$ 25                               | August 2013                 | \$ .8          | \$ 1.9            | \$ (1.1)                                  | \$ —           |

The foreign currency exchange agreements into which we have entered are strictly to hedge foreign currency risk and not for trading purposes. See Item 7A of our most recent Annual Report on Form 10-K and Note 12 – “Fair Value Measurements.”

### Item 4. Controls and Procedures

#### **Controls and Procedures (Host Hotels & Resorts, Inc.)**

##### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

##### **Changes to Internal Control over Financial Reporting**

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



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***Controls and Procedures (Host Hotels & Resorts, L.P.)***

***Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including Host Inc.'s Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, Host Inc.'s Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

***Changes to Internal Control over Financial Reporting***

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

As reported in our Annual Report on Form 10-K for the year ended December 31, 2011, on April 27, 2005, we initiated a lawsuit against Keystone-Texas Property Holding Corporation ("Keystone") seeking a declaration that a provision of the ground lease for the property under the San Antonio Marriott Rivercenter was valid and claiming that Keystone had breached that lease provision. On October 18, 2006, Keystone filed an amended counterclaim and later, a third party claim, alleging that we had tortiously interfered with Keystone's attempted sale of the property and that we slandered Keystone's title to the property.

On February 8, 2010, we received an adverse jury verdict in the 166<sup>th</sup> Judicial District Court of Bexar County, Texas. The jury found that we tortiously interfered with the attempted sale by Keystone of the land under the San Antonio Marriott Rivercenter and awarded Keystone \$34.3 million in damages, plus statutory interest. In addition, the jury found that we slandered Keystone's title to the property and awarded Keystone \$39 million in damages, plus statutory interest. Keystone only will be entitled to receive one of these damage awards. On February 12, 2010, the jury awarded Keystone \$7.5 million in exemplary damages with respect to the second claim. The trial court, however, subsequently granted our motion to disregard the jury's exemplary damages award. On June 3, 2010, the trial court issued its final judgment awarding Keystone: (i) \$39 million in damages for slander of title; or (ii) alternatively, \$34.3 million for tortious interference of contract; (iii) approximately \$6.8 million in pre-judgment and post-judgment interest; (iv) approximately \$3.5 million in attorneys' fees, expenses, and costs; and (v) an additional \$750,000 in attorneys' fees for any appeal to the court of appeals and Texas Supreme Court.

On November 23, 2011, a three-judge panel of the San Antonio Court of Appeals issued its memorandum opinion denying our appeal of the trial court's June 3, 2010 final judgment. In addition, the panel overturned the trial court's decision to grant our motion to disregard the jury's \$7.5 million award of exemplary damages.

We believe that the memorandum opinion contains numerous legal errors and we intend to continue to vigorously pursue these issues on appeal. On January 17, 2012, we filed motions seeking rehearing from the three-judge panel and a motion for rehearing by the entire seven-judge court of appeals. Those motions were denied on February 29, 2012. We intend to appeal to the Texas Supreme Court on or before May 16, 2012. No assurances can be given as to the outcome of this appeal.

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

#### Issuer Purchases of Equity Securities (Host Hotels & Resorts, Inc.)

| Period                             | Total Number of Host Inc. Common Shares Purchased | Average Price Paid per Common Share | Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Common Shares that May Yet Be Purchased Under the Plans or Programs (in millions) |
|------------------------------------|---|-------------------------------------|---|---|
| January 1, 2012-January 31, 2012   | 12,689*   | \$ 14.96*                           | —   | \$ —  |
| February 1, 2012-February 29, 2012 | 611,149*  | 16.31*                              | —   | —   |
| March 1, 2012-March 23, 2012       | 2,128,403**                                       | —                                   | —   | —   |
| <b>Total</b>                       | <b>2,752,241</b>                                  | <b>\$ —</b>                         | <b>—</b>  | <b>\$ —</b>   |

\* Reflects shares of restricted stock withheld and used for the purpose of paying taxes in connection with the release of restricted common shares to plan participants (the purchase price listed is the weighted average price of Host Inc. common stock on the dates of release).

\*\* Reflects shares of restricted stock forfeited for failure to meet vesting criteria.

#### Issuer Purchases of Equity Securities (Host Hotels & Resorts, L.P.)

| Period                             | Total Number of OP Units Purchased | Average Price Paid per Unit                                 | Total Number of OP Units Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Units that May Yet Be Purchased Under the Plans or Programs (in millions) |
|------------------------------------|------------------------------------|---|--|---|
| January 1, 2012-January 31, 2012   | 26,253*                            | 1.021494 shares of Host Hotels & Resorts, Inc. common stock | —  | \$ —  |
| February 1, 2012-February 29, 2012 | 659,177**                          | 1.021494 shares of Host Hotels & Resorts, Inc. common stock | —  | —   |
| March 1, 2012-March 31, 2012       | 2,186,926***                       | 1.021494 shares of Host Hotels & Resorts, Inc. common stock | —  | —   |
| <b>Total</b>                       | <b>2,872,356</b>                   |   | <b>—</b>   | <b>\$ —</b>   |

\* Reflects (1) 13,831 common OP units redeemed by holders in exchange for shares of Host Inc.'s common stock and (2) 12,422 common OP units cancelled upon cancellation of 12,689 shares of Host Inc.'s common stock by Host Inc.

