SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

OR

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

For the Year Ended December 31, 2008 **Commission file number 001-14625**

HOST HOTELS & RESORTS, INC.

(Exact Name of Registrant as Specified in its Charter)

Maryland (State of Incorporation)	**53-0085950** (I.R.S. Employer Identification Number)
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)

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value (525,457,900 shares outstanding as of February 25, 2009)	New York Stock Exchange
Class E Preferred Stock, $.01 par value (4,034,400 shares outstanding as of February 25, 2009)	New York Stock Exchange

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

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

Indicate by check mark whether the registrant (i) 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 (ii) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐ Smaller Reporting Company ☐

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

The aggregate market value of shares of common stock held by non-affiliates of the registrant as of June 13, 2008 (based on the closing sale price as reported on the New York Stock Exchange on June 13, 2008) was approximately $7,769,337,981.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission and delivered to stockholders in connection with its annual meeting of stockholders to be held on May 14, 2009 are incorporated by reference into Part III of this Form 10-K.

Item 1. Business

Host Hotels & Resorts, Inc. is a Maryland corporation that operates as a self-managed and self-administered real estate investment trust, or REIT. Host Hotels & Resorts, Inc. owns properties and conducts operations through Host Hotels & Resorts, L.P., a Delaware limited partnership, of which Host Hotels & Resorts, Inc. is the sole general partner and in which it holds approximately 97% of the partnership interests. In this report, we use the terms “we” or “our” to refer to Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. together, unless the context indicates otherwise. We also use the term “Host” to specifically refer to Host Hotels & Resorts, Inc. and the term “Host LP” to refer to Host Hotels & Resorts, L.P. (and its consolidated subsidiaries), in cases where it is important to distinguish between Host and Host LP.

As of February 23, 2009, our lodging portfolio consisted of 116 luxury and upper-upscale hotels containing approximately 63,000 rooms. Our portfolio is geographically diverse with hotels in most of the major metropolitan areas in 26 states, Washington, D.C., Toronto and Calgary, Canada, Mexico City, Mexico and Santiago, Chile. Additionally, we own a 32.1% interest in a European joint venture that owns eleven luxury and upper-upscale hotels containing approximately 3,500 rooms located in cities in Italy, Spain, Poland, Belgium, The Netherlands and the United Kingdom.

The address of our principal executive office is 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland, 20817. Our phone number is 240-744-1000.

Where to Find Additional Information

We maintain an internet website at: www.hosthotels.com. Through our website, we make available free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (the “SEC”), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Our website is also a key source of important information about us. We routinely post to the Investor Relations section of our website important information about our business, our operating results and our financial condition and prospects, including, for example, information about important acquisitions and dispositions, our earnings releases and certain supplemental financial information related or complimentary thereto. We also have a Corporate Governance page in the Investor Relations section of our website that includes, among other things, copies of our Bylaws, our Code of Business Conduct and Ethics and Conflicts of Interest Policy for directors, our Code of Business Conduct and Ethics for employees, our Corporate Governance Guidelines and the charters for each standing committee of our Board of Directors, which currently are: the Audit Committee, the Compensation Policy Committee and the Nominating and Corporate Governance Committee. Copies of our Bylaws and these charters and policies are also available in print to stockholders upon request to Host Hotels & Resorts, Inc., 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland 20817, Attn: Secretary.

The Lodging Industry

The lodging industry in the United States consists of private and public entities that operate in an extremely diversified market under a variety of brand names. The lodging industry has several key participants:

- Owners—own the hotel and typically enter into an agreement for an independent third party to manage the hotel. These properties may be branded and operated under the manager’s brand or branded under a franchise agreement and operated by the franchisee or by an independent hotel manager. The properties may also be operated as an independent hotel (unaffiliated with any brand) by an independent hotel manager. Host operates as an owner of lodging properties.
- Owner/Managers—own the hotel and operate the property with their own management team. These properties may be branded under a franchise agreement, operated as an independent hotel (unaffiliated

with any brand) or operated under the owner's brand. REITs are restricted from operating and managing hotels under applicable REIT laws.

- Franchisors—own a brand or brands and strive to grow their revenues by expanding the number of hotels in their franchise system. Franchisors provide their branded hotels with brand recognition, marketing support and centralized reservation systems.
- Franchisor/Manager—own a brand or brands and also operate hotels on behalf of the hotel owner or franchisee.
- Manager—operate hotels on behalf of the hotel owner, but do not, themselves, own a brand. The hotels may be operated under a franchise agreement or as an independent hotel (unaffiliated with any brand).

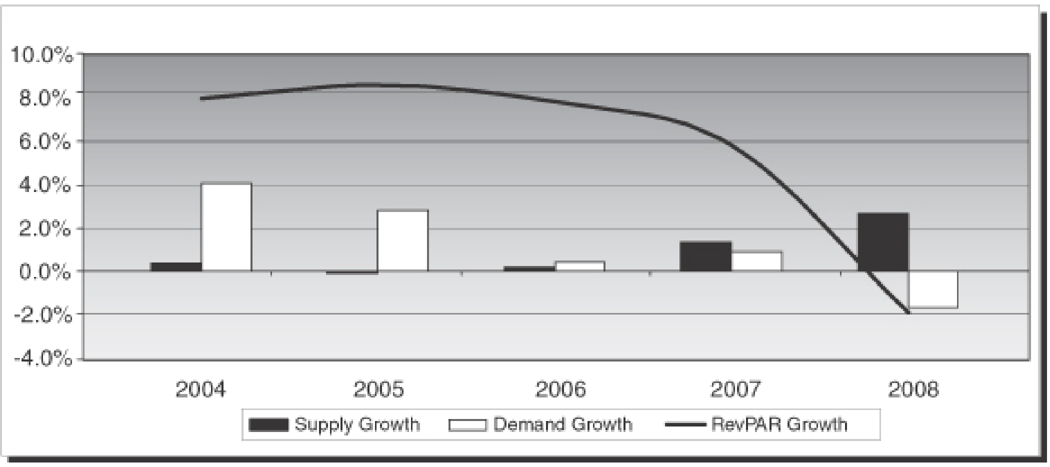
The hotel manager is responsible for the day-to-day operation of the hotels, including the employment of hotel staff, the determination of room rates, the development of sales and marketing plans, the preparation of operating and capital expenditure budgets and the preparation of financial reports for the owner. They typically receive fees based on the revenues and profitability of the hotel.

Our industry is influenced by the cyclical relationship between the supply of and demand for hotel rooms. Lodging demand growth typically is related to the vitality of the overall economy in addition to local market factors that stimulate travel to specific destinations. In particular, economic indicators such as GDP growth, business investment and employment growth are some of the primary drivers of lodging demand. Between 2003 and 2007, broad growth in the economy led to increases in demand. By contrast, slower economic growth and lower levels of capital investment typically slow the rate of demand growth for the lodging industry. During 2008, the overall weakness in the U.S. economy, particularly the turmoil in the credit markets, weakness in the housing market, and volatile energy and commodity costs, resulted in considerable negative pressure on both consumer and business spending. As a result, lodging demand, which had begun to show signs of weakness in the first half of 2008, declined significantly during the second half of the year. We believe that lodging demand will continue to contract until the key economic indicators discussed above reverse course and display consistent growth.

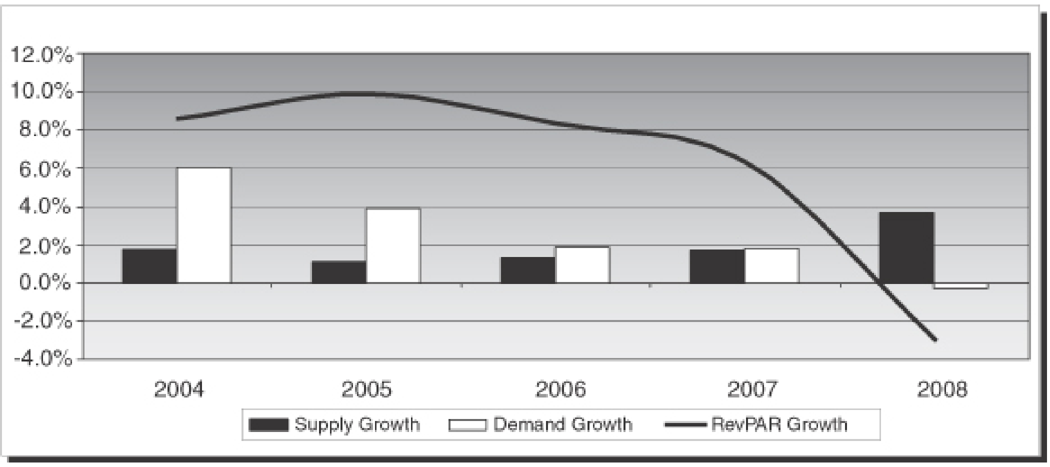
Lodging supply growth is generally driven by overall lodging demand, as extended periods of strong demand growth tend to encourage new development. However, the rate of supply growth is also influenced by a number of additional factors including availability of capital, interest rates, construction costs and unique market considerations. Additionally, the relatively long lead-time required to complete the development of hotels, while making supply growth relatively easier to forecast than demand growth, increases the volatility of the cyclical behavior of the lodging industry. As a result, at different points in the cycle, demand and supply may increase or decrease in a dissimilar manner such that demand may increase when there is no new supply or supply may grow when demand is declining. As lodging demand strengthened between 2003 and 2007, there was an increase in the pace of new hotel construction starts from its cyclical lows; however, the pace of construction remained well below long-term averages. Based on data compiled by Smith Travel Research, supply in 2009 will likely be at or slightly above the long-term average rate; however, beginning in 2010, supply growth is expected to decline significantly.

Revenue per available room (“RevPAR”) is an operational measure commonly used in the hotel industry to evaluate hotel performance. RevPAR represents the product of the average daily room rate charged and the average daily occupancy achieved but excludes other revenue generated by a hotel property, such as food and beverage, parking, telephone and other guest service revenues. The charts below detail the supply, demand and RevPAR growth for the U.S. lodging industry and for the luxury and upper-upscale segment for 2004 to 2008 based on data provided by Smith Travel Research.

U.S. Lodging Industry Supply, Demand and RevPAR Growth



Luxury and upper-upscale Supply, Demand and RevPAR Growth



Business Strategy

Our primary long-term business objective is to provide superior total returns to our stockholders through a combination of appreciation in asset values and growth in earnings and dividends. To achieve this objective we seek to:

- maximize the value of our existing portfolio through aggressive asset management, as described further below;
- acquire luxury and upper-upscale hotels operated by leading management companies that are generally located in urban and resort/conference destinations;
- maintain a capital structure and liquidity profile that has an appropriate balance of debt and equity and that provides us with sufficient liquidity and flexibility to take advantage of opportunities throughout the business cycle;
- diversify our portfolio holdings and revenue sources by creating investment funds and joint ventures; and
- dispose of non-core assets, including smaller or older hotels that are at a competitive risk or that are located in suburban or slower-growth markets.

Asset Management. As the largest REIT owner of luxury and upper-upscale properties in the U.S., we are in a unique position to work with the managers of our hotels to maximize revenues while minimizing operating costs. The size and composition of our portfolio and our affiliation with most of the leading operators and brands in the industry allow us to benchmark similar hotels and identify best practices, evaluate return on investment and repositioning opportunities and efficiencies that can be communicated to our managers. We continue to evaluate key performance indicators to ensure an appropriate level of assistance is provided to our managers to maximize opportunities at each asset. Areas of focus include enhancing revenue management for rooms, food and beverage and other services, reducing operating costs and identifying operating efficiencies, all of which improve the long-term profitability of the hotel.

Another key component of our asset management strategy is our capital expenditure programs. These programs are designed to increase profitability by maximizing the value of our portfolio and maintaining our high standards for product quality, as well as those of our managers. We also continually explore opportunities to utilize our properties, or a portion of our properties, for more valuable or profitable purposes. Our asset management and design and construction departments review potential capital improvements to ensure that each of our properties is in high-quality physical condition, highly competitive in the market and consistent with brand standards on a continuing basis. Our capital expenditures generally fall into three broad categories: renewal and replacement expenditures, return on investment (or “ROI”)/repositioning capital expenditures and value enhancement projects.

Renewal and replacement expenditures. We work closely with our managers to ensure that renewal and replacement expenditures are spent efficiently to maximize the profitability of the hotel. Typically, room refurbishments occur at intervals of approximately seven years, but the timing may vary based on the type of property and equipment being replaced. These refurbishments generally are divided into the following types: soft goods, hard goods and infrastructure. Soft goods include items such as carpeting, bed spreads, curtains and wall vinyl and may require more frequent updates to maintain brand quality standards. Hard goods include items such as dressers, desks, couches, restaurant and meeting room chairs and tables and are generally not replaced as frequently. Infrastructure includes the physical plant of the hotel, including the roof, elevators, façade and fire systems, which are regularly maintained and then replaced at the end of their useful lives.

ROI/repositioning expenditures. In addition, we pursue opportunities to enhance asset value by completing selective capital improvements outside the scope of typical renewal and replacement capital expenditures. These projects include, for example, significant repositionings of guest rooms, lobbies or food and beverage platforms and expanding ballroom, spa or conference facilities. In certain instances, these ROI/repositioning projects have coincided with the timing of regular maintenance cycles at the properties where we have used the opportunity to significantly improve and upgrade the hotel. These projects are also designed to take advantage of changing market conditions and the favorable location of our properties. Examples of these projects include:

- the completion of a 105,000 square foot exhibition hall at the Orlando World Center Marriott in 2007;
- the construction of new food and beverage facilities, renovation of meeting space and the construction of the new 26,000 square foot Atrium Ballroom at the Atlanta Marriott Marquis in 2007 and 2008; and
- the construction of an 8,300 square foot meeting space addition and the renovation of over 60,000 square feet of public space and food and beverage facilities at the San Francisco Marriott in 2008.

Value enhancement projects. We also will continue to seek opportunities to enhance the value of our portfolio by identifying and executing strategies that maximize the highest and best use of all aspects of our properties, such as the development of timeshare or condominium units on excess land, or the acquisition of air rights or developer entitlements that add value to our portfolio or enhance the value in the event we sell the property. In prior years, this strategy led to the sale of the Marriott Mountain Shadows Resort in 2007, which had been closed since the fourth quarter of 2004, for $42 million and the sale of the Swissôtel, The Drake, New York for approximately $440 million in 2006, which, in both cases, resulted in our realizing a higher valuation for the property than a typical hotel sale.

Acquisitions. Our acquisition strategy primarily focuses on acquiring either directly or through joint ventures, luxury and upper-upscale hotels domestically and internationally. We continue to evaluate potential opportunities to acquire hotels at attractive yields and at discounts to replacement cost. Our acquisition strategy continues to focus on:

- properties with locations in markets with high barriers to entry for prospective competitors;
- properties operated under premium brand names;
- larger hotels that are consistent with our portfolio objectives and that may require investment on a scale that limits the number of potential buyers;
- properties that further diversify our portfolio, both domestically and internationally; and
- acquisitions through various structures, including transactions involving portfolios or single asset transactions.

Domestic Acquisitions. Over the last five years, we have acquired 33 properties, including a portfolio of 25 domestic and three foreign properties from Starwood Hotels & Resorts Worldwide, Inc., (“Starwood”) on April 10, 2006 (collectively, the “Starwood Portfolio”). We did not complete any domestic acquisitions during 2008 due to several factors that became more pronounced as the year progressed. During the first half of 2008, as lodging fundamentals weakened, favorable debt financing became limited and fewer luxury and upper-upscale hotels were being marketed or sold. During the second half of 2008, as the economic recession became more widespread and the credit markets collapsed, the acquisition/disposition market for these hotels was extremely limited. Management believes that there may be an increase in the number of assets available for purchase late in 2009 and in 2010 as a result of the current recessionary environment and illiquid credit market.

International Acquisitions. During 2007 and 2008, we purchased four hotels through our European joint venture, including the purchase of the 270-room Crowne Plaza Amsterdam City Centre for approximately €72 million (US $113 million) in April 2008. Our European joint venture now owns 11 hotels in six countries. Additionally, in 2008 we entered into an Asian joint venture as a 25% minority owner. The Asian joint venture will seek hotel acquisition opportunities in various markets throughout Asia, including China, Japan, Vietnam, India and Australia. These acquisitions could include mid-scale hotels, as well as luxury and upper-upscale hotels that are our typical focus.

Capital structure and liquidity profile. Our capital structure is designed to maintain an appropriate balance of debt and equity that will allow us to weather weaker periods of lodging demand and provide us with substantial flexibility with respect to our sources of capital. Roughly 75% of our debt consists of senior notes which are guaranteed by various subsidiaries and secured by pledges in subsidiaries, but not collateralized by specific hotel properties. The remainder of our debt consists of mortgage indebtedness which is secured by 14 of our hotels. As of December 31, 2008, approximately 80% of our hotels (measured by revenues) are unencumbered by mortgage debt. The structure of our balance sheet affords us access to the market for senior notes when pricing is attractive and also provides us with significant flexibility to the extent we determine that it is more appropriate to access the mortgage debt markets.

As a REIT, we are required to distribute 90% of our taxable income (other than net capital gain) to our stockholders, and, as a result, generally must rely on external sources of capital to finance our growth. Therefore, we will use a variety of debt and equity instruments to fund our external growth including senior notes and mortgage debt, convertible debentures, common and preferred stock offerings, issuances of Host LP partnership units and joint ventures/limited partnerships to best take advantage of the prevailing market conditions.

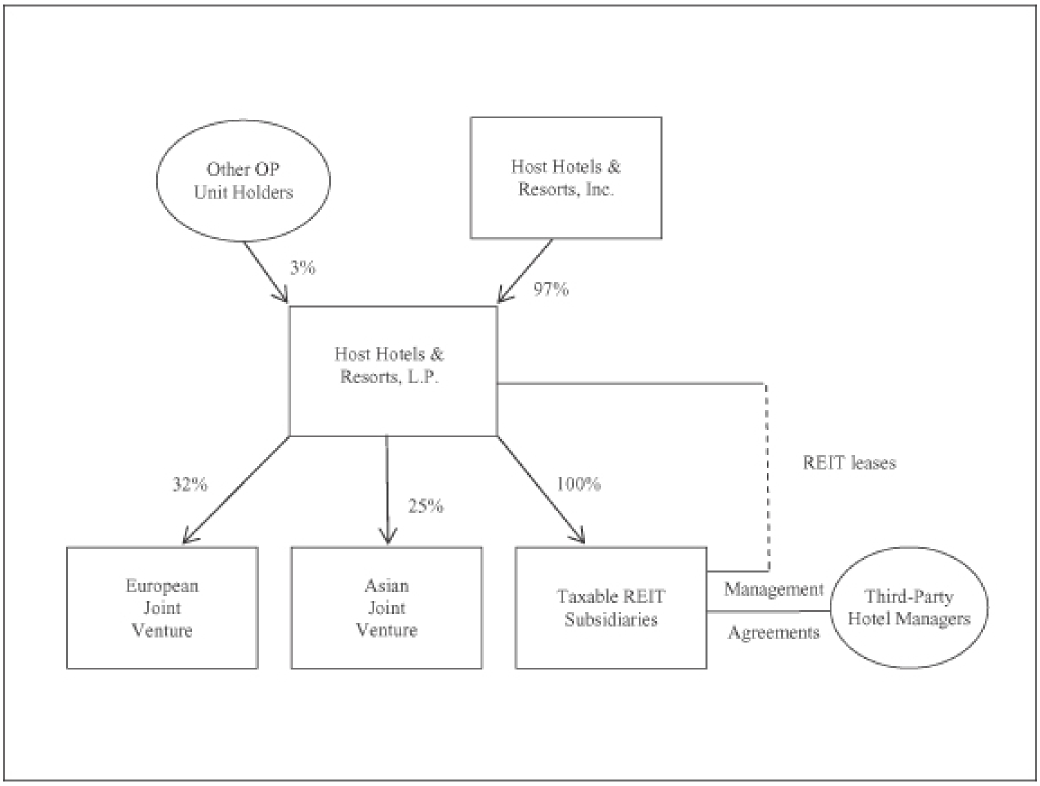
Joint Ventures. We expect to continue to utilize joint ventures to finance external growth. We believe joint ventures provide a significant means to access external capital and spread the inherent risk of hotel ownership, while continuing to provide significant opportunities for positive returns on investment for our stockholders. Our primary focus for joint ventures is currently in international markets, such as in Europe and Asia, which will help to diversify our exposure to market risk. We will also explore joint venture opportunities in North America and Latin America. Generally, we intend to earn a promoted interest and a fee for the asset management of the properties owned by such joint ventures.

Dispositions. We have taken advantage of market conditions to sell 33 hotels over the past five years, including one property disposed of in 2009 and two properties disposed of in 2008. The ability of prospective purchasers to obtain acquisition financing has been adversely affected by the credit crisis and the overall lack of available debt. Proceeds from dispositions have been, or will be, used to repay debt, fund acquisitions, fund ROI/repositioning projects, or for general corporate purposes. Generally, the properties that we dispose of are non-core hotels that are located in secondary and tertiary markets where we believe the potential for growth is lower. However, we will also dispose of core assets when we have the opportunity to capitalize on value enhancement strategies and apply the proceeds to other business objectives.

Operating Structure

Host is a self-managed and self-administered real estate investment trust (“REIT”). Host operates through an umbrella partnership REIT structure in which substantially all of its properties and assets are held by Host LP, of which Host is the sole general partner and holds approximately 97% of the outstanding partnership interests, with the remaining 3% of the partnership interests held by third parties. Currently, each unit of the partnership interests in Host LP owned by holders other than Host is redeemable at the option of the holder for an amount of cash equal to the market value of one share of Host common stock. Host has the right, however, to acquire any unit of Host LP partnership interest offered for redemption directly from the holder in exchange for one share of Host common stock, instead of Host LP redeeming such partnership interest for cash. When distinguishing between Host and Host LP, the primary difference is the approximately 3% of the operating partnership interests of Host LP not held by us as of February 23, 2009.

Our operating structure is as follows:



Because Host is a REIT, certain tax laws limit the amount of "non-qualifying" income that Host can earn, including income derived directly from the operation of hotels. As a result, we lease substantially all of our consolidated properties to certain of our subsidiaries designated as taxable REIT subsidiaries ("TRS subsidiaries") for federal income tax purposes or to third party lessees. The lessees and our TRS subsidiaries enter into agreements with third parties to manage the operations of the hotels. Our TRS subsidiaries also may hold assets engaging in other activities that produce non-qualifying income such as the development of timeshare or condominium units, subject to certain restrictions. The difference between the hotels' net operating cash flow and the aggregate rents paid to Host LP is retained by our TRS subsidiaries as taxable income. Accordingly, the net effect of the TRS leases is that, while, as a REIT, Host is generally exempt from federal income tax to the extent that we meet specific distribution requirements, among other REIT requirements, a portion of the net operating cash flow from our properties is subject to federal, state and, if applicable, foreign income tax.

Our Hotel Properties

Overview. Our lodging portfolio consists of 116 luxury and upper-upscale hotels generally located in the central business districts of major cities, near airports and resort/conference destinations that, because of their locations, typically benefit from barriers to entry by competitors. These properties typically include meeting and banquet facilities, a variety of restaurants and lounges, swimming pools, exercise facilities and/or spas, gift shops and parking facilities, the combination of which enable them to serve business, leisure and group travelers. Forty-four of our hotels representing approximately 63% of our revenues have over 500 rooms. The average age of our properties is 25 years, although most of the properties have benefited from substantial renovations or major additions, as well as regularly scheduled renewal and replacement and other capital improvements.

The following chart details our hotel portfolio by brand as of February 23, 2009:

Brand	Number of Hotels	Rooms	Percentage of Revenues(1)
Marriott	69	39,093	57%
Sheraton	10	6,869	10
Westin	11	5,702	9
Ritz-Carlton	9	3,333	9
Hyatt	6	3,854	7
W	2	1,112	2
Fairmont	1	450	2
Four Seasons	2	608	1
Hilton/Embassy Suites	2	678	1
Swissôtel	1	632	1
Other	3	745	1
	116	63,076	100%

(1) Percentage of revenues is based on 2008 revenues. No individual property contributed more than 7% of total revenues in 2008.

Hotel Properties. The following table sets forth the location and number of rooms of our 116 hotels as of February 23, 2009:

Location	Rooms
Arizona	
Scottsdale Marriott Suites Old Town	243
Scottsdale Marriott at McDowell Mountains	270
The Ritz-Carlton, Phoenix	281
The Westin Kierland Resort & Spa	732
California	
Coronado Island Marriott Resort(1)	300
Costa Mesa Marriott Suites	253
Desert Springs, a JW Marriott Resort, Palm Desert	884
Hyatt Regency, San Francisco Airport	789
Manhattan Beach Marriott(1)	385
Marina del Rey Marriott(1)	370
Newport Beach Marriott Hotel & Spa	532
Newport Beach Marriott Bayview	254
San Diego Marriott Hotel and Marina(1)	1,362
San Diego Marriott Mission Valley	350
San Francisco Airport Marriott	685
San Francisco Marriott Fisherman’s Wharf	285
San Francisco Marriott(1)	1,499
San Ramon Marriott(1)	368
Santa Clara Marriott(1)	759
Sheraton San Diego Hotel & Marina(1)	1,044
The Ritz-Carlton, Marina del Rey(1)	304
The Ritz-Carlton, San Francisco	336
The Westin Los Angeles Airport(1)	740
The Westin Mission Hills	512
The Westin South Coast Plaza(2)	390
Colorado	
Denver Marriott Tech Center	628
Denver Marriott West(1)	305
Four Points by Sheraton Denver Southeast(1)	475
The Westin Tabor Center	430
Connecticut	
Hartford Marriott Rocky Hill(1)	251
Sheraton Stamford	448
Florida	
Tampa Airport Marriott(1)	296
Harbor Beach Marriott Resort and Spa(1)(3)	650
Hilton Singer Island Oceanfront Resort	223
Miami Marriott Biscayne Bay(1)	601
Orlando World Center Marriott Resort and Convention Center	2,000

Location	Rooms
Florida (continued)	
Tampa Marriott Waterside Hotel and Marina	717
The Ritz-Carlton, Amelia Island	444
The Ritz-Carlton, Naples	450
The Ritz-Carlton Golf Resort, Naples	295
Georgia	
Atlanta Marriott Marquis	1,663
Atlanta Marriott Suites Midtown(1)	254
Atlanta Marriott Perimeter Center	400
Four Seasons Hotel, Atlanta	244
Grand Hyatt Atlanta in Buckhead	438
JW Marriott Hotel Buckhead	371
The Ritz-Carlton, Buckhead	517
The Westin Buckhead Atlanta	365
Hawaii	
Hyatt Regency Maui Resort and Spa	806
The Fairmont Kea Lani, Maui	450
Illinois	
Chicago Marriott Suites Downers Grove	254
Courtyard Chicago Downtown	337
Chicago Marriott O’Hare	681
Chicago Marriott Suites O’Hare	256
Embassy Suites Chicago Hotel, Downtown/Lakefront	455
Swissôtel, Chicago	632
Indiana	
Sheraton Indianapolis(1)	560
South Bend Marriott	298
The Westin Indianapolis	573
Louisiana	
New Orleans Marriott	1,329
Maryland	
Gaithersburg Marriott Washingtonian Center	284
Massachusetts	
Boston Marriott Copley Place(1)	1,139
Boston Marriott Newton	430
Hyatt Regency Cambridge, Overlooking Boston	469
Sheraton Boston	1,216
Sheraton Braintree	374
Sheraton Needham	247
The Westin Waltham-Boston	346
Michigan	
The Ritz-Carlton, Dearborn	308
Minnesota	
Minneapolis Marriott City Center(1)	583
Missouri	
Kansas City Airport Marriott(1)	383

Location	Rooms
New Hampshire	
Courtyard Nashua	245
New Jersey	
Hanover Marriott	353
Newark Liberty International Airport Marriott(1)	591
Park Ridge Marriott(1)	289
Sheraton Parsippany	370
New York	
New York Marriott Downtown	497
New York Marriott Marquis Times Square(4)	1,949
Sheraton New York Hotel and Towers	1,756
W New York	688
North Carolina	
Greensboro-Highpoint Marriott Airport(1)	299
Ohio	
Dayton Marriott	399
The Westin Cincinnati(1)	456
Oregon	
Portland Marriott Downtown Waterfront	503
Pennsylvania	
Four Seasons Hotel, Philadelphia	364
Philadelphia Airport Marriott(1)	419
Philadelphia Marriott Downtown(3)	1,408
Tennessee	
Memphis Marriott Downtown	600
Texas	
Dallas/Addison Marriott Quorum by the Galleria	547
Houston Airport Marriott(1)	565
Houston Marriott Medical Center(1)	386
JW Marriott Hotel on Westheimer by the Galleria	515
San Antonio Marriott Rivercenter(1)	1,001
San Antonio Marriott Riverwalk(1)	512
Texas (continued)	
St. Regis Hotel, Houston	232
Virginia	
Hyatt Regency Reston	518
Key Bridge Marriott(1)	582
Residence Inn Arlington Pentagon City	299
The Ritz-Carlton, Tysons Corner(1)	398
Washington Dulles Airport Marriott(1)	368
Washington Dulles Marriott Suites	253
Westfields Marriott Washington Dulles	336
Washington	
Seattle Marriott SeaTac Airport	459
The Westin Seattle	891
W Seattle	424
Washington, D.C.	
Hyatt Regency Washington on Capitol Hill	834
JW Marriott Hotel, Washington, D.C.	772
Marriott at Metro Center	456
The Westin Grand	267
Canada	
Calgary Marriott	384
Toronto Delta Meadowvale Resort and Conference Center	374
Toronto Marriott Airport(3)	424
Toronto Marriott Downtown Eaton Center(1)	461
Chile	
San Cristobal Tower, a Luxury Collection Hotel, Santiago	139
Sheraton Santiago Convention Center	379
Mexico	
JW Marriott Hotel, Mexico City(3)	312
Total	63,076

(1) The land on which this hotel is built is leased from a third party under one or more long-term lease agreements.
(2) The land, building and improvements are leased from a third party under a long-term lease agreement.
(3) These properties are not wholly owned.
(4) This property is subject to a ground lease under which we have the option to purchase the land. In prior years, payments under the ground lease, which are determined annually and are not fixed in nature, reduced the deferred ground rent liability and, in 2008, were applied to the deferred purchase price of the land. Accordingly, no expense was included in our results of operations for ground rent expense in those years. In 2009, a small portion of the payments will fully fund the deferred purchase price and the remainder will be accounted for as ground rent expense. We have the ability to buy the fee simple interest in the land under the hotel for an incremental payment of $19.9 million through 2017.

Competition

The lodging industry is highly competitive. Competition is often specific to individual markets and is based on a number of factors, including location, brand, guest facilities and amenities, level of service, room rates and the quality of accommodations. The lodging industry is generally viewed as consisting of six different groupings, each of which caters to a discrete set of customer taste and needs: luxury, upper-upscale, upscale, midscale (with and without food and beverage service) and economy. Most of our hotels operate in urban and resort markets either as luxury properties, under such brand names as Ritz-Carlton®, Fairmont®, Four Seasons®, The Luxury Collection®, St. Regis® and W® or as upper-upscale properties, under such brand names as Marriott®, Hyatt®, Westin®, Hilton®, Sheraton®, Swissôtel® and Delta®. [(1)] Our hotels compete with other hotels operated under brands in these groupings, as well as with the upscale or other lower-tier groupings of hotels in certain locations.

We believe our properties enjoy competitive advantages associated with the hotel brands under which they operate. The international marketing programs and reservation systems of these brands, combined with the strong management systems and expertise they provide, should enable our properties to perform favorably in terms of both occupancy and room rates. In addition, repeat guest business is enhanced by guest reward or guest recognition programs offered by most of these brands. Nevertheless, many management contracts for our hotels do not prohibit our managers from converting, franchising or developing other hotel properties in our markets. As a result, our hotels in a given market often compete with other hotels that our managers may own, invest in, manage or franchise.

We also compete with other REITs and other public and private investors for the acquisition of new properties and investment opportunities both domestically and internationally as we attempt to position our portfolio to take best advantage of changes in markets and travel patterns of our customers.

Seasonality

Our hotel sales traditionally have experienced moderate seasonality, which varies based on the individual hotel property and the region. Additionally, hotel revenues for our Marriott-managed hotels typically reflect approximately 16 weeks of results in the fourth quarter and for 2008 represented approximately 17 weeks, compared to approximately 12 weeks for each of the first three quarters of the year. For our non-Marriott managed hotels, the first quarter includes two months of operations, the second and third quarters include three months of operations and the fourth quarter includes four months of operations. See “Management’s Discussion and Analysis of Results of Operations and Financial Condition – Reporting Periods” for more information on our fiscal calendar. Hotel sales have historically averaged approximately 20%, 26%, 22% and 32% for the first, second, third and fourth quarters, respectively.

Other Real Estate Investments

In addition to our hotels, we have minority partner interests in other real estate investments. We manage these investments and conduct business through a combination of general and limited partnership and limited liability company interests. All of the debt of these entities is non-recourse to us and our subsidiaries, and the entities are not consolidated in our financial statements.

European Joint Venture

We currently own a 32.1% limited and general partnership interest in a joint venture in Europe (the “European joint venture”) with Stichting Pensioenfonds ABP, a Dutch pension fund, and Jasmine Hotels Pte Ltd, an affiliate of GIC Real Estate Pte Ltd, the real estate investment company of the Government of Singapore

(1) This annual report contains registered trademarks that are the exclusive property of their respective owners, which are companies other than us. None of the owners of these trademarks, their affiliates or any of their respective officers, directors, agents or employees, has or will have any responsibility or liability for any information contained in this annual report.

Investment Corporation Pte Ltd. The initial term of the European joint venture is ten years subject to two one-year extensions with partner approval. Due to the ownership structure of the European joint venture and the non-Host limited partners' rights to cause the dissolution and liquidation of the European joint venture at any time, it is not consolidated in our financial statements. The European joint venture's previously announced agreement to purchase six hotels in France, Germany and The Netherlands for approximately €565 million did not close because of a disagreement between the parties over the completion of certain capital improvements that were a condition to closing. As of February 23, 2009, the European joint venture owns the following eleven hotels in six countries:

Hotel	City	Country	Rooms/Units
Hotel Arts Barcelona	Barcelona	Spain	482
The Westin Palace, Madrid	Madrid	Spain	468
The Westin Palace, Milan	Milan	Italy	228
The Westin Europa & Regina	Venice	Italy	185
Sheraton Roma Hotel & Conference Center	Rome	Italy	634
Sheraton Skyline Hotel & Conference Centre	Hayes	United Kingdom	350
Sheraton Warsaw Hotel & Towers	Warsaw	Poland	350
Renaissance Brussels Hotel	Brussels	Belgium	262
Brussels Marriott Hotel	Brussels	Belgium	218
Marriott Executive Apartments	Brussels	Belgium	57
Crowne Plaza Hotel Amsterdam City Centre	Amsterdam	The Netherlands	270
Total rooms			3,504

Asian Joint Venture

On March 25, 2008, we entered into a joint venture, structured as a Singapore Corporation, with RECO Hotels JV Private Limited, an affiliate of GIC RE (the "Asian joint venture"). The Asian joint venture will explore investment opportunities in various markets throughout Asia, including China, Japan, Vietnam, India and Australia. We own a 25% interest in the Asian joint venture. The initial term of the Asian joint venture is for a period of seven years. Due to the ownership structure of the Asian joint venture, and our partner's rights to cause the dissolution and liquidation of the Asian joint venture at any time, it is not consolidated in our financial statements. Currently, the Asian joint venture does not own any hotels.

Other Investments

We currently own a 3.6% limited partner interest in CBM Joint Venture Limited Partnership, which owns 115 Courtyard by Marriott properties. We have the right to cause the partnership to redeem our limited partner interest under certain conditions prior to December 2009. Thereafter, the general partner of the partnership has the right to redeem our remaining interest.

We own a leasehold interest in 53 Courtyard by Marriott properties and 18 Residence Inn by Marriott properties (the "HPT Properties"), which were sold to Hospitality Properties Trust, Inc. and leased back prior to 1997. In 1998, we subleased these 71 properties to a third party on similar terms with initial terms expiring between 2010 and 2012. The subleases are renewable at our option. Rent payable under the subleases is guaranteed by the subtenant up to a maximum of $30 million. At the expiration of these leases, the third party owners of these properties will return our initial security deposit of approximately $67 million plus additional security deposits of approximately $8 million. During 2008, we gave notice that we will not renew the lease on the 18 Residence Inn properties and therefore that lease will terminate in December 2010, at which time we expect our approximate $17 million security deposit to be returned by HPT Properties.

We also have a 49% limited partner interest in Tiburon Golf Ventures, L.P., which owns the golf club surrounding The Ritz-Carlton Golf Resort, Naples. For additional detail of our other real estate investments, including a summary of the outstanding debt balances of our affiliates, see “Management’s Discussion and Analysis of Results of Operations and Financial Condition—Investments in Affiliates” and Note 3 “Investments in Affiliates” and Note 7 “Leases” in the accompanying consolidated financial statements.

Foreign Operations

Excluding hotels owned by our European joint venture, we currently own four properties in Canada, one in Mexico and two in Chile, which collectively contain approximately 2,500 rooms. Approximately 3% of our revenues were attributed to the foreign operations of these properties in each of 2008, 2007 and 2006.

Environmental and Regulatory Matters

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. These laws may impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, certain environmental laws and common law principles could be used to impose liability for release of asbestos-containing materials, and third parties may seek recovery from owners or operators of real properties for personal injury associated with exposure to released asbestos-containing materials. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require corrective or other expenditures. In connection with our current or prior ownership or operation of hotels, we may be potentially liable for various environmental costs or liabilities. Although we are currently not aware of any material environmental claims pending or threatened against us, we can offer no assurance that a material environmental claim will not be asserted against us in the future.

Operational Agreements

All of our hotels are managed by third parties pursuant to management agreements or operating and license agreements (See “Operating Structure”). As of February 23, 2009, twenty-two of our hotels operated by Starwood, our Embassy Suites Chicago Hotel, Downtown/Lakefront, our San Francisco Marriott Fisherman’s Wharf and our Hilton Singer Island Oceanfront Resort are operated pursuant to operating and license agreements, while our remaining hotels are operated pursuant to management agreements, the provisions of which are described in more detail below. Under these agreements, the managers or operators generally have sole responsibility and exclusive authority for all activities necessary for the day-to-day operation of the hotels, including establishing all room rates, processing reservations, procuring inventories, supplies and services, providing periodic inspection and consultation visits to the hotels by the managers’ technical and operational experts and promoting and publicizing the hotels. In addition, the manager or operator provides all managerial and other employees for the hotels, reviews the operation and maintenance of the hotels, prepares reports, budgets and projections, and provides other administrative and accounting support services to the hotels. Generally, these support services include planning and policy services, financial planning, divisional financial services, product planning and development, employee staffing and training, corporate executive management and certain in-house legal services. For the majority of our properties, we have approval rights over the budget, capital expenditures and other matters.

Management Agreements. Our management agreements typically include the terms described below:

- *Term and fees for operational services*. The initial term of our management agreements generally is 15 to 20 years with one or more renewal terms. The manager receives compensation in the form of a base management fee which is calculated as a percentage (typically 3%) of annual gross revenues, and an incentive management fee, which is typically calculated as a percentage (generally 20%) of operating profit after the owner has received a priority return on its investment in the hotel.
- *Chain services*. The management agreements require the managers to furnish chain services that are generally furnished on a centralized basis. Such services include: (1) the development and operation of

certain computer systems and reservation services, (2) regional management and administrative services, regional marketing and sales services, regional training services, manpower development and relocation of regional personnel and (3) such additional central or regional services as may from time to time be more efficiently performed on a regional or group basis rather than at an individual hotel. Costs and expenses incurred in providing these services are generally allocated among all hotels managed by the manager or its affiliates that benefit from these services.

- *Working capital and fixed asset supplies*. Our management agreements typically require us to maintain working capital for each hotel and to fund the cost of certain fixed asset supplies (for example, linen, china, glassware, silver and uniforms). We are also responsible for providing funds to meet the cash needs for hotel operations if at any time the funds available from hotel operations are insufficient to meet the financial requirements of the hotels.
- *Furniture, fixtures and equipment replacements*. Under the management agreements, we are required to provide to the managers all necessary furniture, fixtures and equipment for the operation of the hotels (including funding any required furniture, fixtures and equipment replacements). The management agreements generally provide that, on an annual basis, the manager will prepare a list of furniture, fixtures and equipment to be acquired and certain routine repairs and maintenance to be performed in the next year and an estimate of the funds that are necessary, which is subject to our review and approval. For purposes of funding the furniture, fixtures and equipment replacements, a specified percentage (typically 5%) of the gross revenues of the hotel is deposited by the manager into an escrow account in our name, to which the manager has access. However, for 64 of our hotels, we have entered into an agreement with Marriott International to allow us to fund such expenditures directly as incurred from one account that we control, subject to maintaining a minimum balance of the greater of $33.9 million, or 30% of total annual specified contributions, rather than escrowing funds at accounts at each hotel.
- *Building alterations, improvements and renewals*. The management agreements require the managers to prepare an annual estimate of the expenditures necessary for major repairs, alterations, improvements, renewals and replacements to the structural, mechanical, electrical, heating, ventilating, air conditioning, plumbing and elevators of each hotel which we review and approve based on their recommendations and our judgment. In addition to the foregoing, the management agreements generally provide that the manager may propose such changes, alterations and improvements to the hotel as are required, in the manager’s reasonable judgment, to keep the hotel in a competitive, efficient and economical operating condition consistent with the manager’s brand standards. We generally have approval authority over such changes, alterations and improvements.
- *Service marks*. During the term of the management agreements, the brand name, service mark, symbols and logos used by the manager may be used in the operation of the hotel. Any right to use the brand name, service marks, logos and symbols and related trademarks at a hotel will terminate with respect to that hotel upon termination of the applicable management or franchise agreement.
- *Sale of the hotel.* Most of the management agreements limit our ability to sell, lease or otherwise transfer the hotels by requiring that the transferee assume the related management agreements and meet specified other conditions, including the condition that the transferee not be a competitor of the manager.
- *Termination on sale*. While most of our management agreements are not terminable prior to their full term, we have negotiated rights with respect to 21 specified Marriott-branded hotels to terminate management agreements in connection with the sale of these hotels subject to certain limitations, including the number of agreements that can be terminated per year, limitations measured by EBITDA, and limitations requiring that a significant part of such hotels maintain the Marriott brand affiliation. The described termination rights may be exercised without payment of a termination fee except for one of the specified hotels wherein a termination fee is required if it does not maintain the Marriott brand affiliation.

- *Performance termination*. The majority of our management agreements provide for termination rights in the case of a manager's prolonged failure to meet certain financial performance criteria, generally a set return on the owners' investment. We have agreed in the past, and may agree in the future, to waive certain of these termination rights in exchange for consideration from the hotel manager, which could take the form of cash compensation or amendments to the management agreement. Similarly, the majority of our management agreements condition the manager's right to renew pre-determined extension terms upon satisfaction of certain financial performance criteria.

Operating and License Agreements. Our operating and license agreements with Starwood (the operator with which we have the vast majority of these agreements) typically include the terms described below:

- *Term and fees for operational services*. The initial term of our operating agreements is 20 years, with two renewal terms of 10 years each at the option of the operator. The operator receives compensation in the form of a base fee of 1% of annual gross operating revenues and an incentive fee of 20% of annual gross operating profit, after the owner has received a priority return of 10.75% on its purchase price and other investments in the hotels.
- *License services*. The license agreements address matters relating to the subject brand, including rights to use service marks, logos, symbols and trademarks, such as those associated with Westin®, Sheraton® and W®, as well as matters relating to compliance with certain standards and policies and (including through other agreements in the case of certain hotels) the provision of certain system program and centralized services. The license agreements have an initial term of 20 years each, with two renewal terms of 10 years each at the option of the licensor. Licensors receive compensation in the form of license fees of 5% of gross operating revenue attributable to room sales and 2% of gross operating revenue attributable to food and beverage sales.
- *Programs and services*. The licensor or operator provides certain system programs and services to all or substantially all of our Starwood hotels by brand in a licensed area. Such services include participation in reservation services and the marketing program as well as the Starwood Preferred Guest Program. In addition to these services, under the operating agreements, centralized operating services are furnished to hotels by brand on a system basis. Costs and expenses incurred in providing such system programs and services and centralized operating services under the license and operating agreements or other agreements are fairly allocated among all hotels in the applicable brand operated or licensed by Starwood or its affiliates.
- *Working capital and fixed asset supplies*. The operating agreements require us to maintain working capital funds for each hotel to fund the cost of certain fixed asset supplies and to meet the ongoing cash needs for hotel operations if at any time the funds available from hotel operations are insufficient to meet the financial requirements of the hotels. For 18 of our hotels, the working capital accounts which would otherwise be maintained by Starwood operators for each of such hotels are maintained on a pooled basis, with operators being authorized to make withdrawals from such pooled account as otherwise contemplated with respect to working capital in accordance with the provisions of the operating agreements.
- *Furniture, fixtures and equipment replacements*. Under the operating and license agreements, we are required to provide all necessary furniture, fixtures and equipment for the operation of the hotels (including funding for any required furniture, fixtures and equipment replacements). To fund these items each month, the operator transfers into a reserve fund account an amount equal to 5% of the gross operating revenue of a hotel for the previous month. For 18 of our hotels, the periodic reserve fund contributions which would otherwise be deposited into reserve fund accounts maintained by operators for each hotel are distributed to us, and we are responsible for providing funding of expenditures which would otherwise be funded from the reserve funds for each of the subject hotels as such expenditures become necessary. In addition to routine capital expenditures, the reserve funds for the hotels may also be used for building capital improvements. Any approved reserve funding in excess of amounts

available in the pooled reserve funds is funded by us and results in appropriate increases of owner's investment and owner's priority amounts. For 18 hotels, the amount of any such additional reserve funding will be allocated to each of such hotels on a pro rata basis, determined with reference to the net operating income of each hotel and the total net operating income of all hotels for the most recent operating year. Any such additional reserve funding will result in corresponding increases in the owner's investment and owner's priority amounts with respect to each of such hotels.