\*\* Reflects (1) 60,888 common OP units redeemed by holders in exchange for shares of Host Inc.'s common stock and (2) 598,289 common OP units cancelled upon cancellation of 611,149 shares of Host Inc.'s common stock by Host Inc.

\*\*\* Reflects (1) 103,308 common OP units redeemed by holders in exchange for shares of Host Inc.'s common stock and (2) 2,083,618 common OP units cancelled upon cancellation of 2,128,403 shares of Host Inc.'s common stock by Host Inc.

### Item 4. Mine Safety Disclosures

Not applicable

### Item 6. Exhibits

In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the company, its subsidiaries or other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

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- *have been qualified by disclosures that were made to other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;*
- *may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and*
- *were made only as of the date of the applicable agreement or such other date or date as may be specified in the agreement and are subject to more recent developments.*

*Accordingly, these representation and warranties may not describe the actual state of affairs as the date they were made or at any other time.*

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

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| <b>4</b>           | <b>Instruments Defining Rights of Security Holders</b>   |
| 4.19               | Forty-Second Supplemental Indenture, dated March 22, 2012, by and among Host Hotels & Resorts, L.P. and The Bank of New York Mellon, as trustee, to the Amended and Restated Indenture dated August 5, 1998, including form of debenture (incorporated by reference to Exhibit 4.1 to the combined Current Report on Form 8-K of Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P., filed on March 23, 2012).  |
| 4.20               | Registration Rights Agreement, dated March 22, 2012, among Host Hotels & Resorts, L.P., and Goldman, Sachs & Co., Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, in their capacity as representatives of the several initial purchasers of the debentures, related to the 5.25% Senior Debentures due 2022 (incorporated by reference to Exhibit 10.1 to combined Current Report on Form 8-K of Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P., filed on March 23, 2012). |
| <b>10</b>          | <b>Material Contracts</b>  |
| 10.19              | Sales Agency Financing Agreement, dated April 24, 2012, between Host Hotels & Resorts, Inc., and BNY Mellon Capital Markets, LLC (incorporated by reference to Exhibit 1.1 of Host Hotels & Resorts, Inc.'s Current Report on Form 8-K filed with the Commission on April 25, 2012).   |
| 10.20              | Sales Agency Financing Agreement, dated April 24, 2012, between Host Hotels & Resorts, Inc., and Scotia Capital (USA) Inc. (incorporated by reference to Exhibit 1.2 of Host Hotels & Resorts, Inc.'s Current Report on Form 8-K filed with the Commission on April 25, 2012).   |
| 10.21*             | Host Hotels & Resorts, Inc.'s Non-Employee Director's Deferred Stock Compensation Plan, as amended and restated effective as of December 15, 2009, as further amended effective February 2, 2012.  |
| <b>12</b>          | <b>Statements re Computation of Ratios</b>   |
| 12.1*              | Computation of Ratios of Earnings to Fixed Charges and Preferred Stock Dividends for Host Hotels & Resorts, Inc.   |
| 12.2*              | Computation of Ratios of Earnings to Fixed Charges and Preferred Unit Distributions for Host Hotels & Resorts, L.P.  |
| <b>31</b>          | <b>Rule 13a-14(a)/15d-14(a) Certifications</b>   |
| 31.1*              | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, Inc.   |

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| 31.2*      | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, Inc.   |
| 31.3*      | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, L.P.   |
| 31.4*      | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, L.P.   |
| <b>32</b>  | <b>Section 1350 Certifications</b>   |
| 32.1†*     | Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, Inc. |
| 32.2†*     | Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002 for Host Hotels & Resorts, L.P. |
| <b>101</b> | <b>XBRL</b>  |
| 101.INS    | XBRL Instance Document. <i>Submitted electronically with this report.</i>  |
| 101.SCH    | XBRL Taxonomy Extension Schema Document. <i>Submitted electronically with this report.</i>   |
| 101.CAL    | XBRL Taxonomy Calculation Linkbase Document. <i>Submitted electronically with this report.</i>   |
| 101.DEF    | XBRL Taxonomy Extension Definition Linkbase Document. <i>Submitted electronically with this report.</i>  |
| 101.LAB    | XBRL Taxonomy Label Linkbase Document. <i>Submitted electronically with this report.</i>   |
| 101.PRE    | XBRL Taxonomy Presentation Linkbase Document. <i>Submitted electronically with this report.</i>  |

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the quarters ended March 23, 2012 and March 25, 2011, respectively, for Host Hotels & Resorts Inc.; (ii) the Condensed Consolidated Balance Sheets at March 23, 2012, and December 31, 2011, respectively, for Host Hotels & Resorts Inc.; (iii) the Condensed Consolidated Statement of Cash Flows for the quarters ended March 23, 2012 and March 25, 2011, respectively, for Host Hotels & Resorts Inc.; (iv) the Condensed Consolidated Statements of Operations for the quarters ended March 23, 2012 and March 25, 2011, respectively, for Host Hotels & Resorts L.P.; (v) the Condensed Consolidated Balance Sheets at March 23, 2012 and December 31, 2011, respectively, for Host Hotels & Resorts L.P.; and (vi) the Condensed Consolidated Statement of Cash Flows for the quarters ended March 23, 2012 and March 25, 2011, respectively, for Host Hotels & Resorts L.P.s

\* Filed herewith.

† This certificate is being furnished solely to accompany the report pursuant to 18 U.S.C. 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**SIGNATURES**

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

April 30, 2012

HOST HOTELS & RESORTS, INC.

/s/ Brian G. Macnamara

Brian G. Macnamara  
Senior Vice President,  
Corporate Controller  
(Principal Accounting Officer and  
duly authorized officer)

**SIGNATURES**

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

April 30, 2012

HOST HOTELS & RESORTS, L.P.  
By: HOST HOTELS & RESORTS, INC.

/s/ Brian G. Macnamara

Brian G. Macnamara  
Senior Vice President,  
Corporate Controller of  
Host Hotels & Resorts, Inc.,  
general partner of Host Hotels & Resorts, L.P.  
(Principal Accounting Officer and  
duly authorized officer)

**HOST HOTELS & RESORTS, INC.**

**Non-Employee Directors' Deferred Stock Compensation Plan**

As Amended and Restated Effective as of December 15, 2009,  
as Further Amended Effective February 2, 2012



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**ARTICLE I  
PURPOSE AND EFFECTIVE DATE**

**1.1 Purpose.** The Host Hotels & Resorts, Inc. Non-Employee Directors' Deferred Stock Compensation Plan (the "Plan") is intended to advance the interests of Host Hotels & Resorts, Inc. and its stockholders by providing a means to attract and retain highly-qualified persons to serve as non-employee Directors and to promote ownership by non-employee Directors of a greater proprietary interest in Host Hotels & Resorts, Inc., thereby aligning such Directors' interests more closely with the interests of stockholders of Host Hotels & Resorts, Inc.

**1.2 Effective Date.** This amendment and restatement of the Plan shall become effective as of December 15, 2009.

**ARTICLE II  
DEFINITIONS**

All capitalized terms used herein shall have the same meaning as used in the Host Hotels & Resorts 2009 Comprehensive Stock and Cash Incentive Plan, as amended from time to time (the "Stock Plan"), unless otherwise specifically provided herein.

**2.1 Committee.**

"Committee" shall mean the Nominating and Corporate Governance Committee of the Board, or another committee or subcommittee of the Board, as appointed by the Board.

**2.2 Deferral Date.**

"Deferral Date" has the meaning set forth in Section 6.4.

**2.3 Deferral Election.**

"Deferral Election" means the written election filed with the Committee in accordance with Section 6.2(a).

**2.4 Director Stock Awards.**

"Director Stock Awards" means the Awards described in Article VII of this Plan.

**2.5 Distribution Election.**

"Distribution Election" means the written election filed with the Committee in accordance with Section 6.2(b).

**2.6 Dividend Equivalents.**

"Dividend Equivalents" means the dividend equivalents credited to a Participant's Stock Unit Account in accordance with Section 6.5.

**2.7 Fees.**

“Fees” means all or part of any retainer and/or fees payable to a non-employee Director in his or her capacity as a Director.

**2.8 Participant.**

“Participant” means a Director who is not employed by the Company or its affiliates, unless otherwise determined by the Board.

**2.9 Plan.**

“Plan” has the meaning set forth in Section 1.1.

**2.10 Secretary.**

“Secretary” means the Corporate Secretary or any Assistant Corporate Secretary of the Company.

**2.11 Separation from Service.**

“Separation from Service” means a “separation from service” within the meaning of Treas. Reg. §1.409A-1(h).

**2.12 Shares.**

“Shares” means shares of the common stock of Company, par value \$0.01 per share.

**2.13 Special One-Time Director Stock Award.**

“Special One-Time Director Stock Awards” means the Awards described in Article IX of this Plan.

**2.14 Specified Employee.**

“Specified Employee” means any Participant who is, or was at any time during the twelve-month period ending on the Company’s “specified employee identification date,” a “specified employee” of the Company (each within the meaning of Section 409A).

**2.15 Stock Plan.**

“Stock Plan” has the meaning set forth in this Article II.

**2.16 Stock Units.**

“Stock Units” means the credits to a Participant’s Stock Unit Account under Article VI, Article VII and Article VIII of this Plan, each of which represents the right to receive one Share upon settlement of the Stock Unit Account and, following December 31, 2009, shall be deemed an Award issued pursuant to the Stock Plan.