- *Building alterations, improvements and renewals*. The operating agreements require the operators to prepare an annual operating plan that includes an estimate of the expenditures necessary for maintenance, repairs, alterations, improvements, renewals and replacements to the structural, mechanical, electrical, heating, ventilating, air conditioning, plumbing and elevators of each hotel, which plan and proposed expenditures we review and approve based on the operator's recommendations and our judgment.
- *Territorial*. The operating agreements provide area restrictions for a period of either five or 10 years which limit the operator and its affiliates from owning, operating or licensing a hotel of the same brand in the area. The area restrictions vary with each hotel, from city blocks in urban areas to up to a 10 mile radius from the hotel in other areas.
- *Sale of the hotel/other*. The license agreements limit our ability to sell, lease or otherwise transfer the hotels. Generally, the agreements require that the transferee assume the related operating agreement and meet specified other conditions, including the condition that the transferee not be a competitor of the licensor. The operating agreements provide for termination rights beginning in 2016 in the case of the operator's failure to meet certain financial performance criteria. Generally, such rights arise in the event that the operator fails, for two consecutive years, to generate operating profit equal to or greater than a specified percentage of the owner's investment in the hotel, and the RevPAR performance of the hotel falls below that of other competitive hotels in the market during such two-year period.
- *Termination on sale*. As of February 23, 2009, we have termination rights relating to the operating agreements on 12 specified hotels upon the sale of those hotels. Such termination rights are currently active with respect to three of such hotels. With respect to two of those hotels, we have the limited right to also terminate one license agreement annually. With respect to nine of the 12 specified hotels, we have the right beginning in 2016 to sell 35% of such hotels (measured by EBITDA), not to exceed two hotels annually, free and clear of the existing operating agreement over a period of time without the payment of a termination fee. With respect to any termination of an operating agreement on sale, the proposed purchaser would need to meet the requirements for transfer under the applicable license agreement.

Employees

On February 23, 2009, we had 215 employees, including three at our London, England office, one at our Amsterdam, The Netherlands office and four at our Republic of Singapore office. Employees at our consolidated hotels are employed by the operators that manage our hotels.

None of our direct employees are covered by collective bargaining agreements. However, certain of our third-party managed hotels are covered by collective bargaining agreements that are subject to review and renewal on a regular basis. For a discussion of these relationships see "Risk Factors—We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor."

Item 1A. Risk Factors

The statements in this section describe the major risks to our business and should be considered carefully. In addition, these statements constitute our cautionary statements under the Private Securities Litigation Reform Act of 1995.

Forward Looking Statements

Our disclosure and analysis in this 2008 Form 10-K and in our 2008 Annual Report to Shareholders contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other materials we release to the public. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify each such statement by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will," "target," "forecast" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future acquisitions or dispositions, future capital expenditure plans, future performance or results of current and anticipated expenses, interest rates, foreign exchange rates, or the outcome of contingencies, such as legal proceedings.

We cannot guarantee that any forward-looking statements will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions, including the risk factors discussed below. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make or related subjects in our 10-Q and 8-K reports to the SEC. Also note that we provide the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our businesses. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such risk factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

Financial Risks and Risks of Operation

Current economic conditions may adversely affect our industry, business and results of operations.

The United States economy is currently in the midst of a recession and the future economic environment is likely to be less favorable than that of recent years. This recession has and could further lead to reduced consumer and commercial spending in the foreseeable future. The performance of the lodging industry has historically been closely linked with the performance of the general economy and, specifically, growth in the United States gross domestic product, business investment and employment growth. As a result, the lodging industry may experience significant downturns in connection with, or in anticipation of, declines in general economic conditions. In addition, the vast majority of our hotels are classified as luxury or upper-upscale hotels. In an economic downturn, these types of hotels are likely to be more susceptible to a decrease in revenue, as compared to hotels in other categories that have lower room rates. Declines in demand and in consumer and commercial spending may drive us and our competitors to reduce pricing, which would have a negative impact on our gross profit. A continued weakening of the economy may adversely and materially affect our industry, business and results of operations and we can not accurately predict how severe and prolonged any downturn might be. Moreover, reduced revenues as a result of the weakening economy may also reduce our working capital and impact our long-term business strategy.

Our revenues and the value of our properties are also subject to other conditions affecting the lodging industry.

The lodging industry is also subject to changes in travel patterns of business and leisure travelers, both of which are affected by the strength of the economy, as discussed above, as well as other factors. Changes in travel patterns of both business and leisure travelers may create difficulties for the industry over the long-term and adversely affect our results. Our results of operations, and any forecast we make, may be affected and can change based on the following risks:

- changes in the international, national, regional and local economic climate;
- changes in business and leisure travel patterns;
- the effect of terrorist attacks and terror alerts in the United States and internationally, as well as other geopolitical disturbances
- supply growth in markets where we own hotels which may adversely affect demand at our properties;
- the attractiveness of our hotels to consumers relative to our competition;
- the performance of the managers of our hotels;
- changes in room rates and increases in operating costs due to inflation and other factors; and
- unionization of the labor force at our hotels.

The recent disruptions in the financial markets may adversely affect our business and results of operations, our ability to obtain financing on reasonable and acceptable terms, our ability to hedge our foreign currency exchange risk and the market price of our common stock.

The United States and global stock and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective and outstanding debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings materially less attractive, and in some cases have resulted in the lack of availability of certain types of financing. Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional short-term and long-term financing on reasonable terms or at all, which would negatively impact our liquidity and financial condition. A prolonged downturn in the stock or credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business operations accordingly. In addition, if one or more of the financial institutions that support our existing credit facility fails, we may not be able to find a replacement, which would negatively impact our ability to borrow under the credit facility. Similarly, if one or more of the financial institutions that support our currency hedging arrangements fails, we may not be able to find a replacement, which would negatively impact our ability to hedge the foreign currency exchange risk relating to our international operations and may cause a default under our existing financing agreements. These disruptions in the financial markets also may adversely affect our credit rating and the market value of our common stock. In addition, if the current pressures on credit continue or worsen, we may not be able to refinance, if necessary, our outstanding debt when due, which could have a material adverse effect on our business. While we believe we have adequate sources of liquidity to meet our anticipated requirements for working capital, debt servicing and capital expenditures for the foreseeable future, if our operating results worsen significantly and our cash flow or capital resources prove inadequate, or if interest rates increase significantly, we could face liquidity problems that could materially and adversely affect our results of operations and financial condition.

We depend on external sources of capital for future growth and we may be unable to access capital when necessary.

Unlike regular C corporations, we must finance our growth and fund debt repayments largely with external sources of capital because we are required to distribute to our stockholders at least 90% of our taxable income (other than net capital gain) in order to qualify as a REIT, including taxable income we recognize for federal income tax purposes but with regard to which we do not receive cash. Our ability to access the external capital we require could be hampered by a number of factors, many of which are outside of our control, including declining credit market conditions as discussed above, unfavorable market perception of our growth potential, decreases in our current and estimated future earnings, or decreases in the market price of Host's common stock. In addition, our ability to access additional capital may also be limited by the terms of our existing indebtedness, which, under certain circumstances, restricts our incurrence of debt and the payment of distributions. The occurrence of any of these above-mentioned factors, individually or in combination, could prevent us from being able to obtain the external capital we require on terms that are acceptable to us or at all and the failure to obtain necessary external capital could have a material adverse effect on our ability to finance our future growth.

We have substantial debt.

As of December 31, 2008, we and our subsidiaries had total indebtedness of approximately $6.0 billion. Our substantial indebtedness has important consequences. It currently requires us to dedicate a significant portion of our cash flow from operations to debt service payments, which reduces the availability of our cash flow to fund working capital, capital expenditures, expansion efforts, dividends and other general purposes. Additionally, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- limit our ability in the future to undertake refinancings of our debt or obtain financing for expenditures, acquisitions, development or other general business purposes on terms and conditions acceptable to us, if at all; or
- affect adversely our ability to compete effectively or operate successfully under adverse economic conditions.

If our cash flow and working capital were not sufficient to fund our expenditures or service our indebtedness, we would have to raise additional funds through:

- sales of our equity;
- the incurrence of additional permitted indebtedness by Host LP; or
- the sale of our assets.

We cannot make any assurances that any of these sources of funds would be available to us or, if available, would be on terms that we would find acceptable or in amounts sufficient to meet our obligations or fulfill our business plan.

The terms of our debt place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The documents governing the terms of our existing senior notes and our credit facility contain covenants that place restrictions on us and our subsidiaries. These covenants restrict, among other things, our ability and the ability of our subsidiaries to:

- conduct acquisitions, mergers or consolidations unless the successor entity in such transaction assumes our indebtedness;
- incur additional debt in excess of certain thresholds and without satisfying certain financial metrics;
- create liens securing indebtedness, unless an effective provision is made to secure our other indebtedness by such liens;
- sell assets without using the proceeds from such sales for certain permitted uses or to make an offer to repay or repurchase outstanding indebtedness;
- make capital expenditures in excess of certain thresholds;

- pay dividends without satisfying certain financial metrics; and
- conduct transactions with affiliates other than on an arms length basis and, in certain instances, without obtaining opinions as to the fairness of such transactions.

In addition, certain covenants in the credit facility require us and our subsidiaries to meet financial performance tests. If we fail to meet such tests, the restrictive covenants in the applicable indenture(s), the credit facility and the documents governing our other debt (including our mortgage debt) will reduce our flexibility in conducting our operations and will limit our ability to engage in activities that may be in our long-term best interest. Failure to comply with these restrictive covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all or a substantial portion of our debt. For a detailed description of the covenants and restrictions imposed by the documents governing our indebtedness, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition”.

Our ability to pay dividends may be limited or prohibited by the terms of our indebtedness or preferred stock.

We are, and may in the future become, party to agreements and instruments that restrict or prevent the payment of dividends on our classes and series of capital stock. Under the terms of Host LP’s credit facility and senior notes indenture, distributions to Host by Host LP, upon which Host depends in order to obtain the cash necessary to pay dividends, are permitted only to the extent that, at the time of the distribution, Host LP can satisfy certain financial covenant tests (concerning leverage, fixed charge coverage and unsecured interest coverage) and meet other requirements.

In addition, under the terms of our outstanding Class E Preferred Stock, we are not permitted to pay dividends on our common stock unless all cumulative dividends have been paid (or funds for payment have been set aside for payment). The amount of aggregate dividends that accrue on the Class E Preferred Stock each quarter is approximately $2.2 million. In the event that we fail to pay the accrued dividends on our Class E Preferred Stock for any reason, including any restriction on paying such dividends under the terms of our debt instruments (as discussed above), dividends will continue to accrue on such preferred stock and we will be prohibited from paying any dividends on our common stock until all such accrued but unpaid dividends on our Class E Preferred Stock have been paid (or funds for such payment have been set aside).

Defaulting on our mortgage debt could adversely affect our business.

As of December 31, 2008, 14 of our hotels and assets related thereto are subject to mortgages in an aggregate amount of approximately $1.4 billion. Although the debt is generally non-recourse to us, if these hotels do not produce adequate cash flow to service the debt secured by such mortgages, the mortgage lenders could call a default on these assets. Generally, we would expect to negotiate with the lender prior to the occurrence of a default in the pursuit of other options such as a deed in lieu of foreclosure. However, we may opt to allow such default to occur rather than make the necessary mortgage payments with funds from other sources. Host LP’s senior notes indenture and credit facility contain cross-default provisions, which, depending upon the amount of secured debt in default, could cause a cross-default under both of these agreements. Host LP’s credit facility, which contains a more restrictive cross-default provision than the senior notes indenture, provides that a credit facility default occurs in the event Host LP defaults on non-recourse secured indebtedness in excess of 1% of its total assets (using undepreciated real estate values), or defaults on other indebtedness in excess of $50 million. For this and other reasons, permitting a default could adversely affect our long-term business prospects.

Our mortgage debt contains provisions that may reduce our liquidity.

Certain of our mortgage debt requires that, to the extent cash flow from the hotels which secure such debt drops below stated levels, we escrow cash flow after the payment of debt service until operations improve above the stated levels. In some cases, the lender has the right to apply the escrowed amount to the outstanding balance of the mortgage debt. When such provisions are triggered, there can be no assurance that the affected properties will achieve the minimum cash flow levels required to trigger a release of any escrowed funds. The amounts required to be escrowed may be material and may negatively affect our liquidity by limiting our access to cash flow after debt service from these mortgaged properties.

An increase in interest rates would increase our interest costs on our credit facility and any variable rate debt we incur and could adversely impact our ability to refinance existing debt or sell assets.

For borrowings on our credit facility and the $300 million mortgage on our Orlando World Center Marriott, interest payments are based on floating rates. To the extent we draw on the credit facility, an increase in interest rates will reduce our cash flow available for other corporate purposes including investments in our portfolio. Further, rising interest rates could limit our ability to refinance existing debt when it matures and increase interest costs on any debt that is refinanced. We may from time to time enter into agreements such as interest rate swaps, caps, floors and other interest rate hedging contracts. While these agreements may lessen the impact of rising interest rates, they also expose us to the risk that other parties to the agreements will not perform or that the agreements will be unenforceable. In addition, an increase in interest rates could decrease the amount third parties are willing to pay for our assets, thereby limiting our ability to dispose of assets as part of our business strategy.

Rating agency downgrades may increase our cost of capital.

Both our senior notes and our preferred stock are rated by Moody’s Investors’ Service, Standard & Poor’s and Fitch Ratings. These independent rating agencies may elect to downgrade their ratings on our senior notes and our preferred stock at any time. Such downgrades may negatively affect our access to the capital markets and increase our cost of capital.

Our expenses may not decrease if our revenue decreases.

Many of the expenses associated with owning and operating hotels, such as debt service payments, property taxes, insurance, utilities, and employee wages and benefits, are relatively inflexible and do not necessarily decrease in tandem with a reduction in revenue at the hotels. Our expenses will also be affected by inflationary increases, and certain costs, such as wages, benefits and insurance, may exceed the rate of inflation in any given period and, in the event of a significant decrease in demand, we may not be able to downsize employees to decrease wages and benefits. Our managers may be unable to offset any such increased expenses with higher room rates. Any of our efforts to reduce operating costs or failure to make scheduled capital expenditures could also adversely affect the future growth of our business and the value of our hotel properties.

Our acquisition of additional properties may have a significant effect on our business, liquidity, financial position and/or results of operations.

As part of our business strategy, we seek to acquire luxury and upper upscale hotel properties. We may acquire properties through various structures, including transactions involving portfolios, single assets, joint ventures and acquisitions of all or substantially all of the securities or assets of other REITs or similar real estate entities. We anticipate that our acquisitions will be financed through a combination of methods, including proceeds from Host equity offerings, issuance of limited partnership interests of Host LP, advances under our credit facility, the incurrence or assumption of indebtedness and proceeds from the sales of assets. Recent declines in credit markets may limit our ability to finance acquisitions. In addition, the decline in credit markets may limit the ability of purchasers to finance hotels and adversely affect our disposition strategy and our ability to use disposition proceeds to finance acquisitions.

We may, from time to time, be in the process of identifying, analyzing and negotiating possible acquisition transactions and we expect to continue to do so in the future. We cannot provide any assurances that we will be successful in consummating future acquisitions on favorable terms or that we will realize the benefits that we anticipate from the acquisitions that we consummate. Our inability to consummate one or more acquisitions on such terms, or our failure to realize the intended benefits from one or more acquisitions, could have a significant adverse effect on our business, liquidity, financial position and/or results of operations, including as a result of our incurrence of additional indebtedness and related interest expense and our assumption of unforeseen contingent liabilities.

We do not control our hotel operations and we are dependent on the managers of our hotels.

Since federal income tax laws restrict REITs and their subsidiaries from operating or managing a hotel, we do not operate or manage our hotels. Instead, we lease substantially all of our hotels to subsidiaries which qualify as "taxable REIT subsidiaries" under applicable REIT laws, and our taxable REIT subsidiaries retain third-party managers to operate our hotels pursuant to management agreements. Our cash flow from the hotels may be adversely affected if our managers fail to provide quality services and amenities or if they or their affiliates fail to maintain a quality brand name. While our taxable REIT subsidiaries monitor the hotel managers' performance, we have limited recourse under our management agreements if we believe that the hotel managers are not performing adequately. In addition, from time to time, we have had, and continue to have, differences with the managers of our hotels over their performance and compliance with the terms of our management agreements. We generally resolve issues with our managers through discussions and negotiations. However, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submit the matter to third-party dispute resolution. Failure by our hotel managers to fully perform the duties agreed to in our management agreements could adversely affect our results of operations. In addition, our hotel managers or their affiliates manage, and in some cases own, have invested in or provided credit support or operating guarantees to hotels that compete with our hotels, which may result in conflicts of interest. As a result, our hotel managers have in the past made and may in the future make decisions regarding competing lodging facilities that are not or would not be in our best interests.

We are subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor.

We have entered into management agreements with third-party managers to operate our hotel properties. Our third-party managers are responsible for hiring and maintaining the labor force at each of our hotels. Although we do not directly employ or manage employees at our hotels, we are subject to many of the costs and risks generally associated with the hotel labor force, particularly those hotels with unionized labor. From time to time, hotel operations may be disrupted through strikes, lockouts, public demonstrations or other negative actions and publicity. We may also incur increased legal costs and indirect labor costs as a result of contract disputes or other events. Additionally, hotels where our managers have collective bargaining agreements with employees (approximately 21% of our current portfolio, by revenues) are more highly affected by labor force activities than others. In addition, the resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Furthermore, labor agreements may limit the ability of our managers to reduce the size of hotel workforces during an economic downturn because collective bargaining agreements are negotiated between the managers of our hotels and labor unions. We do not have the ability to control the outcome of these negotiations.

Our hotels have an ongoing need for renovations and potentially significant capital expenditures to remain competitive in the marketplace, maintain brand standards or to comply with applicable laws or regulations. The timing and costs of such renovations or improvements may result in reduced operating performance during construction and may not improve the return on these investments.

In addition to capital expenditures required by our loan agreements or agreements with our hotel managers, we will need to make capital expenditures to remain competitive with other hotels, to maintain the economic value of our hotels and to comply with applicable laws and regulations. The timing of these improvements can affect hotel performance particularly if the improvements require closures of a significant number of rooms or the closure of other features of the hotels such as ballrooms, meeting space and restaurants. These capital improvements reduce the availability of cash for other purposes and are subject to cost overruns and delays. In addition, because we depend on external sources of capital, we may not have the necessary funds to invest and if we fail to maintain our properties in accordance with brand standards set by our managers, the manager may terminate the management agreement. Moreover, we may not necessarily realize a significant, or any, improvement in the performance of the hotels in which we make these investments.

The expansion of our business into new markets outside of the United States will expose us to risks relating to owning hotels in those international markets.

Part of our business strategy is to expand our presence internationally through joint ventures. In addition, we own directly seven hotels located outside the United States. We may have difficulty managing our expansion into new geographic markets where we have limited knowledge and understanding of the local economy, an absence of business relationships in the area, or unfamiliarity with local governmental and permitting procedures and regulations. There are risks inherent in conducting business internationally, which include:

- employment laws and practices;
- tax laws which may provide for income or other tax rates that exceed those of the U.S. and which may provide that our foreign earnings are subject to dividend withholding requirements or other restrictions;
- compliance with and unexpected changes in regulatory requirements or monetary policy;
- the willingness of domestic or foreign lenders to provide financing and changes in the availability, cost and terms of such financing;
- adverse changes in local, political, economic and market conditions;
- insurance coverage related to terrorist events;
- changes in interest rates and/or the currency exchange rates;
- regulations regarding the incurrence of debts; and
- difficulties in complying with U.S. rules governing REITs while operating internationally.

Any of these factors could adversely affect our ability to obtain all of the intended benefits of our international expansion. If we do not effectively manage our geographic expansion and successfully integrate the foreign hotels into our organization, our operating results and financial condition may be adversely affected and the value of Host common stock may decline.

We may acquire hotel properties through joint ventures with third parties that could result in conflicts.

We have made a significant investment in a European joint venture, which owns eleven hotels in Europe. In addition, we have formed another joint venture to explore investment opportunities in Asia and Australia. We may, from time to time, invest as a co-venturer in other entities holding hotel properties instead of purchasing hotel properties directly. Co-venturers often share control over the operation of a joint venture. Actions by a co-venturer could subject the assets to additional risk as a result of any of the following circumstances:

- our co-venturer might have economic or business interests or goals that are inconsistent with our, or the joint venture’s, interests or goals; or
- our co-venturer may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives.

Although we generally will seek to maintain sufficient control of any joint venture to permit our objectives to be achieved, we might not be able to take action without the approval of our joint venture partners.

Our management agreements could affect the sale or financing of our hotels.

Under the terms of our management agreements, we generally may not sell, lease or otherwise transfer our hotels unless the transferee is not a competitor of the manager and the transferee assumes the related management agreements and meets specified other conditions. Our ability to finance or sell our properties, depending upon the structure of such transactions, may require the manager's consent. If the manager does not consent to such sale or financing, we may be precluded from taking actions in our best interest.

The acquisition contracts relating to some hotels limit our ability to sell or refinance those hotels.

For reasons relating to federal and state income tax considerations of the former and current owners of three hotels, we have agreed to restrictions on selling the hotels, or repaying or refinancing the mortgage debt for varying periods depending on the hotel. Two of these agreements will expire in 2010 and the third will expire in 2028. As a result, even if it were in our best interests to sell these hotels or repay or otherwise reduce the level of the mortgage debt on such hotels, it may be difficult or costly to do so during their respective lock-out periods. In specified circumstances, we may agree to similar restrictions in connection with future hotel acquisitions.

Future terrorist attacks or changes in terror alert levels could adversely affect us.

Previous terrorist attacks in the United States and subsequent terrorist alerts have adversely affected the travel and hospitality industries over the past several years. The impact that terrorist attacks in the United States or elsewhere could have on domestic and international markets and our business in particular is indeterminable. It is possible that such attacks or the threat of such attacks could have a material adverse effect on our business, our ability to finance our business, our ability to insure our properties and/or our results of operations and financial condition as a whole.

We may not be able to recover fully under our existing terrorism insurance for losses caused by some types of terrorist acts, and federal terrorism legislation does not ensure that we will be able to obtain terrorism insurance in adequate amounts or at acceptable premium levels in the future.

We obtain terrorism insurance as part of our all-risk property insurance program, as well as our general liability and directors' and officers' coverages. However, our all-risk policies have limitations such as per occurrence limits, annual aggregate coverage limits and sublimits which might have to be shared proportionally across participating hotels under certain loss scenarios. Also, all-risk insurers only have to provide terrorism coverage to the extent mandated by the Terrorism Risk Insurance Program Reauthorization Act ("TRIPRA") effective December 26, 2007. Property damage related to war and to nuclear, radiological, biological and chemical incidents is excluded under our policies. While TRIPRA will reimburse insurers for losses resulting from nuclear, radiological, biological and chemical perils, TRIPRA does not require insurers to offer coverage for these perils and, to date, insurers are not willing to provide this coverage, even with government reinsurance. Host has a wholly-owned captive insurance company through which it obtains a policy of nuclear, biological, chemical and radiological ("NBCR") coverage. This captive insurer has the same ability as other insurance companies to apply to the US Treasury for reimbursement, as provided for in TRIPRA, and is subject to the same deductibles and co-insurance obligations. This potential reimbursement applies to property insurance only, and not to general liability or directors' and officers' insurance, and there are no assurances that we will be able to recover any or all of our NCBR losses under this program.

Some potential losses are not covered by insurance.

We, or our hotel managers, carry comprehensive insurance coverage for general liability, property, business interruption and other risks with respect to all of our hotels and other properties. These policies offer coverage features and insured limits that we believe are customary for similar type properties. Generally, our "all-risk" property policies provide coverage that is available on a per occurrence basis and that, for each occurrence, has an overall limit, as well as various sub-limits, on the amount of insurance proceeds we can receive. Sub-limits exist for certain types of claims such as service interruption, abatement, expediting costs, landscaping replacement and natural disasters such as earthquakes and hurricanes. The dollar amounts of these sub-limits are significantly lower than the dollar amounts of the overall coverage limit. In this regard, hotels in certain of our markets, including California and Florida have in the past and continue to be particularly susceptible to damage from earthquakes and hurricanes. Recovery under the applicable policies is also subject to substantial deductibles and complex calculations of lost business income. There is no assurance that this insurance, where maintained, will fully fund the re-building or restoration of a hotel impacted by an earthquake, hurricane or other natural disasters, or the income lost as a result of the damage. Our property policies also provide that all of the claims from each of our properties resulting from a particular insurable event must be combined together for purposes of evaluating whether the aggregate limits and sub-limits contained in our policies have been exceeded and, in the case where the manager of one of our hotels provides this coverage, any such claims will also be combined with the claims of other owners participating in the managers' program for the same purpose. Therefore, if an insurable event occurs that affects more than one of our hotels, or, in the case of hotels where coverage is provided by the management company, affects hotels owned by others, the claims from each affected hotel will be added together to determine whether the aggregate limit or sub-limits, depending on the type of claim, have been reached. Each affected hotel may only receive a proportional share of the amount of insurance proceeds provided for under the policy if the total value of the loss exceeds the aggregate limits available. We may incur losses in excess of insured limits and, as a result, we may be even less likely to receive complete coverage for risks that affect multiple properties such as earthquakes, hurricanes or certain types of terrorism.

In addition, there are other risks, such as certain environmental hazards, that may be deemed to fall completely outside the general coverage limits of our policies or may be uninsurable or too expensive to justify coverage. We may also encounter challenges with an insurance provider regarding whether it will pay a particular claim that we believe to be covered under our policy. Should a loss in excess of insured limits or an uninsured loss occur, or should we be unsuccessful in obtaining coverage from an insurance carrier, we could lose all or a part of the capital we have invested in a property, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

Finally, the current disruption in financial markets makes it more difficult to evaluate the stability and net assets or capitalization of insurance companies, and any insurer's ability to meet its claim payment obligations.

Litigation judgments or settlements could have a significant adverse effect on our financial condition.

We are involved in various legal proceedings in the normal course of business. We are vigorously defending each of these claims. Currently, none of these claims seeks relief that, if granted, would have a significant effect on our financial condition or results of operations. However, we could become the subject of claims by the operators of our hotels, individuals or companies who use our hotels, our investors, or regulating entities, which could have a significant adverse effect on our financial condition and performance.

We may be subject to unknown or contingent liabilities related to hotels or businesses we acquire.

Assets and entities that we have acquired or may in the future acquire may be subject to unknown or contingent liabilities for which we may have no recourse, or only limited recourse, against the sellers. In general, the representations and warranties provided under the transaction agreements may not survive the closing of the transactions. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification is often limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that may be incurred with respect to liabilities associated with acquired hotels and entities may exceed our expectations, plus we may experience other unanticipated adverse effects, all of which may adversely affect our revenues, expenses, operating results and financial condition. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. While the sellers are generally contractually obligated to pay all losses and other expenses relating to such retained liabilities without regard to survival limitations, materiality thresholds, deductibles or caps on losses, there can be no guarantee that such arrangements will not require us to incur losses or other expenses as well.

We depend on our key personnel.

Our success depends on the efforts of our executive officers and other key personnel. None of our key personnel have employment agreements and we do not maintain key person life insurance for any of our executive officers. We cannot assure you that these key personnel will remain employed by us. While we believe that we could find replacements for these key personnel, the loss of their services could have a significant adverse effect on our financial performance.

Exchange rate fluctuations could adversely affect our financial results.

As a result of the expansion of Host's international operations, currency exchange rate fluctuations could affect its results of operations and financial position. Host expects to generate an increasing portion of its revenue and its expenses in such foreign currencies as the Euro, the Canadian Dollar, the Mexican Peso, the British Pound, the Polish Zloty and the Chilean Peso. Although Host may enter into foreign exchange agreements with financial institutions to reduce its exposure to fluctuations in the value of these and other foreign currencies, these hedging transactions, if entered into, will not eliminate that risk entirely. In addition, to the extent that Host is unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations could have a negative impact on Host's results of operations and financial condition. Additionally, because Host's consolidated financial results are reported in US Dollars, if Host generates revenues or earnings in other currencies, the translation of those results into US Dollars can result in a significant increase or decrease in the amount of those revenues or earnings.

Applicable REIT laws may restrict certain business activities.

As a REIT we are subject to various restrictions on our income, assets and activities. Business activities that could be impacted by applicable REIT laws include, but are not limited to, activities such as developing alternative uses of real estate, including the development and/or sale of timeshare or condominium units. Due to these restrictions, we anticipate that we will conduct certain business activities, including those mentioned above, in one or more of our taxable REIT subsidiaries. Our taxable REIT subsidiaries are taxable as regular C corporations and are subject to federal, state, local, and, if applicable, foreign taxation on their taxable income at applicable corporate income tax rates.

We may be unable to sell properties because real estate investments are inherently illiquid.

Real estate properties generally cannot be sold quickly and, accordingly, we may not be able to vary our portfolio promptly in response to economic or other conditions. The inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and our ability to service our debt. In addition, there are limitations under the federal income tax laws applicable to REITs that may limit our ability to recognize the full economic benefit from a sale of our assets.

Our ground lease payments may increase faster than the revenues we receive on the hotels situated on the leased properties.

As of December 31, 2008, 35 of our hotels are subject to third-party ground leases (encumbering all or a portion of the hotel). These ground leases generally require periodic increases in ground rent payments, which are often based on economic indicators such as the Consumer Price Index. Our ability to pay ground rental could be adversely affected to the extent that our revenues do not increase at the same or a greater rate than the increases in rental payments under the ground leases. In addition, if we were to sell a hotel encumbered by a ground lease, the buyer would have to assume the ground lease, which may result in a lower sales price.

Environmental problems are possible and can be costly.

We believe that our properties comply in all material respects with applicable environmental laws. Unidentified environmental liabilities could arise, however, and could have a material adverse effect on our financial condition and performance. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and remediate hazardous or toxic substances or petroleum product releases at the property. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and remediation costs incurred by the parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. Environmental laws also govern the presence, maintenance and removal of asbestos. These laws require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, that they notify and train those who may come into contact with asbestos and that they undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Compliance with other government regulations can be costly.

Our hotels are subject to various other forms of regulation, including Title III of the Americans with Disabilities Act, building codes and regulations pertaining to fire safety. Compliance with those laws and regulations could require substantial capital expenditures. These regulations may be changed from time to time, or new regulations adopted, resulting in additional costs of compliance, including potential litigation. Any increased costs could have a material adverse effect on our business, financial condition or results of operations.

Risks of Ownership of Host’s Common Stock

There are limitations on the acquisition of Host common stock and changes in control.

Host’s charter and bylaws, the partnership agreement of Host LP, and the Maryland General Corporation Law contain a number of provisions, the exercise or existence of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for our stockholders or Host LP unit holders or otherwise be in their best interests, including the following:

- **Restrictions on ownership and transfer of Host’s stock.** To maintain Host’s qualification as a REIT for federal income tax purposes, not more than 50% in value of Host’s outstanding shares of capital stock may be owned in the last half of the taxable year, directly or indirectly, by five or fewer individuals, which, as defined in the Internal Revenue Code (the “Code”), may include certain entities. Because such ownership could jeopardize Host’s qualification as a REIT, a person cannot own, directly or by attribution, 10% or more of an interest in a Host lessee, nor can a Host lessee of any partnership in which Host is a partner own, directly or by attribution, 10% or more of Host’s shares, in each case unless exempted by Host’s Board of Directors.

  Host’s charter prohibits ownership, directly or by virtue of the attribution provisions of the Code, by any person or persons acting as a group, of more than 9.8% in value or number, whichever is more restrictive, of shares of Host's outstanding common stock, preferred stock or any other stock, each considered as a separate class or series for this purpose. Together, these limitations are referred to as the "ownership limit."

Stock acquired or held in violation of the ownership limit will be transferred automatically to a trust for the benefit of a designated charitable beneficiary, and the person who acquired the stock in violation of the ownership limit will not be entitled to any distributions thereon, to vote those shares of stock or to receive any proceeds from the subsequent sale of the stock in excess of the lesser of the price paid for the stock or the amount realized from the sale. A transfer of shares of Host's stock to a person who, as a result of the transfer, violates the ownership limit may be void under certain circumstances, and, in any event, would deny that person any of the economic benefits of owning shares of Host's stock in excess of the ownership limit. These restrictions on transferability and ownership will not apply if Host's Board of Directors determines that it is no longer in our best interests to continue to qualify as a REIT.

- **Removal of Board of Directors.** Host's charter provides that, except for any directors who may be elected by holders of a class or series of shares of capital stock other than common stock, directors may be removed only for cause and only by the affirmative vote of stockholders holding at least two-thirds of all the votes entitled to be cast in the election of directors. Vacancies on Host's Board of Directors may be filled by the concurring vote of a majority of the remaining directors (except that a vacancy resulting from an increase in the number of directors must be filled by a majority vote of the entire Board of Directors) and, in the case of a vacancy resulting from the removal of a director by the stockholders, by at least two-thirds of votes entitled to be cast in the election of directors.
- **Preferred shares; classification or reclassification of unissued shares of capital stock without stockholder approval.** Host's charter provides that the total number of shares of stock of all classes that we have authority to issue is 800,000,000, initially consisting of 750,000,000 shares of common stock and 50,000,000 shares of preferred stock. Host's Board of Directors has the authority, without a vote of stockholders, to classify or reclassify any unissued shares of stock, including common stock into preferred stock or vice versa, and to establish the preferences and rights of any preferred or other class or series of shares to be issued. Because the Board of Directors has the power to establish the preferences and rights of additional classes or series of stock without a stockholder vote, Host's Board of Directors may give the holders of any class or series of stock preferences, powers and rights, including voting rights, senior to the rights of holders of existing stock.
- **Maryland business combination law.** Under the Maryland General Corporation Law, specified "business combinations," including specified issuances of equity securities, between a Maryland corporation and any person who owns 10% or more of the voting power of the corporation's then outstanding shares, or an affiliate or associate of the corporation who at any time during the two year period prior to the date in question owned 10% or more of the voting power of the outstanding stock of the corporation (each, an "interested stockholder"), or an affiliate of the interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any of these specified business combinations must be approved by 80% of the votes entitled to be cast by the holders of outstanding voting shares and by two-thirds of the votes entitled to be cast by the holders of voting shares other than voting shares held by an interested stockholder unless, among other conditions, the corporation's common stockholders receive a minimum price, as defined in the Maryland General Corporation Law, for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder. As a Maryland corporation, Host is subject to the Maryland business combination statute. The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. The Board of Directors has not granted any such exceptions at this time.
- **Maryland control share acquisition law.** Under the Maryland General Corporation Law, "control shares" acquired in a "control share acquisition" have no voting rights except to the extent approved by

a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiror, by officers or by directors who are employees of the corporation. “Control shares” are voting shares which, if aggregated with all other voting shares previously acquired by the acquiror or over which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority or (3) a majority or more of the voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A “control share acquisition” means the acquisition of control shares, subject to specified exceptions. Our bylaws contain a provision exempting us from the control share provisions of Maryland law. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

- **Merger, consolidation, share exchange and transfer of Host’s assets.** Under Maryland law and Host’s charter, subject to the terms of any outstanding class or series of capital stock, we can merge with or into another entity, consolidate with one or more other entities, participate in a share exchange or transfer Host’s assets within the meaning of the Maryland General Corporation Law if approved (1) by Host’s Board of Directors in the manner provided in the Maryland General Corporation Law and (2) by Host’s stockholders holding two-thirds of all the votes entitled to be cast on the matter, except that any merger of Host with or into a trust organized for the purpose of changing Host’s form of organization from a corporation to a trust requires only the approval of Host’s stockholders holding a majority of all votes entitled to be cast on the merger. Under the Maryland General Corporation Law, specified mergers may be approved without a vote of stockholders and a share exchange is only required to be approved by a Maryland corporation by its Board of Directors if the corporation is the successor entity. Host’s voluntary dissolution also would require approval of stockholders holding two-thirds of all the votes entitled to be cast on the matter.
- **Certain charter and bylaw amendments.** Host’s charter contains provisions relating to restrictions on transferability of Host’s stock, fixing the size of the Board of Directors within the range set forth in the charter, removal of directors, the filling of vacancies, exculpation and indemnification of directors, calling special stockholder meetings and others, all of which may be amended only by a resolution adopted by the Board of Directors and approved by Host’s stockholders holding two-thirds of the votes entitled to be cast on the matter. Other charter amendments generally require approval of the Board and the affirmative vote of a majority of the votes entitled to be cast on the matter. As permitted under the Maryland General Corporation Law, Host’s bylaws provide that directors have the exclusive right to amend Host’s bylaws. These provisions may make it more difficult to amend Host’s charter and bylaws to alter the provisions described herein that could delay, defer or prevent a transaction or a change in control or the acquisition of Host common stock, without the approval of the Board of Directors.

Shares of Host’s common stock that are or become available for sale could affect the share price.

Sales of a substantial number of shares of Host’s common stock, or the perception that sales could occur, could adversely affect prevailing market prices for Host’s common stock. In addition, holders of units of limited partnership interest of Host LP, whose OP units may be redeemed, at Host’s election, in exchange for common stock, will be able to sell those shares freely, unless the person is our affiliate and resale of the affiliate’s shares is not covered by an effective registration statement. Further, a substantial number of shares of Host’s common stock have been and will be issued or reserved for issuance from time to time under our employee benefit plans, including shares of common stock reserved for options, or pursuant to securities we may issue that are convertible into shares of Host common stock or securities (other than OP units) that Host LP has issued that are exchangeable for shares of our common stock. As of December 31, 2008, there are approximately 15.1 million OP units outstanding that are redeemable and $400 million principal amount of exchangeable senior debentures of Host LP issued in 2004 that could become exchangeable under certain conditions for approximately 25 million shares of Host common stock (subject to adjustment for various reasons, including as a result of the payment of dividends to common stockholders). In 2007, we also issued an additional $600 million principal amount of exchangeable debentures, the principal portion of which is cash-settled, therefore, no shares would be issued unless our share price exceeded the exchange rate of the 2007 Debentures of $31.90 as of December 31, 2008. Moreover, additional shares of common stock issued by Host would be available in the future for sale in the public markets. We can make no prediction about the effect that future sales of common stock would have on the market price of Host common stock.

Our earnings and cash distributions will affect the market price of shares of Host's common stock.

We believe that the market value of a REIT's equity securities is based primarily upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, whether from operations, sales, acquisitions, development or refinancings, and is secondarily based upon the value of the underlying assets. For that reason, shares of Host's common stock may trade at prices that are higher or lower than the net asset value per share. To the extent we retain operating cash flow for investment purposes, working capital reserves or other purposes rather than distributing the cash flow to stockholders, these retained funds, while increasing the value of our underlying assets, may negatively impact the market price of Host's common stock. Our failure to meet the market's expectation with regard to future earnings and cash distributions would likely adversely affect the market price of Host's common stock.

Market interest rates may affect the price of shares of Host's common stock.

We believe that one of the factors that investors consider important in deciding whether to buy or sell shares of a REIT is the dividend rate on the shares, considered as a percentage of the price of the shares, relative to market interest rates. If market interest rates increase, prospective purchasers of REIT shares may expect a higher dividend rate. Thus, higher market interest rates could cause the market price of Host's shares to decrease.

Federal Income Tax Risks

To qualify as a REIT, each of Host and its subsidiary REITs are required to distribute at least 90% of its taxable income, excluding net capital gain, regardless of available cash or outstanding obligations.

To continue to qualify as a REIT, we are required to distribute to our stockholders with respect to each year at least 90% of our taxable income, excluding net capital gain. To the extent that we satisfy this distribution requirement but distribute less than 100% of our taxable income and net capital gain for the taxable year, we will be subject to federal and state corporate income tax on our undistributed taxable income and net capital gain. In addition, we will be subject to a nondeductible 4% excise tax on the amount, if any, by which distributions made by us with respect to the calendar year are less than the sum of 85% of our ordinary income and 95% of our net capital gain for that year and any undistributed taxable income from prior years less excess distributions from prior years. We intend to make distributions, subject to the availability of cash and in compliance with any debt covenants, to our stockholders to comply with the distribution requirement and to avoid the imposition of a significant nondeductible 4% excise tax and will rely for this purpose on distributions from Host LP and its subsidiaries. We may incur a nominal nondeductible 4% excise tax for 2008, depending on the amount of our final 2008 taxable income. There are differences in timing between our recognition of taxable income and our receipt of cash available for distribution due to, among other things, the seasonality of the lodging industry and the fact that some taxable income will be "phantom" income, which is taxable income that is not matched by cash flow. Due to transactions entered into in years prior to Host's conversion to a REIT, Host could recognize substantial amounts of "phantom" income. It is possible that these differences between taxable income and the receipt of related cash could require us to borrow funds or to issue additional equity to enable Host to meet the distribution requirement and, therefore, to maintain our REIT status, and to avoid the nondeductible 4% excise tax. In addition, because the REIT distribution requirement prevents Host from retaining earnings, we will generally be required to refinance debt at its maturity with additional debt or equity. It is possible that any of these sources of funds, if available at all, would not be sufficient to meet Host's distribution and tax obligations.

As a result of an acquisition in 2006, Host owns, through Host LP, 100% of the outstanding common stock (and a portion of the outstanding preferred stock) of two entities that have elected to be treated as REITs. Each of these subsidiary REITs of Host will be subject to the same requirements that Host must satisfy in order to qualify as a REIT, including the distribution requirements described above.

Adverse tax consequences would apply if Host or any of its subsidiary REITs fail to qualify as a REIT.

We believe that Host has been organized and has operated in such a manner so as to qualify as a REIT under the Code, commencing with our taxable year beginning January 1, 1999, and Host currently intends to continue to operate as a REIT during future years. In addition, Host owns, through Host LP, two entities as of December 31, 2008, that have elected to be treated as REITs. As the requirements for qualification and taxation as a REIT are extremely complex and interpretations of the federal income tax laws governing qualification and taxation as a REIT are limited, no assurance can be provided that Host currently qualifies as a REIT or will continue to qualify as a REIT or that each of Host's subsidiary REITs qualify as a REIT. If any of the subsidiary REITs were to fail to qualify as a REIT, it is possible that Host would fail to qualify as a REIT unless we (or the subsidiary REIT) could avail ourselves (itself) of certain relief provisions. New legislation, treasury regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to an entity's qualification as a REIT or the federal income tax consequences of its REIT qualification. If Host or any of the subsidiary REITs were to fail to qualify as a REIT, and any available relief provisions did not apply, the non-qualifying REIT would not be allowed to take a deduction for distributions to its stockholders in computing its taxable income, and it would be subject to federal and state corporate income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Moreover, unless entitled to statutory relief, the non-qualifying REIT would not qualify as a REIT for the four taxable years following the year during which REIT qualification was lost.

Any determination that Host or one of our subsidiary REITs does not qualify as a REIT would have a material adverse effect on our results of operations and could reduce the value of our common stock materially. The additional tax liability of Host or the subsidiary REIT for the year, or years, in which the relevant entity did not qualify as a REIT would reduce its net earnings available for investment, debt service or distributions to stockholders. Furthermore, the non-qualifying entity would no longer be required to make any distributions to stockholders as a condition to REIT qualification and all of its distributions to stockholders would be taxable as ordinary C corporation dividends to the extent of its current and accumulated earnings and profits. This means that if Host were to fail to qualify as a REIT, Host's stockholders currently taxed as individuals would be taxed on those dividends at capital gain rates and our corporate stockholders generally would be entitled to the dividends received deduction with respect to such dividends, subject in each case, to applicable limitations under the Code. Host's failure to qualify as a REIT also would cause an event of default under Host LP's credit facility that could lead to an acceleration of the amounts due under the credit facility, which, in turn, would constitute an event of default under Host LP's outstanding debt securities.

If our leases are not respected as true leases for federal income tax purposes, each of Host and its subsidiary REITs would fail to qualify as a REIT.

To qualify as a REIT, Host must satisfy two gross income tests, pursuant to which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to the hotel leases with our TRS subsidiaries, which currently constitutes substantially all of Host's and each of our subsidiary REITs' gross income, to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and must not be treated as service contracts, joint ventures or some other type of arrangement. We believe that the leases will be respected as true leases for federal income tax purposes. There can be no assurance, however, that the IRS will agree with this characterization. If the leases were not respected as true leases for federal income tax purposes, neither Host nor any of our subsidiary REITs would be able to satisfy either of the two gross income tests applicable to REITs and each would likely lose its REIT status.

If our affiliated lessees fail to qualify as taxable REIT subsidiaries, each of Host and its subsidiary REITs would fail to qualify as a REIT.

Rent paid by a lessee that is a “related party tenant” of Host will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease substantially all of our hotels to our subsidiary that is taxable as a regular C corporation and that has elected to be treated as a taxable REIT subsidiary with respect to Host. So long as any affiliated lessee qualifies as a taxable REIT subsidiary, it will not be treated as a “related party tenant.” We believe that our affiliated lessees have qualified and will continue to qualify, and that the taxable REIT subsidiaries of our subsidiary REITs have qualified and will continue to qualify, to be treated as taxable REIT subsidiaries for federal income tax purposes. There can be no assurance, however, that the IRS will not challenge the status of a taxable REIT subsidiary for federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying any of our affiliated lessees (including the taxable REIT subsidiaries of our subsidiary REITs) from treatment as a taxable REIT subsidiary, it is possible that Host or a subsidiary REIT would fail to meet the asset tests applicable to REITs and substantially all of its income would fail to qualify for the gross income tests. If Host or a subsidiary REIT failed to meet either the asset or gross income tests, each would likely lose its REIT status.

Despite the REIT status of each of Host and its subsidiary REITs, we remain subject to various taxes.

One of Host’s subsidiary REITs will be required to pay federal income tax at the highest regular corporate rate on “built-in gain” recognized as a result of any sale of a hotel asset before the expiration of the applicable 10-year holding period of assets, including certain hotels acquired from Starwood and its affiliates in 2006. The total amount of gain on which the subsidiary REIT would be subject to corporate income tax if all of its built-in gain assets were sold in a taxable transaction prior to the expiration of the applicable 10-year holding period would be material to it. In addition, we expect that we could recognize other substantial deferred tax liabilities in the future without any corresponding receipt of cash.

Notwithstanding their status as a REIT, Host and our subsidiaries (including our subsidiary REITs) will be subject to some federal, state, local and foreign taxes on their income and property. For example, Host and our subsidiary REITs will pay tax on certain types of income that is not distributed and will be subject to a 100% excise tax on transactions with a taxable REIT subsidiary that are not conducted on an arm’s length basis. Moreover, the taxable REIT subsidiaries of Host and our subsidiary REITs are taxable as regular C corporations and will pay federal, state and local income tax on their net income at the applicable corporate rates, and foreign taxes to the extent they own assets or conduct operations in foreign jurisdictions.

Host LP is obligated under its partnership agreement to pay all such taxes (and any related interest and penalties) incurred by Host.

If the IRS were to challenge successfully Host LP’s status as a partnership for federal income tax purposes, Host would cease to qualify as a REIT and suffer other adverse consequences.

We believe that Host LP qualifies to be treated as a partnership for federal income tax purposes. As a partnership, it is not subject to federal income tax on its income. Instead, each of its partners, including Host, is required to pay tax on such partner’s allocable share of its income. No assurance can be provided, however, that the IRS will not challenge Host LP’s status as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating Host LP as a corporation for federal income tax purposes, Host would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, cease to qualify as a REIT. If Host LP fails to qualify as a partnership for federal income tax purposes or Host fails to qualify as a REIT, either failure would cause an event of default under Host LP’s credit facility that, in turn, could constitute an event of default under Host LP’s outstanding debt securities. Also, the failure of Host LP to qualify as a partnership for federal income tax purposes would cause it to become subject to federal, state and foreign corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including Host.

As a REIT, each of Host and its subsidiary REITs is subject to limitations on its ownership of debt and equity securities.

Subject to certain exceptions, a REIT is generally prohibited from owning securities in any one issuer to the extent that (1) the value of those securities exceeds 5% of the value of the REIT's total assets, (2) the securities owned by the REIT represent more than 10% of the issuer's outstanding voting securities, or (3) the REIT owns more than 10% of the value of the issuer's outstanding securities. A REIT is permitted to own securities of a subsidiary in an amount that exceeds the 5% value test and the 10% vote or value test if the subsidiary elects to be a taxable REIT subsidiary. However, a REIT may not own securities of taxable REIT subsidiaries that represent in the aggregate more than 20% (25% for tax years beginning after July 30, 2008) of the value of the REIT's total assets. If Host or any of its subsidiary REITs were to violate these ownership limitations, each would likely lose its REIT status.

Each of Host or its subsidiary REITs may be required to pay a penalty tax upon the sale of a hotel.

The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a "prohibited transaction" that is subject to a 100% excise tax. Under existing law, whether property, including hotels, is held as inventory or primarily for sale to customers in the ordinary course of business is a question of fact that depends upon all of the facts and circumstances with respect to the particular transaction. We intend to hold our hotels for investment with a view to long-term appreciation, to engage in the business of acquiring and owning hotels and to make occasional sales of hotels consistent with our investment objectives. There can be no assurance, however, that the IRS might not contend that one or more of these sales are subject to the 100% excise tax.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

See Section "Our Hotel Properties" of Item 1 above for a discussion of our hotel properties.

Item 3. Legal Proceedings

We are involved in various legal proceedings in the normal course of business. On April 27, 2005, we initiated suit against Keystone-Texas Property Holding Corporation ("Keystone") in the 73rd Judicial District Court of Bexar County, Texas, Case No. 05-CI-14229, seeking a declaration that a provision of our ground lease for the property under the San Antonio Marriott Rivercenter Hotel was valid and claiming that Keystone had breached that lease provision. On April 6, 2006, a Bexar County Court granted an interlocutory motion for summary judgment that the provision was not valid and the lease provision had not been breached. Thereafter, on October 18, 2006, Keystone filed an amended counterclaim and later, a third party claim, alleging that we tortiously interfered with Keystone's attempted sale of the property and that we slandered Keystone's title to the property. We believe that our actions were entirely lawful.

We are vigorously defending this claim and all other claims; however, no assurance can be given as to the outcome of any pending legal proceedings. We believe that the final resolution of any of these claims will not have a material adverse effect on our financial condition.

Item 4. Submission of matters to a vote of security holders

None.

EXECUTIVE OFFICERS

In the following table we set forth certain information regarding those persons currently serving as our executive officers as of February 23, 2009.

Name and Title	Age	Business Experience Prior to Becoming an Executive Officer of the Company
Richard E. Marriott *Chairman of the Board*	70	Richard E. Marriott joined our company in 1965 and has served in various executive capacities. In 1979, Mr. Marriott was elected to the Board of Directors. In 1984, he was elected Executive Vice President and in 1986, he was elected Vice Chairman of the Board of Directors. In 1993, Mr. Marriott was elected Chairman of the Board.
W. Edward Walter *President, Chief Executive Officer and Director*	53	W. Edward Walter joined our company in 1996 as Senior Vice President for Acquisitions, and was elected Treasurer in 1998, Executive Vice President in 2000, Chief Operating Officer in 2001, Chief Financial Officer in 2003 and President, Chief Executive Officer and Director in October 2007.
Elizabeth A. Abdoo *Executive Vice President, General Counsel and Secretary*	50	Elizabeth A. Abdoo joined our company in June 2001 as Senior Vice President and General Counsel and became Executive Vice President in February 2003. She was elected Secretary in August 2001.
Minaz Abji *Executive Vice President, Asset Management*	55	Minaz Abji joined our company in 2003 as Executive Vice President, Asset Management. Prior to joining us, Mr. Abji was President of Canadian Hotel Income Properties REIT, a Canadian REIT located in Vancouver, British Columbia where he worked since 1998.
Larry K. Harvey *Executive Vice President, Chief Financial Officer and Treasurer*	44	Larry K. Harvey rejoined our company in February 2003 as Senior Vice President and Corporate Controller. In February 2006, he was promoted to Senior Vice President, Chief Accounting Officer. He was elected Executive Vice President, Chief Financial Officer and Treasurer in November 2007. Prior to joining us, he served as Chief Financial Officer of Barceló Crestline Corporation, formerly Crestline Capital Corporation. Prior to that, he was our Vice President of Corporate Accounting, before the spin-off of Crestline in 1998.
Gregory J. Larson *Executive Vice President, Corporate Strategy and Fund Management*	44	Gregory J. Larson joined our company in October 1993. In 1998, Mr. Larson joined the Treasury group as Vice President of Corporate Finance. He assumed leadership of the Investor Relations department in 2000, was promoted to Senior Vice President in 2002, and was elected Treasurer in 2005. In November 2007, Mr. Larson was selected to lead our corporate strategy and fund management business and elected to Executive Vice President.
James F. Risoleo *Executive Vice President, Chief Investment Officer*	53	James F. Risoleo joined our company in 1996 as Senior Vice President for Acquisitions, and was elected Executive Vice President in 2000. He is responsible for our development, acquisition and disposition activities, including oversight of our European and Asian joint venture investments.

Name and Title	Age	Business Experience Prior to Becoming an Executive Officer of the Company
Brian G. Macnamara *Senior Vice President, Corporate Controller*	49	Brian G. Macnamara joined our company in February 1996, was promoted to Vice President, Assistant Corporate Controller in February 2007, and was elected Senior Vice President, Corporate Controller in September 2007. Prior to serving as Assistant Corporate Controller, Mr. Macnamara served as Vice President, Financial Reporting and Corporate Real Estate.
Pamela K. Wagoner *Senior Vice President, Human Resources*	45	Pamela K. Wagoner joined our company in October 2001 as Vice President for Human Resources and became Senior Vice President in February 2003.

PART II

Item 5. Market for Registrant's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is listed on the New York Stock Exchange and trades under the symbol "HST." The following table sets forth, for the fiscal periods indicated, the high and low closing sales prices per share of our common stock as reported on the New York Stock Exchange Composite Tape and dividends declared per share:

	Stock Price		Dividends Declared
	High	Low	Per Share
2007			
1st Quarter	$28.71	$23.89	$ 0.20
2nd Quarter	27.04	23.31	0.20
3rd Quarter	26.01	20.35	0.20
4th Quarter	23.40	16.71	0.40
2008			
1st Quarter	$17.41	$15.57	$ 0.20
2nd Quarter	18.76	15.28	0.20
3rd Quarter	15.51	11.14	0.20
4th Quarter	17.00	5.06	0.05

Under the terms of our senior notes indenture and the credit facility, our ability to pay dividends and make other payments is dependent on our ability to satisfy certain financial requirements. See "Management Discussion and Analysis of Results of Operations and Financial Condition—Financial Condition" and "Risk Factors—Financial Risks and Risks of Operation—Our ability to pay dividends may be limited or prohibited by the terms of our indebtedness or preferred stock."

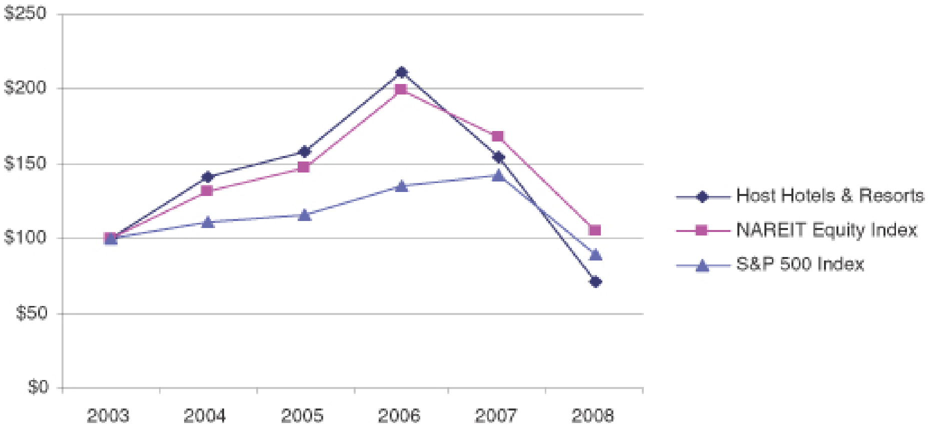
As of February 23, 2009, there were 34,904 holders of record of our common stock. However, because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we believe that there are considerably more beneficial holders of our common stock than record holders. As of February 23, 2009, there were 2,024 holders of OP units (in addition to Host). OP units are redeemable for cash, or, at our election, convertible into Host common stock.

Our ability to qualify as a REIT under the Internal Revenue Code is facilitated by limiting the number of shares of our stock that a person may own. Our charter provides that, subject to limited exceptions, no person or persons acting as a group may own, or be deemed to own by virtue of the attribution provisions of the Internal Revenue Code, more than 9.8% in value or in number, whichever is more restrictive, of shares of Host's outstanding common stock, preferred stock or any other stock, each considered as a separate class or series for this purpose. The Board of Directors has the authority to increase the ownership limit from time to time, but does not have the authority to do so to the extent that after giving effect to such increase, any five beneficial owners of capital stock could beneficially own in the aggregate more than 49.5% of the outstanding capital stock. See "Risk Factors—Risks Related to Ownership of Host's Common Stock—There are limitations on the acquisition of Host common stock and changes in control."

Stockholder Return Performance

The following graph compares the five-year cumulative total stockholder return on our common stock against the cumulative total returns of the Standard & Poor’s Corporation Composite 500 Index and the National Association of Real Estate Investment Trust (“NAREIT”) Equity Index. The graph assumes an initial investment of $100 in our common stock and in each of the indexes, and also assumes the reinvestment of dividends.

Comparison of Five-Year Cumulative Stockholder Returns 2003—2008



	2003	2004	2005	2006	2007	2008
Host Hotels & Resorts	$ 100.00	$ 140.89	$ 158.06	$ 211.76	$ 154.17	$ 71.82
NAREIT Equity Index	$ 100.00	$ 131.58	$ 147.58	$ 199.32	$ 168.05	$ 104.65
S&P 500 Index	$ 100.00	$ 110.85	$ 116.31	$ 134.74	$ 142.10	$ 89.64

This performance graph shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing of Host or Host LP (or any of their respective subsidiaries) under the Securities Act of 1933, as amended, or the Securities Exchange Act except as shall be expressly set forth by specific reference in such filing.

Fourth Quarter 2008 Purchases of Equity Securities

Period	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (Or Approximate Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs† (in millions)
September 6, 2008— October 5, 2008	97,017*	$ —	—	$ 400
October 6, 2008— November 5, 2008	—	$ —	—	$ 359
November 6, 2008— December 5, 2008	54,033**	$ 6.45**	—	$ 318
December 6, 2008— December 31, 2008	—	$ —	—	$ 318
Total	151,050	$ 6.45	—	$ 318

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

** Reflects 42,439 shares of restricted common stock forfeited for failure to meet vesting criteria and 11,594 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 $6.45 purchase price is the average price of Host common stock on the date of release for those 11,594 shares).

† On February 20, 2008, Host announced that its Board of Directors had authorized a program to repurchase up to $500 million of common stock and equity related securities in open market transactions or through private transactions. The plan does not obligate Host to repurchase any specific number of shares and may be suspended at any time. There is no expiration date for the program. Common shares in the aggregate amount of $100 million were repurchased during the first three quarters of 2008 and no common shares were repurchased as part of this program during the fourth quarter. However, Host LP did repurchase $100 million aggregate principal amount of its 3.25% exchangeable senior debentures during the period which, under the terms of the Board authorization, reduced the amount eligible for common share repurchases by Host by the approximate $82 million in cash paid for the debentures. As a result of these purchases, we currently have approximately $318 million left under the Board of Directors' authorization for future repurchases.

Fourth Quarter Sales of Unregistered Securities

At various times during the fourth quarter, we issued shares of our common stock upon exchanges of OP units of Host LP by the holders thereof. In each case, one share of Host common stock was issued in exchange for one OP unit of Host LP. All of the shares were issued pursuant to the private placement exemption from registration provided by Section 4(2) of the Securities Act. Set forth below are the dates of issuance, the entity receiving the shares and the amount of shares received.

Date	Recipient	Common Shares Received
9/15/08	Landmark Hospitality Services, Inc.	586,700
9/30/08	Douglas Manchester	1,723,948
9/30/08	Landmark Hospitality Services, Inc.	500,000
9/30/08	Interhotel Company Ltd.	1,060,754
10/01/08	Landmark Hospitality Services, Inc.	586,700
10/31/08	Landmark Hospitality Services, Inc.	586,806
11/21/08	Landmark Hospitality Services, Inc.	586,700
12/12/08	Landmark Hospitality Services, Inc.	586,700
	Total	6,218,308

Item 6. Selected Financial Data

The following table presents certain selected historical financial data which has been derived from audited consolidated financial statements for the five years ended December 31, 2008. The following information should be read in conjunction with the financial statements and related notes and "Management's Discussion and Analysis of Results of Operations and Financial Condition":

	Calendar year				
	2008	2007	2006	2005	2004
	(in millions, except per share amounts)				
Income Statement Data:					
Revenues	$ 5,288	$ 5,411	$ 4,802	$3,690	$3,391
Income (loss) from continuing operations	402	546	291	112	(91)
Income from discontinued operations(1)	25	181	447	54	91
Net income (loss)	427	727	738	166	—
Net income (loss) available to common stockholders	418	718	718	135	(41)
Basic earnings (loss) per common share:					
Income (loss) from continuing operations	.75	1.03	.56	.23	(.39)
Income from discontinued operations	.05	.35	.93	.15	.27
Net income (loss)	.80	1.38	1.49	.38	(.12)
Diluted earnings (loss) per common share:					
Income (loss) from continuing operations	.71	1.00	.56	.23	(.39)
Income from discontinued operations	.05	.33	.92	.15	.27
Net income (loss)	.76	1.33	1.48	.38	(.12)
Cash dividends declared per common share	.65	1.00	.76	.41	.05
Balance Sheet Data:					
Total assets	$11,951	$11,812	$11,808	$8,245	$8,421
Debt	5,952	5,625	5,878	5,370	5,523
Preferred stock	97	97	97	241	337

(1) Discontinued operations reflects the operations of properties classified as held for sale, the results of operations of properties sold and the gain or loss on those dispositions.

Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition

The following discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

Overview

As of February 23, 2009, we own 116 luxury and upper-upscale hotel properties and we are the largest lodging REIT in the National Association of Real Estate Investment Trust's composite index. A REIT is a legal entity that owns real estate assets and, through payments of dividends to stockholders, is permitted to reduce or eliminate federal income taxes at the corporate level. Host operates as a self-managed and self-administered REIT and owns approximately 97% of the partnership interests of Host Hotels & Resorts, L.P., or Host LP.

Our hotels are operated under brand names that are among the most respected and widely recognized in the lodging industry. The majority of our properties are located in central business districts of major cities, near airports and in resort/conference destinations that benefit from significant barriers to entry by competitors. In 2008, approximately 75% of our revenues were generated by our urban and resort/conference hotels. The classification of a property as luxury or upper-upscale is based on lodging industry standards, which take into consideration many factors such as guest facilities and amenities, level of service and quality of accommodations. While our hotels are still subject to competitive pressures, we believe this strategy will allow us to achieve room rate and occupancy premiums over our competitors. We seek to maximize the value of our portfolio through aggressive asset management by assisting the managers of our hotels in optimizing property operations and by completing strategic capital improvements.

Our Customers

The majority of our customers fall into three broad groups: transient business, group business, and contract business, which accounted for approximately 54%, 41% and 5%, respectively, of our 2008 room sales. Similar to the majority of the lodging industry, we further categorize business within these categories based on characteristics they have in common as follows:

Transient business broadly represents individual business or leisure travelers. Business travelers make up the majority of transient demand at our hotels, with leisure travelers making up the remainder. Therefore, we will be more significantly affected by trends in business travel versus leisure demand. The four key subcategories of the transient business group are:

- Premium: Sometimes referred to as "rack rate," typically consists of rooms booked close to arrival during high demand periods and is the highest rate category available. Room rates will fluctuate depending on anticipated demand levels (e.g. seasonality, weekday vs. weekend stays).
- Corporate: This is the benchmark rate which a hotel publishes and offers to the general public. It is typically the second highest category, and is for travelers that do not have access to negotiated or discount rates.
- Special Corporate: This is a negotiated rate offered to companies and organizations that provide significant levels of room night demand to the hotel or to hotel brands generally. These rates are typically negotiated annually, at a discount to the anticipated corporate rate.
- Discount: This encompasses all discount programs, such as AAA and AARP discounts, government per diem, rooms booked through wholesale channels, frequent guest program redemptions, and promotional rates and packages offered by a hotel.

Group business represents clusters of guestrooms booked together, usually with a minimum of 10 rooms. Examples include a company training session or a social event such as a family reunion. The three key sub-categories of the group business category are:

- Association: group business related to national and regional association meetings and conventions.
- Corporate: group business related to corporate meetings (e.g., product launches, training programs, contract negotiations, and presentations).
- Other: group business predominately related to social, military, education, religious, fraternal and youth and amateur sports teams, otherwise known as SMERF business.

The final category is contract demand, which refers to blocks of rooms sold to a specific company for an extended period of time at significantly discounted rates. Contract rates are usually utilized by hotels that are located in markets that are experiencing consistently lower levels of demand. Airline crews are typical generators of contract demand for our hotels.

Understanding Our Performance

Our Revenues and Expenses

Our hotels are operated by third-party managers under long-term agreements under which they typically earn base and incentive management fees based on the levels of revenues and profitability of each individual hotel. We provide operating funds, or working capital, which the managers use to purchase inventory and to pay wages, utilities, property taxes and other hotel-level expenses. We generally receive a cash distribution from our hotel managers each four-week or monthly accounting period, depending on the manager, which reflects hotel-level sales less property-level operating expenses (excluding depreciation).

Hotel revenue is approximately 98% of our total revenue. The following table presents the components of our hotel revenue as a percentage of our total revenue:

	% of 2008 Revenues
• Rooms revenue. Occupancy and average daily room rate are the major drivers of rooms revenue. The business mix of the hotel (group versus transient and premium versus discount business) is a significant driver of room rates.	61%
• Food and beverage revenue. Occupancy and the type of customer staying at the hotel are the major drivers of food and beverage revenue (i.e., group business typically generates more food and beverage business through catering functions when compared to transient business, which may or may not utilize the hotel's restaurants).	30%
• Other revenue. Occupancy, the nature of the property (i.e., resort, etc.) and its price point are the main drivers of other ancillary revenue, such as parking, golf course, spa, telephone, entertainment and other guest services.	7%

Hotel operating expenses are approximately 99% of our total operating costs and expenses. The following table presents the components of our hotel operating expenses as a percentage of our total operating costs and expenses:

	% of 2008 Operating Costs and Expenses
• Rooms expense. These costs include housekeeping, reservation systems, room supplies, laundry services and front desk costs. Occupancy is the major driver of rooms expense. These costs can increase based on increases in salaries and wages, as well as the level of service and amenities that are provided.	17%
• Food and beverage expense. These expenses primarily include food, beverage and labor costs. Occupancy and the type of customer staying at the hotel (i.e., catered functions generally are more profitable than outlet sales) are the major drivers of food and beverage expense, which correlates closely with food and beverage revenue.	26%
• Other departmental and support expenses. These expenses include labor and other costs associated with the other ancillary revenues such as parking, golf courses, spas, telephones, entertainment and other guest services, as well as labor and other costs associated with administrative departments, sales and marketing, repairs and minor maintenance and utility costs.	29%
• Management fees. Base management fees are computed as a percentage of gross revenue. Incentive management fees generally are paid when operating profits exceed certain threshold levels.	5%
• Other property-level expenses. These expenses consist primarily of real and personal property taxes, ground rent, equipment rent and property insurance. Many of these expenses are relatively inflexible and do not necessarily change based on changes in revenues at our hotels.	9%
• Depreciation and amortization expense. This is a non-cash expense that changes primarily based on the acquisition and disposition of hotel properties and the level of past capital expenditures.	13%

The expense components listed above are based on those presented in our consolidated statements of operations. It is also worth noting that wage and benefit costs are spread among various line items, however, taken separately these costs represent approximately 54% of our hotel operating expenses.

Key Performance Indicators

Revenue per available room, or RevPAR, is a commonly used measure within the hotel industry to evaluate hotel operations. RevPAR is defined as the product of the average daily room rate charged and the average daily occupancy achieved. RevPAR does not include food and beverage or parking, telephone or other guest service revenues generated by the property. Although RevPAR does not include these ancillary revenues, it is generally considered the leading indicator of core revenues for many hotels.

RevPAR changes that are driven predominately by occupancy have different implications on overall revenue levels, as well as incremental operating profit than do changes that are driven predominately by average room rate. For example, increases in occupancy at a hotel would lead to increases in rooms revenues and ancillary revenues, such as food and beverage, as well as additional incremental costs (including housekeeping services, utilities and room amenity costs). RevPAR increases due to higher room rates, however, would not result in additional room-related costs. As a result, changes in RevPAR driven by increases or decreases in average room rates have a greater effect on profitability than changes in RevPAR caused by occupancy levels.

In discussing our operating results, we present RevPAR and certain other financial data for our hotels on a comparable hotel basis. Comparable hotels are those properties that we have owned for the entirety of the reporting periods being compared. Comparable hotels do not include the results of properties acquired or sold, or that incurred business interruption due to significant property damage, large scale capital improvements or significant events during these periods.

We also evaluate the performance of our business through non-GAAP financial measures, including funds from operations ("FFO") per diluted share and comparable hotel adjusted operating profit. We use FFO per diluted share as a supplemental measure of company-wide profitability. Another key profitability indicator we use is hotel adjusted operating profit, which is a non-GAAP measure used to evaluate the profitability of our comparable hotels. Hotel adjusted operating profit measures property-level results before debt service and is a supplemental measure of individual property-level profitability. The comparable hotel adjusted operating profit that we discuss is an aggregation of the adjusted operating profit for each of our comparable hotels. Each of the non-GAAP measures should be considered by investors as supplemental measures to GAAP performance measures such as total revenues, operating profit and earnings per share. We provide a more detailed discussion of these non-GAAP financial measures, how management uses such measures to evaluate our financial condition and operating performance as well as certain limitations of such measures. See "Non-GAAP Financial Measures" in this Management's Discussion and Analysis of Results of Operations and Financial Condition.

Summary of 2008 Operating Results

During 2008, we were significantly affected by the economic recession in the U.S. and the collapse of the credit markets, which contributed to a significant decrease in business and consumer spending. These factors combined to depress overall lodging demand for both the Company and the lodging industry throughout 2008, which resulted in a year long decline in occupancy levels and, starting in the fourth quarter, a decline in average room rates. The Company began to experience a decline in comparable RevPAR in the third quarter before decreasing sharply in the fourth quarter. Overall comparable RevPAR decreased 2.6% in 2008 as a result of a decrease in occupancy of 2.4 percentage points, which was partially offset by a .7% in increase in average room rate. Additionally, food and beverage revenues at our comparable hotels decreased 2.9% during 2008. Total revenue decreased $123 million, or 2.3%, to $5.3 billion for the year, primarily due to the decline in RevPAR and food and beverage revenues.

As a result, we have experienced a steady weakening in operating results and a decrease in comparable hotel adjusted operating profit each quarter, though most significantly in the fourth quarter. Net income from continuing operations decreased $144 million in 2008 to $402 million. Net income decreased $300 million to $427 million in 2008. The decrease was primarily due to a decline in operations at our hotels and a decrease in gains on dispositions from $164 million in 2007 compared to $23 million in 2008. Diluted earnings per common share from continuing operations decreased $.29 to $.71 in 2008, while diluted earnings per share decreased $.57 to $.76 in 2008. FFO per diluted share decreased $.17, to $1.74, for 2008. FFO per diluted share was reduced by $.08 for 2007 due to costs associated with debt repayments or refinancings. There were no such costs incurred in 2008.

We worked to mitigate the decline in revenues and operating income by directing our operators to implement significant contingency plans early in the year to help contain margin deterioration. These cost-cutting measures included right-sizing the work force to the amount of business being generated, not filling vacant positions, reducing discretionary spending, delaying the implementation of brand standards, closing restaurant outlets or modifying hours of operations, as well as closing specific floors or towers to reflect the decrease in occupancy. While these efforts have been successful in reducing operating costs, other expenses such as wages and benefits, real estate taxes and utilities increased at above inflationary rates in 2008. In addition to our cost-cutting measures, our managers accessed additional revenue channels, particularly e-commerce channels, in an effort to offset the decline in revenues from more traditional sources.

Investing Activities

Acquisitions/Dispositions

Domestically, we did not complete any acquisitions during 2008. During the first half of 2008, as lodging fundamentals weakened, the luxury and upper-upscale hotels that were marketed did not meet our investment criteria. During the second half of 2008, the economic recession deepened and the ability to obtain financing for acquisitions became extremely limited and only at much lower leverage ratios and at significantly higher interest rates. Consequently, very few hotels were marketed or sold. Management believes that there may be an increase in the number of assets available for purchase late in 2009 and in 2010 as a result of the current recessionary environment and illiquid credit market.

Our European joint venture in which we hold a 32.1% interest, was able to successfully complete the purchase of the 270-room Crowne Plaza Amsterdam City Centre for approximately €72 million (U.S. $113 million) in April 2008.

On February 17, 2009, we disposed of the Hyatt Regency Boston for net proceeds of approximately $113 million, including the return of reserves held by the manager. We anticipate that we will recognize a gain on the disposition of approximately $20 million, net of tax, in 2009. During 2008, we disposed of the Sheraton Tampa Suites Airport Hotel and the Host Airport Hotel Sacramento. Proceeds from these dispositions were approximately $39 million and we recorded a gain of $23 million, net of tax, in 2008.

Capital Expenditures

We recently completed a three-year $1.8 billion capital expenditure program, which we believe significantly enhances the competitiveness of our properties. This program consisted of renewal and replacement, ROI/repositioning and value enhancement projects in a broad array of areas including lobbies and public spaces, food and beverage facilities, spas, retail outlets, meeting space and rooms as well as energy conservation and other non-public areas of the properties. We spent approximately $695 million on capital expenditures in 2008, including $321 million on ROI/repositioning projects and value enhancement projects at 17 properties. These amounts include the application of a $23 million deposit made in 2007. These projects included:

- the completion of a 105,000 square foot exhibit hall at the Orlando World Center Marriott in 2007;
- the construction of new food and beverage facilities, renovation of all existing break-out space and the construction of the new 26,000 square foot Atrium Ballroom at the Atlanta Marriott Marquis in 2007 and 2008; and
- the construction of an 8,300 square foot meeting space addition and the renovation of over 60,000 square feet of public space and food and beverage facilities at the San Francisco Marriott in 2008.

Additionally, our renewal and replacement capital expenditures totaled $374 million during 2008 and included the renovation of over 11,900 rooms and over 465,000 square feet of meeting space. As a result of these efforts and in an effort to improve future liquidity, we anticipate reducing total capital expenditures to approximately $340 million to $360 million in 2009, which represents approximately one-half of the 2008 level. A significant portion of our spending in 2009 will be dedicated to projects that are already in process. Additionally, we may reduce the level of expenditures further if the economic recession is longer or deeper than currently anticipated.

Financing Activities

The volatility and disruption in the credit markets in the latter half of 2008 was dramatic and has resulted in significantly higher interest rates for all types of financing, as well as greatly reduced availability for many of the traditional forms of financing such as collateralized mortgage backed securities and other secured debt financings. As noted above, this not only affected the ability to acquire or dispose of assets, but also to refinance existing debt. For example, during the fourth quarter of 2008, yields on BB rated senior notes peaked at approximately 15%, or approximately 1350 basis points over treasury rates. This is compared to yields of approximately 8.5% and spreads of approximately 450 basis points in the fourth quarter of 2007. While spreads tightened by 250 to 350 basis points since mid-December 2008, they are still well above the historical average. Due to this uncertainty in the financial markets, we increased our available cash position by drawing $200 million on the revolving portion of the credit facility in September 2008. As a result of prior year efforts to establish a capital structure with the appropriate mixture of debt and equity and balanced maturities, we ended 2008 with strong interest coverage and leverage ratios under our credit facility and senior notes covenants (See "Financial Condition"). Currently, our debt maturities in 2009 are approximately $321 million, including $11 million of principal amortization, which we have the ability to either refinance or repay. Subsequent to the closing of the sale of the Hyatt Regency Boston on February 17, 2009, we have over $600 million of cash and cash equivalents and $400 million of capacity under our credit facility revolver.

2009 Outlook

We believe the recessionary economic environment expected for 2009, specifically declining GDP, employment, business investment, corporate profits and consumer spending, will negatively impact the demand for lodging in both the business and leisure components of our business. When looking at historical relationships, the current 2009 consensus estimates for the key economic drivers would suggest an overall decrease in industry lodging demand ranging from 3% to 5%. We believe that lodging demand will decline in 2009 and, in particular, we expect lodging demand in the luxury segment will continue to underperform other segments as consumers trade down to less expensive alternatives. We do not anticipate an improvement in lodging demand until the current economic trends reverse course, particularly the expected continued weakness in the overall economy and the lack of liquidity in the credit markets. While new supply in 2009 is expected to be moderately above historical average, we expect that as a result of the current fiscal environment increases in lodging supply over the next few years will likely slow significantly. This may be particularly relevant for the markets and lodging sectors in which we compete due to the long-term planning and high level of investment associated with these properties.

We believe that the economic slowdown will significantly affect both the group and transient elements of our business. We believe group demand will continue to decline as companies reduce travel expenditures, which will lead to increased cancellations, diminished booking activity and reduced attendance. Similarly, the reduction in corporate travel budgets will affect the transient business traveler. The consumer-led elements of this economic slowdown will also result in a disproportionate impact to leisure-dependent destinations, such as Hawaii and Florida, as domestic and international households are likely to reduce discretionary spending.

In 2008, we declared a total dividend of $.65 per share. We intend to suspend our regular quarterly dividend in 2009 and instead we expect to declare a $.30 to $.35 per share common dividend in the fourth quarter, which may be paid either in cash or in a combination of cash and shares of common stock. The amount of any dividend will be determined by Host's Board of Directors. We intend to continue paying dividends on our preferred stock.

The general economic trends discussed above make it a difficult environment to predict operating results for our hotels for 2009. Therefore, there can be no assurances that we will not experience further declines in hotel revenues or earnings at our properties for any number of reasons, including, but not limited to, greater than anticipated weakness in the economy and changes in travel patterns.

Results of Operations

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

	2008	2007	% Change 2007 to 2008	2006	% Change 2006 to 2007
Revenues					
Total hotel sales	$ 5,170	$ 5,291	(2.3)%	$ 4,683	13.0%
Operating costs and expenses:					
Property-level costs(1)	4,489	4,444	1.0	3,962	12.2
Corporate and other expenses	58	69	(15.9)	94	(26.6)
Gain on insurance settlement	7	51	(86.3)	13	N/M(4)
Operating profit	748	949	(21.2)	759	25.0
Interest expense	341	422	(19.2)	450	(6.2)
Minority interest expense	21	32	(34.4)	41	(22.0)
Income from discontinued operations	25	181	(86.2)	447	(59.5)
Net income	427	727	(41.3)	738	(1.5)
All hotel operating statistics(2):					
RevPAR	$140.35	$142.81	(1.7)%	$133.48	7.0%
Average room rate	$196.70	$194.71	1.0%	$182.56	6.7%
Average occupancy	71.4%	73.3%	(1.9) pts.	73.1%	0.2 pts.
Comparable hotel operating statistics(3):					
RevPAR	$142.51	$146.39	(2.6)%	$ N/A	5.8%
Average room rate	$199.10	$197.76	0.7%	$ N/A	5.7%
Average occupancy	71.6%	74.0%	(2.4) pts.	N/A	0.1 pts.

(1) Amount represents operating costs and expenses per our consolidated statements of operations less corporate and other expenses and the gain on insurance settlement.
(2) Operating statistics are for all properties as of December 31, 2008, 2007 and 2006 and include the results of operations for hotels we have sold prior to their disposition.
(3) Comparable hotel operating statistics for 2008 and 2007 are based on 115 comparable hotels as of December 31, 2008. The percent change from 2006 to 2007 is based on 93 comparable hotels as of December 31, 2007.
(4) N/M=Not Meaningful

Hotel Sales Overview

	2008 (in millions)	2007 (in millions)	% Change 2007 to 2008	2006 (in millions)	% Change 2006 to 2007
Revenues					
Rooms	$3,216	$3,293	(2.3)%	$ 2,915	13.0%
Food and beverage	1,601	1,642	(2.5)	1,471	11.6
Other	353	356	(0.8)	297	19.9
Total hotel sales	$5,170	$5,291	(2.3)	$ 4,683	13.0

2008 Compared to 2007

Hotel sales declined in 2008 due to decreases in occupancy at our properties, as well as decreases in food and beverage and other revenue items. Sales for properties disposed of in both years have been reclassified as discontinued operations. See "Discontinued Operations" below.

Comparable hotel RevPAR decreased 2.6%. The decrease in RevPAR was the result of a 2.4 percentage point decrease in occupancy which was slightly offset by a .7% increase in average room rates. Occupancy was negatively affected by the decrease in overall lodging demand.

Food and beverage revenues for our comparable hotels decreased 2.9%, primarily due to decreased sales from our catering and banquet business and meeting room rentals and the decline in occupancy at our hotels. Other revenues for our comparable hotels, which primarily represent spa, golf, parking, internet connectivity and other fees, were down slightly.

While management evaluates the performance of each individual hotel against its competitive set in a given market, overall we evaluate the portfolio operating results using three different criteria: property type (i.e. urban, suburban, resort/conference or airport), geographic region and mix of business (i.e. transient, group or contract).

Comparable Hotel Sales by Property Type

The following tables set forth performance information for 2008 and 2007:

Comparable Hotels Portfolio by Property Type(a)

	As of December 31, 2008		Year ended December 31, 2008			Year ended December 31, 2007			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Urban	53	32,388	$215.42	74.1%	$159.60	$211.97	77.0%	$163.22	(2.2)%
Suburban	34	12,904	158.42	65.5	103.81	157.39	67.9	106.90	(2.9)
Airport	15	7,208	138.39	74.0	102.45	139.04	75.3	104.72	(2.2)
Resort/ Conference	13	8,082	248.61	69.0	171.45	253.45	70.7	179.12	(4.3)
All Types	115	60,582	199.10	71.6	142.51	197.76	74.0	146.39	(2.6)

(a) The reporting period for 2008 is from December 29, 2007 to December 26, 2008 and for 2007 is from December 30, 2006 to December 28, 2007 for our Marriott hotels. For further discussion, see “Reporting Periods”.

For 2008, RevPAR decreased across all of our hotel property types. RevPAR at our resort/conference properties have been particularly affected by the current economic recession due to reduced consumer spending and increased travel costs. In particular, our Hawaiian properties have seen a dramatic decline in RevPAR as a result of decreased airlift to the Hawaiian islands and overall weak demand in this market. RevPAR at our urban, airport and suburban hotels also declined due to the overall decline in lodging demand.

Comparable Hotel Sales by Geographic Region

The following tables set forth performance information for 2008 and 2007:

Comparable Hotels by Region(a)

	As of December 31, 2008		Year ended December 31, 2008			Year ended December 31, 2007			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Pacific	27	15,934	$198.45	73.7%	$146.16	$200.99	75.9%	$152.60	(4.2)%
Mid-Atlantic	11	8,684	266.72	79.2	211.16	260.84	82.6	215.51	(2.0)
North Central	14	6,175	152.23	65.5	99.72	153.96	69.3	106.63	(6.5)
Florida	9	5,676	211.20	69.7	147.21	209.60	69.6	145.95	0.9
New England	11	5,663	176.34	70.9	125.04	176.22	74.7	131.68	(5.0)
DC Metro	13	5,666	199.15	74.5	148.30	198.34	75.6	150.03	(1.2)
South Central	8	4,358	165.49	68.0	112.48	158.80	70.1	111.35	1.0
Mountain	8	3,364	170.73	64.6	110.35	166.75	67.9	113.22	(2.5)
Atlanta	7	2,589	190.52	65.4	124.68	197.10	68.6	135.13	(7.7)
International	7	2,473	170.63	68.1	116.22	156.37	69.3	108.30	7.3
All Regions	115	60,582	199.10	71.6	142.51	197.76	74.0	146.39	(2.6)

(a) The reporting period for 2008 is from December 29, 2007 to December 26, 2008 and for 2007 is from December 30, 2006 to December 28, 2007 for our Marriott hotels. For further discussion, see "Reporting Periods".

In terms of RevPAR growth, our International region was the top performing region due to RevPAR growth at our Chilean and Canadian hotels and the impact of favorable foreign currency exchange rates. Comparable hotel RevPAR growth in our Florida region was driven by RevPAR growth at the Harbor Beach Marriott where we benefited from prior year disruption caused by rooms renovations and the Orlando World Center Marriott where significant discounting drove transient demand. RevPAR results were partially offset by rooms' renovations at three hotels in the region, as well as the impact of Hurricane Fay. RevPAR growth in the South Central region was the result of year-over-year growth in our Houston market which had a strong fourth quarter due to Hurricane Ike induced demand as well as our San Antonio properties, which experienced strong group business because of recent renovations in the fourth quarter of 2007.

The RevPAR decline in our Pacific region was driven by the 17.1% RevPAR decline at our Hawaiian properties and a 3.8% decline at our San Diego properties. The region's best performer based on RevPAR growth was the San Francisco market which had a 1.9% increase in RevPAR, however, the RevPAR growth was concentrated in the first half of the year, as RevPAR in San Francisco declined significantly in the fourth quarter. RevPAR in our New England region also declined, reflecting decreased demand at our Boston hotels due to fewer city-wide events and softening leisure demand. In addition, we experienced higher group attrition and cancellations than in prior periods.

The North Central region underperformed other regions, as results in Chicago were particularly weak due primarily to renovations at three of our Chicago properties and lower transient demand. The Atlanta region also underperformed in comparison to the overall portfolio due to weak group bookings, lower transient demand and increased supply. RevPAR in our Mountain region also declined as the Phoenix market continued to struggle due to lower group and transient demand and rooms' renovations at two hotels.

Hotel 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 108 of our hotels for which business mix data is available from our managers.

In 2008, overall transient average daily rates decreased 1.3% when compared to last year while our overall group average room rate increased almost 3.9% over the prior year as most of the business was contracted prior to any significant downturn. We expect that booking pace will continue to slow as the weaker economy slows demand growth and, as a result, we expect increased competition in terms of pricing will put added pressure on rates.

2007 Compared to 2006

Hotel sales growth for 2007 was due to increases in RevPAR, as well as increases in food and beverage and other revenue items. Hotel sales for 2007 also reflect a full year of operations for the Starwood Portfolio and include $1,056 million and $755 million in 2007 and 2006, respectively, from these properties. Sales for properties sold in both years have been reclassified as discontinued operations. See “Discontinued Operations” below.

Comparable Hotel RevPAR increased 5.8% (as of December 31, 2007, 93 of our 119 hotels were classified as comparable hotels). The increase in RevPAR was the result of strong growth in average room rates and a slight increase in occupancy. The growth in average room rate was driven by increasing demand due to strong economic growth in the first half of 2007 and low growth in the supply of new luxury and upper upscale hotels. As a result of these trends, our operators were able to continue to increase room rates, while marginally improving the year-over-year occupancy levels. However, occupancy was affected at a number of our hotels by our capital expenditure program, which is described below, as well as weakness in individual markets.

Food and beverage revenues for our comparable hotels increased 3.7%, primarily due to increased sales from our catering and banquet business and meeting room rentals. In addition, operating margins at our food and beverage outlets increased 1.1 percentage points. Other revenues for our comparable hotels, which primarily represent spa, golf, parking, internet connectivity and other fees, increased 7.4%.

Comparable Hotel Sales by Property Type

The following table sets forth performance information for 2007 and 2006:

Comparable Hotels By Property Type(a)

	As of December 31, 2007		Year ended December 31, 2007			Year ended December 31, 2006			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Urban	40	23,518	$210.60	77.1%	$162.32	$196.92	76.8%	$151.21	7.3%
Suburban	27	10,580	158.52	67.3	106.73	149.14	67.5	100.62	6.1
Airport	15	6,557	142.90	74.0	105.69	137.58	72.7	100.02	5.7
Resort/ Conference	11	6,825	261.94	70.4	184.44	253.31	71.8	181.91	1.4
All Types	93	47,480	197.75	73.5	145.37	187.05	73.4	137.36	5.8

(a) The reporting period for 2007 for our Marriott hotels is from December 30, 2006 to December 28, 2007 and for 2006 is from December 31, 2005 to December 29, 2006.

For 2007, RevPAR increased across all of our hotel property types, led by our urban hotels, as we benefited from strong performance in several downtown markets such as Boston, New York, and San Francisco. We also experienced RevPAR growth at our suburban hotels due to strong performances at our suburban Boston, Denver and Los Angeles hotels. RevPAR growth at our airport hotels was led by our San Francisco and Houston airport hotels. RevPAR growth for our resort/convention hotels was moderate as several hotels were significantly affected by major renovations.

Comparable Hotel Sales by Geographic Region

The following table sets forth performance information for 2007 and 2006:

Comparable Hotels By Region(a)

	As of December 31, 2007		Year ended December 31, 2007			Year ended December 31, 2006			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Pacific	22	12,016	$211.60	75.1%	$158.90	$200.75	74.5%	$149.49	6.3%
Mid-Atlantic	8	5,870	248.56	81.3	202.12	227.45	79.9	181.76	11.2
North Central	11	4,586	160.44	70.6	113.22	154.63	72.3	111.87	1.2
Florida	9	5,663	209.60	69.6	145.95	203.71	70.2	142.94	2.1
New England	6	3,032	182.63	77.8	142.10	170.11	76.9	130.81	8.6
DC Metro	12	5,399	197.41	75.4	148.78	192.23	73.1	140.51	5.9
South Central	7	4,126	152.88	70.5	107.77	144.72	71.6	103.63	4.0
Mountain	6	2,210	142.20	64.8	92.08	132.71	65.5	86.98	5.9
Atlanta	7	2,625	197.10	68.6	135.13	188.61	70.5	132.97	1.6
International	5	1,953	165.19	69.8	115.31	151.61	72.0	109.21	5.6
All Regions	93	47,480	197.75	73.5	145.37	187.05	73.4	137.36	5.8

(a) The reporting period for 2007 for our Marriott hotels is from December 30, 2006 to December 28, 2007 and for 2006 is from December 31, 2005 to December 29, 2006.

For 2007, our Mid-Atlantic region was the top performing region due to exceptional RevPAR growth by our New York City hotels driven by strong business and leisure transient demand and average room rate increases. The New England region also performed well due to increased city-wide events in the Boston market, particularly during the second half of the year, as this market was affected by lower levels of group and transient demand during the first half of the year.

Increases in RevPAR for our Pacific, DC Metro and Mountain regions were generally consistent with the levels for the overall portfolio. Increases in RevPAR in our Pacific region were driven by the Los Angeles and San Francisco markets. The Los Angeles market grew due to increased average room rates for transient business along with a strong group base. The San Francisco market had a strong year driven by city-wide events. The growth in the DC Metro region was driven by the performance of our downtown hotels, which was partially offset by weak performance by our suburban properties in the region.

RevPAR growth during the year in the Florida region was moderate, as group activity was slow due to hurricane concerns and renovation displacement at several hotels including the Harbor Beach Marriott Resort and Spa and the Tampa Marriott Waterside Hotel and Marina. The weak RevPAR growth in the Atlanta region was due to lower levels of occupancy, as city-wide demand decreased from the unusually strong performance in 2006 that reflected business relocation from New Orleans due to Hurricane Katrina. However, in the fourth quarter, the Atlanta region experienced RevPAR increases due to strong group bookings in the mid-town area. The North Central region under-performed the portfolio primarily due to weakness in the Chicago market.

Hotel Sales by Business Mix. In 2007, relatively strong demand levels allowed our operators to increase average daily room rates, particularly in the corporate transient segments. Overall transient average daily rates increased 7% when compared to last year and our overall group average room rate for these hotels increased almost 5%.

2008 compared to 2007 and 2007 compared to 2006

Property-level Operating Expenses

	2008	2007	% Change 2008 to 2007	2006	% Change 2007 to 2006
	(in millions)			(in millions)	
Rooms	$ 792	$ 787	0.6%	$ 695	13.2%
Food and beverage	1,171	1,192	(1.8)	1,080	10.4
Other departmental and support expenses	1,304	1,287	1.3	1,156	11.3
Management fees	247	269	(8.2)	223	20.6
Other property-level expenses	393	393	—	359	9.5
Depreciation and amortization	582	516	12.8	449	14.9
Total property-level operating expenses	$4,489	$4,444	1.0	$ 3,962	12.2

Property-level operating expenses increased each year from 2006 through 2008 due to several factors. In 2008, the 1% increase was primarily due to an increase in depreciation expense due to our extensive $1.8 billion capital expenditure program from 2006 to 2008. This was offset by a decline in revenue driven costs, primarily management fees, reflecting our decline in operations during the second half of the year. By contrast, in 2007, all property-level costs increased, reflecting inflation, increases in revenue-driven costs and the effect of our capital expenditures on our depreciation expense. Our operating costs and expenses, which are both fixed and variable, are affected by changes in occupancy, inflationary increases and revenues, though the effect on specific costs will differ. For example, utility costs include a fixed component but will increase based on occupancy and with inflation, while depreciation expense is fixed except for the effects of property transactions (i.e. acquisitions, capital expenditures, dispositions, etc.). Similarly, management fees are directly affected by total revenues, as well as the level of operating profit at each property. Additionally, 2008 and 2007 property-level operating expenses include the property-level expenses of the Starwood Portfolio for a full year of approximately $844 million and $843 million, respectively. Comparatively, property-level operating expenses for 2006 include Starwood Portfolio expenses for the period from April 10, 2006 (the purchase date) through December 31, 2006 of $593 million. Property-level operating expenses exclude the costs associated with hotels we have sold, which are included in discontinued operations.