## **2.17 Stock Unit Account.**

“Stock Unit Account” means the bookkeeping account established by the Company pursuant to Section 6.4.

### **ARTICLE III SHARES AVAILABLE UNDER THE PLAN**

All Shares distributed in settlement of Stock Unit Accounts shall be issued from the Stock Plan, except with respect to Shares issued pursuant to Stock Units credited to such Stock Unit Accounts on or prior to December 31, 2009 and any Dividend Equivalents paid thereon, which Shares shall be distributed from the 500,000 Shares originally reserved under this Plan. The maximum number of Shares that may be distributed in settlement of Stock Units and Dividend Equivalents credited to Stock Unit Accounts under this Plan on or prior to December 31, 2009 shall not exceed 500,000. The maximum number of Shares that may be distributed in settlement of Stock Units and Dividend Equivalents credited to Stock Unit Accounts after December 31, 2009 shall not exceed the number of Shares available for issuance under the Stock Plan from time to time. Notwithstanding anything contained in this Plan to the contrary, the Special One-Time Director Stock Awards granted to Willard W. Brittain and Gordon H. Smith, as described in Article IX, shall be deemed Awards issued pursuant to the Stock Plan.

### **ARTICLE IV ADMINISTRATION**

**4.1 Plan Administration.** This Plan shall be administered by the Committee. Notwithstanding the foregoing, no Director who is a Participant under this Plan shall participate in any determination relating solely or primarily to his or her own Shares, Stock Units or Stock Unit Account.

**4.2 Administrative Duty.** It shall be the duty of the Committee to administer this Plan in accordance with its provisions and to make such recommendations of amendments or otherwise as it deems necessary or appropriate.

**4.3 Committee Authority.** The Committee shall have the authority to make all determinations it deems necessary or advisable for administering this Plan, subject to the limitations in Section 4.1 and other explicit provisions of this Plan and the Stock Plan.

### **ARTICLE V ELIGIBILITY**

**5.1 Eligibility.** Each Director who is not an employee of the Company or its affiliates shall be eligible to defer Fees and Director Stock Awards under Article VI of this Plan and to receive Director Stock Awards under Article VII of this Plan.

**5.2 Employment.** If such Director subsequently becomes an employee of the Company (or any of its affiliates), but does not incur a Separation from Service, such Director shall (a) continue as a Participant with respect to Fees and Director Stock Awards previously deferred and Director Stock Awards previously granted, and with respect to Fees and Director Stock Awards payable in the calendar year in which such Director becomes an employee of the Company (or any of its affiliates), and (b) cease eligibility with respect to any further Fees and Director Stock Awards.

**5.3 Stock Ownership Limits.** Notwithstanding any other provision to the contrary, a Director shall not be eligible to participate in the Plan and shall cease to be a Participant, to the extent such Director was a Participant immediately before the application of this Section 5.3 to such Director, if the participation of such Director would violate the ownership limits set forth in Article VIII of Host Hotels & Resorts, Inc.'s Articles of Restatement of Articles of Incorporation.

**ARTICLE VI  
DEFERRAL ELECTIONS IN LIEU OF CASH PAYMENT OR DIRECTOR STOCK AWARDS**

**6.1 General Rule.** Each Director may, in lieu of receipt of Fees or Director Stock Awards, defer his Fees and/or Director Stock Awards in accordance with this Article VI, provided that such Director is eligible under Article V of this Plan to defer such Fees and Director Stock Awards at the date any such Fees and Director Stock Awards are otherwise payable, as applicable.

**6.2 Timing of Elections.**

(a) **Deferral Elections.** Each eligible Director who wishes to defer Fees and/or Director Stock Awards under this Plan must make a written Deferral Election (except as provided in the last paragraph of this Section 6.2(a)) prior to the start of the calendar year for which the Fees or Director Stock Awards, as applicable, would otherwise be earned, which Deferral Election shall be irrevocable as of the December 31 immediately preceding the calendar year in which the Fees or Director Stock Awards, as applicable, are earned. Notwithstanding the foregoing, with respect to any Deferral Election made by a newly elected or appointed Director or Director who was not previously eligible to participate in the Plan and who does not participate in and has not for 24 months participated in any other nonqualified deferred compensation account balance plan that must be aggregated with the Plan pursuant to Code Section 409A (such director, a "Newly Eligible Participant"), the Deferral Election:

- (i) must be filed not later than 30 days after the date of initial eligibility,
- (ii) shall be effective only with respect to compensation for services to be performed subsequent to the election, and
- (iii) shall be irrevocable once made, for all Fees and Director Stock Awards earned in that calendar year.

If a Newly Eligible Participant fails to make a Deferral Election within 30 days of initial eligibility to participate, then such Newly Eligible Participant may make an initial Deferral Election (and Distribution Election, pursuant to Section 6.2(b) below) only with respect to Fees and Director Stock Awards earned in subsequent calendar years.