Other Income Statement Line Items

*Corporate and Other Expense*s. Corporate and other expenses primarily consist of employee salaries and benefits including stock-based compensation expense, as well as other costs such as travel, corporate insurance, audit fees, building rent and system costs. Corporate expenses decreased approximately $11 million in 2008 from 2007 and approximately $25 million in 2007 from 2006 due to the decrease in compensation expense recorded for our liability classified stock-based compensation awards as the market performance criteria for the issuance of our restricted stock were not met and fewer shares were earned. Additionally, 2006 included non-recurring costs of approximately $7 million associated with the Starwood acquisition.

Gain on Insurance Settlement. We recorded a gain on insurance settlement of $7 million in 2008, $51 million in 2007 and $13 million in 2006. The gains primarily relate to the insurance proceeds received for both business interruption and property damage following Hurricanes Katrina and Wilma which occurred during September and October 2005. The hurricanes caused substantial business interruption and property damage at our New Orleans Marriott and at five of our hotels located in southern Florida.

During 2008, the gain of $7 million primarily represents the release of contingencies related to an insurance settlement reached for business interruption incurred at the New Orleans Marriott. During 2007, we recognized a gain of $30 million related to business interruption insurance proceeds received as a result of lost profit primarily at our New Orleans Marriott. Additionally, all of the insurance gains of $13 million in 2006 represent business interruption insurance proceeds.

The remaining gain of $21 million in 2007 related to insurance proceeds for property damage sustained by these properties. The gain represents the insurance proceeds received in excess of the insurance receivable recorded on the balance sheet at the date of loss. The insurance receivable reflected the book value of the property and equipment written off and repairs and maintenance costs incurred from the hurricanes. We recognize the gains on insurance settlements once all contingencies are met, and, as a result, none of the property insurance proceeds were recognized in income during 2005 or 2006.

Interest Income. The $17 million decline in interest income for 2008 when compared to 2007 is primarily due to lower interest rates during 2008, as well as a slightly lower weighted average cash balance for the full year 2008 compared to 2007. The increase of $4 million from 2006 to 2007 was primarily due to an increase in the weighted average cash balance in 2007.

Interest Expense. The decrease of $81 million in interest expense for 2008 is primarily due to an expense of $45 million related to call premiums and the acceleration of the amortization of deferred financing costs associated with debt prepayments during 2007 compared to an $18 million gain in 2008 related to the repurchase of $100 million principal amount of our 2004 Debentures. The decline in interest expense also reflects the decrease in our weighted average interest rate of 0.2 percentage points to 5.8%.

The decrease of $28 million in interest expense in 2007 is primarily due to a net decrease in debt of approximately $253 million and a decrease in our weighted average interest rate of 0.8 percentage points to 6.0%. The decrease is partially offset by call premiums and the acceleration of the amortization of deferred financing costs associated with debt prepayments totaling $45 million for 2007 compared to similar costs of $17 million for 2006.

Minority Interest Expense. Minority interest expense decreased $11 million in 2008 and $9 million in 2007 due to a decline in the net income of Host LP during both years. Host LP net income reflects the operations at our hotels and is significantly affected by the gain on dispositions, which were $23 million, $164 million and $416 million in 2008, 2007 and 2006, respectively.

Equity in Earnings (Losses) of Affiliates. In 2008, our share of income of affiliates decreased by $21 million compared to 2007 primarily due to a decrease in earnings from our joint venture in Europe and the write-off of costs associated with a terminated transaction. However, in 2007, our share of income of affiliates increased by $17 million compared to 2006 primarily due to an increase in earnings from our European joint venture, which was formed in April of 2006.

Discontinued Operations. Discontinued operations consist of two hotels disposed of in 2008, nine hotels disposed of during 2007 and seven hotels disposed of in 2006 and represent the results of operations and the gains on the disposition of these hotels during the periods. The following table summarizes the revenues, income before taxes, and the gain on dispositions, net of tax, of the hotels which have been reclassified to discontinued operations in the consolidated statements of operations for the periods presented (in millions):

	2008	2007	2006
Revenues	$ 6	$ 50	$178
Income before taxes	2	18	31
Gain on disposals, net of tax	23	164	416

Liquidity and Capital Resources

Overview

We seek to maintain a capital structure and liquidity profile with an appropriate balance of cash, debt and equity to provide financial flexibility given the inherent volatility in the lodging industry. During this period of economic uncertainty, we have taken several steps to preserve capital and increase liquidity, including the third quarter draw of $200 million on our credit facility, the reduction of our dividend beginning in the fourth quarter and the implementation of cost savings initiatives at both the corporate and hotel level which will include a reduction in 2009 in capital expenditures to approximately one-half of the 2008 level. We believe, as a result of all of the above- mentioned efforts and the overall strength of our balance sheet, we have sufficient liquidity and access to capital markets to withstand the anticipated decline in operating cash flow in 2009 and pay our debt maturities, fund our capital expenditure programs and maintain compliance with our debt financial covenants. We continue to maintain higher than historical cash levels due to uncertainty in the credit markets and we intend to do so until the credit markets stabilize.

Cash Requirements. We use cash for acquisitions, capital expenditures, debt payments, operating costs, corporate and other expenses and dividends to stockholders. As a REIT, we are required to distribute at least 90% of our taxable income (excluding net capital gain) to our stockholders. Our sources of cash are cash from operations, proceeds from the sale of assets, borrowings under our credit facility and our ability to obtain additional financing through various capital markets.

Set forth below is a schedule of our debt maturities through 2011. Our near term debt maturities in 2009 and 2010 are relatively low. While maturities in 2011 total $825 million, they include borrowings under the revolver portion of the credit facility, as well as the $210 million credit facility term loan and the Orlando Marriott World Center mortgage, all of which are subject to extension at our option if certain requirements are met. See "—Financial Condition" for more information on our debt maturities.

Debt Maturities 2009 – 2011
(in millions)

	2009(1)	2010	2011
San Diego Marriott Hotel & Marina mortgage	$ 175	$—	$—
Westin Kierland mortgage	134	—	—
3.25% Exchangeable Senior Debentures(2)	—	400	—
Mortgage loan on four Canadian properties.	—	—	105
Orlando Marriott World Center mortgage(3)	—	—	300
Credit facility (including the $210 million term loan)(4)	—	—	410
Principal amortization on other debt	12	11	10
Total Maturities	$ 321	$411	$825

(1) We provided notice to the lender of the approximately $34 million mortgage on the Westin Indianapolis that we will prepay the debt in March 2009.
(2) Our 3.25% Exchangeable Senior Debentures are due in 2024 but are subject to a put option by the holders in 2010.
(3) This mortgage is subject to two, one-year extension options provided that debt coverage exceeds certain ratios and other conditions are met.
(4) Our credit facility may be extended for one year provided that our leverage ratio is below 6.75x. See "—Financial Condition" for further discussion.

As of December 31, 2008, we had $508 million of cash and cash equivalents, which was an increase of $20 million from December 31, 2007. In the first quarter of 2009, we paid the fourth quarter common and preferred dividends of $29 million and received $113 million net proceeds from the sale of the Hyatt Regency Boston, including the return of reserves held by the manager. We also have $400 million available under our credit facility. During 2009, our primary uses of cash will be debt maturities, capital expenditures at our hotels and REIT distribution requirements. Additionally, we may take advantage of the ability to satisfy up to 90% of our dividend requirements through the issuance of common stock dividends in order to conserve cash.

Capital Resources. We depend primarily on external sources of capital to finance future growth, including acquisitions. As a result, the liquidity and debt capacity provided by our credit facility and the ability to issue senior unsecured debt are key components of our capital structure. Therefore, our financial flexibility (including our ability to incur debt, pay dividends and make investments) is contingent on our ability to maintain compliance with the financial covenants, which include, among others, the allowable amounts of leverage, coverage and fixed charges. Since 2003, we have improved our financial covenant ratios through a number of transactions that have extended our weighted average maturity and reduced interest costs. As a result of these efforts, our weighted average interest rate has declined significantly, from 7.7% at December 31, 2003 to 5.8% at December 31, 2008 and our weighted average maturities have remained consistent at approximately five years. Additionally, since December 31, 2006, we have reduced our secured mortgage indebtedness by approximately 29% to $1.4 billion, which represents approximately 24% of our overall indebtedness and is secured by 14 of our hotels. As of December 31, 2008, approximately 80% of our hotels (as measured by revenues) are unencumbered by mortgage debt. Given the flexibility provided by the structure of our balance sheet, we will look to access both the market for our senior notes and the secured mortgage debt markets, based on relative pricing and capacity, to fund our cash requirements. We may, at any time, seek to access such markets in the event that we determine that the terms and conditions available to us are advantageous based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other circumstances. See “Financial Condition” for further discussion of our restrictive covenants.

Debt transactions. During 2008, we entered into a $210 million term loan and borrowed $200 million of our available $600 million capacity under the revolver portion of our credit facility. We also refinanced our $208 million mortgage loan on the Orlando World Center Marriott through the issuance of a $300 million floating rate mortgage loan. In addition, we repurchased $100 million principal amount of our 3.25% Exchangeable Senior Debentures for approximately $82 million, for a gain of approximately $18 million in 2008. As of December 31, 2008, our debt has an average maturity of 4.6 years and a weighted average interest rate of 5.8%.

In addition to the above financing activities, we paid approximately $16 million of principal amortization of mortgage debt in 2008 and repaid the $33.5 million mortgage secured by our Scottsdale Marriott at McDowell Mountains, which matured in December 2008.

We may continue to redeem or refinance senior notes and mortgage debt from time to time, taking advantage of favorable market conditions when available. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. Repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Any refinancing or retirement before the maturity date would affect earnings and Funds From Operations, or FFO per diluted share, as defined below, as a result of the payment of any applicable call premiums and the acceleration of previously deferred financing costs. Specifically, interest expense includes $45 million for 2007 for call premiums, the acceleration of deferred financing costs and original issue discount and the termination of related interest rate swap agreements associated with debt prepayments.

Counterparty Credit Risk. We are subject to counterparty credit risk, which relates to the ability of counterparties to meet their contractual payment obligations or the potential non-performance of counterparties to deliver contracted commodities or services at the contracted price. As a result of the recent bankruptcy and insolvency of several high-profile, well-respected financial institutions, we have performed additional assessments to determine the impact, if any, of these market developments on our financial condition. We are exposed to credit risk with respect to cash held at various financial institutions, access to our credit facility, the amounts due and services performed by our managers and amounts due or payable under our derivative contracts. Currently, our credit exposure in each of these cases is limited. Our exposure with regard to our cash and the $400 million available under our credit facility is mitigated as the credit risk is spread among a diversified group of investment grade financial institutions. Amounts due from the managers of our hotels generally reflect the operations of the hotel in the immediately preceding period and the working capital at the hotels. These amounts totaled $65 million as of December 31, 2008 and we consider the risk that our managers will fail to meet the payment obligations to be remote. Currently, our exposure risk related to our derivative contracts totals $6 million and the counterparties are investment grade financial institutions.

Equity Transactions. On February 19, 2008, Host's Board of Directors authorized a program to repurchase up to $500 million of common stock and equity-related securities. The securities may be purchased in the open market or through private transactions, depending upon market conditions. The plan does not obligate us to repurchase any specific number of shares and may be suspended at any time at our discretion. As of December 31, 2008, the Company has repurchased 6.5 million common shares valued at approximately $100 million and repurchased $100 million principal amount of our 3.25% Exchangeable Senior Debentures for approximately $82 million. As a result of these purchases, we currently have approximately $318 million left under the Board's authorization for future repurchases.

Non-cash Investing and Financing Activities. On March 12, 2008, we acquired the remaining limited partnership interests in Pacific Gateway Ltd., a subsidiary partnership of Host LP, which owns the San Diego Marriott Hotel and Marina, and other economic rights formerly held by our outside partner, including the right to receive 1.7% of the hotel's sales, in exchange for 5,575,540 limited partnership units of Host LP. The OP units were valued at $93 million based on the closing stock price on such date for Host, or $16.68.

Acquisitions and Dispositions. On February 17, 2009, we disposed of the Hyatt Regency Boston for net proceeds of approximately $113 million, including the return of reserves held by the manager. We anticipate that we will recognize a gain on the disposition of approximately $20 million, net of tax, in 2009. During 2008, we disposed of two domestic properties for total proceeds of approximately $39 million and recorded a gain of approximately $23 million, net of tax.

In April 2008, the European joint venture acquired the Crowne Plaza Amsterdam City Centre for approximately €72 million (US $113 million), including our investment of €3 million (US $5 million) and the issuance of approximately €53.3 million of mortgage debt.

We may acquire additional properties through various structures, including transactions involving single assets, portfolios, joint ventures and acquisitions of all or substantially all of the securities or assets of other REITs or similar real estate entities. We anticipate that our acquisitions will be financed through a combination of methods, including proceeds from sales of properties from our existing portfolio, the incurrence of debt, available cash, advances under our credit facility, proceeds from equity offerings of Host, or issuance of OP units by Host LP.

Capital Expenditures. During 2008, we continued our extensive capital expenditure program, which included the renovation of approximately 11,900 rooms and approximately 465,000 square feet of meeting space. In 2008, our capital expenditures totaled $695 million, including the application of $23 million of deposits made in 2007. For 2008, renewal and replacement capital expenditures were approximately $374 million, as compared to $267 million in 2007. Our renewal and replacement capital expenditures are generally funded by the furniture, fixtures and equipment funds established at certain of our hotels (typically funded with approximately 5% of property revenues) and by our available cash. We also spent approximately $321 million on repositioning/ROI and value enhancement projects in 2008, as compared to $346 million in 2007. These projects are expected to enhance the competitiveness of our properties and should help drive operating performance, particularly during the current economic recession, by separating and differentiating our properties from those of our competitors. As a result of this extensive capital expenditure program, we believe that our properties will remain in a strong competitive position with respect to their market competitors despite our planned reduction in capital expenditures in 2009.

Sources and Uses of Cash

During 2008, our primary sources of cash included cash from operations, proceeds from debt issuances and refinancings and proceeds from hotel dispositions. Uses of cash during the year primarily consisted of capital expenditures, dividend payments, stock repurchases and debt repayments and repurchases. Significant uses of cash during 2009 will include the repayment or repurchase of our debt maturing in the near-term, capital expenditures at our hotels and dividends on our common and preferred stock. Other uses may include, among others, investment in our European and Asian joint ventures or hotel acquisitions. We anticipate that our primary sources of cash for 2009 will include cash from operations and proceeds from hotel dispositions and debt or equity issuances.

Cash Provided by Operations. Our cash provided by operations for 2008 increased $19 million to $1.0 billion compared to 2007, due primarily to a reduction in interest expense which was partially offset by declines in operations at our hotels.

Cash Used in Investing Activities. Approximately $716 million of cash was used in investing activities during 2008. This included approximately $672 million of capital expenditures (net of the $23 million deposit) and $77 million of investments primarily in our European joint venture, partially offset by $38 million of proceeds from the dispositions of the Sheraton Tampa Suites Airport and the Host Airport Hotel Sacramento.

The following table summarizes significant investing activities that have been completed since the beginning of January 2007 (in millions):

Transaction Date		Description of Transaction	(Investment) Sale Price
Acquisitions/ Investments			
April-December	2008	Investment in European joint venture(1)	$ (76)
August	2007	Investment in European joint venture(2)	(12)
February	2007	Purchase of the Atlanta Marriott Perimeter Center ground lease	(15)
		Total acquisitions	$ (103)
Dispositions/ Return of Investment			
February	2009	Disposition of Hyatt Regency Boston	$ 113
January	2009	Return of investment in European joint venture(1)	40
July	2008	Disposition of Host Airport Hotel Sacramento	15
April	2008	Disposition of Sheraton Suites Tampa Airport	24
December	2007	Disposition of Sheraton Tucson	25
November	2007	Disposition of Minneapolis Marriott Southwest	45
August	2007	Disposition of excess land	5
February	2007	Disposition of Miami Airport Marriott	57
February	2007	Disposition of Raleigh Marriott Crabtree Valley	48
February	2007	Disposition of the Fairview Park Marriott	109
January	2007	Disposition of Sheraton Milwaukee Brookfield Hotel	28
January	2007	Disposition of Sheraton Providence Airport Hotel	10
January	2007	Disposition of Capitol Hill Suites	39
January	2007	Disposition of Marriott Mountain Shadows Resort	42
		Total dispositions	$ 600

(1) Represents our investments for the acquisitions of the Crowne Plaza Amsterdam City Centre, as well as our investments to acquire a portfolio of hotels. The portfolio transaction was terminated in 2008 and therefore the European joint venture returned approximately $40 million of these funds in January 2009.

(2) Represents our investment for the acquisition of three hotels located in Brussels, Belgium.

Cash Provided by/Used in Financing Activities. Net cash used in financing activities was $284 million for 2008, as compared to $685 million in 2007. During 2008 and 2007, cash used in financing activities consisted of debt prepayments or repurchases and equity repurchases of approximately $427 million and $1.3 billion, respectively, and scheduled principal repayments of $16 million and $35 million, respectively. Cash provided by financing activities in 2008 and 2007 included the issuance of debt securities for proceeds of approximately $702 million and $1.0 billion, respectively, net of financing costs.

During 2008 and 2007, our common stock dividend payments increased $78 million to $522 million as the 2008 dividend payments included the payment of the $.40 per share fourth quarter 2007 dividend compared to the $.25 fourth quarter 2006 dividend that was paid in 2007. We also paid $9 million for both 2008 and 2007, respectively, of dividends on our preferred stock.

The following table summarizes significant debt (net of deferred financing costs) and equity transactions since the beginning of January 2007 (in millions):

Transaction Date		Description of Transaction	Transaction Amount
Debt			
December	2008	Repayment of 6.08% mortgage on the Scottsdale McDowell Mountains	$ (34)
October-November	2008	Repurchase of $100 million aggregate principal of the 2004 Exchangeable Senior Debentures	(82)
September	2008	Draw on the credit facility revolver	200
June	2008	Proceeds from 4.93% Orlando World Center Marriott mortgage refinancing(1)	296
June	2008	Repayment of the 7.48% mortgage on the Orlando World Center Marriott	(208)
May	2008	Proceeds from the credit facility term loan	44
April	2008	Repayment of the credit facility revolver	(100)
April	2008	Proceeds from the credit facility term loan	162
March	2008	Draw on the credit facility revolver	100
October	2007	Repayment of New Orleans Marriott, San Antonio Marriott Rivercenter, San Ramon Marriott and Santa Clara Marriott mortgages with an interest rate of 8.22%	(190)
June	2007	Repayment of 9.375% senior notes	(6)
May	2007	Defeasance of 7.61% CMBS loan	(514)
April	2007	Prepayment of the Philadelphia Marriott Convention Center mortgages with a weighted average interest rate of 8.52%	(96)
April	2007	Prepayment of the 8.41% Four Seasons Hotel, Atlanta mortgage	(33)
March	2007	Proceeds from the issuance of 2007 Exchangeable Senior Debentures due 2027	589
March	2007	Prepayment of the 7.42% mortgage on the JW Marriott, Washington, D.C.(2)	(88)
March	2007	Proceeds from the issuance of the 5.53% mortgage loan secured by the Ritz-Carlton, Naples and Newport Beach Marriott Hotel & Spa	298
March	2007	Repayment of the credit facility revolver	(175)
February	2007	Proceeds from 5.55% Harbor Beach Marriott mortgage refinancing	134
February	2007	Repayment of 8.58% Harbor Beach mortgage	(88)
January	2007	Repayment of the credit facility revolver	(75)
2008/2007		Principal amortization	(51)
		Net debt transactions	$ 83
Equity			
March-August	2008	Common stock repurchases	$ (100)
		Net equity transactions	$ (100)

(1) The Orlando World Center Marriott mortgage loan has a floating rate of interest of LIBOR plus 350 basis points. The interest rate shown reflects the rate in effect as of December 31, 2008.
(2) The JW Marriott, Washington, D.C. mortgage debt had a floating interest rate of LIBOR plus 210 basis points. The interest rate shown reflects the rate as of the date of the transaction.

Financial Condition

As of December 31, 2008, our total debt was approximately $6.0 billion of which 88% carried a fixed rate of interest. Total debt was comprised of (in millions):

	December 31, 2008	December 31, 2007
Series K senior notes, with a rate of $7^{1}/_{8}$% due November 2013	$ 725	$ 725
Series M senior notes, with a rate of 7% due August 2012	348	347
Series O senior notes, with a rate of $6^{3}/_{8}$% due March 2015	650	650
Series Q senior notes, with a rate of $6^{3}/_{4}$% due June 2016	800	800
Series S senior notes, with a rate of $6^{7}/_{8}$% due November 2014	497	497
2004 Exchangeable Senior Debentures, with a rate of $3\,^{1}/_{4}$% due April 2024	398	496
2007 Exchangeable Senior Debentures, with a rate of $2^{5}/_{8}$% due April 2027	594	592
Senior notes, with rate of 10.0% due May 2012	7	7
Total senior notes	4,019	4,114
Mortgage debt secured by $2.1 billion of real estate assets, with an average interest rate of 6.2% at December 31, 2008 and 6.6% at December 31, 2007	1,436	1,423
Credit facility (including the $210 million term loan)	410	—
Other	87	88
Total debt	$ 5,952	$ 5,625

Aggregate debt maturities at December 31, 2008 are as follows (in millions):

2009	$ 321
2010	411
2011(1)	825
2012	967
2013	737
Thereafter	2,700
	5,961
Unamortized (discounts) premiums, net	(10)
Capital lease obligations	1
	$5,952

(1) The debt maturing in 2011 includes $410 million related to borrowings under the credit facility, which can be extended, at our option, for one year if our leverage ratio is below 6.75x. See "—Financial Condition" for further discussion. Similarly, the $300 million mortgage loan on the Orlando World Center Marriott, which also matures in 2011, can be extended for two, one-year periods, subject to achieving a certain debt coverage ratio and other conditions.

Senior Notes

General. The following summary is a description of the material provisions of the indentures governing our various senior notes issued by Host LP, which we refer to collectively as the senior notes indenture. We pay interest on each series of our outstanding senior notes at specified dates in arrears at the respective annual rates indicated on the table above. Under the terms of our senior notes indenture, our senior notes are equal in right of payment with all of Host LP's unsubordinated indebtedness and senior to all subordinated obligations of Host LP. The notes outstanding under our senior notes indenture are guaranteed by certain of our existing subsidiaries and currently are secured by pledges of equity interests in many of our subsidiaries. The guarantees and pledges ratably benefit the notes outstanding under our senior notes indenture, as well as our credit facility, certain other senior debt, and interest rate swap agreements and other hedging agreements with lenders that are parties to the credit facility. The pledges are permitted to be released in the event that our leverage ratio falls below 6.0x for two consecutive fiscal quarters. Because our leverage ratio is below this threshold, we have the right to release all pledges at any time. In October 2005, we exercised this right for pledges of capital stock that would have been otherwise required subsequent to this date.

Restrictive Covenants. Under the terms of the senior notes indenture, our ability to incur indebtedness and pay dividends is subject to restrictions and the satisfaction of various conditions, including the achievement of an EBITDA-to-interest coverage ratio of at least 2.0x by Host LP. Furthermore, Host LP is able to make distributions to enable Host to pay dividends on its preferred stock under the senior notes indenture when our EBITDA-to-interest coverage ratio is above 1.7 to 1.0. This ratio is calculated in accordance with the terms of our senior notes indenture based on pro forma results for the four prior fiscal quarters giving effect to transactions such as acquisitions, dispositions and financings, as if they occurred at the beginning of the period. Under the terms of our senior notes indenture, interest expense excludes items such as the gains and losses on the extinguishment of debt, deferred financing charges related to the senior notes or the credit facility, amortization of debt premiums or discounts that were recorded at acquisition of a loan to establish the debt at fair value, and, in 2009, approximately $30 million of interest expense to be recorded as a result of the adoption of FSP APB 14-1 relating to our exchangeable debentures, all of which are included in interest expense on our consolidated statements of operations. Other covenants limiting our ability to incur indebtedness and pay dividends include maintaining total indebtedness of less than 65% of adjusted total assets (using undepreciated real estate values) excluding intangible assets and secured indebtedness of less than 45% of adjusted total assets. So long as we maintain the required level of interest coverage and satisfy these and other conditions in the senior notes indenture, we may pay preferred or common dividends and incur additional debt under the senior notes indenture, including debt incurred in connection with an acquisition. In addition, even if we are below the coverage levels otherwise required to incur debt and pay dividends, we are still permitted to incur certain types of debt, including (i) credit facility debt, (ii) refinancing debt, (iii) up to $300 million of mortgage debt whose proceeds would be used to repay debt under credit facility (and permanently reduce our ability to borrow under the credit facility by such amount), and (iv) up to $100 million of other debt. Our senior notes indenture also imposes restrictions on customary matters, such as our ability to pay dividends on, redeem or repurchase our equity interests; make investments; permit payment or dividend restrictions on certain of our subsidiaries; sell assets; guarantee indebtedness; enter into transactions with affiliates; create certain liens; and sell certain assets or merge with or into other companies. Our senior notes indenture also imposes a requirement to maintain unencumbered assets (as defined in the indenture as undepreciated property value) of not less than 125% of the aggregate amount of senior note debt plus other debt not secured by mortgages. This coverage requirement must be maintained at all times and is distinct from the coverage requirements necessary to incur debt or pay dividends discussed above (whose consequences, where we fall below the coverage level, are limited to restricting our ability to incur new debt or pay dividends, but which would not otherwise cause a default under our senior notes indenture). As of December 31, 2008, we are in compliance with all of our financial covenants under our senior notes indentures.

2007 Exchangeable Senior Debentures. On March 23, 2007, Host LP issued $600 million $2^{5}/_{8}$% Exchangeable Senior Debentures (the “2007 Debentures”) and received proceeds of $589 million, net of underwriting fees and expenses and original issue discount. The 2007 Debentures mature on April 15, 2027 and are equal in right of payment with all of our other senior notes. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year beginning on July 15, 2007. We can redeem for cash all, or part of, the 2007 Debentures at any time on or after April 20, 2012 upon 15 days notice at a redemption price of 100% of the principal amount plus accrued interest. Holders have the right to require us to repurchase the 2007 Debentures on April 15, 2012, April 15, 2017 and April 15, 2022 for cash equal to 100% of the principal amount plus accrued interest. Holders may exchange their 2007 Debentures prior to maturity under certain conditions, including when the closing sale price of Host’s common stock is more than 130% 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. On exchange, we must deliver cash in an amount equal to not less than the lower of the exchange value (which is the applicable exchange rate multiplied by the average price of our common shares) and the aggregate principal amount of the 2007

Debentures to be exchanged and, at our option, shares, cash or a combination thereof for any excess above the principal value. If we elect to redeem the debentures and the exchange value exceeds the cash redemption price, we would expect holders to elect to exchange their debentures at the exchange value described above rather than receive the cash redemption price. The current exchange rate is 31.35 shares of our common stock per $1,000 principal amount of debentures, which is equivalent to an exchange price of $31.90 per share of Host common stock. The exchange rate may be adjusted under certain circumstances including the payment of common dividends exceeding $.20 per share in any given quarter. The 2007 Debentures are not currently exchangeable.

2004 Exchangeable Senior Debentures. On March 16, 2004, Host LP issued $500 million of 3.25% Exchangeable Senior Debentures (the "2004 Debentures") and received net proceeds of $484 million, net of discounts, underwriting fees and expenses. During 2008, we repurchased $100 million principal amount of the 2004 Debentures for approximately $82 million and recorded a gain on the repurchase of approximately $18 million. The outstanding 2004 Debentures mature on April 15, 2024 and are equal in right of payment with all of our other senior notes. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. Holders have the right to require us to repurchase the 2004 Debentures on April 15, 2010, April 15, 2014 and April 15, 2019 for cash equal to 100% of the principal amount. Holders may exchange their 2004 Debentures prior to maturity under certain conditions, including at any time at which the closing sale price of our common stock is more than 120% of the exchange price per share, for at least 20 of 30 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. The current exchange rate is 63.3687 shares for each $1,000 of principal amount of the 2004 Debentures, (which is equivalent to an exchange price of $15.78 per share). The exchange rate is adjusted for certain circumstances, including the payment of common dividends. We can redeem for cash all, or part of, the 2004 Debentures at any time subsequent to April 19, 2009 upon 30 days notice at the applicable redemption price as set forth in the indenture. If we elect to redeem the debentures and the exchange value exceeds the cash redemption price, we would expect holders to elect to exchange their debentures for stock rather than receive the cash redemption price. The 2004 Debentures are not currently exchangeable.

Credit Facility

General. On May 25, 2007, we entered into a second amended and restated bank credit facility with Deutsche Bank AG New York Branch, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Citicorp North America Inc., Société Générale and Calyon New York Branch, as Co-Documentation Agents and certain other agents and lenders. The credit facility provides aggregate revolving loan commitments in the amount of $600 million. During any period in which our leverage ratio equals or exceeds 7.0x, new borrowings are limited to such amount as does not cause the aggregate outstanding principal amount under the credit facility to exceed $300 million. The credit facility also includes subcommitments for (i) the issuance of letters of credit in an aggregate amount of $10 million and (ii) loans in certain foreign currencies in an aggregate amount of $300 million, (A) $150 million of which may be loaned to certain of our Canadian subsidiaries in Canadian Dollars and (B) $300 million of which may be loaned to us in Pounds Sterling and Euros. The credit facility has an initial scheduled maturity of September 2011. We have an option to extend the maturity for an additional year if certain conditions are met as of September 2011. These conditions include the payment of a fee to the lenders, that no default or event of default exists and maintaining a leverage ratio below 6.75x. Subject to certain conditions, we also have the option to increase the amount of the facility by up to $190 million to the extent that any one or more lenders, whether or not currently party to the credit facility, commits to be a lender for such amount.

In the second quarter of 2008, we entered into a $210 million term loan under the credit facility. The term loan bears interest at LIBOR plus 175 basis points, with a LIBOR floor of 2.25% for an all-in rate of 4.0% at December 31, 2008. We also have the option to pay interest based on the higher of the overnight Federal Funds Rate plus 50 basis points and the Prime Lending Rate, plus, in both cases, the applicable spread of 75 basis points. In September 2008, we also borrowed $200 million under the revolver portion of our credit facility at a rate of LIBOR plus 65 basis points based on our current leverage. Based on our current leverage, we have $400 million of remaining available capacity under the revolver portion of our credit facility.

The obligations under the credit facility are guaranteed by certain of our existing subsidiaries and are currently secured by pledges of equity interests in many of our subsidiaries. The pledges are permitted to be released in the event that certain conditions are satisfied, including the requirement that our leverage ratio falls below 6.0x for two consecutive fiscal quarters. As a result of having satisfied such conditions, currently we are not required to pledge our equity interests in any newly acquired or formed subsidiary, and at our election, we may obtain a release of all existing pledges for so long as our leverage ratio continues to be below 6.0x. The guarantees and pledges ratably benefit our credit facility, as well as the notes outstanding under our senior notes indenture and interest rate swap agreements and other hedging agreements with lenders that are parties to the credit facility.

Financial Covenants. The credit facility contains covenants concerning allowable leverage, fixed charge coverage and unsecured interest coverage. Prior to the end of our third quarter of 2009, we are permitted to make borrowings and maintain amounts outstanding under the credit facility so long as our leverage ratio is not in excess of 7.5x and our unsecured coverage ratio is not less than 1.75x. Thereafter, the maximum leverage ratio under the credit facility is reduced to 7.25x, with the minimum unsecured coverage ratio continuing to be set at 1.75x. In all cases, if our leverage ratio equals or exceeds 7.0x, new borrowings are limited to such amount as does not cause the aggregate outstanding principal amount of the credit facility to exceed $300 million. However, to the extent our borrowings under the credit facility revolver exceed $300 million on the date that our leverage ratio exceeds 7.0x, we are not required to repay the excess for one year. The financial covenants for the credit facility do not apply when there are no borrowings under the credit facility. Hence, so long as there are no amounts outstanding, we would not be in default if we do not satisfy the financial covenants and we do not lose the potential to draw under the credit facility in the future if we were ever to come back into compliance with the financial covenants. These calculations are performed in accordance with our credit facility based on pro forma results for the prior four fiscal quarters giving effect to transactions such as acquisitions, dispositions and financings as if they occurred at the beginning of the period. Under the terms of the credit facility, interest expense excludes items such as the gains and losses on the extinguishment of debt, deferred financing charges related to the senior notes or the credit facility, amortization of debt premiums or discounts that were recorded at acquisition of a loan to establish the debt at fair value, and, in 2009, approximately $30 million of interest expense to be recorded as a result of the adoption of FSP APB 14-1 relating to our exchangeable debentures, all of which are included in interest expense on our consolidated statements of operations. Additionally, 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 is deducted from our total debt balance. As of December 31, 2008, our leverage ratio was 4.1x versus the 7.5x maximum leverage ratio allowed under the credit facility, our fixed charge coverage ratio was 2.8x versus the 1.0x minimum fixed charge coverage ratio allowed under the credit facility and our unsecured interest coverage ratio was 4.1x versus the minimum unsecured interest coverage ratio of 1.75x allowed under the credit facility. Accordingly, we are in compliance with all of our financial covenants under the credit facility as of December 31, 2008.

The following table summarizes the financial tests contained in the credit facility:

	Financial Covenant Levels		
Year	**Minimum unsecured interest coverage ratio(a)**	**Maximum leverage ratio(b)**	**Minimum fixed charge coverage ratio**
2009	1.75	7.5	1.05
2010	1.75	7.25	1.10
2011	1.75	7.25	1.15

(a) If, at any time our leverage ratio is above 7.0x, our minimum unsecured interest coverage ratio will lower to 1.5x.
(b) The maximum leverage ratio declines to 7.25x in September 2009.

Interest and Fees. We pay interest on revolver borrowings under the credit facility at floating rates plus a margin that is set with reference to our leverage ratio. In the case of LIBOR borrowings in US Dollars, as well as Euros and Pounds Sterling denominated borrowings, the rate of interest ranges from 65 basis points to 150 basis points over LIBOR. We also have the option to pay interest based on the higher of the overnight Federal Funds Rate plus 50 basis points and the Prime Lending Rate, plus, in both cases, the applicable spread ranging from 0 to

50 basis points. Based on our current leverage ratio of 4.1x, we can borrow at a rate of LIBOR plus 70 basis points or Prime plus 0 basis points. To the extent that amounts under the credit facility remain unused, we pay a quarterly commitment fee on the unused portion of the loan commitment of 10 to 15 basis points, depending on our average revolver usage during the applicable period.

Other Covenants. The credit facility contains restrictive covenants on customary matters. Certain covenants become less restrictive at any time that our leverage ratio falls below 6.0x. In particular, at any time that our leverage ratio is below 6.0x, we will not be subject to limitations on capital expenditures, and the limitations on acquisitions, investments and dividends contained in the credit facility will be superseded by the generally less restrictive corresponding covenants in our senior notes indenture. Additionally, the credit facility's restrictions on incurrence of debt and the payment of dividends are generally consistent with our senior notes indenture. These provisions, under certain circumstances, limit debt incurrence to debt incurred under the credit facility or in connection with a refinancing, and limit dividend payments to those necessary to maintain our tax status as a REIT.

Mortgage and Other Debt

General. As of December 31, 2008, we had 14 hotels that were secured by mortgage debt. Substantially all of our mortgage debt is recourse solely to specific assets except in instances of fraud, misapplication of funds and other customary recourse provisions. As of December 31, 2008, secured debt represented approximately 24% of our total debt and our aggregate secured debt had an average interest rate of 6.2% and an average maturity of 4.3 years.

The following table summarizes our outstanding debt and scheduled amortization and maturities related to mortgage and other debt as of December 31, 2008 (in millions):

	Balance as of December 31, 2008	2009	2010	2011	2012	2013	Thereafter
Mortgage Debt							
Orlando Marriott World Center, 4.93%, due 7/1/2011(1)	$ 300	$—	$—	$ 300	$—	$—	$ —
San Diego Marriott Hotel and Marina, 8.45%, due 7/1/2009	175	175	—	—	—	—	—
Atlanta Marriott Marquis, 7.4%, due 2/11/2023(2)	129	5	5	5	6	6	102
Westin Kierland, 5.08%, due 12/1/2009	134	134	—	—	—	—	—
Harbor Beach Marriott Resort and Spa, 5.55%, due 3/1/2014	134	—	—	—	—	—	134
The Ritz-Carlton, Naples and Newport Beach Marriott Hotel and Spa, 5.531%, due 3/1/2014	300	—	—	—	—	—	300
Desert Springs, a JW Marriott Resort and Spa, 7.8%, due 12/11/2022(2)	80	3	4	4	4	4	61
The Westin Tabor Center, 8.51%, due 12/11/2023	41	1	1	1	1	1	36
Other mortgage debt(3)	143	3	1	105	—	—	34
Total mortgage debt	1,436	321	11	415	11	11	667
Other Debt							
Philadelphia Airport Marriott industrial revenue bonds, 7 3/4%, due 12/1/2017	40	—	—	—	—	—	40
Industrial revenue bonds and other(4)	47	—	—	—	—	—	47
Total other debt	87	—	—	—	—	—	87
Total mortgage and other debt	$ 1,523	$ 321	$ 11	$ 415	$ 11	$ 11	$ 754

(1) This floating rate mortgage is based on LIBOR plus 350 basis points. The rate shown is the rate in effect as of December 31, 2008.

(2) Beginning in 2010, the interest rate on these loans increases a minimum of 200 basis points and all excess cash (as defined in the loan agreement) generated by the partnerships that own these properties is applied to principal; however, the loans can be repaid without a premium or penalty on that date. The amortization presented is the minimum principal payment considering the increase in interest rate, but does not include additional principal payments based on excess cash flow.

(3) Other mortgage debt consists of individual mortgage debt amounts that are less than $40 million, have an average interest rate of 6.1% at December 31, 2008 and mature through 2022. Beginning in 2009, the interest rate on one of these loans, the Westin Indianapolis, with a principal balance of $34 million increases a minimum of 500 basis points and all excess cash (as defined in the loan agreement) generated by the partnership that owns the property is applied to principal; however, the loan can be repaid without a premium or penalty on that date. We have notified the lender that we will prepay this loan in March 2009. The amortization presented is the minimum principal payment considering the increase in interest rate, but does not include additional principal payments based on excess cash flow.

(4) Industrial revenue bonds and other consist of loans with an average interest rate of 7.1% that mature through 2016, and capital leases with varying interest rates and maturity dates.

Mortgage Debt of Consolidated and Unconsolidated Partner Interests

For the entities that we consolidate in our financial statements that have third party minority partnership interests, the proportion of mortgage debt included in the above table that is attributable to the minority owners, based on their percentage of ownership of the partnerships, is approximately $68 million. Additionally, we have minority interests in partnerships and joint ventures that are not consolidated and are accounted for under the equity method. The proportion of the mortgage and other debt of these partnerships attributable to us, based on our percentage of ownership of the partnerships, was $356 million at December 31, 2008. Approximately 90% of this debt balance is attributable to our 32.1% ownership interest in the European joint venture. The mortgage debt related to our European joint venture hotels contains operating covenants that could result in the joint venture being required to escrow cash from operations or make principal repayments without penalty. The debt of all our unconsolidated partnerships is non-recourse to us.

Credit Ratings

Currently, we have approximately $4.0 billion of senior notes outstanding and $100 million of preferred stock that are rated by Moody’s Investors Service, Standard & Poor’s and Fitch Ratings. Moody’s rating on our senior note debt is Ba1 and our preferred stock is Ba2. During 2009, Standard & Poor’s downgraded our senior note debt one notch from BBB-, the lowest investment grade rating, to BB+. Standard & Poor’s rating on our preferred stock was also downgraded one notch from B to B-. In addition, Standard & Poor’s has maintained its negative outlook. During 2009, Fitch Ratings downgraded our senior note debt from BB+ to BB-. The rating on our preferred stock was also downgraded from BB- to B. Fitch Ratings has also placed us on negative outlook. If our operations or our credit ratios continue to decline, the ratings on our securities could be further reduced. If we were unable to subsequently improve our credit ratings, our cost to issue senior notes, either in connection with a refinancing or otherwise, or additional preferred stock would likely increase.

Dividend Policy

Host is required to distribute at least 90% of its annual taxable income, excluding net capital gains, to its stockholders to qualify 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 to pay dividends on its common and preferred stock are provided through distributions from Host LP. Currently, for every share of common and preferred stock of Host, Host LP has issued to Host a corresponding common OP unit and preferred OP unit. As of February 23, 2009, Host is the owner of substantially all of the preferred OP units and approximately 97% of the common OP units. The remaining 3% of the common OP units are held by various third-party limited partners.

Investors should take into account the 3% minority position in Host LP common OP units when analyzing common and preferred dividend payments by Host to its stockholders, as these holders share, on a pro rata basis, in amounts being distributed by Host LP to holders of its corresponding common and preferred OP units. When

Host pays a common or preferred dividend, Host LP pays an equivalent per unit distribution on all common or corresponding preferred OP units. For example, if Host paid a $1 per share dividend on its common stock, it would be based on payment of a $1 per common unit distribution by Host LP to Host, as well as to other common OP unit holders.

Host's current policy on common dividends is generally to distribute, over time, 100% of its taxable income. We intend to suspend our regular quarterly dividend in 2009 and instead we expect to declare a $.30 to $.35 per share common dividend in the fourth quarter, which may be paid either in cash or in a combination of cash and shares of common stock. The amount of any dividend will be determined by Host's Board of Directors. In reliance on the specific terms of recent guidance issued by the IRS, we may pay up to 90% of our required 2009 common dividends with Host common stock, with the remaining 10% paid with cash. Host currently intends to continue paying dividends on its preferred stock, regardless of the amount of taxable income, unless contractually restricted.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

We are party to various transactions, agreements or other contractual arrangements with unconsolidated entities (which we refer to as "off-balance sheet arrangements") under which we have certain contingent liabilities and guarantees. As of December 31, 2008, we are party to the following material off-balance sheet arrangements:

Unconsolidated Investments. We have invested approximately €137 million ($181 million) in the European joint venture, which includes amounts for the acquisition of a portfolio of hotels. The acquisition was terminated in December 2008, and the European joint venture returned approximately $40 million of the invested funds to us in January 2009 reducing our investment to approximately €107 million. Under the joint venture's partnership agreement, the aggregate size of the European joint venture can increase to approximately €540 million of equity (of which approximately €173 million would be contributed by Host LP) and, once all funds have been invested, would be approximately €1.5 billion of assets. The European joint venture currently has €733.8 million of debt outstanding, none of which is recourse to us.

As of December 31, 2008, the aggregate size of the European joint venture was approximately €1.3 billion ($1.8 billion), including total capital contributions of approximately €433 million ($567 million), of which a total of approximately €137 million ($181 million) was from the contribution by us of cash and the Sheraton Warsaw Hotel & Towers.

During 2008, we entered into three foreign currency forward purchase contracts to hedge approximately 50% of the foreign currency exposure resulting from the eventual repatriation of our net investment in the European joint venture. We hedged €60 million (approximately $88 million) of our investment and the forward purchase will occur between August 2011 and May 2014. As of December 31, 2008, we have recorded approximately $6 million related to the increase in the fair value of the forward purchase contracts. The gain is included in accumulated other comprehensive income in the accompanying balance sheet. The derivatives are considered a hedge of the foreign currency exposure of a net investment in a foreign operation, and, in accordance with SFAS 133, are marked-to-market with changes in fair value recorded to accumulated other comprehensive income within the stockholders' equity portion of our balance sheet.

We also have other unconsolidated investments with a total of $810 million in debt with various partners. For additional detail on these investments and the European joint venture, see Note 3, "Investments in Affiliates," and Note 7, "Leases," in the accompanying consolidated financial statements.

Tax Sharing Arrangements. Under tax sharing agreements with former affiliated companies (such as Marriott International, HMS Host and Barceló Crestline Corporation), we are obligated to pay certain taxes (federal, state, local and foreign, including any related interest and penalties) relating to periods in which the companies were affiliated with us. For example, a taxing authority could adjust an item deducted by a former affiliate during the period that this former affiliate was owned by us. This adjustment could produce a material tax liability that we may be obligated to pay under the tax sharing agreement. Additionally, under the partnership agreement between Host and Host LP, Host LP is obligated to pay certain taxes (federal, state, local and foreign, including any related interest and penalties) incurred by Host, as well as any liabilities the IRS may successfully assert against Host. We do not expect any amounts paid under the tax sharing arrangements to be material.

Tax Indemnification Agreements. For reasons relating to federal and state income tax considerations of the former and current owners of three hotels, we have agreed to restrictions on selling the hotels, or repaying or refinancing the mortgage debt for varying periods depending on the hotel. Two of these agreements will expire in 2010 and the third will expire in 2028.

Guarantees. We have certain guarantees, which consist of commitments we have made to third parties for leases or debt, that are not on our books due to various dispositions, spin-offs and contractual arrangements, but that we have agreed to pay in the event of certain circumstances including default by an unrelated party. We consider the likelihood of any material payments under these guarantees to be remote. The largest guarantees (by dollar amount) are listed below:

- We remain contingently liable for rental payments on certain divested non-lodging properties. These primarily represent certain divested restaurants that were sold subject to our guarantee of the future rental payments. The aggregate amount of these future rental payments is approximately $23 million as of December 31, 2008.
- In 1997, we owned Leisure Park Venture Limited Partnership, which owns and operates a senior living facility. We no longer have an ownership interest in the partnership, but we remain obligated under a guarantee of interest and principal with regard to $14.7 million of municipal bonds issued by the New Jersey Economic Development Authority through their maturity in 2027. However, to the extent we are required to make any payments under the guarantee, we have been indemnified by Barceló Crestline Corporation, who, in turn, is indemnified by the current owner of the facility.
- In connection with the sale of two hotels in January 2005, we remain contingently liable for the amounts due under the respective ground leases. The future minimum lease payments are approximately $13 million through the full term of the leases, including renewal options. We believe that any liability related to these ground leases is remote, and in each case, we have been indemnified by the purchaser of the hotel.

Information on other guarantees and other off-balance sheet arrangements may be found in Note 17 to our consolidated financial statements.

Contractual Obligations

The table below summarizes our obligations for principal and estimated interest payments on our debt, future minimum lease payments on our operating and capital leases, projected capital expenditures and other long-term liabilities, each as of December 31, 2008 (in millions):

	Payments due by period				
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Long-term debt obligations(1)	$7,523	$ 656	$ 1,838	$ 2,177	$ 2,852
Capital lease obligations	2	1	1	—	—
Operating lease obligations(2)	1,439	122	215	123	979
Purchase obligations(3)	254	235	19	—	—
Other long-term liabilities reflected on the balance sheet(4)	17	—	13	—	4
Total	$9,235	$ 1,014	$ 2,086	$ 2,300	$ 3,835

(1) The amounts shown include amortization of principal, debt maturities and estimated interest payments. Interest payments have been included in the long-term debt obligations based on the weighted average interest rate.

(2) Future minimum lease payments have not been reduced by aggregate minimum sublease rentals from restaurants and the HPT subleases of approximately $9 million and $275 million, respectively, payable to us under non-cancelable subleases.

(3) Our only purchase obligations consist of commitments for capital expenditures at our hotels. Under our contracts, we have the ability to defer some of these expenditures into later years and some of the 2008 amount reflects prior year contracts that were deferred or not completed. See "Capital Expenditures."

(4) The amounts shown include deferred management fees and the estimated amount of tax expense based upon FIN 48. Under terms of our management agreements, we have deferred payment of management fees to our hotel managers for some of our properties that have not achieved the required income thresholds for payment of owner's priority to us. The timing of the payments, if any, is based on future operations, the termination of the management agreement or the sale of the hotel, and, is therefore, not determinable. The estimated amount of tax expense relates to uncertain tax liabilities from prior years based upon FIN 48.

Critical Accounting Policies

Our 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 reporting period. While we do not believe 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, including those related to the impairment of long-lived assets, on an ongoing basis. We base our estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our significant accounting policies are disclosed in the notes to our consolidated financial statements. The following represent certain critical accounting policies that require us to exercise our business judgment or make significant estimates:

- *Purchase Price Allocations to Hotels*. Investments in hotel properties are stated at acquisition cost and allocated to land, property and equipment, identifiable intangible assets and assumed debt and other liabilities at fair value in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*. Any remaining unallocated acquisition costs would be treated as goodwill. Property and equipment are recorded at fair value based on current replacement cost for similar capacity and allocated to buildings, improvements, furniture, fixtures and equipment using appraisals and valuations performed by management and independent third parties. Identifiable intangible assets are typically contracts including ground and retail leases and management and franchise agreements, which are recorded at fair value, although no value is generally allocated to contracts which are at market terms. Above-market and below-market contract values are based on the present value of the difference between contractual amounts to be paid pursuant to the contracts acquired and our estimate of the fair value of contract rates for corresponding contracts measured over the period equal to the remaining non-cancelable term of the contract. Intangible assets are amortized using the straight-line method over the remaining non-cancelable term of the related agreements. In making estimates of fair values for purposes of allocating purchase price, we may utilize a number of sources that may be obtained in connection with the acquisition or financing of a property and other market data, including third-party appraisals and valuations.

- *Impairment testing*. We are required by GAAP to record an impairment charge when we believe that one or more of our hotels has been impaired, whereby, future undiscounted cash flows for the hotel would be less than the net book value of the asset. For impaired assets, we record an impairment charge when a property's fair value is less than its net book value. We test for impairment in several situations, including when current or projected cash flows are less than historical cash flows, when it becomes more likely than not that a hotel will be sold before the end of its previously estimated useful life, as well as whenever an asset is classified as "held for sale" or events or changes in circumstances indicate that an asset's net book value may not be recoverable. In the evaluation of the impairment of our assets, we make many assumptions and estimates, including:
  - projected cash flows
  - holding period
  - expected useful life
  - future capital expenditures
  - fair values, including consideration of capitalization rates, discount rates and comparable selling prices.

Changes in these estimates, assumptions, future changes in economic conditions, or property-level results could require us to record additional impairment charges, which would be reflected in operations in the future.

- *Classification of Assets as "Held for Sale"*. Our policy for the classification of a hotel as held for sale is intended to ensure that the sale of the asset is probable, will be completed within one year and that actions required to complete the sale are unlikely to change or that the planned sale will be withdrawn. This policy is consistent with our experience with real estate transactions under which the timing and final terms of a sale are frequently not known until purchase agreements are executed, the buyer has a significant deposit at risk and no financing contingencies exist which could prevent the transaction from being completed in a timely manner. Specifically, we will typically classify properties that we are actively marketing as held for sale when all of the following conditions are met:
  - our Board of Directors has approved the sale (to the extent the dollar amount of the sale requires Board approval);
  - a binding agreement to purchase the property has been signed;
  - the buyer has committed a significant amount of non-refundable cash; and
  - no significant financing contingencies exist which could cause the transaction not to be completed in a timely manner.

To the extent a property is classified as held for sale and its fair value less selling costs is lower than the net book value of the property, we will record an impairment loss. See the discussion above concerning the use of estimates and judgments in determining fair values for impairment tests.

- *Depreciation and Amortization Expense*. Depreciation expense is based on the estimated useful life of our assets and amortization expense for leasehold improvements is the shorter of the lease term or the estimated useful life of the related assets. The lives of the assets are based on a number of assumptions including cost and timing of capital expenditures to maintain and refurbish the assets, as well as specific market and economic conditions. While management believes its estimates are reasonable, a change in the estimated lives could affect depreciation expense and net income (loss) or the gain or loss on the sale of any of our hotels.

- *Valuation of Deferred Tax Assets.* We have approximately $79 million, net of a valuation allowance of $28 million, of consolidated deferred tax assets as of December 31, 2008. The objective of financial accounting and reporting standards for income taxes is to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in a company's financial statements or tax returns. We have considered various factors, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies in determining a valuation allowance for our deferred tax assets, and we believe that it is more likely than not that we will be able to realize the $79 million of deferred tax assets in the future. When a determination is made that all, or a portion, of the deferred tax assets may not be realized, an increase in income tax expense would be recorded in that period.
- *Valuation of Derivative Contracts.* We will occasionally enter into derivative products including interest rate and foreign currency swaps, caps and collars. Derivative instruments are fair valued at each reporting date and the increase or decrease in fair value is recorded in net income (loss) unless the instrument qualifies as a hedge under SFAS 133. We estimate the fair value of these instruments through the use of third party valuations, which utilize the market standard methodology of netting the discounted future cash receipts and the discounted expected cash payments. We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees. The variable cash flow streams are based on an expectation of future interest and exchange rates derived from observed market interest and exchange rate curves. The values of these instruments will change over time as cash receipts and payments are made and as market conditions change. Any event that impacts the level of actual and expected future interest or exchange rates will impact our valuations. The fair value of our derivatives is likely to fluctuate from year to year based on changing levels of interest and exchange rates and shortening terms to maturity.
- *Stock Compensation.* We recognize costs resulting from our share-based payment transactions in our financial statements over their vesting periods. We classify share-based payment awards granted in exchange for employee services as either equity classified awards or liability classified awards. The classification of our restricted stock awards as either an equity award or a liability award is based upon cash settlement options. Equity classified awards are measured based on the fair value on the date of grant. Liability classified awards are remeasured to fair value each reporting period. The value of these restricted stock awards, less estimated forfeitures, is recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period (usually the vesting period). No compensation cost is recognized for awards for which employees do not render the requisite service. The majority of our restricted stock awards to senior management vested as of December 31, 2008. These awards were classified as liability awards due to settlement features that allowed the recipient to have a percentage of the restricted stock awards withheld to meet tax requirements in excess of the statutory minimum requirements. During 2009, we will implement a new employee stock plan for our senior management that will include the following awards:

  Restricted stock awards with vesting based on market conditions. These awards will be considered liability awards due to their cash settlement features. Therefore, they will be remeasured to fair value each reporting period. We utilize a simulation, or Monte Carlo model to determine the fair value of our restricted stock awards with vesting based on market conditions. The utilization of this model requires us to make certain estimates related to the volatility of the share price of our common stock, risk-free interest rates, the risk profile of our common shares compared to our peer group and the amount of our awards expected to be forfeited.

Restricted stock awards with vesting based on performance conditions. These awards are earned based on an employee's achieving a specified performance target, which will be based on the employee's specific management business objectives. Compensation cost will be recognized when the achievement of the performance condition is considered probable of achievement. If a performance condition has more than one outcome that is probable of achievement, recognition of compensation cost will be based on the condition that is the most likely outcome. These awards are also considered liability awards due to the cash-settlement provisions. Therefore, the value of the shares to be issued will be based on the share price on the reporting date.

Stock Option Awards. The stock option awards will be equity-based awards, as they will not include cash settlement features. Therefore, the value of the award will be determined on the grant date using a binomial pricing model and will not be adjusted for future changes in the fair value. The utilization of the binomial model requires us to make certain estimates related to the volatility of the share price of our common stock, risk-free interest rates and the amount of our awards expected to be forfeited.

We also grant restricted stock awards to our upper-middle management with vesting based on service conditions. These awards are considered equity awards as they do not have an option for tax withholding similar to that for senior management.

- *Consolidation Policies.* Judgment is required with respect to the consolidation of partnership and joint venture entities in the evaluation of control, including assessment of the importance of rights and privileges of the partners based on voting rights, as well as financial interests that are not controllable through voting interests. Currently, we have investments in entities that own hotel properties and other investments which we record using the equity method of accounting. These entities are considered to be voting interest entities. The debt on these investments is non-recourse to us and the effect of their operations on our results of operations is not material. While we do not believe we are required to consolidate any of our current partnerships or joint ventures presented under the equity method, if we were required to do so, then all of the results of operations and the assets and liabilities would be included in our financial statements.

Application of New Accounting Standards

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations,* ("FAS 141R"). FAS 141R provides principles on the recognition and measurement of the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and goodwill acquired in a business combination. The standard particularly requires the assets acquired, liabilities assumed and noncontrolling interests to be measured at the acquisition date fair value, including contingent consideration. Furthermore, FAS 141R prohibits acquisition-related costs, such as due diligence, legal and accounting fees, from being applied in determining the fair value of the acquired assets. We will adopt the provisions of this statement beginning in the first quarter of 2009 prospectively. We do not believe the adoption of this statement will materially affect the recognition and measurement related to our future business combinations.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51,* ("FAS 160"), which defines a noncontrolling interest in a consolidated subsidiary as "the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent" and requires noncontrolling interest to be presented as a separate component of equity in the consolidated balance sheet. FAS 160 also modifies the presentation of net income by requiring earnings and other comprehensive income to be attributed to controlling and noncontrolling interests. We will adopt this standard beginning in the first quarter of 2009 prospectively and any presentation and disclosure requirements retrospectively. Upon the adoption of this standard, we will reclassify interests of our minority partners of other consolidated partnerships from the mezzanine level of the balance sheet to stockholders' equity. Interest of minority partners of Host L.P. will continue to be classified in the minority interest section of our balance sheet, as the OP Units do not meet the requirements for equity classification per EITF topic D-98. Upon adoption, the interest of minority partners of Host LP will be carried at fair value. As of December 31, 2008, the balance to be reclassified totaled $24 million. Additionally, the income attributable to minority partners of Host L.P. and other consolidated partnerships will no longer be deducted in our determination of net income and net income would have increased by $21 million, $32 million and $41 million for 2008, 2007 and 2006, respectively. However, the income attributable to minority partners will be deducted in our determination of net income available to common shareholders. Therefore, we do not anticipate that the adoption of this standard will have a material effect on our income available to common shareholders or our diluted earnings per share.

In May 2008, the FASB issued FASB staff position ("FSP") APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" ("FSP 14-1"). FSP 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate on the instrument's issuance date when interest cost is recognized. Our 2007 Debentures and our 2004 Debentures are within the scope of FSP 14-1; therefore, we will be required to record the debt components of the debentures at fair value as of the date of issuance and amortize the discount as an increase to interest expense over the expected life of the debt. The implementation of this standard will result in a decrease to net income and earnings per share for all periods presented; however, there is no effect on our cash interest payments. FSP 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and shall be applied retrospectively to all periods presented. Early adoption of FSP 14-1 is not permitted. As a result of the application of this standard, our diluted earnings per common share are estimated to decrease by approximately $.04 to $.05 per share. Additionally, the application of this standard will decrease our debt balance as of December 31, 2008 by approximately $77 million, with a corresponding increase to stockholders' equity.

Comparable Hotel Operating Statistics

We present certain operating statistics (i.e., RevPAR, average daily rate and average occupancy) and operating results (revenues, expenses and adjusted operating profit) for the periods included in this report on a comparable hotel basis. We define our comparable hotels as properties (i) that are owned or leased by us and the operations of which are included in our consolidated results, whether as continuing operations or discontinued operations for the entirety of the reporting periods being compared and (ii) that have not sustained substantial property damage or business interruption, or undergone large-scale capital projects during the reporting periods being compared.

Of the 117 hotels that we owned on December 31, 2008, 115 have been classified as comparable hotels. The operating results of the following hotels that we owned as of December 31, 2008 are excluded from comparable hotel results for these periods:

- Atlanta Marriott Marquis (a two-year major renovation project that was completed in June 2008); and
- New Orleans Marriott (property damage and business interruption from Hurricane Katrina in August 2005).

Additionally, the operating results of the eleven hotels we disposed of in 2008 and 2007 also are not included in comparable hotel results for the periods presented herein. Moreover, 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 evaluate the operating performance of our comparable hotels based on both geographic region and property type. These divisions are generally consistent with groupings recognized in the lodging industry.

Geographic regions consist of the following (only states in which we own hotels are listed):

- Pacific—California, Hawaii, Oregon and Washington;
- Mountain—Arizona and Colorado;

- North Central—Illinois, Indiana, Michigan, Minnesota, Missouri and Ohio;
- South Central—Louisiana, Tennessee and Texas;
- New England—Connecticut, Massachusetts and New Hampshire;
- Mid-Atlantic—Pennsylvania, New Jersey and New York;
- DC Metro—Maryland, Virginia and Washington, D.C.;
- Atlanta—Georgia and North Carolina;
- Florida—Florida; and
- International—Canada, Mexico and Chile.

Property types consist of the following:

- Urban—Hotels located in primary business districts of major cities;
- Suburban—Hotels located in office parks or smaller secondary markets;
- Resort/conference—Hotels located in resort/conference destinations such as Arizona, Florida, Hawaii and Southern California; and
- Airport—Hotels located at or near airports.

Reporting Periods

For Consolidated Statement of Operations. The results we report are based on results of our hotels reported to us by our hotel managers. Our hotel managers use different reporting periods. Marriott, the manager of a significant percentage of our properties, uses a year ending on the Friday closest to December 31 and reports twelve weeks of operations for the first three quarters and sixteen or seventeen weeks for the fourth quarter of the year for its Marriott-managed hotels. In contrast, other managers of our hotels, such as Hyatt and Starwood, report results on a monthly basis. Host, as a REIT, is required by federal income tax law to report results on a calendar year. As a result, we elected to adopt the reporting periods used by Marriott modified so that our fiscal year always ends on December 31 to comply with REIT rules. Our first three quarters of operations end on the same day as Marriott but our fourth quarter ends on December 31 and our full year results, as reported in our statement of operations, always includes the same number of days as the calendar year.

Two consequences of the reporting cycle we have adopted are: (1) quarterly start dates will usually differ between years, except for the first quarter which always commences on January 1, and (2) our first and fourth quarters of operations and year-to-date operations may not include the same number of days as reflected in prior years. For example, set forth below are the quarterly start and end dates for 2009, 2008 and 2007. Note that the second and third quarters of each year both reflect twelve weeks of operations. In contrast, the first and fourth quarters reflect differing days of operations.

	2009		2008		2007	
	Start-End Dates	No. of Days	Start-End Dates	No. of Days	Start-End Dates	No. of Days
First Quarter	January 1—March 27	86	January 1—March 21	81	January 1—March 23	82
Second Quarter	March 28—June 19	84	March 22—June 13	84	March 24—June 15	84
Third Quarter	June 20—September 11	84	June 14—September 5	84	June 16—September 7	84
Fourth Quarter	September 12—December 31	111	September 6—December 31	117	September 8—December 31	115

While the reporting calendar we adopted is more closely aligned with the reporting calendar used by Marriott, another consequence of our calendar is we are unable to report the month of operations that ends after our fiscal quarter-end until the following quarter because our hotel managers using a monthly reporting period do not make mid-month results available to us. Hence, the month of operation that ends after our fiscal quarter-end is included in our quarterly results of operations in the following quarter for those hotel managers (covering approximately 43% of total revenues of our hotels). As a result, our quarterly results of operations include results from hotel managers reporting results on a monthly basis as follows: first quarter (January, February), second quarter (March to May), third quarter (June to August) and fourth quarter (September to December). While this does not affect full year results, it does affect the reporting of quarterly results.

For Hotel Operating Statistics and Comparable Hotel Results. In contrast to the reporting periods for our consolidated statement of operations, our hotel operating statistics (i.e., RevPAR, average daily rate and average occupancy) and our comparable hotel results are reported based on the reporting cycle used by Marriott for our Marriott-managed hotels. However, for years such as 2008, where Marriott reports its operations based on a 53-week year and a fourth quarter of 17 weeks, for comparable purposes, we exclude the extra week of operations, and we still reflect 52 weeks for the full year and 16 weeks for the fourth quarter. This facilitates year-to-year comparisons, as each reporting period will be comprised of the same number of days of operations as in the prior year. This means, however, that the reporting periods we use for hotel operating statistics and our comparable hotel results will typically differ slightly from the reporting periods used for our statements of operations for the first and fourth quarters and the full year. Set forth below are the quarterly start and end dates that are used for our hotel operating statistics and comparable hotel results reported herein. Results from hotel managers reporting on a monthly basis are included in our operating statistics and comparable hotel results consistent with their reporting in our consolidated statement of operations.

Hotel Result Reporting Periods for Operating Statistics
and Comparable Hotel Results—for Marriott Managed Properties

	2009		2008		2007	
	Start-End Dates	No. of Days	Start-End Dates	No. of Days	Start-End Dates	No. of Days
First Quarter	January 3—March 27	84	December 29—March 21	84	December 30—March 23	84
Second Quarter	March 28—June 19	84	March 22—June 13	84	March 24—June 15	84
Third Quarter	June 20—September 11	84	June 14—September 5	84	June 16—September 7	84
Fourth Quarter	September 12—January 1	112	September 6—December 26	112	September 8—December 28	112

Non-GAAP Financial Measures

We use certain "non-GAAP financial measures," which are measures of our historical financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. They are as follows: (i) FFO per diluted share, and (ii) Comparable Hotel Operating Results. The following discussion defines these terms and presents why we believe they are useful measures of our performance.

FFO Per Diluted Share

We present FFO per diluted share as a non-GAAP measure of our performance in addition to our earnings per share (calculated in accordance with GAAP). We calculate FFO per diluted share for a given operating period as our FFO (defined as set forth below) for such period divided by the number of fully diluted shares outstanding during such period. NAREIT defines FFO as net income (calculated in accordance with GAAP) excluding gains (or losses) from sales of real estate, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization and adjustments for unconsolidated partnerships and joint ventures. FFO is presented on a per share basis after making adjustments for the effects of dilutive securities, including the payment of preferred stock dividends, in accordance with NAREIT guidelines.

We believe that FFO per diluted share is a useful supplemental measure of our operating performance and that presentation of FFO per diluted share, when combined with the primary GAAP presentation of earnings per share, provides beneficial information to investors. By excluding the effect of real estate depreciation, amortization 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 measure can facilitate comparisons of operating performance between periods and between other REITs, even though 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 definition of FFO in order to promote an industry-wide measure of REIT operating performance.

We calculate 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 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 comparing us to non-REITs. This information should not be considered as an alternative to net income, operating profit, cash from operations, or any other operating performance measure prescribed by 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 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 statements of operations and cash flows include depreciation, 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. 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, FFO per diluted share does not measure, and should not be used as a measure of, amounts that accrue directly to our stockholders' benefit.

The following tables provide a reconciliation of net income available to common shareholders per share to FFO per diluted share (in millions, except per share amounts):

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

	Year ended December 31,					
	2008			2007		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Net income available to common stockholders	$ 418	521.6	$ .80	$ 718	522.1	$ 1.38
Adjustments:						
Gain on dispositions, net of taxes	(23)	—	(.04)	(164)	—	(.31)
Gain on insurance settlements(a)	—	—	—	(22)	—	(.04)
Amortization of deferred gains, net of taxes	(4)	—	(.01)	(6)	—	(.01)
Depreciation and amortization	578	—	1.11	519	—	.99
Partnership adjustments	28	—	.05	30	—	.06
FFO of minority partners of Host LP(b)	(38)	—	(.07)	(37)	—	(.07)
Adjustments for dilutive securities:						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	.4	—	—	.9	(.01)
Assuming conversion of 2004 Exchangeable Senior Debentures(c)	1	30.8	(.10)	19	30.5	(.08)
FFO per diluted share(d)(e)	$ 960	552.8	$ 1.74	$1,057	553.5	$ 1.91

(a) Represents the gain during the period from the settlement of property insurance claims, including the gains that are included in discontinued operations related to hotels that we have sold.

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

(c) During the fourth quarter of 2008, we repurchased $100 million principal amount of the 2004 Exchangeable Senior Debentures for $82 million. Under FASB's Emerging Issues Task Force Topic D-53, "*Computation of Earnings per Share for a Period that Includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock*" (EITF D-53) we are required to determine the dilutive effect of the repurchased 2004 Exchangeable Debentures separately from the 2004 Exchangeable Debentures outstanding at December 31, 2008. 2004 Exchangeable Debentures repurchased during 2008 are treated as having been converted to common stock equivalents at the start of the period. Accordingly, the adjustments to dilutive FFO related to the 2004 Exchangeable Senior Debentures consist of an add-back of $19 million of interest expense netted with the $18 million gain realized on the repurchases, for a net effect of $1 million.

(d) FFO per diluted share in accordance with NAREIT is adjusted for the effects of dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, those preferred OP units held by minority partners, convertible debt securities and other minority interests that have the option to convert their limited partnership interest to common OP units. No effect is shown for securities if they are anti-dilutive.

(e) FFO per diluted share and earnings per diluted share for certain periods presented were significantly affected by certain transactions, the effect of which is shown in the table below (in millions, except per share amounts):

	Year ended December 31,			
	2008		2007	
	Net Income	FFO	Net Income	FFO
Senior notes redemptions and debt prepayments(1)	$ —	$—	$ (46)	$ (46)
Gain on hotel dispositions, net of taxes	23	—	164	—
Minority interest benefit (expense)(2)	(1)	—	(4)	2
Total	$ 22	$—	$ 114	$ (44)
Diluted shares	552.8	—	554.7	553.5
Per diluted share	$ .04	$—	$ .21	$ (.08)

(1) Represents call premiums, the acceleration of original issue discounts and deferred financing costs, the termination costs of interest rate swaps, as well as incremental interest during the call or prepayment notice period included in interest expense in the consolidated statements of operations. We recognized these costs in conjunction with the prepayment or refinancing of senior notes and mortgages during certain periods presented.

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

Comparable Hotel Operating Results

We present certain operating results for 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 comparable hotel operating results by eliminating corporate-level costs and expenses related to our capital structure, as well as depreciation and amortization. We eliminate corporate-level costs and expenses to arrive at property-level results because we believe property-level results provide investors with more specific insight into the ongoing operating performance of our hotels. We eliminate depreciation and amortization, because even though depreciation and amortization are property-level expenses, these non-cash expenses, which are based on historical cost accounting for real estate assets, implicitly assume that the value of real estate assets diminishes predictably over time. As noted earlier, because real estate values historically have risen or fallen with market conditions, many industry investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves.

As a result of the elimination of corporate-level costs and expenses and depreciation and amortization, the comparable hotel operating results we present do not represent our total revenues, expenses or operating profit and these comparable hotel operating results should not be used to evaluate our performance as a whole. 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 statements of operations include such amounts, all of which should be considered by investors when evaluating our performance.

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. In particular, these measures assist management and investors in distinguishing whether increases or decreases in revenues and/or expenses are due to growth or decline of operations at comparable hotels (which represent the vast majority of our portfolio) or from other factors, such as the effect of acquisitions or dispositions. While management believes that presentation of comparable hotel results is a "same store" supplemental measure that provides useful information in evaluating our ongoing performance, this measure is not used to allocate resources or assess the operating performance of these hotels, as these decisions are based on data for individual hotels and are not based on comparable portfolio hotel results. For these reasons, we believe that comparable hotel operating results, when combined with the presentation of GAAP operating profit, revenues and expenses, provide useful information to investors and management.

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

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

	Year ended December 31,	
	2008	2007
Number of hotels	115	115
Number of rooms	60,582	60,582
Percent change in Comparable Hotel RevPAR	(2.6)%	—
Comparable hotel sales		
Room	$ 3,150	$ 3,233
Food and beverage(c)	1,582	1,630
Other	356	358
Comparable hotel sales(b)	5,088	5,221
Comparable hotel expenses		
Room	776	770
Food and beverage(e)	1,157	1,177
Other	189	197
Management fees, ground rent and other costs	1,632	1,638
Comparable hotel expenses(d)	3,754	3,782
Comparable hotel adjusted operating profit	1,334	1,439
Non-comparable hotel results, net(f)	40	35
Office buildings and limited services properties, net(g)	7	9
Depreciation and amortization	(582)	(516)
Corporate and other expenses	(58)	(69)
Gain on insurance settlements	7	51
Operating profit per the consolidated statements of operations	$ 748	$ 949

(a) The reporting period for 2008 for the Marriott-managed hotels is from December 29, 2007 to December 26, 2008 and for 2007 is from December 30, 2006 to December 28, 2007.
(b) The reconciliation of total revenues per the consolidated statements of operations to the comparable hotel sales is as follows:

	Year ended December 31,	
	2008	2007
Revenues per the consolidated statements of operations	$5,288	$5,411
Non-comparable hotel sales	(161)	(141)
Hotel sales for the property for which we record rental income	51	50
Rental income for office buildings and select service hotels	(91)	(92)
Adjustment for hotel sales for comparable hotels to reflect a 52-week fiscal year for Marriott-managed hotels	1	(7)
Comparable hotel sales	$5,088	$5,221

(c) The reconciliation of total food and beverage sales per the consolidated statements of operations to the comparable food and beverage sales is as follows:

	Year ended December 31,	
	2008	2007
Food and beverage sales per the consolidated statements of operations	$1,601	$1,642
Non-comparable food and beverage sales	(50)	(38)
Food and beverage sales for the property for which we record rental income	28	28
Adjustment for food and beverage sales for comparable hotels to reflect a 52-week fiscal year for Marriott-managed hotels	3	(2)
Comparable food and beverage sales	$1,582	$1,630

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

	Year ended December 31,	
	2008	2007
Operating costs and expenses per the consolidated statements of operations	$4,540	$4,462
Non-comparable hotel expenses	(120)	(108)
Hotel expenses for the property for which we record rental income	51	50
Rent expense for office buildings and select service hotels	(84)	(83)
Adjustment for hotel expenses for comparable hotels to reflect a 52-week fiscal year for Marriott-managed hotels	—	(5)
Depreciation and amortization	(582)	(516)
Corporate and other expenses	(58)	(69)
Gain on property insurance settlements	7	51
Comparable hotel expenses	$3,754	$3,782

(e) The reconciliation of total food and beverage expenses per the consolidated statements of operations to the comparable food and beverage expenses is as follows:

	Year ended December 31,	
	2008	2007
Food and beverage expenses per the consolidated statements of operations	$1,171	$1,192
Non-comparable food and beverage expense	(35)	(31)
Food and beverage expenses for the property for which we record rental income	18	18
Adjustment for food and beverage expenses for comparable hotels to reflect a 52-week fiscal year for Marriott-managed hotels	3	(2)
Comparable food and beverage expenses	$1,157	$1,177

(f) Non-comparable hotel results, net, includes the following items: (i) the results of operations of our non-comparable hotels whose operations are included in our consolidated statements of operations as continuing operations and (ii) the difference between the number of days of operations reflected in the comparable hotel results and the number of days of operations reflected in the consolidated statements of operations.

(g) Represents rental income less rental expense for select service properties and office buildings.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. Valuations for secured debt are determined based on the expected future payments discounted at risk-adjusted rates. Senior notes and the Exchangeable Debentures are valued based on quoted market prices. Currently, we have no derivative financial instruments that are used to hedge interest rate risk or that are held for trading purposes. However, going forward, we may use derivative financial instruments to manage, or hedge, interest rate risks related to future borrowings.

The table below presents scheduled maturities and related weighted average interest rates by expected maturity dates.

	Expected Maturity Date							
	2009	2010	2011(1)	2012	2013 ($ in millions)	Thereafter	Total	Fair Value
Liabilities								
Debt:								
Fixed rate	$321	$409	$ 115	$959	$737	$ 2,701	$5,242	$4,240
Average interest rate	6.0%	6.1%	6.2%	6.6%	6.7%	6.8%		
Variable rate								
Variable rate	$—	$—	$ 710	$—	$—	$ —	$ 710	$ 679
Average interest rate	4.1%	4.1%	4.0%	— %	— %	— %		
Total debt							$5,952	$4,919

(1) The debt maturing in 2011 includes $410 million related to borrowings under the credit facility, which can be extended, at our option, for one year if our leverage ratio is below 6.75x. See "—Financial Condition" for further discussion. Similarly, the $300 million mortgage loan on the Orlando World Center Marriott, which also matures in 2011, can be extended for two one-year periods, subject to achieving a certain debt coverage ratio and other conditions.

Our current debt structure, which primarily consists of fixed rate debt largely mitigates the impact of changes in interest rates on our cash interest payments. As of December 31, 2008, we had a $210 million term loan and $200 million outstanding under the revolver portion of our credit facility. Our credit facility borrowings are sensitive to changes in interest rates, and are based on a spread over LIBOR, ranging from 65 basis points to 175 basis points depending on our leverage ratio. Additionally, in 2008 we entered into a $300 million floating rate mortgage loan on our Orlando World Center Marriott that bears interest at LIBOR plus 350 basis points.

Valuations for secured debt and the credit facility are determined based on the expected future payments discounted at risk-adjusted rates. Senior notes and the Exchangeable Senior Debentures are valued based on quoted market prices.

During March 2007, we prepaid our $88 million mortgage on the JW Marriott, Washington, D.C. As a result, we terminated an interest rate cap that capped the floating interest rate of the loan at 8.1%. The cap represented a derivative that was marked to market each period and the gains and losses from changes in the market value of the cap were recorded in gain (loss) on foreign currency and derivative contracts.

If market rates of interest on our variable rate debt increase or decrease by 100 basis points, the change in interest expense would change future earnings and cash flows by approximately $7 million annually.

Exchange Rate Sensitivity

As we have non-U.S. operations (specifically, the ownership of hotels in Canada, Mexico and Chile and investments in our European joint venture), currency exchange risk arises as a normal part 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. The foreign currency exchange agreements that we have entered into were strictly to hedge foreign currency risk and not for trading purposes.

During 2008, we have entered into three foreign currency forward purchase contracts totaling €60 million (approximately $88 million) to hedge a portion of the foreign currency exposure resulting from the eventual repatriation of our net investment in the European joint venture. Under these transactions, we will sell the Euro amount, and receive the U.S. Dollar amount on the forward purchase date. These derivatives are considered a hedge of the foreign currency exposure of a net investment in a foreign operation, and, in accordance with SFAS 133, are marked-to-market with changes in fair value recorded to accumulated other comprehensive income within the stockholders' equity portion of our balance sheet. We also evaluate counterparty credit risk in the calculation of the fair value of the swaps. During 2008, we recorded an increase in the fair value of the derivative instruments totaling approximately $6 million, which is equal to the fair value as of December 31, 2008 included in accumulated other comprehensive income. The following table summarizes our three foreign currency purchase contracts (in millions):

Transaction Date	Transaction Amount in Euros	Transaction Amount in Dollars	Forward Purchase Date
February 2008	€ 30	$ 43	August 2011
February 2008	15	22	February 2013
May 2008	15	23	May 2014

Item 8. Financial Statements and Supplementary Data

The following financial information is included on the pages indicated:

Host Hotels & Resorts, Inc.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Host Hotels & Resorts, Inc.:

We have audited Host Hotels & Resorts, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Host Hotels & Resorts, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Item 9a *Internal Control over Financial Reporting* of Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Host Hotels & Resorts, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Host Hotels & Resorts, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008, and our report dated February 27, 2009 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

McLean, Virginia
February 27, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Host Hotels & Resorts, Inc.:

We have audited the accompanying consolidated balance sheets of Host Hotels & Resorts, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2008. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule III as listed in the index as item 15(a)(ii). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Host Hotels & Resorts, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 6 to the consolidated financial statements, the Company has changed its method of accounting for contingences related to income taxes in 2007 due to the adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Host Hotels & Resorts, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia
February 27, 2009

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007
(in millions, except per share amounts)

	2008	2007
ASSETS		
Property and equipment, net	$10,739	$10,588
Due from managers	65	106
Investments in affiliates	229	194
Deferred financing costs, net	47	51
Furniture, fixtures and equipment replacement fund	119	122
Other	200	198
Restricted cash	44	65
Cash and cash equivalents	508	488
Total assets	$11,951	$11,812
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt		
Senior notes, including $992 million and $1,088 million, respectively, net of discount, of Exchangeable Senior Debentures	$ 4,019	$ 4,114
Mortgage debt	1,436	1,423
Credit facility, including the $210 million term loan	410	—
Other	87	88
Total debt	5,952	5,625
Accounts payable and accrued expenses	119	315
Other	183	215
Total liabilities	6,254	6,155
Interest of minority partners of Host Hotels & Resorts, L.P. (redemption value of $114 million at December 31, 2008)	156	188
Interest of minority partners of other consolidated partnerships (redemption value of $66 million at December 31, 2008)	24	28
Stockholders' equity		
Cumulative redeemable preferred stock (liquidation preference $100 million), 50 million shares authorized; 4.0 million shares issued and outstanding	97	97
Common stock, par value $.01, 750 million shares authorized; 525.3 million shares and 522.6 million shares issued and outstanding, respectively	5	5
Additional paid-in capital	5,709	5,673
Accumulated other comprehensive income	5	45
Deficit	(299)	(379)
Total stockholders' equity	5,517	5,441
Total liabilities and stockholders' equity	$11,951	$11,812

See Notes to Consolidated Financial Statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2008, 2007 and 2006
(in millions, except per common share amounts)

	2008	2007	2006
REVENUES			
Rooms	$3,216	$3,293	$2,915
Food and beverage	1,601	1,642	1,471
Other	353	356	297
Total hotel sales	5,170	5,291	4,683
Rental income	118	120	119
Total revenues	5,288	5,411	4,802
EXPENSES			
Rooms	792	787	695
Food and beverage	1,171	1,192	1,080
Other departmental and support expenses	1,304	1,287	1,156
Management fees	247	269	223
Other property-level expenses	393	393	359
Depreciation and amortization	582	516	449
Corporate and other expenses	58	69	94
Gain on insurance settlement	(7)	(51)	(13)
Total operating costs and expenses	4,540	4,462	4,043
OPERATING PROFIT	748	949	759
Interest income	20	37	33
Interest expense	(341)	(422)	(450)
Net gains on property transactions	2	6	1
Transaction gain on foreign currency	1	—	—
Minority interest expense	(21)	(32)	(41)
Equity in earnings (losses) of affiliates	(10)	11	(6)
INCOME BEFORE INCOME TAXES	399	549	296
Benefit (provision) for income taxes	3	(3)	(5)
INCOME FROM CONTINUING OPERATIONS	402	546	291
Income from discontinued operations.	25	181	447
NET INCOME	427	727	738
Less: Dividends on preferred stock	(9)	(9)	(14)
Issuance costs of redeemed preferred stock	—	—	(6)
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	$ 418	$ 718	$ 718
BASIC EARNINGS PER COMMON SHARE:			
Continuing operations	$ .75	$ 1.03	$ .56
Discontinued operations	.05	.35	.93
BASIC EARNINGS PER COMMON SHARE	$ .80	$ 1.38	$ 1.49
DILUTED EARNINGS PER COMMON SHARE:			
Continuing operations	$ .71	$ 1.00	$ .56
Discontinued operations	.05	.33	.92
DILUTED EARNINGS PER COMMON SHARE:	$ .76	$ 1.33	$ 1.48

See Notes to Consolidated Financial Statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
Years Ended December 31, 2008, 2007 and 2006
(in millions)

Shares Outstanding								
Preferred	Common		Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Comprehensive Income
10.0	361.0	Balance, December 31, 2005	$ 241	$ 4	$ 3,080	$ (923)	$ 15	
—	—	Net income	—	—	—	738	—	$ 738
—	—	Other comprehensive income (loss):						
		Foreign currency translation adjustment	—	—	—	—	10	10
—	—	Comprehensive income						$ 748
—	1.5	Common stock issued for the comprehensive stock and employee stock purchase plans	—	—	25	—	—	
—	—	Dividends on common stock	—	—	—	(380)	—	
—	—	Dividends on preferred stock	—	—	—	(14)	—	
—	1.1	Redemptions of limited partner interests for common stock	—	—	8	—	—	
(6.0)	—	Redemption of Class C Preferred Stock	(144)	—	—	(6)	—	
—	157.5	Issuance of common stock	—	1	2,624	—	—	
—	—	Minority interest liability adjustment for third party OP unitholders	—	—	(57)	—	—	
4.0	521.1	Balance, December 31, 2006	97	5	5,680	(585)	25	
—	—	Net income	—	—	—	727	—	$ 727
—	—	Other comprehensive income (loss):						
		Foreign currency translation adjustment	—	—	—	—	20	20
—	—	Comprehensive income						$ 747
—	1.0	Comprehensive stock and employee stock purchase plans	—	—	(12)	—	—	
—	—	Dividends on common stock	—	—	—	(523)	—	
—	—	Dividends on preferred stock	—	—	—	(9)	—	
—	0.5	Redemptions of limited partner interests for common stock	—	—	5	—	—	
—	—	Cumulative effect of adoption of FIN 48	—	—	—	11	—	
—	—	Minority interest liability adjustment for third party OP unitholders	—	—	—	—	—	
4.0	522.6	Balance, December 31, 2007	97	5	5,673	(379)	45	
—	—	Net income	—	—	—	427	—	$ 427
—	—	Other comprehensive income (loss):						
		Foreign currency translation adjustment	—	—	—	—	(46)	(46)
—	—	Change in fair value of derivative instruments	—	—	—	—	6	6
—	—	Comprehensive income						$ 387
—	0.4	Comprehensive stock and employee stock purchase plans	—	—	7	—	—	
—	—	Dividends on common stock	—	—	—	(338)	—	
—	—	Dividends on preferred stock	—	—	—	(9)	—	
—	8.8	Redemptions of limited partner interests for common stock	—	—	92	—	—	
—	—	Minority interest liability adjustment for third party OP unitholders	—	—	37	—	—	
—	(6.5)	Repurchase of common stock	—	—	(100)	—	—	
4.0	525.3	Balance, December 31, 2008	$ 97	$ 5	$ 5,709	$ (299)	$ 5	

See Notes to Consolidated Financial Statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008, 2007 and 2006
(in millions)

	2008	2007	2006
OPERATING ACTIVITIES			
Net income	$ 427	$ 727	$ 738
Adjustments to reconcile to cash provided by operations:			
Discontinued operations:			
Gain on dispositions	(24)	(162)	(418)
Depreciation	—	4	14
Depreciation and amortization	579	516	449
Impairment loss	3	—	—
Amortization of deferred financing costs	12	13	15
Deferred income taxes	(8)	(7)	(5)
Accelerated amortization of deferred financing costs	—	5	1
Net gains on property transactions	(2)	(6)	(1)
Transaction gain on foreign currency	(1)	—	—
Gain on extinguishment of debt	(18)	—	—
Equity in (earnings) losses of affiliates	10	(11)	6
Distributions from equity investments	3	4	3
Minority interest expense	21	32	41
Change in due from managers	41	(57)	(11)
Change in accrued interest payable	3	—	(18)
Changes in other assets	3	(10)	17
Changes in other liabilities	(29)	(47)	50
Cash provided by operating activities	1,020	1,001	881
INVESTING ACTIVITIES			
Proceeds from sales of assets, net	38	400	780
Acquisitions	—	(15)	(270)
Starwood acquisition, net of cash acquired	—	—	(750)
Deposits for acquisitions	—	(22)	(1)
Investment in affiliates	(77)	(12)	(78)
Capital expenditures:			
Renewals and replacements	(374)	(267)	(275)
Repositionings and other investments	(298)	(346)	(255)
Change in furniture, fixtures & equipment (FF&E) reserves	3	(23)	(12)
Change in restricted cash designated for FF&E reserves	6	55	(16)
Property insurance proceeds	—	38	21
Other	(14)	—	1
Cash used in investing activities	(716)	(192)	(855)
FINANCING ACTIVITIES			
Financing costs	(8)	(9)	(27)
Issuances of debt	300	1,025	1,412
Net draws (repayments) on credit facility	410	(250)	230
Repurchase of exchangeable debentures	(82)	—	—
Debt prepayments and scheduled maturities	(245)	(1,015)	(913)
Scheduled principal repayments	(16)	(35)	(59)
Common stock repurchase	(100)	—	—
Redemption of cumulative redeemable preferred stock	—	—	(150)
Dividends on common stock	(522)	(444)	(291)
Dividends on preferred stock	(9)	(9)	(18)
Distributions to minority interests	(28)	(22)	(19)
Change in restricted cash other than FF&E replacement	16	74	(11)
Cash provided by (used in) financing activities	(284)	(685)	154
INCREASE IN CASH AND CASH EQUIVALENTS	20	124	180
CASH AND CASH EQUIVALENTS, beginning of year	488	364	184
CASH AND CASH EQUIVALENTS, end of year	$ 508	$ 488	$ 364

See Notes to Consolidated Financial Statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008, 2007 and 2006
(in millions)

Supplemental schedule of noncash investing and financing activities:

During 2008, 2007 and 2006, we issued approximately 8.8 million, 0.5 million and 1.1 million shares, respectively, upon the conversion of Host LP units, or OP units, held by minority partners valued at $119 million, $11.7 million and $21.8 million, respectively.

On March 12, 2008, we acquired the remaining limited partnership interests in Pacific Gateway Ltd., a subsidiary partnership of Host LP, which owns the San Diego Marriott Hotel and Marina, and other economic rights formerly held by our partners, including the right to receive 1.7% of the hotel's sales, in exchange for 5,575,540 OP Units. The OP Units were valued at $93 million based on the closing stock price on such date for Host Hotels & Resorts, Inc., of $16.68.

During 2006, we issued approximately 24 million shares upon the conversion of approximately 7.4 million convertible subordinated debentures. The debentures that we converted during 2006 were valued at approximately $368 million. No debentures were converted in 2008 or 2007.

On September 1, 2006, we acquired the Westin Kierland Resort & Spa in Scottsdale, Arizona for approximately $393 million, including the assumption of $135 million of mortgage debt with a fair value of $133 million.

On May 2, 2006, we contributed the Sheraton Warsaw Hotel & Towers, which we acquired on April 10, 2006 for approximately $59 million, along with cash to the European joint venture in exchange for a 32.1% general and limited partnership interest.

On April 10, 2006, we acquired 28 hotels from Starwood Hotels & Resorts Worldwide, Inc. ("Starwood") for a purchase price of approximately $3.1 billion. The total consideration included the issuance of $2.27 billion in equity (133.5 million shares of our common stock) and the assumption of $77 million of mortgage debt, which had a fair value of $86 million on April 10, 2006. See note 12 for additional information.

See Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Description of Business

Host Hotels & Resorts, Inc., or Host, a Maryland corporation that operates through an umbrella partnership structure, is primarily the owner of hotel properties. We operate as a self-managed and self-administered real estate investment trust, or REIT, with our operations conducted solely through an operating partnership, Host Hotels & Resorts, L.P., or Host LP and its subsidiaries. We are the sole general partner of Host LP and as of December 31, 2008, own approximately 97% of the partnership interests, which are referred to as OP units.

As of December 31, 2008, we owned, or had controlling interests in, 117 luxury and upper-upscale, hotel lodging properties located throughout the United States, Toronto and Calgary, Canada, Mexico City, Mexico and Santiago, Chile operated primarily under the Marriott®, Ritz-Carlton®, Hyatt®, Fairmont®, Four Seasons®, Hilton®, Westin® Sheraton®, W®, St. Regis® and Luxury Collection® brand names.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and controlled affiliates. If we determine that we are an owner in a variable interest entity and that our variable interest will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both, then we will consolidate the entity. Additionally, we consolidate entities (in the absence of other factors determining control) when we own over 50% of the voting shares of another company or, in the case of partnership investments, when we own a majority of the general partnership interest. The control factors we consider include the ability of minority stockholders or other partners to participate in or block management decisions. All material intercompany transactions and balances have been eliminated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, or 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.

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of 90 days or less at the date of purchase to be cash equivalents.

Restricted Cash

Restricted cash includes reserves for debt service, real estate taxes, insurance, furniture, fixtures and equipment, as well as cash collateral and excess cash flow deposits due to mortgage debt agreement restrictions and provisions. For purposes of the statement of cash flows, changes in restricted cash that are used for furniture, fixture and equipment reserves controlled by our lenders are shown as investing activities. The remaining changes in restricted cash are the direct result of restrictions under our loan agreements, and, as such, are reflected in cash from financing activities.

The following table represents our restricted cash balances as of December 31, 2008 and 2007, which are restricted as a result of lender requirements (in millions):

	2008	2007
Debt service	$11	$10
Real estate taxes	7	7
Cash collateral	8	7
Excess cash flow requirements	3	5
Furniture, fixtures and equipment reserves controlled by lenders	8	14
Special projects reserve	4	20
Other	3	2
Total	$44	$65

Property and Equipment

Property and equipment is recorded at cost. For newly developed properties, cost includes interest and real estate taxes incurred during development and construction. Replacements and improvements and capital leases are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and three to ten years for furniture and equipment. Leasehold improvements are amortized over the shorter of the lease term or the useful lives of the related assets.