A Deferral Election by a Participant shall be deemed to be continuing and therefore applicable to Fees to be paid and Director Stock Awards to be made in future years unless the Participant revokes or changes such election by filing a new Deferral Election form prior to the start of the calendar year for which the Fees or Director Stock Awards would otherwise be earned or made, as applicable. Notwithstanding any provision of the Plan to the contrary, a Deferral Election shall be automatically cancelled on the Participant's Separation from Service and shall be without effect thereafter.

(b) **Distribution Elections.** Each Participant in the Plan as of December 31, 2008 has filed a Distribution Election with respect to the form of which his Stock Unit Account shall be paid in accordance with Section 8.1, with respect to all amounts deferred on his behalf under the Plan whether before or after December 31, 2008, and such Distribution Election shall have been filed no later than December 31, 2008 and shall have become irrevocable on December 31, 2008. Each Participant who becomes a Participant in the Plan after December 31, 2008 shall file a Distribution Election at the same time and in the same manner as the Participant's initial Deferral Election and, unless determined otherwise by the Committee, such Distribution Election shall apply to all amounts deferred on his behalf under the Plan. A Participant may not change or modify his Distribution Election after it has become irrevocable. If no Distribution Election is filed pursuant to this Section 6.2, then Section 6.3 shall apply. Notwithstanding anything contained in this Plan to the contrary, with respect to 2010 and subsequent calendar years, any Participant (other than a Newly Eligible Participant) who wishes to defer his or her Director Stock Awards granted pursuant to Section 7.1 under this Plan must make a written Distribution Election (except as provided in the following sentence) prior to the start of the calendar year for which such Director Stock Awards would otherwise be earned, which Distribution Election shall be irrevocable as of the December 31 immediately preceding the calendar year in which such Director Stock Awards are earned. Any such Distribution Election made pursuant to the immediately preceding sentence shall be deemed to be continuing and therefore applicable to Director Stock Awards to be made in future years unless the Participant revokes or changes such election by filing a new Distribution Election form prior to the start of the calendar year for which the Director Stock Awards would otherwise be earned.

**6.3 Form of Election.** A Deferral Election and Distribution Election shall be made by completing and filing the specified election form with the Secretary of the Company within the applicable period described in Section 6.2. In the event Directors' Fees or Director Stock Awards are increased or decreased during any calendar year, a Participant's election in effect for such year will apply to the specified percentage of the applicable Directors' Fees or Director Stock Awards, as increased or decreased.

In any situation in which the Committee is unable to determine the method of payment because of incomplete, unclear, or uncertain instructions in a Participant's Distribution Election form, or if no such form is on file with respect to a Participant, then the Participant will be deemed to have elected a lump sum distribution.

**6.4 Establishment of Stock Unit Account.** The Company will establish a Stock Unit Account for each Participant. All Fees deferred pursuant to this Article VI and Director Stock Awards deferred pursuant to Article VII shall be credited to the Participant's Stock Unit Account as of the date the Fees or Director Stock Awards, as applicable, would otherwise have

been paid to the Participant (the “Deferral Date”) and, with respect to Fees only, converted to Stock Units as follows: The number of Stock Units shall equal the deferred Fees divided by the Fair Market Value of a Share on the Deferral Date, with fractional units calculated to at least three (3) decimal places. The Director Stock Awards deferred pursuant to Article VII shall be converted to Stock Units in accordance with Article VII.

**6.5 Credit of Dividend Equivalents.** As of each dividend payment date with respect to Shares, each Participant shall have credited to his or her Stock Unit Account an additional number of Stock Units equal to (a) the per-share cash dividend payable with respect to a Share on such dividend payment date, (b) multiplied by the number of Stock Units held in the Stock Unit Account as of the close of business on the record date for such dividend, (c) divided by the Fair Market Value of a Share on such dividend payment date. If dividends are paid on Shares in a form other than cash, then such dividends shall be notionally converted to cash, if their value is readily determinable, and credited in a manner consistent with the foregoing formula and, if their value is not readily determinable, shall be credited “in kind” to the Participant’s Stock Unit Account.

## **ARTICLE VII DIRECTOR STOCK AWARDS**

**7.1 Qualification and Amount.** Participants will receive, effective immediately following the date of each annual meeting of Stockholders, an annual Director Stock Award equal to the number of Shares derived by dividing (a) \$90,000, by (b) the Fair Market Value of a Share on the date of the annual meeting, with fractional units calculated to at least three (3) decimal places. Notwithstanding any other provision, however, a Participant shall not be entitled to receive an annual Director Stock Award if such award would violate the ownership limits set forth in Section 5.3. If a Participant has elected to receive his Director Stock Award in the form of Stock Units, at such time as provided in Article VI of the Plan for Director Stock Awards, then the Participant shall not receive a direct issuance of Shares for the applicable year and instead his Stock Unit Account shall be credited with a number of Stock Units equal to the number of Shares that would have otherwise been issued pursuant to the Director Stock Award.

**7.2 Vesting.** A Participant’s annual Director Stock Award will be fully vested and nonforfeitable when granted.

**7.3 Discretionary Awards.** In its sole discretion, the Board or Committee may grant a non-annual Director Stock Award to any Participant, which award shall be subject to any vesting requirements, as determined by the Board or Committee. The distribution of any such award (including any Shares that are issued pursuant to such award) will be made in accordance with a Participant’s Distribution Election in accordance with Sections 8.1 and 8.2. If a Participant has not made such a Distribution Election, the distribution of any such award (including any Shares that are issued pursuant to such award) to such Participant shall be made in a lump sum, unless otherwise determined by the Board or Committee on the date of grant.



**ARTICLE VIII  
SETTLEMENT OF STOCK UNITS**

**8.1 Payment Options.** The Participant's Distribution Election submitted pursuant to Section 6.2(b) shall specify whether the Participant's Stock Unit Account is to be settled by delivering to the Participant (or his or her beneficiary) the number of Shares equal to the number of whole Stock Units then credited to the Participant's Stock Unit Account, in (a) a lump sum, or (b) substantially equal annual installments over a period not to exceed ten (10) years. If, upon lump sum distribution or final distribution of an installment, less than one whole Stock Unit is credited to a Participant's Stock Unit Account, cash will be paid in lieu of fractional shares on the date of such distribution based on the Fair Market Value of a Share on the date of payment.

**8.2 Payment Timing.** Shares payable pursuant to Section 8.1 shall be distributed in a lump sum or in up to ten (10) annual installments to the Participant commencing on the ninetieth (90<sup>th</sup>) day following the Participant's Separation from Service, or in the case of Director Stock Awards earned in 2010 and subsequent calendar years, commencing on the ninetieth (90<sup>th</sup>) day following the date that is the earlier of (i) the Participant's Separation from Service and (ii) the third or fifth anniversary from the date of grant, in all cases, in accordance with the Participant's Distribution Election(s). If a Participant has elected distribution of his Stock Unit Account in installments, each subsequent installment distribution shall be made on the January 15 of each subsequent calendar year. Notwithstanding anything in this Plan, the Stock Plan or any Distribution Election to the contrary, with respect to any Participant who is a Specified Employee at the time of such Participant's Separation from Service, as determined in the sole discretion of the Committee, the distribution of such Shares shall, to the extent that such distribution upon a Separation from Service would be a prohibited distribution under Section 409A(a)(2)(b)(i) of the Code, be delayed until the date which is six months and one day after the date on which such Separation from Service occurs.

**8.3 Continuation of Dividend Equivalents.** If payment of Stock Units is deferred and paid in installments, the Participant's Stock Unit Account shall continue to be credited with dividend equivalents as provided in Section 6.5.

**8.4 In Kind Dividends.** If any "in kind" dividends were credited to the Participant's Stock Unit Account under Section 6.5, such dividends shall be payable to the Participant in full on the date of the first distribution of Shares under Section 8.1.

**ARTICLE IX  
SPECIAL ONE-TIME DIRECTOR STOCK AWARDS**

**9.1 Special One-Time Director Stock Awards.** Certain Directors received a Special One-Time Director Stock Award as follows:

| <u>Name of Director</u> | <u>Special One-Time<br/>Director Stock Award</u> |
|-------------------------|--|
| Robert M. Baylis        | 7,000 Shares                                     |
| Ann Dore McLaughlin     | 7,000 Shares                                     |
| Willard W. Brittain     | 5,504.7425 Shares                                |
| Gordon H. Smith         | 5,504.7425 Shares                                |

**9.2 Vesting.** All Special One-Time Director Stock Awards are fully vested.

**9.3 Conversion and Payment of Special One-Time Director Stock Awards.** The Special One-Time Director Stock Awards were converted into Stock Units and will convert into Shares upon an eligible Participant's Separation from Service. The Company will distribute such Shares pursuant to the Participant's Distribution Election in accordance with Sections 8.1 and 8.2, except that Willard W. Brittain and Gordon H. Smith will receive their Shares in a lump sum.

**ARTICLE X  
UNFUNDED STATUS**

The interest of each Participant in any Fees deferred under this Plan (and any Stock Units or Stock Unit Account relating thereto) or in any Director Stock Award or in any Special One-Time Director Stock Award shall be that of a general creditor of the Company. Stock Unit Accounts and Stock Units (and, if any, "in kind" dividends) credited thereto, Director Stock Awards and Special One-Time Director Stock Awards shall at all times be maintained by the Company as bookkeeping entries evidencing unfunded and unsecured general obligations of the Company.

**ARTICLE XI  
DESIGNATION OF BENEFICIARY**

Each Participant may designate, on a form provided by the Committee, one or more beneficiaries to receive the benefits credited to the Participant's Stock Unit Account in the event of such Participant's death. The Company may rely upon the beneficiary designation last filed with the Committee, provided that such form was executed by the Participant or his or her legal representative and filed with the Committee prior to the Participant's death.