We capitalize certain inventory (such as china, glass, silver, linen) at the time of a hotel opening, or when significant inventory is purchased (in conjunction with a major rooms renovation or when the number of rooms or meeting space at a hotel is expanded). These amounts are then fully amortized over the estimated useful life of three years. Subsequent replacement purchases are expensed when placed in service.

We maintain a furniture, fixtures and equipment replacement fund for renewal and replacement capital expenditures at certain hotels, which is generally funded with approximately 5% of property revenues.

We assess impairment of our real estate properties based on whether estimated undiscounted future cash flows from each individual property are less than its net book value. If a property is impaired, a loss is recorded for the difference between the fair value and net book value of the hotel. Based on this analysis, we recorded an impairment charge of $3 million in 2008 that is included in depreciation expense on the accompanying statement of operations.

We will classify a hotel as held for sale when the sale of the asset is probable, will be completed within one year and actions to complete the sale are unlikely to change or that the sale will be withdrawn. Accordingly, we typically classify assets as held for sale when our Board of Directors has approved the sale, a binding agreement to purchase the property has been signed under which the buyer has committed a significant amount of nonrefundable cash and no significant financing contingencies exist which could prevent the transaction from being completed in a timely manner. If these criteria are met, we will record an impairment loss if the fair value less costs to sell is lower than the carrying amount of the hotel and will cease incurring depreciation. We will classify the loss, together with the related operating results, including interest expense on debt assumed by the buyer or that is required to be repaid as a result of the sale, as discontinued operations on our consolidated statements of operations and classify the assets and related liabilities as held for sale on the balance sheet. Gains on sales of properties are recognized at the time of sale or deferred and recognized as income in subsequent periods as conditions requiring deferral are satisfied or expire without further cost to us.

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

Intangible Assets

In conjunction with our acquisition of hotel properties, we may identify intangible assets. Identifiable intangible assets are typically contracts, including ground and retail leases and management and franchise agreements, which are recorded at fair value, although no value is generally allocated to contracts which are at market terms. Above-market and below-market contract values are based on the present value of the difference between contractual amounts to be paid pursuant to the contracts acquired and our estimate of the fair value of contract rates for corresponding contracts measured over the period equal to the remaining non-cancelable term of the contract. Intangible assets are amortized using the straight-line method over the remaining non-cancelable term of the related agreements.

Minority Interest

The percentage of Host LP owned by third parties, presented as interest of minority partners of Host LP in the consolidated balance sheets, was $156 million and $188 million as of December 31, 2008 and 2007, respectively. We adjust the interest of the minority partners of Host LP each period to maintain a proportional relationship between the book value of equity associated with our common stockholders relative to that of the unitholders of Host LP since Host LP units may be exchanged into common stock on a one-for-one basis. Net income is allocated to the minority partners of Host LP based on their weighted average ownership percentage during the period. As of December 31, 2008, approximately $114 million of cash or Host stock, at our option, would be paid to the outside partners of the operating partnership if the partnership were terminated. The approximate $114 million is equivalent to the 15.1 million partnership units outstanding valued at the December 31, 2008 Host common stock price of $7.57, which we have assumed would be equal to the value provided to outside partners upon liquidation of the operating partnership.

As of December 31, 2008, we consolidate three majority-owned partnerships with mandatorily redeemable non-controlling interests held by outside partners with finite lives ranging from 99 to 100 years that terminate between 2081 and 2095. Third party partnership interests that have finite lives are included in interest of minority partners of other consolidated partnerships in the consolidated balance sheets and totaled $24 million and $28 million as of December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the fair values of the minority interests in these partnerships were approximately $66 million and $139 million, respectively. As of December 31, 2008, none of our partnerships have infinite lives as defined in SFAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*.

Distributions from investments in affiliates

We classify the distributions from our equity investments in the statement of cash flows based upon an evaluation of the specific facts and circumstances of each distribution to determine its nature. For example, distributions from cash generated by property operations are classified as cash flows from operating activities. However, distributions received as a result of property sales would be classified as cash flows from investing activities.

Income Taxes

We have elected to be taxed as a REIT under the provisions of the Internal Revenue Code and, as such, are not subject to federal income tax, provided we distribute all of our taxable income annually to our stockholders and comply with certain other requirements. In addition to paying federal and state income tax on any retained income, we are subject to taxes on "built-in-gains" on sales of certain assets. Additionally, our taxable REIT subsidiaries are subject to federal, state and foreign income tax. The consolidated income tax provision or benefit includes the income tax provision or benefit related to the operations of the taxable REIT subsidiaries, state income taxes incurred by Host and Host LP and foreign income taxes incurred by Host LP, as well as each of their respective subsidiaries.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies.

Deferred Charges

Financing costs related to long-term debt are deferred and amortized over the remaining life of the debt using the effective interest method.

Foreign Currency Translation

As of December 31, 2008, our foreign operations consist of four properties located in Canada, one property located in Mexico, two in Chile, an investment in a joint venture in Europe and an investment in a joint venture in Asia. The operations of these properties and our investments are maintained in the local currency and then translated to U.S. dollars using the average exchange rates for the period. The assets and liabilities of the properties and the investment are translated to U.S. dollars using the exchange rate in effect at the balance sheet date. The resulting translation adjustments are reflected in accumulated other comprehensive income.

Derivative Instruments

We are subject to market exposures in several aspects of our business including foreign currency exposure related to our investment in the European joint venture, our consolidated international hotels, interest rate exposure for the interest payments for our variable rate debt and the fair value of our fixed rate debt. We may, from time to time, enter into derivative instruments to either protect against fluctuations in the fair value of our investments in foreign entities or the fair value of our debt instruments. Prior to entering into the derivative contract, we evaluate whether the transaction would qualify as a fair value hedge and continue to evaluate hedge effectiveness through the life of the contract. Gains and losses on contracts that meet the requirements for fair value hedge accounting are recorded on the balance sheet at fair value, with offsetting changes recorded to accumulated other comprehensive income. We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, we have considered the impact of netting any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

In situations where we have variable debt, we may purchase interest rate swaps or interest rate caps, which would be considered derivative instruments. If the requirements for hedge accounting are met and the instruments qualify as cash flow hedges, amounts paid or received under these agreements would be recognized over the life of the agreements as adjustments to interest expense, and the fair value of the derivatives would be recorded on the accompanying balance sheet, with offsetting adjustments or charges recorded to accumulated other comprehensive income.

Other Comprehensive Income

The components of total accumulated other comprehensive income in the balance sheet are as follows (in millions):

	2008	2007
Unrealized gain on HM Services common stock	$ 4	$ 4
Gain on forward currency contracts	6	—
Foreign currency translation	(5)	41
Total accumulated other comprehensive income	$ 5	$ 45

Revenues

Our consolidated results of operations reflect revenues and expenses of our hotels. Revenues are recognized when the services are provided. Additionally, we collect sales, use, occupancy and similar taxes at our hotels which we present on a net basis (excluded from revenues) on our statements of operations.

Earnings Per Common Share

Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding. Diluted earnings per common share is computed by dividing net income available to common stockholders as adjusted for potentially dilutive securities, by the weighted average number of shares of common stock outstanding plus other potentially dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, other minority interests that have the option to convert their limited partnership interests to common OP units and convertible debt securities. No effect is shown for any securities that are anti-dilutive.

	Year ended December 31,								
	2008			2007			2006		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
	(in millions, except per share amounts)								
Net income	$ 427	521.6	$ .82	$ 727	522.1	$ 1.39	$ 738	481.8	$ 1.53
Dividends on preferred stock	(9)	—	(.02)	(9)	—	(.01)	(14)	—	(.03)
Issuance costs of redeemed preferred stock(1)	—	—	—	—	—	—	(6)	—	(.01)
Basic earnings available to common stockholders	418	521.6	.80	718	522.1	1.38	718	481.8	1.49
Assuming distribution of common shares granted under the comprehensive stock plan, less shares assumed purchased at average market price	—	.4	—	—	.9	(.01)	—	2.0	(.01)
Assuming conversion of minority OP units issuable	—	—	—	—	1.2	—	—	—	—
Assuming conversion of 2004 Exchangeable Senior Debentures(2)	1	30.8	(.04)	19	30.5	(.04)	—	—	—
Diluted earnings available to common stockholders	$ 419	552.8	$ .76	$ 737	554.7	$ 1.33	718	483.8	$ 1.48

(1) Represents the original issuance costs associated with the Class C preferred stock which were redeemed in 2006.

(2) During the fourth quarter of 2008, we repurchased $100 million of our $500 million 3 $^{1}/_{4}$% Exchangeable Senior Debentures (the "2004 Debentures") for approximately $82 million. Under FASB's Emerging Issues Task Force Topic D-53, "*Computation of Earnings per Share for a Period that Includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock*" (EITF D-53) we are required to determine the dilutive effect of the repurchased 2004 Exchangeable Debentures separately from the 2004 Exchangeable Debentures outstanding at December 31, 2008. 2004 Exchangeable Debentures repurchased during 2008 are treated as having been converted to common stock equivalents at the start of the period. Accordingly, the 2008 adjustment to net income related to the 2004 Debentures consists of an add back of $19 million of interest expense netted with the deduction of the approximate $18 million gain, for a net effect of $1 million.

Accounting for Stock-Based Compensation

At December 31, 2008, we maintained two stock-based employee compensation plans, which are accounted for in accordance with SFAS 123R "Accounting for Stock Based Compensation" ("SFAS 123R"). See Note 8, Employee Stock Plans.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. We are exposed to credit risk with respect to cash held at various financial institutions, access to our credit facility, the amounts due and services performed by our managers and amounts due or payable under our derivative contracts. Our credit risk exposure with regard to our cash and the $400 million available under our credit facility is spread among a diversified group of investment grade financial institutions. Amounts due from the managers of our hotels generally reflect the operations of the hotel in the immediately preceding period and the working capital at the hotels. These amounts totaled $65 million as of December 31, 2008 and we consider the risk that our managers will fail to meet the payment obligations to be remote. Currently, our exposure risk related to our derivative contracts totals $6 million and the counterparties are investment grade financial institutions.

Application of New Accounting Standards

In December 2007, the FASB issued SFAS 141 (revised 2007), *Business Combinations*, ("FAS 141R"). FAS 141R provides principles on the recognition and measurement of the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and goodwill acquired in a business combination. The standard particularly requires the assets acquired, liabilities assumed and noncontrolling interests to be measured at the acquisition date fair value, including contingent considerations. Furthermore, FAS 141R prohibits acquisition-related costs, such as due diligence, legal and accounting fees, from being applied in determining the fair value of the acquired assets. We will adopt the provisions of this statement beginning in the first quarter of 2009 prospectively. We do not believe the adoption of this statement will materially affect the recognition and measurement related to our future business combinations.

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*, ("FAS 160"), which defines a noncontrolling interest in a consolidated subsidiary as "the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent" and requires noncontrolling interest to be presented as a separate component of equity in the consolidated balance sheet. FAS 160 also modifies the presentation of net income by requiring earnings and other comprehensive income to be attributed to controlling and noncontrolling interests. We will adopt this standard beginning in the first quarter of 2009 prospectively and any presentation and disclosure requirements retrospectively. Upon the adoption of this standard, we will reclassify interests of our minority partners of other consolidated partnerships from the mezzanine level of the balance sheet to stockholders' equity. Interest of minority partners of Host L.P. will continue to be classified in the minority interest section of our balance sheet, as the OP Units do not meet the requirements for equity classification per EITF topic D-98. As of December 31, 2008, the balance to be reclassified totaled $24 million. Additionally, the income attributable to minority partners of Host L.P. and other consolidated partnerships will no longer be deducted in our determination of net income and net income would have increased by $21 million, $32 million and $41 million for 2008, 2007 and 2006, respectively. However, the income attributable to minority partners will be deducted in our determination of net income available to common shareholders. Therefore, we do not anticipate that the adoption of this standard will have a material effect on our income available to common shareholders or our diluted earnings per share.

In May 2008, the FASB issued FASB staff position (FSP) APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" ("FSP 14-1"). FSP 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate on the instrument's issuance date when interest cost is recognized. Our 2007 Debentures and our 2004 Debentures are within the scope of FSP 14-1; therefore, we will be required to record the debt components of the debentures at fair value as of the date of issuance and amortize the discount as an increase to interest expense over the expected life of the debt. The implementation of this standard will result in a decrease to net income and earnings per share for all periods presented; however, there is no effect on our cash interest payments. FSP 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and shall be applied retrospectively to all periods presented. Early adoption of FSP 14-1 is not permitted. As a result of the application of this standard, our diluted earnings per common share are estimated to decrease by approximately $.04 to $.05 per share. Additionally, the application of this standard will decrease our debt balance as of December 31, 2008 by approximately $77 million, with a corresponding increase to stockholders' equity.

Reclassifications

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

2. Property and Equipment

Property and equipment consists of the following as of December 31:

	2008	2007
	(in millions)	
Land and land improvements	$ 1,613	$ 1,621
Buildings and leasehold improvements	11,502	10,907
Furniture and equipment	1,749	1,530
Construction in progress	174	230
	15,038	14,288
Less accumulated depreciation and amortization	(4,299)	(3,700)
	$10,739	$10,588

The aggregate cost of real estate for federal income tax purposes is approximately $9,788 million at December 31, 2008.

3. Investments in Affiliates

We own investments in voting interest entities which we do not consolidate and, accordingly, are accounted for under the equity method of accounting. The debt of these affiliates is non-recourse to, and not guaranteed by, us. Investments in affiliates consists of the following:

	As of December 31, 2008			
	Ownership Interests	Our Investment	Debt	Assets
		(in millions)		
Asia Pacific Hospitality Venture Pte. Ltd.	25.0%	$ —	$ —	None
Asia Pacific TRS Venture Pte. Ltd.	9.8%	—	—	None
HHR Euro CV	32.1%	208	1,017	Eleven hotels located in Europe
HHR TRS CV	9.8%	1	5	Lease agreements for certain hotels owned by HHR Euro CV
CBM Joint Venture L.P.	3.6%	5	810	115 Courtyard hotels
Tiburon Golf Ventures, L.P.	49.0%	15	—	36-hole golf club
Total		$ 229	$1,832	

	As of December 31, 2007			
	Ownership Interests	Our Investment	Debt	Assets
		(in millions)		
HHR Euro CV	32.1%	$ 172	$1,003	Ten hotels located in Europe
HHR TRS CV	9.8%	1	2	Lease agreements for certain hotels owned by HHR Euro CV
CBM Joint Venture L.P.	3.6%	5	839	115 Courtyard hotels
Tiburon Golf Ventures, L.P.	49.0%	16	—	36-hole golf club
Total		$ 194	$1,844	

European Joint Venture

In March 2006, we formed a joint venture, HHR Euro CV, to acquire hotels in Europe (the “European joint venture”). We serve as the general partner for the European joint venture and have a 32.1% ownership interest (including our limited and general partner interests). The initial term of the European joint venture is ten years subject to two one-year extensions with partner approval. HHR Euro CV has leased six of its hotels to HHR TRS CV, where we also serve as a general partner and have a 9.8% ownership interest including our general and limited partner interests. Due to the ownership structure and the non-Host limited partners’ rights to cause the dissolution and liquidation of the European joint venture and HHR TRS CV at any time, they are not consolidated in our financial statements. As general partner, we earn a management fee based on the amount of equity commitments and equity investments. In 2008 and 2007, we recorded approximately $6 million and $5 million, respectively, of management fees.

During 2008, we entered into three foreign currency forward purchase contracts totaling €60 million (approximately $88 million) to hedge a portion of the foreign currency exposure resulting from the eventual repatriation of our net investment in the European joint venture. These derivatives are considered a hedge of the foreign currency exposure of a net investment in a foreign operation, and, in accordance with SFAS 133, are marked-to-market with changes in fair value recorded to accumulated other comprehensive income within the stockholders' equity portion of our balance sheet. We also evaluate counterparty credit risk in the calculation of the fair value of the swaps. During 2008, we recorded an increase in the fair value of the derivative instruments totaling approximately $6 million, which is equal to the fair value as of December 31, 2008 included in accumulated other comprehensive income.

Our unconsolidated investees assess impairment of real estate properties based on whether estimated undiscounted future cash flows from each individual property are less than book value. If a property is impaired, a loss is recorded for the difference between the fair value and net book value of the hotel. In 2008, we recognized a charge of approximately $2 million related to the impairment of one property in our European joint venture as a component of equity in earnings of affiliates. In addition, we assess impairment of our non-consolidated investments for other than temporary declines in the value of the investment, based on guidance from APB Opinion No. 18. We did not record any other impairments on our investments in 2008.

Asian Joint Venture

On March 25, 2008, we entered into a joint venture, structured as a Singapore Corporation, with RECO Hotels JV Private Limited, an affiliate of GIC RE. The joint venture will explore investment opportunities in various markets throughout Asia, including China, Japan, Vietnam, and India as well as Australia. We own a 25% interest in the joint venture. The initial term of the Asian joint venture is for a period of seven years. Due to the ownership structure of the Asian joint venture and our partner's rights to cause the dissolution and liquidation of the joint venture, it is not consolidated in our financial statements. As of December 31, 2008, the Asian joint venture did not own any hotels.

CBM Joint Venture LP

CBM Joint Venture Limited Partnership owns 115 Courtyard by Marriott hotels, which are operated by Marriott International pursuant to long-term management agreements. On March 29, 2005, we sold 85% of our interest in CBM Joint Venture LLC for approximately $92 million and recorded a gain on the sale, net of taxes, of approximately $41 million. In conjunction with the sale of our interest, CBM Joint Venture LLC was recapitalized and converted into a limited partnership, CBM Joint Venture Limited Partnership with Marriott International and affiliates of Sarofim Realty Advisors. Post-recapitalization, we own a 3.6% limited partner interest. We have the right to cause CBM Joint Venture LP to redeem our remaining interest, under certain conditions, prior to December 2009. Thereafter, the general partner of CBM Joint Venture LP has the right to redeem our remaining interest.

Other Investments

We have a 49% limited partner interest in Tiburon Golf Ventures, L.P., which owns the golf club surrounding The Ritz-Carlton, Naples Golf Resort. We also own minority interests in three partnerships that directly or indirectly own two hotels. The total carrying value of these partnerships is less than $500,000, and we do not have any guarantees or commitments in relation to these partnerships.

Combined summarized balance sheet information as of December 31 for our affiliates follows:

	2008	2007
	(in millions)	
Property and equipment, net	$ 2,685	$ 2,720
Other assets	482	314
Total assets	$ 3,167	$ 3,034
Debt	$ 1,832	$ 1,844
Other liabilities	376	197
Equity	959	993
Total liabilities and equity	$ 3,167	$ 3,034

Combined summarized operating results for our affiliates for the years ended December 31 follows:

	2008	2007	2006
		(in millions)	
Total revenues	$ 986	$ 954	$ 704
Operating expenses			
Expenses	(769)	(698)	(531)
Depreciation and amortization	(121)	(87)	(67)
Operating profit	96	169	106
Interest income	10	7	2
Interest expense	(118)	(103)	(75)
Dividends on Convertible Preferred Securities	—	—	(2)
Net income (loss)	$ (12)	$ 73	$ 31

4. Debt

Debt consists of the following:

	December 31, 2008	December 31, 2007
Series K senior notes, with a rate of 7 1/8% due November 2013	$ 725	$ 725
Series M senior notes, with a rate of 7% due August 2012	348	347
Series O senior notes, with a rate of 6 3/8% due March 2015	650	650
Series Q senior notes, with a rate of 6 3/4% due June 2016	800	800
Series S senior notes, with a rate of 6 7/8% due November 2014	497	497
2004 Exchangeable Senior Debentures, with a rate of 3 1/4% due April 2024	398	496
2007 Exchangeable Senior Debentures, with a rate of 2 5/8% due April 2027	594	592
Senior notes, with rate of 10.0% due May 2012	7	7
Total senior notes	4,019	4,114
Mortgage debt secured by $2.1 billion of real estate assets, with an average interest rate of 6.2% at December 31, 2008 and 6.6% at December 31, 2007	1,436	1,423
Credit facility (including the $210 million term loan)	410	—
Other	87	88
Total debt	$ 5,952	$ 5,625

Senior Notes

General. Under the terms of our senior notes indenture, our senior notes are equal in right of payment with all of Host LP's unsubordinated indebtedness and senior to all subordinated obligations of Host LP. The face amount of our outstanding senior notes as of December 31, 2008 and 2007 was $4.0 billion and $4.1 billion, respectively. The outstanding senior notes balance as of December 31, 2008 and 2007 includes discounts of approximately $13 million and $18 million, respectively. The notes outstanding under our senior notes indenture are guaranteed by certain of our existing subsidiaries and are secured by pledges of equity interests in many of our subsidiaries. The guarantees and pledges ratably benefit the notes outstanding under our senior notes indenture, as well as our credit facility, certain other senior debt, and interest rate swap agreements and other hedging agreements, if any, with lenders that are parties to the credit facility. We pay interest on each series of our outstanding senior notes semi-annually in arrears at the respective annual rates indicated on the table above.

We had the following activities during 2008 and 2007:

- During the fourth quarter of 2008, we repurchased $100 million of our $500 million 3 1/4% Exchangeable Senior Debentures (the "2004 Debentures") for approximately $82 million and recorded a gain of approximately $18 million included in interest expense.
- On March 23, 2007, Host LP issued the 2007 Debentures and received proceeds of $589 million, net of underwriting fees and expenses and original issue discount. See "2007 Exchangeable Senior Debentures" below.

Restrictive Covenants. Under the terms of the senior notes indenture, our ability to incur indebtedness and pay dividends is subject to restrictions and the satisfaction of various conditions, including the achievement of an

EBITDA-to-interest coverage ratio of at least 2.0x by Host LP. Furthermore, Host LP is able to make distributions to enable Host to pay dividends on its preferred stock under the senior notes indenture when our EBITDA-to-interest coverage ratio is above 1.7 to 1.0. This ratio is calculated in accordance with the terms of our senior notes indenture based on pro forma results for the four prior fiscal quarters giving effect to transactions such as acquisitions, dispositions and financings, as if they occurred at the beginning of the period. For example, under the terms of our senior notes indenture interest expense excludes items such as the gains and losses on the extinguishment of debt, deferred financing charges related to the senior notes or the credit facility, amortization of debt premiums or discounts that were recorded at acquisition of a loan to establish the debt at fair value, and, in 2009, approximately $30 million of interest expense to be recorded as a result of the adoption of FSP APB 14-1 relating to our exchangeable debentures, all of which are included in interest expense on our consolidated statements of operations. Other covenants limiting our ability to incur indebtedness and pay dividends include maintaining total indebtedness of less than 65% of adjusted total assets (using undepreciated real estate values) excluding Intangible assets and secured indebtedness of less than 45% of adjusted total assets. So long as we maintain the required level of interest coverage and satisfy these and other conditions in the senior notes indenture, we may pay preferred or common dividends and incur additional debt under the senior notes indenture, including debt incurred in connection with an acquisition. In addition, even if we are below the coverage levels otherwise required to incur debt and pay dividends, we are still permitted to incur certain types of debt, including (i) credit facility debt, (ii) refinancing debt, (iii) up to $300 million of mortgage debt whose proceeds would be used to repay debt under credit facility (and permanently reduce our ability to borrow under the credit facility by such amount), and (iv) up to $100 million of other debt. Our senior notes indenture also imposes restrictions on customary matters, such as our ability to pay dividends on, redeem or repurchase our equity interests; make investments; permit payment or dividend restrictions on certain of our subsidiaries; sell assets; guarantee indebtedness; enter into transactions with affiliates; create certain liens; and sell certain assets or merge with or into other companies. Our senior notes indenture also imposes a requirement to maintain unencumbered assets (as defined in the indenture as undepreciated property value) of not less than 125% of the aggregate amount of senior note debt plus other debt not secured by mortgages. This coverage requirement must be maintained at all times and is distinct from the coverage requirements necessary to incur debt or pay dividends discussed above (whose consequences, where we fall below the coverage level, are limited to restricting our ability to incur new debt or pay dividends, but which would not otherwise cause a default under our senior notes indenture). As of December 31, 2008, we are in compliance with all of our financial covenants under our senior notes indentures.

2007 Exchangeable Senior Debentures. The 2007 Debentures mature on April 15, 2027 and are equal in right of payment with all of our other senior notes. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year beginning on July 15, 2007. Holders have the right to require us to repurchase the 2007 Debentures on April 15, 2012, April 15, 2017 and April 15, 2022 for cash equal to 100% of the principal amount plus accrued interest. Holders may exchange their 2007 Debentures prior to maturity under certain conditions, including when the closing sale price of Host's common stock is more than 130% 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. On exchange, we must deliver cash in an amount equal to not less than the lower of the exchange value (which is the applicable exchange rate multiplied by the average price of our common shares) and the aggregate principal amount of the 2007 Debentures to be exchanged, and, at our option, shares, cash or a combination thereof for any excess above the principal value. We can redeem for cash all, or part of, the 2007 Debentures at any time on or after April 20, 2012 upon 15 days notice at a redemption price of 100% of the principal amount plus accrued interest. If we elect to redeem the debentures and the exchange value exceeds the cash redemption price, we would expect holders to elect to exchange their debentures at the exchange value described above rather than receive the cash redemption price. The current exchange rate is 31.35 shares of our common stock per $1,000 principal amount of debentures, which is equivalent to an exchange price of $31.90 per share of Host common stock. The exchange rate may be adjusted under certain circumstances including the payment of common dividends exceeding $.20 per share in any given quarter.

2004 Exchangeable Senior Debentures. On March 16, 2004, Host LP issued $500 million, 3.25% 2004 Debentures and received net proceeds of $484 million, after discounts, underwriting fees and expenses. During 2008, we repurchased $100 million of the 2004 Debentures for approximately $82 million and recorded a gain on repurchase of approximately $18 million. The outstanding 2004 Debentures mature on April 15, 2024 and are equal in right of payment with all of our other senior notes. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. Holders have the right to require us to repurchase the 2004 Debentures on April 15, 2010, April 15, 2014 and April 15, 2019 for cash equal to 100% of the principal amount. Holders may exchange their 2004 Debentures prior to maturity under certain conditions, including at any time at which the closing sale price of our common stock is more than 120% of the exchange price per share, for at least 20 of 30 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. The current exchange rate is 63.3687 shares for each $1,000 of principal amount of the 2004 Debentures, or a total of approximately 25 million shares (which is equivalent to an exchange price of $15.78 per share). The exchange rate is adjusted for certain circumstances, including the payment of common dividends. We can redeem for cash all, or part of, the 2004 Debentures at any time subsequent to April 19, 2009 upon 30 days notice at the applicable redemption price as set forth in the indenture. If we elect to redeem the debentures and the exchange value exceeds the cash redemption price, we would expect holders to elect to exchange their debentures for stock rather than receive the cash redemption price.

Credit Facility. On May 25, 2007, we entered into a second amended and restated bank credit facility with Deutsche Bank AG New York Branch, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Citicorp North America Inc., Société Générale and Calyon New York Branch, as Co-Documentation Agents and certain other agents and lenders. The credit facility provides aggregate revolving loan commitments in the amount of $600 million. During any period in which our leverage ratio equals or exceeds 7.0x, new borrowings are limited to such amount as does not cause the aggregate outstanding principal amount under the credit facility to exceed $300 million. The credit facility also includes subcommitments for (i) the issuance of letters of credit in an aggregate amount of $10 million and (ii) loans in certain foreign currencies in an aggregate amount of $300 million, (A) $150 million of which may be loaned to certain of our Canadian subsidiaries in Canadian Dollars and (B) $300 million of which may be loaned to us in Pounds Sterling and Euros. The credit facility has an initial scheduled maturity of September 2011. We have an option to extend the maturity for an additional year if certain conditions are met as of September 2011. These conditions include the payment of a fee to the lenders, that no default or event of default exists and maintaining a leverage ratio below 6.75x . Subject to certain conditions, we also have the option to increase the amount of the facility by up to $190 million to the extent that any one or more lenders, whether or not currently party to the credit facility, commits to be a lender for such amount.

In the second quarter of 2008, we entered into a $210 million term loan under the credit facility. The term loan bears interest at LIBOR plus 175 basis points, with a LIBOR floor of 2.25% for an all-in rate of 4.0% at December 31, 2008. We also have the option to pay interest based on the higher of the overnight Federal Funds Rate plus 50 basis points and the Prime Lending Rate, plus, in both cases, the applicable spread of 75 basis points. In September 2008, we also borrowed $200 million under the revolver portion of our credit facility at a rate of LIBOR plus 65 basis points based on our current leverage. Based on our current leverage, we have $400 million of remaining available capacity under the revolver portion of our credit facility.

The obligations under the credit facility are guaranteed by certain of our existing subsidiaries and are currently secured by pledges of equity interests in many of our subsidiaries. The pledges are permitted to be released in the event that certain conditions are satisfied, including the requirement that our leverage ratio falls below 6.0x for two consecutive fiscal quarters. As a result of having satisfied such conditions, currently we are not required to pledge our equity interests in any newly acquired or formed subsidiary, and at our election, we may obtain a release of all existing pledges for so long as our leverage ratio continues to be below 6.0x. The guarantees and pledges ratably benefit our credit facility, as well as the notes outstanding under our senior notes indenture and interest rate swap agreements and other hedging agreements with lenders that are parties to the credit facility.

Financial Covenants. The credit facility contains covenants concerning allowable leverage, fixed charge coverage and unsecured interest coverage. Prior to the end of our third quarter of 2009, we are permitted to make borrowings and maintain amounts outstanding under the credit facility so long as our leverage ratio is not in excess of 7.5x and our unsecured coverage ratio is not less than 1.75x. Thereafter, the maximum leverage ratio under the credit facility is reduced to 7.25x, with the minimum unsecured coverage ratio continuing to be set at 1.75x. In all cases, if our leverage ratio equals or exceeds 7.0x, new borrowings are limited to such amount as does not cause the aggregate outstanding principal amount of the credit facility to exceed $300 million. However, to the extent our borrowings under the credit facility revolver exceed $300 million on the date that our leverage ratio exceeds 7.0x, we are not required to repay the excess for one year. The financial covenants for the credit facility do not apply when there are no borrowings under the credit facility. Hence, so long as there are no amounts outstanding, we would not be in default if we do not satisfy the financial covenants and we do not lose the potential to draw under the credit facility in the future if we were ever to come back into compliance with the financial covenants. These calculations are performed in accordance with our credit facility based on pro forma results for the prior four fiscal quarters giving effect to transactions such as acquisitions, dispositions and financings as if they occurred at the beginning of the period. For example, under the terms of the credit facility interest expense excludes items such as the gains and losses on the extinguishment of debt, deferred financing charges related to the senior notes or the credit facility, amortization of debt premiums or discounts that were recorded at acquisition of a loan to establish the debt at fair value, and, in 2009, approximately $30 million of interest expense to be recorded as a result of the adoption of FSP APB 14-1 relating to our exchangeable debentures, all of which are included in interest expense on our consolidated statements of operations. Additionally, 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 is deducted from our total debt balance. As of December 31, 2008, our leverage ratio was 4.1x versus the 7.5x maximum leverage ratio allowed under the credit facility, our fixed charge coverage ratio was 2.8x versus the 1.0x minimum fixed charge coverage ratio allowed under the credit facility and our unsecured interest coverage ratio was 4.1x versus the minimum unsecured interest coverage ratio of 1.75x allowed under the credit facility. Accordingly, we are in compliance with these and all of our other financial covenants under the credit facility as of December 31, 2008.

Interest and Fees. We pay interest on revolver borrowings under the credit facility at floating rates plus a margin that is set with reference to our leverage ratio. In the case of LIBOR borrowings in US Dollars, as well as Euros and Pounds Sterling denominated borrowings, the rate of interest ranges from 65 basis points to 150 basis points over LIBOR. We also have the option to pay interest based on the higher of the overnight Federal Funds Rate plus 50 basis points and the Prime Lending Rate, plus, in both cases, the applicable spread ranging from 0 to 50 basis points. Based on our current leverage ratio of 4.1x, we can borrow at a rate of LIBOR plus 70 basis points or Prime plus 0 basis points. To the extent that amounts under the credit facility remain unused, we pay a quarterly commitment fee on the unused portion of the loan commitment of 10 to 15 basis points, depending on our average revolver usage during the applicable period.

Other Covenants. The credit facility contains restrictive covenants on customary matters. Certain covenants become less restrictive at any time that our leverage ratio falls below 6.0x. In particular, at any time that our leverage ratio is below 6.0x, we will not be subject to limitations on capital expenditures, and the limitations on acquisitions, investments and dividends contained in the credit facility will be superseded by the generally less restrictive corresponding covenants in our senior notes indenture. Additionally, the credit facility's restrictions on incurrence of debt and the payment of dividends are generally consistent with our senior notes indenture. These provisions, under certain circumstances, limit debt incurrence to debt incurred under the credit facility or in connection with a refinancing, and limit dividend payments to those necessary to maintain our tax status as a REIT.

Mortgage Debt

All of our mortgage debt is recourse solely to specific assets except for environmental liabilities, fraud, misapplication of funds and other customary recourse provisions. As of December 31, 2008, we have 14 assets that are secured by mortgage debt with an average interest rate of 6.2% that mature between 2009 and 2023. As of December 31, 2008, we are in compliance with the covenants under our mortgage debt obligations.

We had the following mortgage debt issuances and repayments for 2008 and 2007. Interest for our mortgage debt is payable on a monthly basis:

Transaction Date		Property	Rate	Maturity Date	Amount
Issuances					
June	2008	Orlando World Center Marriott(1)	4.93%	7/1/2011	$ 300
March	2007	The Ritz-Carlton, Naples and Newport Beach Marriott	5.53%	3/1/2014	300
February	2007	Harbor Beach Marriott	5.55%	3/1/2014	134
Repayments/Defeasance					
December	2008	Scottsdale Marriott McDowell Mountains	6.08%	12/1/2008	34
June	2008	Orlando World Center Marriott	7.48%	6/12/2008	208
October	2007	New Orleans Marriott, San Antonio Marriott Rivercenter, San Ramon Marriott and Santa Clara Marriott	8.22%	10/11/2017	190
May	2007	CMBS properties	7.61%	8/1/2009	514
April	2007	Philadelphia Marriott Convention Center	8.52%	4/1/2009	96
April	2007	Four Seasons Hotel Atlanta	8.41%	4/1/2022	33
March	2007	JW Marriott, Washington, D.C.(2)	7.42%	9/15/2007	88
February	2007	Harbor Beach Marriott	8.58%	3/1/2007	88

(1) The Orlando World Center Marriott mortgage loan has a floating rate of interest of LIBOR plus 350 basis points. The interest rate shown reflects the rate in effect as of December 31, 2008. Additionally, we have the right to extend the maturity for two, one-year periods, subject to certain conditions.

(2) The JW Marriott, Washington, D.C. mortgage debt had a floating interest rate of LIBOR plus 210 basis points. The interest rate shown reflects the rate as of the date of the transaction.

Derivative Instruments

We purchased an interest rate cap which expired in September 2007 in connection with the mortgage debt secured by the JW Marriott, Washington, D.C. The mortgage debt was repaid in September 2007 and the impact of changes in the fair value of the interest rate cap was immaterial for all periods presented. As of December 31, 2008 we have no outstanding interest rate swap or cap agreements. Additionally, during 2008 we entered into three foreign currency forward purchase contracts to hedge a portion of the foreign currency exposure relating to our investment in the European joint venture. See Note 3 "Investments in Affiliates".

Aggregate Debt Maturities

Aggregate debt maturities at December 31, 2008 are as follows (in millions):

2009	$ 321
2010	411
2011(1)	825
2012	967
2013	737
Thereafter	2,700
	5,961
Unamortized (discounts) premiums, net	(10)
Capital lease obligations	1
	$5,952

(1) The debt maturing in 2011 includes $410 million related to borrowings under the credit facility, which can be extended, at our option, for one year if our leverage ratio is below 6.75x and certain other conditions are met. Similarly, the $300 million mortgage loan on the Orlando World Center Marriott, which also matures in 2011, can be extended for two one-year periods, subject to achieving a certain debt coverage ratio and other conditions.

Interest

During 2008, 2007 and 2006, we made cash interest payments of $360 million, $419 million and $459 million, respectively, which includes capitalized interest of $10 million, $10 million and $5 million, respectively, related to qualifying property construction activities. During 2008, we recorded a gain of approximately $18 million associated with the repurchase of a portion of our 2004 Debentures that is included in interest expense on our consolidated statements of operations. Our 2007 and 2006 interest expense includes losses of $45 million and $17 million, respectively, on the early extinguishment of debt, which includes prepayment premiums, the acceleration of the related discounts and deferred financing costs and the termination of related interest rate swap agreements. Deferred financing costs amounted to $47 million and $51 million, net of accumulated amortization, as of December 31, 2008 and 2007, respectively. Amortization of deferred financing costs totaled $12 million, $13 million and $15 million in 2008, 2007 and 2006, respectively, and is included in interest expense on the accompanying statements of operations.

Amortization of property and equipment under capital leases totaled $2 million for each of 2008, 2007 and 2006, respectively, and is included in depreciation and amortization on the accompanying consolidated statements of operations.

5. Stockholders' Equity

Seven hundred fifty million shares of common stock, with a par value of $0.01 per share, are authorized, of which 525.3 million and 522.6 million were outstanding as of December 31, 2008 and 2007, respectively. Fifty million shares of no par value preferred stock are authorized, with 4.0 million shares outstanding as of December 31, 2008 and 2007.

Dividends

We are required to distribute at least 90% of our annual taxable income, excluding net capital gain, to qualify as a REIT. However, our policy on common dividends is generally to distribute 100% of our estimated annual taxable income, including net capital gains, unless otherwise contractually restricted. The amount of any dividends will be determined by Host's Board of Directors. For our preferred dividends, we will generally pay the quarterly dividend, regardless of the amount of taxable income, unless similarly contractually restricted. All dividends declared in 2008, 2007 and 2006 were determined to be ordinary income.

The table below presents the amount of common and preferred dividends declared per share as follows:

	2008	2007	2006
Common stock	$ .65	$1.00	$ .76
Class C preferred stock 10%	—	—	.625
Class E preferred stock $8^{7}/_{8}$%	2.22	2.22	2.22

Stock Repurchase

The Company's Board of Directors authorized a program to repurchase up to $500 million of common stock and equity related securities. These securities may be purchased in the open market or through private transactions, depending on market conditions. The plan does not obligate the Company to repurchase any specific number or amount of securities and may be suspended at any time at management's discretion. As of December 31, 2008, the Company repurchased 6.5 million shares valued at approximately $100 million. The shares repurchased constitute authorized but unissued shares. Additionally, as part of this program during the fourth quarter we repurchased $100 million of our 2004 Debentures for $82 million. See Note 4 – Debt for further discussion. As a result of these purchases, we currently have approximately $318 million left under the Board of Directors' authorization for future repurchases.

Preferred Stock

We currently have one class of publicly-traded preferred stock outstanding: 4,034,400 shares of 8 $^{7}/_{8}$% Class E preferred stock. Holders of the preferred stock are entitled to receive cumulative cash dividends at $8^{7}/_{8}$% per annum of the $25.00 per share liquidation preference, which are payable quarterly in arrears. After June 2, 2009, we have the option to redeem the Class E preferred stock for $25.00 per share, plus accrued and unpaid dividends to the date of redemption. The preferred stock ranks senior to the common stock. The preferred stockholders generally have no voting rights. Accrued preferred dividends at December 31, 2008 and 2007 were approximately $2 million.

During 2006, we redeemed, at par, all of our then outstanding shares of Class C cumulative preferred stock. The fair value of the preferred stock (which was equal to the redemption price) exceeded the carrying value of the Class C preferred stock by approximately $6 million. This amount represents the original issuance cost. The original issuance cost for the Class C preferred stock has been reflected in the determination of net income available to common stockholders for the purpose of calculating our basic and diluted earnings per share in the respective years of redemption.

6. Income Taxes

We elected to be taxed as a REIT effective January 1, 1999, pursuant to the U.S. Internal Revenue Code of 1986, as amended. In general, a corporation that elects REIT status and meets certain tax law requirements regarding the distribution of its taxable income to its stockholders as prescribed by applicable tax laws and complies with certain other requirements (relating primarily to the nature of its assets and the sources of its revenues) is generally not subject to federal and state income taxation on its operating income distributed to its stockholders. In addition to paying federal and state income taxes on any retained income, we are subject to taxes on “built-in-gains” resulting from sales of certain assets. Additionally, our taxable REIT subsidiaries are subject to federal, state and foreign income tax. The consolidated income tax provision or benefit includes the income tax provision or benefit related to the operations of the taxable REIT subsidiaries, state income taxes incurred by Host and Host LP and foreign income taxes incurred by Host LP, as well as each of their respective subsidiaries.

Where required, deferred income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for temporary differences between the financial reporting bases of assets and liabilities and their respective tax bases and for operating loss, capital loss and tax credit carryforwards based on enacted tax rates expected to be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income and tax planning strategies.

Total deferred tax assets and liabilities at December 31, 2008 and 2007 are as follows (in millions):

	2008	2007
Deferred tax assets	$107	$124
Less: Valuation allowance	(28)	(25)
Subtotal	79	99
Deferred tax liabilities	(65)	(93)
Net deferred tax asset	$ 14	$ 6

We have recorded a 100% valuation allowance of approximately $28 million against the deferred tax asset for our Mexican net operating loss and asset tax credit carryforwards as of December 31, 2008. The net increase in the valuation allowance for the years ending December 31, 2008 and 2007 was approximately $3 million in each year. There is no valuation allowance against the deferred tax asset for our Canadian net operating loss and capital loss carryforwards as of December 31, 2008. The reduction in the valuation allowance related to the deferred tax asset for our Canadian net operating loss carryforward of approximately $3 million was recorded as a reduction of income tax expense in 2008. We expect all net operating loss and tax credit carryforwards for U.S. federal income tax purposes to be realized. The primary components of our net deferred tax asset was as follows (in millions):

	2008	2007
Investment in hotel leases	$—	$ 2
Accrued related party interest	14	21
Net operating loss and capital loss carryforwards	40	48
Alternative minimum tax credits	16	15
Safe harbor lease investments	—	(17)
Property and equipment depreciation	1	1
Investments in domestic and foreign affiliates	(62)	(62)
Holdover period rent expense	—	(10)
Prepaid revenue	36	37
Purchase accounting items	(3)	(4)
Subtotal	42	31
Less: Valuation allowance	(28)	(25)
Net deferred tax asset	$ 14	$ 6

At December 31, 2008, we have aggregate gross domestic and foreign net operating loss, capital loss and tax credit carryforwards of approximately $140 million. We have deferred tax assets related to these loss and tax credit carryforwards of approximately $56 million with a valuation allowance of approximately $28 million. Our net operating loss carryforwards expire beginning in 2010 through 2027, and our foreign capital loss carryforwards have no expiration period. Our domestic tax credits have no expiration period and our foreign asset tax credits expire through 2017.

Our U.S. and foreign income from continuing operations before income taxes was as follows (in millions):

	2008	2007	2006
U.S. income	$399	$525	$289
Foreign income	—	24	7
Total	$399	$549	$296

The (benefit) provision for income taxes for continuing operations consists of (in millions):

	2008	2007	2006
Current—Federal	$—	$—	$—
—State	2	3	2
—Foreign	3	7	8
	5	10	10
Deferred—Federal	(11)	(8)	—
—State	2	—	(5)
—Foreign	1	1	—
	(8)	(7)	(5)
Income tax (benefit) provision—continuing operations	$ (3)	$ 3	$ 5

The total (benefit) provision for income taxes, including the amounts associated with discontinued operations, was $(3) million, $3 million and $7 million in 2008, 2007 and 2006, respectively.

The differences between the income tax (benefit) provision calculated at the statutory federal income tax rate of 35% and the actual income tax (benefit) provision recorded each year for continuing operations are as follows (in millions):

	2008	2007	2006
Statutory federal income tax provision—continuing operations	$ 139	$ 192	$ 104
Nontaxable income of Host REIT—continuing operations	(150)	(200)	(104)
State income tax provision, net	2	2	2
Uncertain tax positions	2	1	(5)
Foreign income tax provision	4	8	8
Income tax (benefit) provision—continuing operations	$ (3)	$ 3	$ 5

In 2006, we recognized an income tax benefit of $5 million relating to the reduction of previously accrued income taxes after an evaluation of the exposure items and the expiration of related statutes of limitation. No such amount was recognized in 2007 or 2008. Cash paid for income taxes, net of refunds received, was $7 million for each of 2008, 2007 and 2006.

On January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in a tax return. We must determine whether it is "more-likely-than-not" that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the more-likely-than-not recognition threshold, the position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement to determine the amount of benefit to recognize in the financial statements. FIN 48 applies to all tax positions related to income taxes subject to FASB Statement No. 109, *Accounting for Income Taxes.* As a result of the implementation of FIN 48, we recognized a reduction of our liability for unrecognized tax benefits of approximately $11 million. This reduction was accounted for as an increase to the opening balance of retained earnings on January 1, 2007. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	2008	2007
Balance at January 1, 2008	$11	$10
Additions based on tax positions related to the current year	2	1
Balance at December 31, 2008	$13	$11

All of such amount, if recognized, would impact our reconciliation between the income tax provision (benefit) calculated at the statutory federal income tax rate of 35% and the actual income tax provision (benefit) recorded each year.

It is reasonably possible that the total amount of unrecognized tax benefits will significantly decrease within 12 months of the reporting date due to the expiration of certain statutes of limitation. An estimate of the range of such possible decrease is $3 million to $7 million. As of December 31, 2008, the tax years that remain subject to examination by major tax jurisdictions generally include 2005-2008.

We recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2007 and 2006, we recognized approximately $0.1 million and $0.2 million of interest, respectively. Interest recognized in 2008 was immaterial. We had approximately $0.4 million and $0.6 million for the payment of interest accrued at December 31, 2008, and 2007, respectively.

7. Leases

Hotel Leases

We lease substantially all of our hotels (the "Leases") to a wholly owned subsidiary that qualifies as a taxable REIT subsidiary due to federal income tax restrictions on a REIT's ability to derive revenue directly from the operation and management of a hotel.

Hospitality Properties Trust Relationship

In a series of related transactions in 1995 and 1996, we sold and leased back 53 Courtyard by Marriott ("Courtyard") properties and 18 Residence Inn by Marriott ("Residence Inn") properties to Hospitality Properties Trust ("HPT"). These leases, which are accounted for as operating leases and are included in the table below, have initial terms expiring between 2010 and 2012 and are renewable at our option. Minimum rent payments are $58 million annually for the Courtyard properties and $19 million annually for the Residence Inn properties, and additional rent based upon sales levels are payable to HPT under the terms of the leases. During 2008, we gave notice that we will not renew the lease on the 18 Residence Inn properties and therefore that lease, as well as the related sublease described below, will terminate in December 2010, and we expect HPT to return the approximate $17 million security deposit.