**ARTICLE XII  
ADJUSTMENT PROVISIONS**

In the event any recapitalization, reorganization, merger, consolidation, spin-off, combination, repurchase, exchange of shares or other securities of the Company, stock split or reverse split, or similar corporate transaction or event affects Shares such that an adjustment is determined by the Board or Committee to be appropriate to prevent dilution or enlargement of Participants' rights under this Plan, then the Board or Committee will make an adjustment, if any, determined in its sole discretion to be appropriate or necessary, in the number or kind of Shares to be delivered upon settlement of Stock Unit Accounts, Director Stock Awards or Special One-Time Director Stock Awards under Articles VII, VIII or IX.

**ARTICLE XIII  
PLAN CONSTRUCTION**

It is the intent of the Company that this Plan comply in all respects with applicable provisions of Rule 16b-3 under the Exchange Act in the connection with the deferral of Fees and/or Director Stock Awards so that Participants will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder. Any contrary interpretation of the Plan shall be avoided.

**ARTICLE XIV  
GENERAL PROVISIONS**

**14.1 No Right to Continue as a Director.** Nothing contained in this Plan will confer upon any Participant any right to continue to serve as a Director.

**14.2 No Stockholder Rights Conferred.** Except for dividend equivalents under Section 6.5, nothing contained in this Plan will confer upon any Participant any rights of a stockholder of the Company unless and until Shares are in fact converted, issued or transferred to such Participant in accordance with Articles VII, VIII or IX.

**14.3 Change to the Plan.** The Board may amend, alter, suspend, discontinue or terminate the Plan without the consent of stockholders or Participants, except that any such action will be subject to the approval of the Company's stockholders at the next annual meeting of stockholders having a record date after the date such action was taken if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Shares may then be listed or quoted or if the Board determines in its discretion to seek such stockholder approval.

To the extent applicable, this amended and restated Plan shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder. If the Company determines that any compensation or benefits payable under this Plan do not comply with Code Section 409A and related Department of Treasury guidance, the Company shall amend the Plan or take such other actions as the Company deems necessary or appropriate to comply with the requirements of Code Section 409A while preserving the economic agreement of the parties. Any other provision of the Plan to the contrary notwithstanding, in the event that the Internal Revenue Service prevails in its claims that amounts contributed to the Plan, and/or earnings thereon, constitute taxable income to the Participant or his designated beneficiary for any taxable year of his, prior to the taxable year in which such contributions and/or earnings are distributed to the Participant or beneficiary, or in the event that legal counsel satisfactory to the Company, the trustee and the applicable Participant or beneficiary renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount subject to such income tax shall be immediately distributed to the Participant or beneficiary.

Any such amendment, modification, cancellation, or termination of the Plan may adversely affect the rights of a Participant without the Participant's consent.

**14.4 Consideration.** The consideration for Shares issued or delivered in lieu of payment of Fees will be the Director's service during the period to which the Fees paid in the form of Shares related.

**14.5 Compliance with Laws and Obligations.** The Company will not be obligated to issue or deliver Shares in connection with this Plan in a transaction subject to the registration requirements of the Securities Act, or any other federal or state securities or tax law, any

requirement under any listing agreement between the Company and any national securities exchange or automated quotation system or any other laws, regulations, the Company's Articles of Amendment and Restatement of Articles of Incorporation, or contractual obligations of the Company, until the Company is satisfied that such laws, regulations and other obligations of the Company have been complied with in full. Certificates representing Shares delivered under the Plan will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations and other obligations of the Company, including any requirement that a legend or legends be placed thereon.

**14.6 Limitations on Transferability.** Stock Units, Director Stock Awards, Special One-Time Director Stock Awards and any other right under the Plan that may constitute a "derivative security" as generally defined in Rule 16a-1(c) under the Exchange Act will not be transferable by a Participant except by will or the laws of descent and distribution (or to a designated beneficiary in the event of a Participant's death); provided, however, that such rights may be transferred to one or more trusts or other beneficiaries during the lifetime of the Participant in connection with the Participant's estate planning, but only if and to the extent then permitted under Rule 16b-3 and consistent with the terms of this Plan (including, but not limited to, the requirements of Section 5.3), the registration of the offer and sale of Shares on Form S-8 or a successor registration form of the Securities and Exchange Commission. Stock Units, Director Stock Awards, Special One-Time Director Stock Awards and other rights under the Plan may not be pledged, mortgaged, hypothecated or otherwise encumbered, and shall not be subject to the claims of creditors.

**14.7 Governing Law.** The validity, construction and effect of the Plan and any agreement hereunder will be determined in accordance with the laws of the State of Maryland, including without limitation, the Maryland General Corporation Law, without regard to choice of law or conflict of law rules.

**14.8 Plan Termination.** Unless earlier terminated by action of the Board or Executive Committee of the Board, the Plan will remain in effect until such time as the Company has no further rights or obligations under the Plan.