In 1998, we sublet the HPT properties (the "Subleases") to separate sublessee subsidiaries of Barceló Crestline Corporation (the "Sublessee"), subject to the terms of the applicable HPT lease. The term of each Sublease expires simultaneously with the expiration of the initial term of the HPT lease to which it relates and automatically renews for the corresponding renewal term under the HPT lease, unless either we or the Sublessee elect not to renew the Sublease provided, however, that neither party can elect to terminate fewer than all of the Subleases in a particular pool of HPT properties (one for the Courtyard properties and one for the Residence Inn properties). Rent payable by the Sublessee under the Subleases consists of the minimum rent payable under the HPT lease and an additional percentage rent payable to us. The percentage rent payable by the Sublessee is generally sufficient to cover the additional rent due under the HPT lease, with any excess being retained by us. The rent payable under the Subleases is guaranteed by the Sublessee, up to a maximum amount of $30 million, which is allocated between the two pools of HPT properties.

Other Lease Information

As of December 31, 2008, all or a portion of 35 of our hotels are subject to ground leases, generally with multiple renewal options, all of which are accounted for as operating leases. For lease agreements with scheduled rent increases, we recognize the lease expense on a straight-line basis over the term of the lease. Certain of these leases contain provisions for the payment of contingent rentals based on a percentage of sales in excess of stipulated amounts. We also have leases on facilities used in our former restaurant business, some of which we subsequently subleased. These leases and subleases contain one or more renewal options, generally for five or ten-year periods. The restaurant leases are accounted for as operating leases. Our lease activities also include leases entered into by our hotels for various types of equipment, such as computer equipment, vehicles and telephone systems. Equipment leases are accounted for as either operating or capital leases depending on the characteristics of the particular lease arrangement. Equipment leases that are characterized as capital leases are classified as furniture and equipment and are depreciated over the life of the lease. The amortization charge applicable to capitalized leases is included in depreciation expense in the accompanying consolidated statements of operations.

The following table presents the future minimum annual rental commitments required under non-cancelable leases for which we are the lessee as of December 31, 2008. Minimum payments for the operating leases have not been reduced by aggregate minimum sublease rentals from restaurants and the Sublessee of approximately $9 million and $275 million, respectively, payable to us under non-cancelable subleases.

	Capital Leases	Operating Leases
	(in millions)	
2009	$ 1	$ 122
2010	1	119
2011	—	96
2012	—	92
2013	—	31
Thereafter	—	979
Total minimum lease payments	2	$ 1,439
Less: amount representing interest	—	
Present value of minimum lease payments	$ 2	

We remain contingently liable on certain leases relating to our former restaurant business. Such contingent liabilities aggregated $23 million as of December 31, 2008. However, management considers the likelihood of any material funding related to these leases to be remote.

Rent expense is included in other property-level expenses line item and consists of (in millions):

	2008	2007	2006
Minimum rentals on operating leases	$121	$120	$125
Additional rentals based on sales	39	39	28
Less: sublease rentals	(90)	(92)	(88)
	$ 70	$ 67	$ 65

8. Employee Stock Plans

We maintain two stock-based compensation plans, the comprehensive stock plan (the "Comprehensive Plan"), whereby we may award to participating employees (i) restricted shares of our common stock, (ii) options to purchase our common stock and (iii) deferred shares of our common stock and the employee stock purchase plan (ESPP), which are accounted for under SFAS 123R. At December 31, 2008, there were approximately 4.0 million shares of common stock reserved and available for issuance under the Comprehensive Plan.

We recognize costs resulting from our share-based payment transactions in our financial statements over their vesting periods. We classify share-based payment awards granted in exchange for employee services as either equity classified awards or liability classified awards. The classification of our restricted stock awards as either an equity award or a liability award is based upon cash settlement options. Equity classified awards are measured based on the fair value on the date of grant. Liability classified awards are remeasured to fair value each reporting period. The value of all restricted stock awards, less estimated forfeitures, is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for awards for which employees do not render the requisite service. All restricted stock awards to senior executives outstanding as of December 31, 2008 have been classified as liability awards, primarily due to settlement features that allow the recipient to have a percentage of the restricted stock awards withheld to meet tax requirements in excess of the statutory minimum withholding. Restricted stock awards to our upper-middle management have been classified as equity awards as these awards do not have this optional tax withholding feature.

Restricted Stock

During the first quarter of 2006, we granted shares to senior executives that vested through year end 2008 in three annual installments (the "2006 – 2008 Plan"). Vesting for these shares was determined both on continued employment and market performance based on the achievement of total shareholder return on an absolute and relative basis. For the shares that vested solely on continued employment, we recognized compensation expense over the requisite period based on the market price at the balance sheet date. For liability classified share awards that vested based on market performance, we recognized compensation expense over the requisite service period based on the fair value of the awards at the balance sheet date. At year end 2008, compensation expense for the shares that were earned is based on the market price at the balance sheet date. No compensation expense is recognized for shares that were not earned.

We made an additional grant of shares to senior executives in February 2006 ("2006 supplemental grant"). Twenty-five percent of this award vested immediately and was expensed on the date of grant, while the remaining 75% vests over a three-year period that began in February 2006 based on continued employment. We recognize compensation expense for the outstanding portion of this grant based on the market price at the balance sheet date.

Effective January 1, 2008, we made additional grants to nine senior executives of approximately 200,000 shares. Vesting for these shares was based on continued employment through December 31, 2008. We recognized compensation expense for these shares based on the market price at the balance sheet date.

During 2008, 2007 and 2006, we recorded compensation expense of approximately $2 million, $3 million and $32 million respectively, related to the restricted stock awards to senior executives. The majority of these awards vested on December 31, 2008. The total unrecognized compensation cost, based on the valuation criteria above, that relates to nonvested restricted stock awards at December 31, 2008 was approximately $.2 million and primarily reflects shares issued under our 2006 supplemental grant that vested in February 2009. The following table is a summary of the status of our senior executive plans for the three years ended December 31, 2008. The fair values for the awards below are based on the fair value at the respective transaction dates, as the awards are classified as liability awards.

	2008		2007		2006	
	Shares (in millions)	Fair Value (per share)	Shares (in millions)	Fair Value (per share)	Shares (in millions)	Fair Value (per share)
Balance, at beginning of year	1.5	$ 7	2.4	$ 19	—	$ —
Granted	.2	18	—	—	3.5	16
Vested(1)	(.3)	10	(.2)	24	(1.1)	24
Forfeited/expired	(1.3)	—	(.7)	8	—	—
Balance, at end of year(2)	.1	7	1.5	7	2.4	19
Issued in calendar year(1)	.1	15	.6	25	.7	19

(1) Shares that vest at December 31 of each year are issued to the employees in the first quarter of the following year, although the requisite service period is complete. Accordingly, the 0.1 million shares issued in 2008 include shares vested at December 31, 2007, after adjusting for shares withheld to meet employee tax requirements. The withheld shares for employee tax requirements were valued at $1.6 million, $13.3 million and $11.7 million, for 2008, 2007 and 2006, respectively.

(2) Based on our historical forfeiture rates, we expect that substantially all shares that meet the required market condition will vest.

We also maintain a restricted stock program for our upper-middle management. Vesting for these shares is determined based on continued employment and, accordingly, we recognize compensation expense on a straight-line basis over the service period of three years. We recorded compensation expense related to these shares of $1.1 million, $1.6 million and $1.5 million during 2008, 2007 and 2006, respectively. As of December 31, 2008, all compensation cost for the upper-middle management program has been recognized. The following table is a summary of the status of our upper-middle management plan for the three years ended December 31, 2008. The fair values for the awards below are based on the fair value at the grant date of the respective awards, as the awards are classified as equity awards.

	2008		2007		2006	
	Shares (in thousands)	Fair Value (per share)	Shares (in thousands)	Fair Value (per share)	Shares (in thousands)	Fair Value (per share)
Balance, at beginning of year	20	$ 28	22	$ 20	25	$ 16
Granted	51	17	66	28	78	20
Vested(1)	(53)	21	(64)	25	(74)	19
Forfeited/expired	(4)	20	(4)	25	(7)	18
Balance, at end of year(2)	14	17	20	28	22	20
Issued in calendar year(1)	41	21	45	22	47	17

(1) Shares that vest at December 31 of each year are issued to the employees in the first quarter of the following year, although the requisite service period is complete. Accordingly, the 41,000 shares issued in 2008 include the shares vested at December 31, 2007, after adjusting for shares withheld to meet employee tax requirements. The value of shares withheld for employee tax requirements was not material for all periods presented.

(2) Based on our historical forfeiture rates, we expect that substantially all shares will vest.

Employee Stock Purchase Plan

Under the terms of the employee stock purchase plan (“ESPP”), eligible employees may purchase common stock through payroll deductions at 90% of the lower of market value at the beginning or end of the plan period and is therefore compensatory under SFAS 123R. Effective January 1, 2008, we updated the plan so that shares vested on a calendar quarter basis and employees made their purchase options on a quarterly basis. Prior to 2008, the shares vested on an annual basis. We record compensation expense for the employee stock purchase plan based on the fair value of the employees’ purchase rights, which is estimated using an option-priced model. The compensation expense reflected in net income was not material for all periods presented.

Employee Stock Options

Effective January 1, 2002, we adopted the expense recognition provisions of SFAS 123 for employee stock options granted on or after January 1, 2002 only. We did not grant any stock options between December 2002 and December 31, 2008. All options granted are fully vested and exercisable as of December 31, 2006. The fair value of the 2002 stock options was estimated on the date of grant using an option-pricing model. Compensation expense for the stock options was recognized on a straight-line basis over the vesting period. The weighted average fair value per option granted during 2002 was $1.41. We did not record any compensation expense related to these shares in 2007 or 2008, as all shares were fully vested at December 31, 2006. We recorded compensation expense of approximately $229,000 for 2006, which represents the expense for stock options granted during 2002. The aggregate intrinsic value of the outstanding and exercisable options at December 31, 2008 and 2007 was approximately $0 million and $3.5 million, respectively.

The following table is a summary of the status of our stock option plans that have been approved by our stockholders for the three years ended December 31, 2008. We do not have stock option plans that have not been approved by our stockholders.

	2008		2007		2006	
	Shares (in millions)	Weighted Average Exercise Price	Shares (in millions)	Weighted Average Exercise Price	Shares (in millions)	Weighted Average Exercise Price
Balance, at beginning of year	.4	$ 7	.7	$ 6	1.4	$ 6
Granted	—	—	—	—	—	—
Exercised	(.2)	7	(.3)	5	(.7)	6
Forfeited/expired	—	—	—	—	—	—
Balance, at end of year	.2	8	.4	7	.7	6
Options exercisable at year-end	.2		.4		.7	

The following table summarizes information about stock options at December 31, 2008:

	Options Outstanding and Exercisable		
Range of Exercise Prices	Shares (in millions)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$7 – 9	.2	7	$ 8
	.2		

In connection with the Host Marriott Services ("HM Services") spin-off in 1995, outstanding options held by our current and former employees were redenominated in both our and HM Services stock and the exercise prices of the options were adjusted based on the relative trading prices of shares of the common stock of the two companies. Pursuant to the distribution agreement between us and HM Services, we originally had the right to receive up to 1.4 million shares of HM Services' common stock or an equivalent cash value subsequent to exercise of the options held by certain former and current employees of Marriott International. However, in 1999, HM Services was no longer publicly traded (and was renamed HMS Host) and, as a result, all future payments to us were to be made in cash. As of December 31, 2007, the receivable balance was approximately $0.5 million, which is included in other assets in the accompanying consolidated balance sheets. All options that were not exercised expired in 2008.

Deferred Stock

Deferred stock incentive plan shares granted to officers and key employees after 1990 generally vest over 10 years in annual installments commencing one year after the date of grant. Certain employees may elect to defer payments until termination or retirement. We accrue compensation expense on a straight-line basis over the vesting period for the fair market value of the shares on the date of grant, less estimated forfeitures. No shares have been granted under this plan since 2003. The compensation cost that has been charged against income for deferred stock was not material for all periods presented.

9. Profit Sharing and Postemployment Benefit Plans

We contribute to defined contribution plans for the benefit of employees meeting certain eligibility requirements and electing participation in the plans. The discretionary amount to be matched by us is determined annually by the Board of Directors. We provide medical benefits to a limited number of retired employees meeting restrictive eligibility requirements. Our recorded liability for this obligation is not material. Payments for these items were not material for the three years ended December 31, 2008.

10. Discontinued Operations

Dispositions

We disposed of two hotels in 2008, nine hotels in 2007 and seven hotels in 2006. The following table summarizes the revenues, income before taxes, and the gain on dispositions, net of tax, of the hotels which have been reclassified to discontinued operations in the consolidated statements of operations for the periods presented (in millions):

	2008	2007	2006
Revenues	$ 6	$ 50	$178
Income before taxes	2	18	31
Gain on disposals, net of tax	23	164	416

Subsequent to year end, we sold the Hyatt Regency Boston for net proceeds of $113 million, which included the return of reserves held by the manager. The hotel was not considered held-for-sale at year end 2008, and we will record a gain of approximately $20 million in the first quarter of 2009.

11. Gain on Insurance Settlement

Eight of our properties sustained damage from hurricanes during 2005, with two, the New Orleans Marriott and the Fort Lauderdale Marina Marriott, having extensive damage which required us to temporarily close all or part of these hotels. Our insurance coverage for the properties entitles us to receive recoveries for damage to the hotels, as well as payments for business interruption. Gains on property insurance proceeds represent proceeds received in excess of the insurance receivable, which represents the book value of the damaged assets that were written-off. All gains resulting from insurance proceeds are not recognized until all contingencies are resolved. The following chart details the damages incurred, proceeds received and gains recorded as of December 31, 2008, 2007 and 2006 due to hurricanes Katrina and Wilma (in millions):

Property Insurance

		Property Insurance Proceeds Received			Gain on Property Insurance Proceeds		
Event	Property Damage(1)	2008	2007	2006	2008	2007	2006
Hurricane Katrina 2005	$ 21	$—	$24	$13	$—	$16	$—
Hurricane Wilma 2005(2)	16	—	14	8	—	6	—
	$ 37	$—	$38	$21	$—	$22	$—

Business Interruption Insurance

Event	Gain on Business Interruption Insurance Proceeds Received 2008	2007	2006
Hurricane Katrina 2005	$ 7	$30	$10
Hurricane Wilma 2005(2)	—	6	6
	$ 7	$36	$16

(1) Represents the book value of the property and equipment written off and repairs and clean-up costs incurred as a result of the hurricane damage.
(2) The Ft. Lauderdale Marina Marriott was sold in January 2006, and, as a result, the gains on insurance settlement for this hotel are included in discontinued operations on the accompanying statement of operations.

12. Acquisitions

Starwood Acquisition

On April 10, 2006, we acquired 25 domestic hotels and three foreign hotels from Starwood Hotels & Resorts Worldwide, Inc., or Starwood for total consideration of approximately $3.1 billion. The acquisition was completed pursuant to the Master Agreement and Plan of Merger, dated as of November 14, 2005, and amended as of March 24, 2006, (the “Master Agreement”) among Host, Starwood and certain of their respective subsidiaries.

Our summarized unaudited consolidated pro forma results of operations for the year ended December 31, 2006, assuming the Starwood acquisition occurred on January 1, 2006, are as follows (in millions, except per share amounts):

	2006
Revenues	$5,047
Income from continuing operations	307
Net income	754
Net income available to common shareholders	734
Basic earnings per common share:	
Continuing operations	.55
Discontinued operations	.86
Basic earnings per common share	$ 1.41
Diluted earnings per common share:	
Continuing operations	.55
Discontinued operations	.85
Diluted earnings per common share	$ 1.40

13. Fair Value of Financial Instruments

The fair value of certain financial assets and liabilities and other financial instruments are shown below:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Financial assets				
Notes receivable	$ 12	$ 12	$ 9	$ 9
Financial liabilities				
Senior notes	3,027	2,297	3,026	2,950
Exchangeable Senior Debentures	992	743	1,088	1,090
Credit facility (including the $210 million term loan)	410	378	—	—
Mortgage debt and other, net of capital leases	1,522	1,501	1,509	1,564

Notes receivable and other financial assets are valued based on the expected future cash flows discounted at risk-adjusted rates. Valuations for secured debt and our credit facility are determined based on the 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.

14. Relationship with Marriott International

We have entered into various agreements with Marriott, including the management of approximately 60% of our hotels, as well as franchised properties; financing for joint ventures or partnerships including the acquisition in 1996 of two hotels (one of which was sold on January 30, 2004) in Mexico City, Mexico and the 2000 acquisition of CBM Joint Venture LLC (see Note 3) and certain limited administrative services.

In 2008, 2007 and 2006, we paid Marriott $178 million, $197 million and $165 million, respectively, in hotel management fees and approximately $1 million, in franchise fees for each of 2008, 2007 and 2006. Included in the management fees paid are amounts paid to The Ritz-Carlton Hotel Company, LLC (Ritz-Carlton), Courtyard Management Corporation and Residence Inn Management Corporation.

We negotiated amendments to various management agreements with Marriott and agreed, among other matters, to waive performance termination tests through the end of fiscal year 2009, to modify certain extension tests which condition the manager's ability to renew the management agreements, and to extend certain contracts for ten additional years. As part of this negotiation, Marriott agreed to make cash payments to us, over time, to reduce an existing cap on the costs and expenses related to chain services that are provided on a centralized basis, as well as to establish a cap on certain other costs, to provide us with an incentive to increase our capital expenditures at the hotels through 2008, to waive certain deferred management fees, and to modify the incentive management fee on certain contracts. In addition, we agreed to use a portion of Marriott's cash payments for brand reinvestment projects at various hotels in our portfolio.

15. Hotel Management Agreements and Operating and License Agreements

Our hotels are subject to management agreements under which various operators, including Marriott, Ritz-Carlton, Hyatt, Swissôtel, Hilton, Four Seasons, Fairmont and Starwood, operate our hotels for the payment of a management fee. The agreements generally provide for both base and incentive management fees based on hotel sales and operating profit, respectively. As part of the management agreements, the manager furnishes the hotels with certain chain services which are generally provided on a central or regional basis to all hotels in the manager's hotel system. Chain services include central training, advertising and promotion, national reservation systems, computerized payroll and accounting services, and such additional services as needed which may be more efficiently performed on a centralized basis. Costs and expenses incurred in providing such services are allocated among the hotels managed, owned or leased by the manager on a fair and equitable basis. In addition, our managers will generally have a guest rewards program which will be charged to all of the hotels that participate in the program.

We are obligated to provide the manager with sufficient funds, generally 5% of revenue generated at the hotel, to cover the cost of (a) certain non-routine repairs and maintenance to the hotels which are normally capitalized; and (b) replacements and renewals to the hotels' furniture, fixtures and equipment. Under certain circumstances, we will be required to establish escrow accounts for such purposes under terms outlined in the agreements.

Marriott International

Of our hotels, 68 are subject to management agreements under which Marriott or one of their subsidiaries manages the hotels, generally for an initial term of 15 to 20 years with one or more renewal terms at the option of Marriott. Marriott typically receives a base fee of three percent of gross revenues and incentive management fees generally equal to 20% operating profit after we have received a priority return. We have the option to terminate certain management agreements if specified performance or extension thresholds are not satisfied. A single agreement may be canceled under certain conditions, although such cancellation will not trigger the cancellation of any other agreement.

Additionally, while most of our management agreements are not terminable prior to their full term we have negotiated rights with respect to 21 specified Marriott-branded hotels to terminate management agreements in connection with the sale of these hotels subject to certain limitations, including the number of agreements that can be terminated per year, limitations measured by EBITDA, and limitations requiring that a significant part of such hotels maintain the Marriott brand affiliation. The described termination rights may be exercised without payment of a termination fee except for one of the specified hotels wherein a termination fee is required if it does not maintain the Marriott brand affiliation.

We have a franchise agreement with Marriott for one hotel. Pursuant to the franchise agreement, we pay a franchise fee based on a percentage of room sales and food and beverage sales, as well as certain other fees for advertising and reservations. Franchise fees for room sales are approximately six percent of sales, while fees for food and beverage sales are approximately three percent of sales. The franchise agreement has a term of 30 years.

Ritz-Carlton

We hold management agreements with Ritz-Carlton, a wholly-owned subsidiary of Marriott, to manage nine of our hotels. These agreements have an initial term of 15 to 25 years with one or more renewal terms at the option of Ritz-Carlton. Base management fees vary from two to five percent of sales and incentive management fees, if any, are generally equal to 20% of available cash flow or operating profit, after we have received a priority return as defined in the agreements.

Starwood

As of December 31, 2008, 22 of our hotels are subject to operating and license agreements with Starwood under which Starwood operates the hotels, for an initial term of 20 years, with two renewal terms of 10 years each. Starwood receives compensation in the form of a base fee of 1% of annual gross operating revenues, and an incentive fee of 20% of annual gross operating profit, after we have received a priority return of 10.75% on our purchase price and other investments in the hotels.

The license agreements address matters relating to the subject brand, including rights to use service marks, logos, symbols and trademarks, such as those associated with Westin, Sheraton. W, Luxury Collection and St. Regis, as well as matters relating to compliance with certain standards and policies and (including through other agreements in the case of certain hotels) the provision of certain system program and centralized services. The license agreements have an initial term of 20 years each, with two renewal terms of 10 years each at the option of the licensor. Licensors receive compensation in the form of license fees of 5% of room sales and 2% of food and beverage sales.

We have termination rights relating to the operating agreements on 12 specified hotels upon the sale of those hotels. Such termination rights are currently active with respect to three of such hotels. With respect to two of those hotels, we have the limited right to also terminate one license agreement annually. With respect to nine of the 12 specified hotels, we have the right beginning in 2016 to sell 35% of such hotels (measured by EBITDA), not to exceed two hotels annually, free and clear of the existing operating agreement over a period of time without the payment of a termination fee. With respect to any termination of an operating agreement on sale, the proposed purchaser would need to meet the requirements for transfer under the applicable license agreement.

Other Managers

We also hold management agreements with hotel management companies such as Hyatt, Hilton, Four Seasons and Fairmont for 17 of our hotels. These agreements generally provide for an initial term of 10 to 20 years with renewal terms at the option of either party or, in some cases, the hotel management company of up to an additional one to 15 years. The agreements generally provide for payment of base management fees equal to one to four percent of sales. Sixteen of the seventeen agreements also provide for incentive management fees generally equal to 10 to 30 percent of available cash flow, operating profit, or net operating income, as defined in the agreements, after we have received a priority return.

16. Geographic and Business Segment 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 meet the aggregation criteria, and thus, we report one segment: hotel ownership. Our foreign operations consist of four properties located in Canada, two properties located in Chile and one property located in Mexico. There were no intersegment sales during the periods presented. The following table presents revenues and long-lived assets for each of the geographical areas in which we operate (in millions):

	2008		2007		2006	
	Revenues	Property and Equipment, net	Revenues	Property and Equipment, net	Revenues	Property and Equipment, net
United States	$ 5,110	$ 10,541	$ 5,240	$ 10,358	$ 4,653	$ 10,384
Canada	119	123	117	140	107	112
Chile	32	45	27	57	16	53
Mexico	27	30	27	33	26	35
Total	$ 5,288	$ 10,739	$ 5,411	$ 10,588	$ 4,802	$ 10,584

17. Guarantees and Contingencies

We have certain guarantees which consist of commitments we have made to third parties for leases or debt that are not recognized in our consolidated financial statements due to various dispositions, spin-offs and contractual arrangements, but that we have agreed to pay in the event of certain circumstances including default by an unrelated party. We consider the likelihood of any material payments under these guarantees to be remote. The guarantees are listed below:

- We remain contingently liable for rental payments on certain divested non-lodging properties. These primarily represent certain divested restaurants that were sold subject to our guarantee of the future rental payments. The aggregate amount of these future rental payments is approximately $23 million as of December 31, 2008.
- In 1997, we owned Leisure Park Venture Limited Partnership, which owns and operates a senior living facility. We spun-off the partnership to Barceló Crestline Corporation, formerly Crestline Capital Corporation, in the REIT conversion, but we remain obligated under a guarantee of interest and principal with regard to $14.7 million of municipal bonds issued by the New Jersey Economic Development Authority through their maturity in 2027. However, to the extent we are required to make any payments under the guarantee, we have been indemnified by Barceló Crestline Corporation, who, in turn, is indemnified by the current owner of the facility.
- In connection with the sale of two hotels in January 2005, we remain contingently liable for the amounts due under the respective ground leases. The future minimum lease payments are approximately $13 million through the full term of the leases, including renewal options. We believe that any liability related to these ground leases is remote, and in each case, we have been indemnified by the purchaser of the hotel.
- In connection with the Starwood acquisition, we have three properties with environmental liabilities, primarily asbestos in non-public areas of the properties, for which we have recorded the present value of the liability, or approximately $2.6 million, in accordance with FIN 47 “Accounting for Conditional Asset Retirement Obligations”. The amount is based on management’s estimate of the timing and future costs to remediate the liability. We will record the accretion expense over the period we intend to hold the hotel or until the item is remediated.
- We are involved in various legal proceedings in the normal course of business. On April 27, 2005, we initiated suit against Keystone-Texas Property Holding Corporation (“Keystone”) in the 73rd Judicial District Court of Bexar County, Texas, Case No. 05-CI-14229, seeking a declaration that a provision of our ground lease for the property under the San Antonio Marriott Rivercenter Hotel was valid and claiming that Keystone had breached that lease provision. On April 6, 2006, a Bexar County Court granted an interlocutory motion for summary judgment that the provision was not valid and the lease provision had not been breached. Thereafter, on October 18, 2006, Keystone filed an amended counterclaim and later, a third party claim, alleging that we tortiously interfered with Keystone’s attempted sale of the property and that we slandered Keystone’s title to the property. We believe that our actions were entirely lawful.

  We are vigorously defending this claim and all other claims; however, no assurance can be given as to the outcome of any pending legal proceedings. We believe that the final resolution of any of these claims will not have a material adverse effect on our financial condition.

18. Related Party Transactions

In December 2006, the insurance trust which holds split-dollar life insurance policies for Mr. J. Willard Marriott, Jr., a former member of Host's Board of Directors, exercised its rights under its Split-Dollar Life Insurance Policies Agreement with the Company to purchase our interest in the policy. We received approximately $4.5 million, which equaled the premiums paid on the policy since 1996 (inception) in accordance with the terms of the agreement.

19. Quarterly Financial Data (unaudited)

	2008			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions, except per share amounts)			
Revenues	$1,058	$1,415	$1,168	$1,647
Operating profit	133	276	123	216
Income from continuing operations	60	179	41	122
Income from discontinued operations	1	11	13	—
Net income	61	190	54	122
Net income available to common stockholders	59	188	52	119
Basic earnings per common share:				
Continuing operations	.11	.34	.07	.23
Discontinued operations	—	.02	.03	—
Net income	.11	.36	.10	.23
Diluted earnings per common share:				
Continuing operations	.11	.33	.07	.19
Discontinued operations	—	.02	.03	—
Net income	.11	.35	.10	.19

	2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions, except per share amounts)			
Revenues	$1,029	$1,381	$1,197	$1,804
Operating profit	132	282	164	371
Income from continuing operations	41	145	92	268
Income from discontinued operations	146	4	5	26
Net income	187	149	97	294
Net income available to common stockholders	185	147	95	291
Basic earnings per common share:				
Continuing operations	.07	.27	.17	.51
Discontinued operations	.28	.01	.01	.05
Net income	.35	.28	.18	.56
Diluted earnings per common share:				
Continuing operations	.07	.26	.17	.49
Discontinued operations	.28	.01	.01	.05
Net income	.35	.27	.18	.54

The sum of the basic and diluted earnings per common share for the four quarters in all years presented differs from the annual earnings per common share due to the required method of computing the weighted average number of shares in the respective periods.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

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 were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and (2) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. With the participation of our Chief Executive Officer and Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2008 based on the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2008. There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our independent registered public accounting firm, KPMG LLP, has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears in Item 8 of this report.

Item 9B. ***Other Information***

None.

PART III

Certain information called for by Items 10-14 is incorporated by reference from our 2009 Annual Meeting of Stockholders Notice and Proxy Statement (to be filed pursuant to Regulation 14A not later than 120 days after the close of our fiscal year).

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item with respect to directors is incorporated by reference to the section of Host's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders entitled "Proposal One: Election of Directors." See Item 4 in Part I of this Annual Report for information regarding Host's executive officers.

The information required by this item with respect to compliance with Section 16(a) of the Exchange Act is incorporated by reference to the section of Host's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders entitled "Section 16(a) Beneficial Ownership Reporting Compliance."

The information required by this item with respect to Host's Audit Committee and Audit Committee Financial Experts is incorporated by reference to the section of Host's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders entitled "The Board of Directors and Committees of the Board." There have been no material changes to the procedures by which stockholders may recommend nominees to the Board of Directors since our last annual report.

We have adopted a Code of Business Conduct and Ethics that applies to all employees. In compliance with the applicable rules of the SEC, special ethics obligations of our Chief Executive Officer, Chief Financial Officer, Corporate Controller and other employees who perform financial or accounting functions are set forth in Section 8 of the Code of Business Conduct and Ethics, entitled *Special Ethics Obligations of Employees with Financial Reporting Obligations*. The Code is available at the Investor Information/Corporate Governance section of our website at www.hosthotels.com. A copy of the Code is available in print, free of charge, to stockholders upon request to the Company at the address set forth in Item 1, Attn: Secretary. We intend to satisfy the disclosure requirements under the Securities and Exchange Act of 1934, as amended, regarding an amendment to or waiver from a provision of our Code of Business Conduct and Ethics by posting such information on our web site.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference to the sections of Host's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders entitled: "Compensation Discussion and Analysis," "Executive Officer and Director Compensation," "The Board of Directors and Committees of the Board—Compensation Policy Committee Interlocks and Insider Participation" and "Report of the Compensation Policy Committee on Executive Compensation."

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item is incorporated by reference to the sections of Host's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders entitled: "Security Ownership of Certain Beneficial Owners and Management" and "Executive Officer and Director Compensation—Securities Authorized for Issuance Under Equity Compensation Plans."

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is incorporated by reference to the sections of Host's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders entitled "Certain Relationships and Related Person Transactions" and "The Board of Directors and Committees of the Board—Independence of Directors."

Item 14. *Principal Accounting Fees and Services*

The information required by this item is incorporated by reference to the section of Host's definitive Proxy Statement for its 2009 Annual Meeting of Stockholders entitled "Auditor Fees."

PART IV

Item 15. ***Exhibits, Financial Statement Schedules.***

(a) LIST OF DOCUMENTS FILED AS PART OF THIS REPORT

(i) FINANCIAL STATEMENTS

All financial statements of the registrant are set forth under Item 8 of this Report on Form 10-K.

(ii) FINANCIAL STATEMENT SCHEDULES

The following financial information is filed herewith on the pages indicated.

Financial Schedules:

		Page
III.	Real Estate and Accumulated Depreciation.	S-1 to S-7

All other schedules are omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

(b) EXHIBITS

Exhibit No.	Description
2.1	Master Agreement and Plan of Merger among Host Marriott Corporation, Host Marriott, L.P., Horizon Supernova Merger Sub, L.L.C., Horizon SLT Merger Sub, L.P., Starwood Hotels & Resorts Worldwide, Inc., Starwood Hotels & Resorts, Sheraton Holding Corporation and SLT Realty Limited Partnership dated as of November 14, 2005 (incorporated by reference from Annex A to the proxy statement/prospectus contained in Host Marriott Corporation's Registration Statement on Form S-4 (Registration No. 333-130249) filed on December 9, 2005).
2.2	Indemnification Agreement among Host Marriott Corporation, Host Marriott L.P. and Starwood Hotels & Resorts Worldwide, Inc. dated November 14, 2005 (incorporated by reference from Annex B to the proxy statement/prospectus contained in Host Marriott Corporation's Registration Statement on Form S-4 (Registration No. 333-130249) filed on December 9, 2005).
2.3	Tax Sharing and Indemnification Agreement among Host Marriott Corporation, Host Marriott, L.P., Horizon Supernova Merger Sub, L.L.C., Horizon SLT Merger Sub, L.P., Starwood Hotels & Resorts Worldwide, Inc., Starwood Hotels & Resorts, Sheraton Holding Corporation and SLT Realty Limited Partnership dated as of November 14, 2005 (incorporated by reference from Annex C to the proxy statement/prospectus contained in Host Marriott Corporation's Registration Statement on Form S-4 (Registration No. 333-130249) filed on December 9, 2005).
2.4	Amendment Agreement, dated March 24, 2006, amending the master agreement and plan of merger, the indemnification agreement and the tax sharing and indemnification agreement by and among Host Marriott Corporation, Host Marriott, L.P., Horizon Supernova Merger Sub, L.L.C., Horizon SLT Merger Sub, L.P., Starwood Hotels & Resorts Worldwide, Inc., Starwood Hotels & Resorts, Sheraton Holding Corporation and SLT Realty Limited Partnership, each dated November 14, 2005 (incorporated by reference to Exhibit 2.4 of Host Marriott Corporation's Current Report on Form 8-K, filed March 28, 2006).
3.1*	Articles of Restatement of Articles of Incorporation of Host Hotels & Resorts, Inc., as amended.

Exhibit No.	Description
3.2	Amended and Restated Bylaws of Host Hotels & Resorts, Inc., effective November 6, 2008 (incorporated by reference to Exhibit 3.3 of Host Hotels & Resorts, Inc.'s Current Report on Form 8-K, filed on November 12, 2008).
4.1	Form of Common Stock Certificate (incorporated herein by reference to Exhibit 4.7 to Host Marriott Corporation's Amendment No. 4 to its Registration Statement on Form S-4 (SEC File No. 333-55807) filed on October 2, 1998).
4.2	Amended and Restated Indenture dated as of August 5, 1998, by and among HMH Properties, Inc., as Issuer, and the Subsidiary Guarantors named therein, and Marine Midland Bank, as Trustee (incorporated by reference to Host Marriott Corporation Current Report on Form 8-K dated August 6, 1998).
4.3	Third Supplemental Indenture, dated as of December 14, 1998, by and among HMH Properties Inc., Host Marriott, L.P., the entities identified therein as New Subsidiary Guarantors and Marine Midland Bank, as Trustee, to the Amended and Restated Indenture, dated as of August 5, 1998, among the Company, the Guarantors named therein, Subsidiary Guarantors named therein and the Trustee (incorporated by reference to Exhibit 4.3 of Host Marriott, L.P.'s Current Report on Form 8-K filed with the Commission on December 31, 1998).
4.4	Amended and Restated Twelfth Supplemental Indenture, dated as of July 28, 2004, by and among Host Marriott, L.P., the Subsidiary Guarantors signatures thereto and The Bank of New York, as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee to the Amended and Restated Indenture, dated August 5, 1998 (incorporated by reference to Exhibit 4.17 of Host Marriott Corporation's Report on Form 10-Q for the quarter ended September 10, 2004, filed on October 19, 2004).
4.5	Thirteenth Supplemental Indenture, dated as of March 16, 2004, by and among Host Marriott, L.P., the Subsidiary Guarantors signatories thereto, and The Bank of New York, as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.17 of Host Marriott Corporation's Report on Form 10-Q for the quarter ended March 26, 2004, filed on May 3, 2004).
4.6	Fourteenth Supplemental Indenture, dated August 3, 2004, by and among Host Marriott, L.P., the Subsidiary Guarantors named therein and The Bank of New York as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.10 of Host Marriott, L.P.'s Registration Statement on Form S-4 (SEC File No. 333-121109) filed with the Commission on December 9, 2004).
4.7	Sixteenth Supplemental Indenture, dated March 10, 2005, by and among Host Marriott, L.P., the Guarantors named therein and The Bank of New York as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.19 of Host Marriott, L.P.'s Report on Form 8-K, filed on March 15, 2005).
4.8	Nineteenth Supplemental Indenture, dated April 4, 2006, by and among Host Marriott, L.P., the Subsidiary Guarantors named therein and The Bank of New York as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.26 of Host Marriott Corporation's Current Report on Form 8-K, filed April 10, 2006).
4.9	Twenty-Second Supplemental Indenture, dated November 2, 2006, by and among Host Hotels & Resorts, L.P., the Subsidiary Guarantors named therein and The Bank of New York as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998 (incorporated by reference to Exhibit 4.27 of Host Hotels & Resorts, Inc. Current Report on Form 8-K filed November 7, 2006).

Exhibit No.	Description
4.10	Registration Rights Agreement, dated as of March 16, 2004, among Host Marriott Corporation, Host Marriott, L.P. and Goldman, Sachs & Co. as representatives of the several Initial Purchasers named therein related to the 3.25% Exchangeable debentures due 2024 (incorporated by reference to Exhibit 4.10 of Host Marriott Corporation's Registration Statement on Form S-3 (SEC File No. 333-117229) filed with the Commission on July 8, 2004).
4.11	Twenty-Third Supplemental Indenture, dated March 23, 2007, by and among Host Hotels & Resorts, L.P., Host Hotels & Resorts, Inc., the Subsidiary Guarantors named therein and The Bank of New York as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998, including form of debenture (incorporated by reference to Exhibit 4.1 to Host Hotels & Resorts, Inc.'s Current Report on Form 8-K, filed March 29, 2007).
4.12	Registration Rights Agreement, dated March 23, 2007, among Host Hotels & Resorts, L.P., Host Hotels & Resorts, Inc. and Goldman, Sachs & Co. and Banc of America Securities LLC, as representatives of the several Initial Purchasers named therein, related to the 2.625% Exchangeable Senior Debentures due 2027 (incorporated by reference to Exhibit 10.1 to Host Hotels & Resorts, Inc.'s Current Report on Form 8-K filed on March 29, 2007).
10.1	Third Amended and Restated Agreement of Limited Partnership of Host Hotels & Resorts, L.P. (incorporated by reference from Exhibit 10.1 of Host Hotels & Resorts, Inc.'s Annual Report on Form 10-K for the year ended on December 31, 2006, filed on February 27, 2007).
10.2	Distribution Agreement dated as of September 15, 1993 between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference from Host Marriott Corporation's Current Report on Form 8-K dated October 25, 1993).
10.3	Amendment No. 1 to the Distribution Agreement dated December 29, 1995 by and among Host Marriott Corporation, Host Marriott Services Corporation and Marriott International, Inc. (incorporated by reference to Host Marriott Corporation Current Report on Form 8-K dated January 16, 1996).
10.4	Amendment No. 2 to the Distribution Agreement dated June 21, 1997 by and among Host Marriott Corporation, Host Marriott Services Corporation and Marriott International, Inc. (incorporated by reference to Exhibit 10.8 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).
10.5	Amendment No. 3 to the Distribution Agreement dated March 3, 1998 by and among Host Marriott Corporation, Host Marriott Services Corporation, Marriott International, Inc. and Sodexho Marriott Services, Inc. (incorporated by reference to Exhibit 10.9 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).
10.6	Amendment No. 4 to the Distribution Agreement by and among Host Marriott Corporation and Marriott International Inc. (incorporated by reference to Exhibit 10.10 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).
10.7	Amendment No. 5 to the Distribution Agreement, dated December 18, 1998, by and among Host Marriott Corporation, Host Marriott Services Corporation and Marriott International Inc. (incorporated by reference to Exhibit 10.14 of Host Marriott Corporation's Form 10-K for the year ended December 31, 1998, filed on March 26, 1999).

Exhibit No.	Description
10.8	Amendment No. 6, dated as of January 10, 2001, to the Distribution Agreement dated as of September 15, 1993 between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference to Exhibit 10.14 of Host Marriott Corporation’s Annual Report on Form 10-K for the year ended December 31, 2003, filed March 2, 2004).
10.9	Amendment No. 7, dated as of December 29, 2001, to the Distribution Agreement dated as of December 15, 1993 between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference to Exhibit 10.38 of Host Marriott Corporation’s Report on Form 10-Q for the quarter ended September 6, 2002, filed on October 21, 2002).
10.10	Distribution Agreement dated December 22, 1995 by and between Host Marriott Corporation and Host Marriott Services Corporation (incorporated by reference to Exhibit 2.1 of Host Marriott Corporation’s Current Report on Form 8-K filed with the Commission on January 16, 1996).
10.11	Amendment to Distribution Agreement dated December 22, 1995 by and between Host Marriott Corporation and Host Marriott Services Corporation (incorporated by reference to Exhibit 10.16 of Host Marriott Corporation’s Form Report on 10-K for the year ended December 31, 1998, filed on March 26, 1999).
10.12	Tax Sharing Agreement dated as of October 5, 1993 by and between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference to Host Marriott Corporation’s Current Report on Form 8-K dated October 25, 1993).
10.13	Tax Administration Agreement dated as of October 8, 1993 by and between Host Marriott Corporation and Marriott International, Inc. (incorporated by reference to Host Marriott Corporation’s Current Report on Form 8-K dated October 25, 1993).
10.14	Restated Noncompetition Agreement dated March 3, 1998 by and among Host Marriott Corporation, Marriott International, Inc. and Sodexho Marriott Services, Inc. (incorporated by reference to Exhibit 10.17 of Host Marriott Corporation’s Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).
10.15	First Amendment to Restated Noncompetition Agreement by and among Host Marriott Corporation, Marriott International, Inc. and Sodexho Marriott Services, Inc. (incorporated by reference to Exhibit 10.18 of Host Marriott Corporation’s Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 20, 1998).
10.16	Employee Benefits and Other Employment Matters Allocation Agreement dated as of December 29, 1995 by and between Host Marriott Corporation and Host Marriott Services Corporation (incorporated by reference to Exhibit 99.4 of Host Marriott Corporation’s Current Report on Form 8-K filed with the Commission on January 16, 1996).
10.17	Tax Sharing Agreement dated as of December 29, 1995 by and between Host Marriott Corporation and Host Marriott Services Corporation (incorporated by reference to Host Marriott Corporation’s Current Report on Form 8-K filed with the Commission on January 16, 1996).
10.18	Contribution Agreement dated as of April 16, 1998 among Host Marriott Corporation, Host Marriott, L.P. and the contributors named therein, together with Exhibit B (incorporated by reference to Exhibit 10.20 of Host Marriott Corporation’s Amendment No. 3 to its Registration Statement No. 333-55807, on Form S-4, filed on September 30, 1998).
10.19	Amendment No. 1 to Contribution Agreement dated May 8, 1998 among Marriott Corporation, Host Marriott, L.P. and the contributors named therein (incorporated by reference to Exhibit 10.21 of Host Marriott Corporation’s Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-55807) filed with the Commission on September 30, 1998).

Exhibit No.	Description
10.20	Amendment No. 2 to Contribution Agreement dated May 18, 1998 among Host Marriott Corporation, Host Marriott, L.P. and the contributors named therein (incorporated by reference to Exhibit 10.22 of Host Marriott Corporation's Amendment No. 3 to its Registration Statement on Form S-4 (SEC File No. 333-55807) filed with the Commission on September 30, 1998).
10.21	Employee Benefits and Other Employment Matters Allocation Agreement between Host Marriott Corporation, Host Marriott, L.P. and Crestline Capital Corporation (incorporated by reference to Exhibit 10.25 of Host Marriott Corporation's Amendment No. 2 to its Registration Statement on Form S-4 (SEC File No. 333-64793) filed with the Commission on November 10, 1998).
10.22	Amendment to the Employee Benefits and Other Employment Matters Allocation Agreement effective as of December 29, 1998 by and between Host Marriott Corporation, Marriott International, Inc., Sodexho Marriott Services, Inc., Crestline Capital Corporation and Host Marriott, L.P. (incorporated by reference to Exhibit 10.34 of Host Marriott Corporation's Report on Form 10-K for the year ended December 31, 1998, filed on March 26, 1999).
10.23	Noncompetition Agreement among Host Marriott Corporation, Host Marriott, L.P. and Crestline Capital Corporation, dated December 28, 1998 (incorporated by reference to Exhibit 10.19 of Host Marriott Corporation's Annual Report on Form 10-K dated December 31, 1998, filed on March 26, 1999).
10.24	First Amendment, dated as of December 28, 1998, to the Restated Noncompetition Agreement dated March 3, 1998 by and among Host Marriott Corporation, Marriott International, Inc. and Crestline Capital Corporation (incorporated by reference to Exhibit 10.32 of Host Marriott Corporation's Annual Report on Form 10-K for 2003, filed March 2, 2004).
10.25	Acquisition and Exchange Agreement dated November 13, 2000 by and among Host Marriott, L.P. and Crestline Capital Corporation and certain other parties named therein (incorporated by reference to Exhibit 99.2 of Host Marriott, L.P.'s Form 8-K/A filed December 14, 2000).
10.26*	Host Hotels & Resorts, L.P. Executive Deferred Compensation Plan as amended and restated effective January 1, 2008.
10.27	Trust Agreement between T. Rowe Price Trust Company and Host Marriott, L.P., dated November 23, 2005, relating to the Host Marriott, L.P. Executive Deferred Compensation Plan. (incorporated by reference to Exhibit 10.38 of Host Marriott Corporation's Annual Report on Form 10-K for the year ended December 31, 2005, filed March 10, 2006.)
10.28	Host Marriott Corporation and Host Marriott, L.P. 1997 Comprehensive Stock and Cash Incentive Plan, as amended and restated December 29, 1998, as amended January 2004 (incorporated by reference to Exhibit 10.7 of Host Marriott Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, filed March 2, 2004).
10.29*	Host Hotels & Resorts, L.P. Retirement and Savings Plan, as amended and restated, effective as of January 1, 2008.
10.30*	Host Hotels & Resorts, Inc.'s Non-Employee Director's Deferred Stock Compensation Plan, as amended and restated, effective as of January 1, 2008.
10.31*	Host Hotels & Resorts, Inc.'s Severance Plan for Executives, as amended and restated, effective as of January 1, 2008.
10.32	Form of Indemnification Agreement for officers and directors of Host Hotels & Resorts, Inc. (incorporated by reference to Exhibit 10.32 of Host Hotels & Resorts, Inc.'s Current Report on Form 8-K, filed November 12, 2008).