**CERTIFICATE OF SECRETARY**

I, the undersigned Secretary of Host Hotels & Resorts, Inc. (the "Company"), do hereby certify that the attached copy of the Host Hotels & Resorts, Inc. Non-Employee Directors' Deferred Stock Compensation Plan as amended and restated effective as of December 15, 2009, as amended on February 2, 2012 (the "Plan") is a true and correct copy of the Plan and that there have been no amendments or modifications to the Plan that are not reflected in this copy.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the Company as of the 7th day of February, 2012.

/s/ Elizabeth A. Abdo

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**HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
**AND PREFERRED STOCK DIVIDENDS**  
(in millions, except ratio amounts)

|   | Quarter ended     |                   |
|---|-------------------|-------------------|
|   | March 23,<br>2012 | March 25,<br>2011 |
| Loss from continuing operations before income taxes                   | \$ (63)           | \$ (80)           |
| Add (deduct):   |                   |                   |
| Fixed charges   | 98                | 94                |
| Capitalized interest  | (1)               | (1)               |
| Amortization of capitalized interest                                  | 2                 | 2                 |
| Equity in losses related to certain 50% or less owned affiliates      | 2                 | 2                 |
| Adjusted earnings   | <u>\$ 38</u>      | <u>\$ 17</u>      |
| Fixed charges:  |                   |                   |
| Interest on indebtedness and amortization of deferred financing costs | \$ 86             | \$ 82             |
| Capitalized interest  | 1                 | 1                 |
| Portion of rents representative of the interest factor                | 11                | 11                |
| Total fixed charges and preferred stock dividends                     | <u>\$ 98</u>      | <u>\$ 94</u>      |
| Deficiency of earnings to fixed charges and preferred stock dividends | \$ (60)           | \$ (77)           |

**HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
**AND PREFERRED UNIT DISTRIBUTIONS**  
(in millions, except ratio amounts)

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 23,<br>2012 | March 25,<br>2011 |
| Loss from continuing operations before income taxes                      | \$ (63)           | \$ (80)           |
| Add (deduct):  |                   |                   |
| Fixed charges  | 98                | 94                |
| Capitalized interest   | (1)               | (1)               |
| Amortization of capitalized interest                                     | 2                 | 2                 |
| Equity in losses related to certain 50% or less owned affiliates         | 2                 | 2                 |
| Adjusted earnings  | <u>\$ 38</u>      | <u>\$ 17</u>      |
| Fixed charges:   |                   |                   |
| Interest on indebtedness and amortization of deferred financing costs    | \$ 86             | \$ 82             |
| Capitalized interest   | 1                 | 1                 |
| Portion of rents representative of the interest factor                   | 11                | 11                |
| Total fixed charges and preferred unit distributions                     | <u>\$ 98</u>      | <u>\$ 94</u>      |
| Deficiency of earnings to fixed charges and preferred unit distributions | \$ (60)           | \$ (77)           |

**Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, W. Edward Walter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Hotels & Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(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.

Dated: April 30, 2012

/s/ W. EDWARD WALTER

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W. Edward Walter  
*President, Chief Executive Officer*



**Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Larry K. Harvey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Hotels & Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(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.

Dated: April 30, 2012

/s/ LARRY K. HARVEY

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Larry K. Harvey  
*Executive Vice President, Chief Financial Officer*

**Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, W. Edward Walter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Hotels & Resorts, L.P.;
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.

Dated: April 30, 2012

/s/ W. EDWARD WALTER

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W. Edward Walter  
*President, Chief Executive Officer of  
Host Hotels & Resorts, Inc.,  
general partner of Host Hotels & Resorts, L.P.*

**Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Larry K. Harvey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Hotels & Resorts, L.P.;
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.

Dated: April 30, 2012

/s/ LARRY K. HARVEY

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Larry K. Harvey  
*Executive Vice President, Chief Financial Officer of  
Host Hotels & Resorts, Inc.,  
general partner of Host Hotels & Resorts, L.P.*

**Section 906 Certification**

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, updated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Host Hotels & Resorts, Inc. (the "Company") hereby certify, to such officers' knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended March 23, 2012 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Dated: April 30, 2012

/s/ W. EDWARD WALTER

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W. Edward Walter  
Chief Executive Officer

/s/ LARRY K. HARVEY

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Larry K. Harvey  
Chief Financial Officer

**Section 906 Certification**

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, updated pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Host Hotels & Resorts, Inc., the general partner of Host Hotels & Resorts, L.P., hereby certify, to such officers' knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of Host Hotels & Resorts, L.P for the period ended March 23, 2012 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Host Hotels & Resorts, L.P.

Dated: April 30, 2012

/s/ W. Edward Walter

W. Edward Walter  
Chief Executive Officer  
of Host Hotels & Resorts, Inc.

/s/ Larry K. Harvey

Larry K. Harvey  
Chief Financial Officer  
of Host Hotels & Resorts, Inc.