Exhibit No.	Description
10.33*	Form of Restricted Stock Agreement for 2009 for use under the 1997 Comprehensive Stock and Cash Incentive Plan.
10.34*	Form of Option Agreement for 2009 under the 1997 Comprehensive Stock and Cash Incentive Plan.
10.35#	Amended and Restated Agreement of Limited Partnership of HHR EURO CV, dated as of December 8, 2006, by and among HST GP EURO B.V., HST LP EURO B.V., Stichting Pensioenfonds ABP and Jasmine Hotels PTE Ltd. (incorporated by reference to Exhibit 10.41 of Host Hotels & Resorts, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2006, filed on February 27, 2007).
10.36	Second Amended and Restated Credit Agreement, dated as of May 25, 2007, among Host Hotels & Resorts, L.P., Host Euro Business Trust, Certain Canadian Subsidiaries of Host Hotels & Resorts, L.P., Deutsche Bank AG New York Branch, Bank of America, N.A., Citicorp North America, Inc., Société Générale, Calyon New York Branch, and Various Lenders (incorporated by reference to Exhibit 10.1 to Host Hotels & Resorts, Inc.'s Current Report on Form 8-K filed June 1, 2007).
10.37	Second Amended and Restated Pledge and Security Agreement, dated as of May 25, 2007, among Host Hotels & Resorts, L.P. and the other Pledgors named therein and Deutsche Bank AG New York Branch, as Collateral Agent (incorporated by reference to Exhibit 10.2 to Host Hotels & Resorts, Inc.'s Current Report on Form 8-K filed June 1, 2007).
10.38	Second Amended and Restated Subsidiaries Guaranty, dated as of May 25, 2007, by the subsidiaries of Host Hotels & Resorts, L.P. named as Guarantors therein (incorporated by reference to Exhibit 10.3 to Host Hotels & Resorts, Inc.'s Current Report on Form 8-K filed June 1, 2007).
10.39	Amendment No. 1 to Credit Agreement, dated as of April 22, 2008, among Host Hotels & Resorts, L.P., Host Holding Business Trust, Certain Subsidiaries of Host Hotels & Resorts, L.P., Deutsche Bank AG New York Branch and Various Lenders (incorporated by reference to Exhibit 10.41 of Host Hotels & Resorts, Inc.'s Current Report on Form 8-K filed with the Commission on April 28, 2008).
10.40	Amended and Restated Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. Employee Stock Purchase Plan, effective as of January 1, 2008 (incorporated by reference to Exhibit 10.40 of Host Hotels & Resorts, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007 filed with the Commission on February 25, 2008).
12*	Computation of Ratios of Earnings to Fixed Charges and Preferred Stock Dividends.
21*	List of Subsidiaries of Host Hotel & Resorts, Inc.
23*	Consent of KPMG LLP.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification 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.†

* Filed herewith.

\# Confidential treatment requested.

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

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of Bethesda, State of Maryland, on February 27, 2009.

HOST HOTELS & RESORTS, INC.

By: /S/ LARRY K. HARVEY
Larry K. Harvey
Executive Vice President, Chief Financial Officer

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

Signatures	Title	Date
/S/ RICHARD E. MARRIOTT **Richard E. Marriott**	Chairman of the Board of Directors	February 27, 2009
/S/ W. EDWARD WALTER **W. Edward Walter**	President, Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2009
/S/ LARRY K. HARVEY **Larry K. Harvey**	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	February 27, 2009
/S/ BRIAN G. MACNAMARA **Brian G. Macnamara**	Senior Vice President, Corporate Controller (Principal Accounting Officer)	February 27, 2009
/S/ ROBERT M. BAYLIS **Robert M. Baylis**	Director	February 27, 2009
/S/ TERENCE C. GOLDEN **Terence C. Golden**	Director	February 27, 2009
/S/ ANN MCLAUGHLIN KOROLOGOS **Ann McLaughlin Korologos**	Director	February 27, 2009
/S/ JUDITH A. MCHALE **Judith A. McHale**	Director	February 27, 2009
/S/ JOHN B. MORSE, JR. **John B. Morse, Jr.**	Director	February 27, 2009

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2008
(in millions)

		Initial Costs			Gross Amount at December 31, 2008						
Description(1)	Debt	Land	Buildings & Improvements	Subsequent Costs Capitalized	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Completion of Construction	Date Acquired	Depreciation Life
Hotels:											
The Ritz-Carlton, Amelia Island, Florida	$—	$ 25	$ 115	$ 32	$ 26	$ 146	$172	$ 40	—	1998	40
Four Seasons, Atlanta, Georgia	—	5	48	18	7	64	71	18	—	1998	40
Grand Hyatt, Atlanta, Georgia	—	8	88	15	8	103	111	28	—	1998	40
Atlanta Marquis, Georgia	129	13	184	155	16	336	352	69	—	1998	40
Atlanta Midtown Suites, Georgia	—	—	26	4	—	30	30	10	—	1996	40
Westin Buckhead, Georgia	—	5	84	21	6	104	110	28	—	1998	40
Miami Biscayne Bay, Florida	—	—	27	16	—	43	43	14	—	1998	40
Boston Marriott Copley Place, Massachusetts	—	—	203	27	—	230	230	45	—	2002	40
Boston/Newton, Massachusetts	—	3	31	24	3	55	58	40	—	1997	40
Hyatt, Boston, Massachusetts	—	15	69	27	17	94	111	26	—	1998	40
Hyatt Regency, Burlingame, California	—	16	119	48	20	163	183	41	—	1998	40
Calgary, Canada	30	5	18	14	5	32	37	13	—	1996	40
Hyatt Regency, Cambridge, Massachusetts	—	18	84	15	19	98	117	27	—	1998	40
Chicago/Downtown Courtyard, Illinois	—	7	27	10	7	37	44	13	—	1992	40
Chicago Embassy Suites, Illinois	—	—	86	5	—	91	91	10	—	2004	40
Chicago O'Hare, Illinois	—	4	26	36	4	62	66	42	—	1998	40
Chicago O'Hare Suites, Illinois	—	5	36	5	5	41	46	11	—	1997	40
Swissôtel, Chicago, Illinois	—	29	132	17	29	149	178	40	—	1998	40
Coronado Island Resort, California	—	—	53	22	—	75	75	20	—	1997	40
Costa Mesa Suites, California	—	3	18	5	3	23	26	8	—	1996	40
Dallas Quorum, Texas	—	14	27	17	14	44	58	17	—	1994	40
Dayton, Ohio	—	2	30	7	2	37	39	9	—	1998	40
Hyatt DC Capitol Hill, Washington, D.C.	—	40	230	9	40	239	279	19	—	2006	40
The Ritz-Carlton, Dearborn, Michigan	—	8	51	5	8	56	64	16	—	1998	40
Denver Tech Center, Colorado	—	6	26	23	6	49	55	17	—	1994	40
Westin Tabor Center, Colorado	41	—	89	3	—	92	92	6	—	2006	40
Desert Springs Resort and Spa, California	80	13	143	108	14	250	264	69	—	1997	40
Gaithersburg/Washingtonian Center, Maryland	—	7	22	6	7	28	35	10	—	1993	40
Hanover, New Jersey	—	5	30	20	6	49	55	17	—	1997	40

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2008
(in millions)

		Initial Costs			Gross Amount at December 31, 2008						
Description(1)	Debt	Land	Buildings & Improvements	Subsequent Costs Capitalized	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Completion of Construction	Date Acquired	Depreciation Life
Harbor Beach Resort, Florida	134	—	62	75	—	137	137	48	—	1997	40
Houston Airport, Texas	—	—	10	37	—	47	47	33	—	1984	40
Houston Medical Center, Texas	—	—	19	16	—	35	35	12	—	1998	40
Westin Indianapolis, Indiana	34	11	100	5	11	105	116	7	—	2006	40
JW Marriott Hotel at Lenox, Georgia	—	16	21	17	16	38	54	19	—	1990	40
JW Marriott Houston, Texas	—	4	26	21	6	45	51	19	—	1994	40
JWDC, Washington, D.C.	—	26	98	37	26	135	161	33	—	2003	40
Kansas City Airport, Missouri	—	—	8	21	—	29	29	24	—	1993	40
Westin Kierland, Arizona	134	100	280	2	100	282	382	17	—	2006	40
Fairmont Kea Lani, Hawaii	—	55	294	9	55	303	358	36	—	2003	40
Key Bridge, Virginia	—	—	38	28	—	66	66	45	—	1997	40
Manhattan Beach, California	—	7	29	13	—	49	49	18	—	1997	40
Marina Beach, California	—	—	13	22	—	35	35	12	—	1995	40
Maui Hyatt, Hawaii	—	92	212	18	92	230	322	31	—	2003	40
Memphis, Tennessee	—	—	16	33	—	49	49	17	—	1998	40
Mexico/Polanco, Mexico	—	11	35	4	10	40	50	22	—	1996	40
McDowell Mountains, Arizona	—	8	48	2	8	50	58	5	—	2004	40
Minneapolis City Center, Minnesota	—	—	27	36	—	63	63	33	—	1986	40
New Orleans, Louisiana	—	16	96	101	16	197	213	62	—	1996	40
New York Financial Center, New York	—	19	79	32	19	111	130	36	—	1997	40
New York Marquis, New York	—	—	552	125	—	677	677	358	—	1986	40
Newark Airport, New Jersey	—	—	30	3	—	33	33	12	—	1984	40
Newport Beach, California	100	11	13	112	11	125	136	52	—	1975	40
Orlando Marriott World Center, Florida	300	18	157	294	29	440	469	113	—	1997	40
Pentagon City Residence Inn, Virginia	—	6	29	5	6	34	40	11	—	1996	40
Philadelphia Airport, Pennsylvania	—	—	42	7	2	47	49	15	—	1995	40
Philadelphia CC and HH, Pennsylvania	—	3	144	65	11	201	212	66	—	1995	40
Four Seasons, Philadelphia, Pennsylvania	—	26	60	18	27	77	104	22	—	1998	40
Portland, Oregon	—	6	40	20	6	60	66	21	—	1994	40
Hyatt Regency, Reston, Virginia	—	11	78	16	12	93	105	25	—	1998	40

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2008
(in millions)

		Initial Costs			Gross Amount at December 31, 2008						
Description(1)	Debt	Land	Buildings & Improvements	Subsequent Costs Capitalized	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Completion of Construction	Date Acquired	Depreciation Life
The Ritz-Carlton, Phoenix, Arizona	—	10	63	4	9	68	77	20	—	1998	40
The Ritz-Carlton, Tysons Corner, Virginia	—	—	89	12	—	101	101	30	—	1998	40
The Ritz-Carlton, San Francisco, California	—	31	123	20	31	143	174	39	—	1998	40
San Antonio Rivercenter, Texas	—	—	86	66	—	152	152	44	—	1996	40
San Antonio Riverwalk, Texas	—	—	45	16	—	61	61	19	—	1995	40
San Diego Hotel and Marina, California	175	—	202	204	—	406	406	107	—	1996	40
San Diego Mission Valley, California	—	4	23	8	4	31	35	10	—	1998	40
San Francisco Airport, California	—	11	48	36	12	83	95	29	—	1994	40
San Francisco Fisherman's Wharf, California	—	6	20	12	6	32	38	15	—	1994	40
San Francisco Moscone Center, California	—	—	278	65	—	343	343	146	—	1989	40
San Ramon, California	—	—	22	16	—	38	38	12	—	1996	40
Santa Clara, California	—	—	39	52	—	91	91	53	—	1989	40
Seattle SeaTac Airport, Washington	—	3	42	15	3	57	60	22	—	1998	40
Tampa Waterside, Florida	—	—	—	103	11	92	103	21	2000	—	40
The Ritz-Carlton, Buckhead, Georgia	—	14	81	57	16	136	152	40	—	1996	40
The Ritz-Carlton, Marina del Rey, California	—	—	52	23	—	75	75	25	—	1997	40
The Ritz-Carlton, Naples, Florida	200	19	126	87	20	212	232	76	—	1996	40
The Ritz-Carlton, Naples Golf Lodge, Florida	—	6	—	65	6	65	71	12	2002	—	40
Toronto Airport, Canada	20	5	24	12	5	36	41	12	—	1996	40
Toronto Eaton Center, Canada	31	—	27	17	—	44	44	13	—	1995	40
Toronto Delta Meadowvale, Canada	28	4	20	12	4	32	36	15	—	1996	40
Dulles Airport, Washington, D.C.	—	—	3	32	—	35	35	26	—	1970	40
Washington Dulles Suites, Washington, D.C.	—	3	24	5	3	29	32	10	—	1996	40
Washington Metro Center, Washington D.C.	—	20	24	11	20	35	55	14	—	1994	40
Westfields, Virginia	—	7	32	12	7	44	51	16	—	1994	40
Sheraton Boston, Massachusetts	—	42	262	5	42	267	309	18	—	2006	40
Sheraton, Indianapolis, Indiana	—	3	51	—	3	51	54	3	—	2006	40
Sheraton New York Hotel & Towers, New York	—	346	409	21	346	430	776	32	—	2006	40
Sheraton, Parsippany, New Jersey	—	8	30	5	8	35	43	2	—	2006	40

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2008
(in millions)

		Initial Costs			Gross Amount at December 31, 2008						
Description(1)	Debt	Land	Buildings & Improvements	Subsequent Costs Capitalized	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Completion of Construction	Date Acquired	Depreciation Life
Sheraton Santiago Hotel & Convention Center, Chile	—	19	11	(5)	15	10	25	1	—	2006	40
San Cristobal Tower, Santiago, Chile	—	7	15	(4)	6	12	18	1	—	2006	40
Sheraton Stamford Hotel, Connecticut	—	6	20	3	6	23	29	2	—	2006	40
St. Regis Hotel, Houston, Texas	—	6	33	9	7	41	48	3	—	2006	40
W New York, New York	—	138	102	27	137	130	267	9	—	2006	40
W Seattle, Washington	—	11	125	1	11	126	137	8	—	2006	40
Westin Cincinnati, Ohio	—	—	54	6	—	60	60	5	—	2006	40
Westin Grand, Washington, D.C.	—	16	80	8	16	88	104	6	—	2006	40
Westin Los Angeles Airport, California	—	—	102	3	—	105	105	7	—	2006	40
Westin Mission Hills Resort, California	—	38	49	9	37	59	96	4	—	2006	40
Westin Seattle, Washington	—	39	175	2	39	177	216	12	—	2006	40
Westin South Coast Plaza, California	—	—	47	7	—	54	54	8	—	2006	40
Westin Waltham Boston, Massachusetts	—	9	59	6	9	65	74	5	—	2006	40
Sheraton San Diego Marina, California	—	—	328	8	—	336	336	22	—	2006	40
Atlanta Perimeter Center, Georgia	—	—	7	33	15	25	40	17	—	1976	40
Denver West, Colorado	—	—	12	8	—	20	20	11	—	1983	40
Greensboro, North Carolina	—	—	19	4	—	23	23	10	—	1983	40
Courtyard Nashua, New Hampshire	—	3	14	6	3	20	23	10	—	1989	40
Hilton Singer Island Oceanfront Resort, Florida	—	3	10	11	3	21	24	9	—	1986	40
Park Ridge, New Jersey	—	—	20	9	—	29	29	8	—	1987	40
Rocky Hill, Connecticut	—	—	17	5	—	22	22	10	—	1991	40
South Bend, Indiana	—	—	8	9	—	17	17	7	—	1981	40
Downers Grove Suites, Illinois	—	2	14	4	2	18	20	7	—	1989	40
Newport Beach Bay view Suites, California	—	6	14	5	6	19	25	6	—	1975	40
Scottsdale Old Town Suites, Arizona	—	3	20	5	3	25	28	7	—	1988	40
Tampa Airport, Florida	—	—	9	17	—	26	26	18	—	2000	40
Sheraton Braintree Hotel, Massachusetts	—	2	5	1	2	6	8	2	—	1962	40

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2008
(in millions)

		Initial Costs			Gross Amount at December 31, 2008						
Description(1)	Debt	Land	Buildings & Improvements	Subsequent Costs Capitalized	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Completion of Construction	Date Acquired	Depreciation Life
Sheraton Denver, Colorado	—	—	15	7	—	22	22	20	—	1973	40
Sheraton Needham Hotel, Massachusetts	—	5	27	2	5	29	34	2	—	1986	40
Total hotels:	1,436	1,557	8,434	3,107	1,613	11,485	13,098	3,065			
Other properties, each less than 5% of total	—	—	5	12	—	17	17	10		various	40
TOTAL	$1,436	$1,557	$ 8,439	$ 3,119	$1,613	$ 11,502	$13,115	$ 3,075			

(1) Each hotel is operated as a Marriott-brand hotel unless otherwise indicated by its name.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2008
(in millions)

Notes:

(A) The change in total cost of properties for the fiscal years ended December 31, 2008, 2007 and 2006 is as follows:

Balance at December 31, 2005	$ 9,027
Additions:	
Acquisitions	3,415
Capital expenditures and transfers from construction-in-progress	378
Deductions:	
Dispositions and other	(403)
Assets held for sale	(100)
Balance at December 31, 2006	12,317
Additions:	
Acquisitions	15
Capital expenditures and transfers from construction-in-progress	411
Deductions:	
Dispositions and other	(215)
Balance at December 31, 2007	12,528
Additions:	
Acquisitions	93
Capital expenditures and transfers from construction-in-progress	512
Deductions:	
Dispositions and other	(18)
Balance at December 31, 2008	$13,115

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2008
(in millions)

(B) The change in accumulated depreciation and amortization of real estate assets for the fiscal years ended December 31, 2008, 2007 and 2006 is as follows:

Balance at December 31, 2005	$2,103
Depreciation and amortization	334
Dispositions and other	(66)
Depreciation on assets held for sale	(8)
Balance at December 31, 2006	2,363
Depreciation and amortization	378
Dispositions and other	(90)
Balance at December 31, 2007	2,651
Depreciation and amortization	430
Dispositions and other	(6)
Balance at December 31, 2008	$3,075

(C) The aggregate cost of real estate for federal income tax purposes is approximately $9,788 million at December 31, 2008.

(D) The total cost of properties excludes construction-in-progress properties.

Exhibit 3.1

HOST HOTELS & RESORTS, INC.

CONFORMED ARTICLES OF RESTATEMENT

THIS IS TO CERTIFY THAT:

FIRST: Host Hotels & Resorts, Inc., a Maryland corporation (the “Corporation”), desires to restate its charter as currently in effect.

SECOND: The following provisions are all the provisions of the charter currently in effect:

ARTICLE I
Name

The name of the corporation (which is hereinafter called the “Corporation”) is Host Hotels & Resorts, Inc.

ARTICLE II
Purposes

The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Maryland (the “MGCL”).

ARTICLE III
Principal Office

The present address of the principal office of the Corporation in the State of Maryland is 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland 20817.

ARTICLE IV
Resident Agent

The name and address of the resident agent of the Corporation in the State of Maryland is CSC-Lawyers Incorporating Service Company, 7 St. Paul Street, Suite 1660, Baltimore, MD 21202. Said resident agent is a Maryland corporation.

ARTICLE V
Duration

The duration of the Corporation shall be perpetual.

ARTICLE VI
Capitalization

Section 6(a) Shares and Par Value. The total number of shares of stock of all classes ("Capital Stock") which the Corporation has authority to issue is 800,000,000 shares, 750,000,000 of which initially are classified as common stock, par value of $.01 per share ("Common Stock"), and 50,000,000 of which initially are classified as preferred stock, par value $.01 per share ("Preferred Stock"). The Preferred Stock has been reclassified as follows: 8,000,000 shares have been classified as 8$^{7/8}$% Class E Cumulative Redeemable Preferred Stock. The aggregate par value of all classes of stock that the Corporation shall have authority to issue is $8,000,000. The Board of Directors may, by adopting a resolution and filing articles supplementary with the State Department of Assessments and Taxation of Maryland, classify and reclassify any unissued shares of Capital Stock by setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of such shares of stock. The power of the Board of Directors under this Section 6(a) to classify and reclassify any of the shares of Capital Stock shall include, without limitation, authority to classify or reclassify any unissued shares of such stock (including shares initially designated as Common Stock or Preferred Stock above) into Common Stock, Preferred Stock, a class or classes of preferred stock, preference stock, special stock or other stock (including non-voting common stock), and to divide and classify shares of any class into one or more series of such class. Unless otherwise specifically provided for in the terms of any class or series of stock now or hereafter created, the amount that would be needed, if the Corporation were to be dissolved at the time of a distribution, to satisfy the preferential rights on dissolution of stockholders whose preferential rights are superior to those receiving the distribution, shall not limit the ability of the Corporation to make any distribution or the amount thereof.

Section 6(b) Common Stock. The following is a description of the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of the Common Stock of the Corporation:

(1) Voting Rights. Each share of Common Stock shall have one vote on all actions to be taken by the stockholders of the Corporation, and, except as otherwise provided in respect of any class of stock at any time classified or reclassified, the exclusive voting power for all purposes shall be vested in the holders of the Common Stock.

(2) Dividends. Subject to the provisions of law and any preferences of any class of Capital Stock, including any shares of Preferred Stock, hereafter classified or reclassified, dividends, including dividends payable in shares of another class of the Corporation's stock, may be paid on the Common Stock of the Corporation at such time and in such amounts as the Board of Directors may deem advisable and the holders of the Common Stock shall share ratably in any such dividends, in proportion to the number of shares of Common Stock held by them respectively, on a share for share basis.

(3) Liquidation Rights. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Stock shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and the amount to which the holders of any class of Capital Stock at any time classified or reclassified having a preference on distributions in the liquidation, dissolution or winding up of the Corporation are entitled, including any shares of Preferred Stock, together with the holders of any other class of Capital Stock hereafter classified or reclassified not having a preference on distributions in the liquidation, dissolution or winding up of the Corporation, to share ratably in the remaining net assets of the Corporation.

Section 6(c) Preferred Stock. The Board of Directors shall have the authority to classify and reclassify any unissued shares of Preferred Stock from time to time by setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of such shares of the Preferred Stock. Subject to the foregoing, the power of the Board of Directors to classify and reclassify any of the shares of Preferred Stock shall include, without limitation, subject to the provisions of the charter, authority to classify or reclassify any of the shares of such stock into Common Stock, a class or classes of preferred stock, preference stock, special stock or other stock, and to divide and classify shares of any class into one or more series of such class, by determining, fixing, or altering one or more of the following:

(1) The distinctive designation of such class or series and the number of shares to constitute such class or series; provided that, unless otherwise prohibited by the terms of such or any other class or series, the number of shares of any class or series may be decreased by the Board of Directors in connection with any classification or reclassification of unissued shares and the number of shares of such class or series may be increased by the Board of Directors in connection with any such classification or reclassification, and any shares of any class or series which have been redeemed, purchased, otherwise acquired or converted into shares of Common Stock or any other class or series shall become part of the authorized class of stock so redeemed, purchased, otherwise acquired or converted into shares of Common Stock and be subject to classification and reclassification as provided in this Article VI.

(2) Whether or not and, if so, the rates, amounts and times at which, and the conditions under which, dividends shall be payable on shares of such class or series, whether any such dividends shall rank senior or junior to or on a parity with the dividends payable on any other class or series of stock, and the status of any such dividends as cumulative, cumulative to a limited extent or non-cumulative and as participating or non-participating.

(3) Whether or not shares of such class or series shall have voting rights, in addition to any voting rights provided by law and, if so, the terms of such voting rights.

(4) Whether or not shares of such class or series shall have conversion or exchange privileges and, if so, the terms and conditions thereof, including provision for adjustment of the conversion or exchange rate in such events or at such times as the Board of Directors shall determine.

(5) Whether or not shares of such class or series shall be subject to redemption and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates; and whether or not there shall be any sinking fund or purchase account in respect thereof, and if so, the terms thereof.

(6) The rights of the holders of shares of such class or series upon the liquidation, dissolution or winding up of the affairs of, or upon any distribution of the assets of, the Corporation, which rights may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary and, if voluntary, may vary at different dates, and whether such rights shall rank senior or junior to or on a parity with such rights of any other class or series of stock.

(7) Whether or not there shall be any limitations applicable, while shares of such class or series are outstanding, upon the payment of dividends or making of distributions on, or the acquisition of, or the use of moneys for purchase or redemption of, any stock of the Corporation, or upon any other action of the Corporation, including action under this Section 6(c), and, if so, the terms and conditions thereof.

(8) Any other preferences, rights, restrictions, including restrictions on transferability, and qualifications of shares of such class or series, not inconsistent with law and the charter of the Corporation.

Section 6(d) Ranking of Classes or Series of Capital Stock. For the purposes hereof and of any articles supplementary to the charter providing for the classification or reclassification of any shares of Capital Stock or of any other charter document of the Corporation (unless otherwise provided in any such articles or document), any class or series of stock of the Corporation shall be deemed to rank:

(1) prior to another class or series either as to dividends or upon liquidation, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable on liquidation, dissolution or winding up, as the case may be, in preference or priority to holders of such other class or series;

(2) on a parity with another class or series either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation price per share thereof be different from those of such others, if

the holders of such class or series of stock shall be entitled to receipt of dividends or amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or redemption or liquidation prices, without preference or priority over the holders of such other class or series; and

(3) junior to another class or series either as to dividends or upon liquidation, if the rights of the holders of such class or series shall be subject or subordinate to the rights of the holders of such other class or series in respect of the receipt of dividends or the amounts distributable upon liquidation, dissolution or winding up, as the case may be.

Section 6(e) 8 7/8% Class E Cumulative Redeemable Preferred Stock.

1. Designation and Amount. A series of Preferred Stock of the Corporation, designated as the "8 7/8% Class E Cumulative Redeemable Preferred Stock" (the "Class E Preferred Stock"), par value $0.01 per share, is hereby established. The number of authorized shares of Class E Preferred Stock is 8,000,000. The Corporation may reclassify additional shares of Preferred Stock from time to time as Class E Preferred Stock, which additional shares, together with the shares classified pursuant to the Charter, shall constitute a single class of preferred stock.

2. Ranking. In respect of rights to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, the Class E Preferred Stock ranks (i) senior to the Corporation's common stock, par value $0.01 per share (the "Common Stock"), and senior to any other class or series of capital stock of the Corporation other than capital stock referred to in clause (ii) of this sentence, and (ii) junior to any class or series of capital stock of the Corporation the terms of which specifically provide that such class or series of capital stock ranks senior to the Class E Preferred Stock as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation. The term "capital stock" does not include convertible debt securities.

3. Dividends.

(a) Subject to the preferential rights of the holders of any class or series of capital stock of the Corporation ranking senior to the Class E Preferred Stock as to dividends, the holders of the outstanding shares of Class E Preferred Stock will be entitled to receive, when, as and if authorized by the Board of Directors of the Corporation (the "Board of Directors") and declared by the Corporation, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8 7/8% per annum of the $25.00 per share liquidation preference of the Class E Preferred Stock (equivalent to an annual rate of $2.21875 per share). Such dividends will accrue daily, will accrue and be cumulative from the date of issuance and will be payable quarterly in arrears in cash on January 15, April 15, July 15 and October 15 (each, a "Dividend Payment Date") of each year; provided, that if any Dividend Payment Date is not a Business Day (as hereinafter defined), then the dividend which would otherwise have been payable on such Dividend Payment Date may be paid on the next succeeding

Business Day with the same force and effect as if paid on such Dividend Payment Date and no interest or additional dividends or other sum will accrue on the amount so payable for the period from and after such Dividend Payment Date to such next succeeding Business Day. The period from and including the date of issuance to but excluding the first Dividend Payment Date, and each subsequent period from and including a Dividend Payment Date to but excluding the next succeeding Dividend Payment Date, is hereinafter called a “Dividend Period”. Dividends will be payable to holders of record as they appear in the stock transfer books of the Corporation at the close of business on the applicable record date (each, a “Record Date”), which will be the 1st day of the calendar month in which the applicable Dividend Payment Date falls or such other date designated by the Board of Directors that is not more than 30 nor less than ten days prior to such Dividend Payment Date. Notwithstanding any provision to the contrary in the Charter, each outstanding share of Class E Preferred Stock will be entitled to receive a dividend with respect to any Record Date equal to the dividend paid with respect to each other share of Class E Preferred Stock outstanding on such Record Date. The amount of any dividend payable for any Dividend Period, or portion thereof, will be computed on the basis of a 360-day year consisting of twelve 30-day months (it being understood that the dividend payable on July 15, 2004 will be for less than a full Dividend Period). The dividends payable on any Dividend Payment Date or any other date will include dividends accrued to but excluding such Dividend Payment Date or other date, as the case may be.

“Business Day” means any day, other than a Saturday or Sunday, that is not a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to be closed. All references herein to “accrued and unpaid” dividends on the Class E Preferred Stock (and all references of like import) include, unless otherwise expressly stated or the context otherwise requires, accumulated dividends, if any, on the Class E Preferred Stock; and all references herein to “accrued and unpaid” dividends on any other class or series of capital stock of the Corporation include, if (and only if) such class or series of capital stock provides for cumulative dividends and unless otherwise expressly stated or the context otherwise requires, accumulated dividends, if any, thereon.

(b) If any shares of Class E Preferred Stock are outstanding, no full dividends will be authorized or declared or paid or set apart for payment on any capital stock of the Corporation of any other class or series ranking, as to dividends, on a parity with or junior to the Class E Preferred Stock for any period unless full cumulative dividends have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Class E Preferred Stock for all past Dividend Periods (including, without limitation, any Dividend Period that terminates on any date upon which dividends on such other class or series of capital stock of the Corporation are authorized or declared or paid or set apart for payment, as the case may be). When such cumulative dividends are not paid in full (or a sum sufficient for such full payment is not set apart therefor) upon the Class E Preferred Stock and the shares of any other class or series of capital stock of the Corporation ranking on a parity as to dividends with the Class E Preferred Stock, all dividends authorized and declared upon the Class E Preferred Stock and any other class or series of capital stock of the Corporation ranking on a parity as to dividends with the Class E Preferred Stock will be authorized and declared pro rata so that the amount of dividends authorized and declared per share of Class E Preferred Stock and such other class or series of capital stock of the Corporation will in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of Class E Preferred Stock and such other class or series of capital stock of the Corporation, which will not include any accrual in respect of unpaid dividends for prior dividend periods if the other class or series of capital stock does not provide for cumulative dividends, bear to each other.

Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Class E Preferred Stock have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Class E Preferred Stock for all past Dividend Periods (including, without limitation, any Dividend Period that terminates on a date that also is a Subject Date (as defined below)), no dividends (other than in shares of Common Stock or shares of any other class or series of capital stock of the Corporation ranking junior to the Class E Preferred Stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation) will be authorized or declared or paid or set apart for payment nor will any other distribution be authorized or declared or made upon the Common Stock of the Corporation or any other class or series of capital stock of the Corporation ranking junior to or on a parity with the Class E Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, and no shares of Common Stock of the Corporation or shares of any other class or series of capital stock of the Corporation ranking junior to or on a parity with the Class E Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation will be redeemed, purchased or otherwise acquired for any consideration (or any monies paid to or made available for a sinking fund for the redemption of any such shares of junior or parity stock) by the Corporation (except by conversion into or exchange for shares of any other class or series of capital stock of the Corporation ranking junior to the Class E Preferred Stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation and except for the redemption, purchase or acquisition by the Corporation of capital stock of the Corporation of any class or series pursuant to Article VIII (or any similar provisions) of the Charter allowing the Corporation to redeem or repurchase shares of its capital stock to preserve its status as a real estate investment trust (a “REIT”) for federal income tax purposes or the status of Host Marriott, L.P., a Delaware limited partnership (the “Operating Partnership”, which term includes any successor thereto), as a partnership for federal income tax purposes). As used in this paragraph, the term “Subject Date” means (A) any date on which any dividends are authorized, declared or paid or set apart for payment or other distribution authorized, declared or made upon the Common Stock or any other class or series of the Corporation’s capital stock ranking junior to or on a parity with the Class E Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, and (B) any date on which any shares of Common Stock or any other class or series of the Corporation’s capital stock ranking junior to or on a parity with the Class E Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation are redeemed, purchased or otherwise acquired for any consideration or any money paid to or made available for a sinking fund for the redemption of any such shares of junior or parity stock by the Corporation.

(c) No dividends on the Class E Preferred Stock will be authorized or declared or paid or set apart for payment at such time as any agreement of the Corporation, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration, payment or setting apart for payment will be restricted or prohibited by applicable law.

Anything in the Charter to the contrary notwithstanding (including, without limitation, the provisions set forth in the immediately preceding paragraph), dividends on the Class E Preferred Stock will accrue and be cumulative from the date of issuance whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared.

(d) No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the Class E Preferred Stock which may be in arrears, and holders of the Class E Preferred Stock will not be entitled to any dividends, whether payable in cash, securities or other property, in excess of the full cumulative dividends described herein.

(e) Any dividend payment made on the Class E Preferred Stock will first be credited against the earliest accrued but unpaid dividend due with respect to the Class E Preferred Stock.

(f) If, for any taxable year, the Corporation elects to designate as “capital gain dividends” (as defined in Section 857 of the Internal Revenue Code of 1986, as amended (the “Code”)), any portion (the “Capital Gains Amount”) of the dividends (within the meaning of the Code) paid or made available for the year to holders of all classes and series of the Corporation’s capital stock (the “Total Dividends”), then the portion of the Capital Gains Amount that is allocable to the holders of the Class E Preferred Stock will be an amount equal to (A) the total Capital Gains Amount multiplied by (B) a fraction (1) the numerator of which is equal to the total dividends (within the meaning of the Code) paid or made available to the holders of the Class E Preferred Stock for that year and (2) the denominator of which is the Total Dividends for that year.

4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, then, before any distribution or payment is made to the holders of any Common Stock of the Corporation or shares of any other class or series of capital stock of the Corporation ranking junior to the Class E Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, but subject to the preferential rights of the holders of shares of any class or series of capital stock of the Corporation ranking senior to the Class E Preferred Stock as to such distribution of assets upon such liquidation, dissolution or winding up, the holders of the shares of Class E Preferred Stock then outstanding will be entitled to receive and to be paid out of the assets of the Corporation legally available for distribution to its shareholders liquidating distributions in the amount of $25.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date of payment.

(b) After payment to the holders of the Class E Preferred Stock of the full amount of the liquidating distributions (including accrued and unpaid dividends) to which they are entitled, the holders of Class E Preferred Stock, as such, will have no right or claim to any of the remaining assets of the Corporation.

(c) If, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to its shareholders are insufficient to pay the full amount of liquidating distributions on all outstanding shares of Class E Preferred Stock and the full amount of the liquidating distributions payable on all outstanding shares of any other classes or series of capital stock of the Corporation ranking on a parity with the Class E Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, then the holders of the Class E Preferred Stock and all other such classes or series of capital stock will share ratably in any such distribution of assets in proportion to the full liquidating distributions (including, if applicable, accrued and unpaid dividends) to which they would otherwise respectively be entitled.

(d) If liquidating distributions are made in full to all holders of Class E Preferred Stock and any other classes or series of capital stock of the Corporation ranking on a parity with the Class E Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, then, the remaining assets of the Corporation will be distributed among the holders of any other classes or series of capital stock of the Corporation ranking junior to the Class E Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up, according to their respective rights and preferences.

(e) For purposes of this Section 4, neither the consolidation or merger of the Corporation with or into any other corporation, trust or other entity, nor the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, will be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

5. Redemption.

(a) The Class E Preferred Stock is not redeemable prior to June 2, 2009, except that the Corporation will be entitled, pursuant to the provisions of Article VIII (or any similar provision) of the Charter, to redeem, purchase or acquire shares of Class E Preferred Stock in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes. Any date fixed for the redemption of shares of Class E Preferred Stock is hereinafter called a “Redemption Date”.

(b) On and after June 2, 2009, the Corporation may, at its option, upon not less than 30 nor more than 60 days’ prior written notice to the holders of record of the Class E Preferred Stock to be redeemed, redeem the Class E Preferred Stock, in whole or from time to time in part, for a cash redemption price equal to $25.00 per share together with (except as provided in Section 6(f) below) all accrued and unpaid dividends to the date fixed for redemption (the “Optional Redemption Price”).

(c) In the event of any redemption of Class E Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes, such redemption shall be made on the terms and subject to the conditions set forth in Article VIII of the Charter and in accordance with the further terms and conditions set forth in this Section 5(c) and Section 6 below. If the Corporation calls for redemption any shares of Class E Preferred Stock pursuant to and in accordance with such provisions of Article VIII of the Charter and this Section 5(c), then, anything in the Charter to the contrary notwithstanding, the redemption price for such shares will be an amount in cash equal to $25.00 per share together with (except as provided in Section 6(f) below) all accrued and unpaid dividends to the date fixed for redemption (the “Charter Redemption Price”). Anything in the Charter to the contrary notwithstanding, the provisions of this Section 5(c) shall apply only to the redemption of Class E Preferred Stock pursuant to Article VIII (or any similar provisions) of the Charter and not to any other purchase or acquisition of shares of Class E Preferred Stock pursuant to Article VIII (or any similar provisions) of the Charter.

(d) Any redemption of shares of Class E Preferred Stock, whether pursuant to paragraph (b) or (c) of this Section 5, will be made in accordance with the applicable provisions set forth in Section 6 below.

6. Procedures for Redemption; Limitations on Redemption.

(a) If fewer than all of the outstanding shares of Class E Preferred Stock are to be redeemed at the option of the Corporation pursuant to Section 5(b) above, the number of shares to be redeemed will be determined by the Corporation and the shares to be so redeemed will be selected by the Corporation pro rata from the holders of record of such shares in proportion to the number of such shares held by such holders (as nearly as may be practicable without creating fractional shares) or by lot or by any other equitable manner determined by the Corporation that will not result in the transfer of any shares of Class E Preferred Stock to a trust for the benefit of a charitable beneficiary pursuant to Article VIII (or any similar provision) of the Charter.

(b) Notice of redemption will be given by publication in The Wall Street Journal or, if such newspaper is not then being published, another newspaper of general circulation in The City of New York, such publication to be made at least once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the Redemption Date, except that no such notice need be published in the case of a redemption pursuant to Section 5(c) above. Notice of any redemption (whether pursuant to Section 5(b) or 5(c) above, as the case may be) will also be mailed by or on behalf of the Corporation, first class postage prepaid, not less than 30 nor more than 60 days prior to the applicable Redemption Date, addressed to each holder of record of shares of Class E Preferred Stock to be redeemed at the address set forth in the share transfer records of the Corporation; provided, that if the Corporation reasonably concludes, based upon the advice of independent tax counsel experienced in such matters, that any redemption made pursuant to Section 5(c) must be made on a date (the "Early Redemption Date") which is earlier than 30 days after the date of such mailing in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or to comply with federal tax laws relating to the Corporation's qualification as a REIT, then the Corporation may give such shorter notice as is necessary to effect such redemption on the Early Redemption Date. Any notice which has been mailed in the manner provided for in the preceding sentence will be conclusively presumed to have been duly given on the date mailed whether or not the applicable holder receives such notice. In addition to any information required by law or by the applicable rules of any exchange upon which Class E Preferred Stock may be listed or admitted to trading, such notice will state: (1) the Redemption Date; (2) the Optional Redemption Price or the Charter Redemption Price, as the case may be (the "Redemption Price"); (3) the number of shares of Class E Preferred Stock to be redeemed and whether such shares are being redeemed at the option of the Corporation pursuant to Section 5(b) or in order to preserve the Corporation's status as a real estate investment trust for federal income tax purposes pursuant to Section 5(c); (4) the place or places (which will include a place in the Borough of Manhattan, The City of New York) where certificates for such shares are to be surrendered for payment of the Redemption Price; and (5) that dividends on the shares of Class E Preferred Stock to be redeemed will cease to accrue on such Redemption Date. If fewer than all of the outstanding shares of Class E Preferred Stock are to be redeemed, the notice mailed to each holder of shares to be redeemed will also specify the number of shares of Class E Preferred Stock to be redeemed from such holder. No failure to mail or defect in such mailed notice or in the mailing thereof will affect the validity of the proceedings for the redemption of any shares of Class E Preferred Stock except as to the holder to whom notice was defective or not given.

(c) If notice has been published (with respect to a redemption pursuant to Section 5(b) only) and mailed in accordance with Section 6(b) above and all funds necessary for such redemption have been irrevocably set aside by the Corporation on or before the Redemption Date specified in such notice, separate and apart from its other funds, in trust for the benefit of the holders of the Class E Preferred Stock so called for redemption, so as to be, and to continue to be, available therefor, then, from and after the Redemption Date, dividends on the shares of Class E Preferred Stock so called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding, and all rights of the holders thereof as holders of such shares (except the right to receive the Redemption Price together with, if applicable, accrued and unpaid dividends thereon to the Redemption Date) will terminate. In the event any Redemption Date is not a

Business Day, then payment of the Redemption Price may be made on the next succeeding Business Day with the same force and effect as if made on such Redemption Date and no interest, additional dividends or other sum will accrue on the amount payable for the period from and after such Redemption Date to such next succeeding Business Day.

(d) Upon surrender, in accordance with such notice, of the certificates for any shares of Class E Preferred Stock to be so redeemed (properly endorsed or assigned for transfer, if the Corporation so requires and the redemption notice so states), such shares of Class E Preferred Stock will be redeemed by the Corporation at the Redemption Price. In case fewer than all the shares of Class E Preferred Stock represented by any such certificate are redeemed, a new certificate or certificates will be issued representing the unredeemed shares of Class E Preferred Stock without cost to the holder thereof.

(e) Any deposit of monies with a bank or trust company for the purpose of redeeming Class E Preferred Stock will be irrevocable and such monies will be held in trust for the benefit of the holders of Class E Preferred Stock entitled thereto, except that (1) the Corporation will be entitled to receive from such bank or trust company the interest or other earnings, if any, earned on the monies so deposited in trust; and (2) any balance of the monies so deposited by the Corporation and unclaimed by the holders of the Class E Preferred Stock entitled thereto at the expiration of two years from the applicable Redemption Date will be repaid, together with any interest or other earnings earned thereon, to the Corporation and, after any such repayment, the holders of the shares entitled to the funds so repaid to the Corporation will look only to the Corporation for payment without interest or other earnings thereon.

(f) Anything in the Charter to the contrary notwithstanding, the holders of record of shares of Class E Preferred Stock at the close of business on a Record Date will be entitled to receive the dividend payable with respect to such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares after such Record Date and on or prior to such Dividend Payment Date or the Corporation’s default in the payment of the dividend due on such Dividend Payment Date, in which case the amount payable upon redemption of such shares of Class E Preferred Stock will not include the dividend payable on such Dividend Payment Date and the full amount of the dividend payable on such Dividend Payment Date will instead be paid on such Dividend Payment Date to the holders of record at the close of business on such Record Date as aforesaid. Except as provided in this Section 6(f) and except to the extent that accrued and unpaid dividends are payable as part of the Redemption Price pursuant to Section 5, the Corporation will make no payment or allowance for unpaid dividends, regardless of whether or not in arrears, on shares of Class E Preferred Stock called for redemption.

(g) Unless full cumulative dividends on all outstanding shares of Class E Preferred Stock have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for payment for all past Dividend Periods (including, without limitation, any Dividend Period that terminates on the date of any redemption of shares of Class E Preferred Stock referred to below or on the date of any direct or indirect purchase or other acquisition of shares of Class E Preferred Stock referred to below, as the case may be), (i) no shares of Class E Preferred Stock will be redeemed unless all outstanding shares of Class E Preferred Stock are simultaneously redeemed; provided, however, that the foregoing will not prevent the redemption, repurchase or acquisition of shares of Class E Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to the holders of all outstanding shares of Class E Preferred Stock, and (ii) the Corporation will not purchase or otherwise acquire, directly or indirectly, any shares of Class E Preferred Stock (except by conversion into or exchange for capital stock of the Corporation ranking junior to the Class E Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation); provided, however, that the foregoing will not prevent the redemption, purchase or acquisition of shares of Class E Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Class E Preferred Stock.

7. Voting Rights. Except as set forth below in this Section 7, the holders of the Class E Preferred Stock do not have any voting rights.

(a) Whenever dividends on any shares of Class E Preferred Stock are in arrears for six or more Dividend Periods, whether or not such Dividend Periods are consecutive, the number of directors then constituting the Board of Directors of the Corporation will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and with which the Class E Preferred Stock is entitled to vote as a class with respect to the election of such two directors) and the holders of shares of Class E Preferred Stock (voting together as a single class with all other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Class E Preferred Stock in the election of such two directors) will be entitled to vote for the election of a total of two additional directors of the Corporation at a special meeting called by an officer of the Corporation at the request of the holders of record of at least 10% of the outstanding shares of Class E Preferred Stock or by the holders of any other class or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which is entitled to vote as a class with the Class E Preferred Stock in the election of such two additional directors (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of stockholders of the Corporation, in which case the vote for such two directors will be held at the earlier of the next such annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders, until all dividends accumulated on the Class E Preferred Stock for all past Dividend Periods and the then current Dividend Period have been fully paid or authorized and declared and a sum sufficient for the payment thereof set aside for payment in full, whereupon the right of the holders of Class E Preferred Stock to elect such two directors will cease and (unless there are one or more other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable) the term of office of such two directors previously so elected will immediately and automatically terminate, such directors will no longer be qualified to serve and the authorized number of directors of the Corporation will thereupon return to the number of authorized directors otherwise in effect, but subject always to the same provisions for the reinstatement and divestment of the right to elect such two additional directors in the case of any such future dividend arrearage.

In the case of any such request for a special meeting (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of stockholders), such meeting will be held on the earliest practicable date at the place designated by the holders of capital stock requesting such meeting or, if none, at a place designated by the Corporate Secretary of the Corporation, upon notice similar to that required for an annual meeting of stockholders. If such special meeting is not called by an officer of the Corporation within 30 days after such request, then the holders of record of at least 10% of the outstanding shares of Class E Preferred Stock may designate in writing a holder of Class E Preferred Stock to call such meeting at the expense of the Corporation, and such meeting may be called by the holder so designated upon notice similar to that required for an annual meetings of stockholders and will be held at the place designated by the holder calling such meeting. At all times that the voting rights conferred by this Section 7(a) are exercisable, the holders of Class E Preferred Stock will have access to the stock transfer records of the Corporation. The Corporation will pay all costs and expenses of calling and holding any meeting and of electing directors pursuant to this Section 7(a), including, without limitation, the cost of preparing, reproducing and mailing the notice of such meeting, the cost of renting a room for such meeting to be held, and the cost of collecting and tabulating votes.

The procedures in this Section 7(a) for the calling of meetings and the election of directors will, to the extent permitted by law, supersede anything inconsistent contained in the Charter or Bylaws of the Corporation and, without limitation to the foregoing, the provisions of Sections 13(a)(2) and 13(b) of Article II of the Bylaws of the Corporation will not be applicable to the election of directors by holders of Class E Preferred Stock pursuant to this Section 7. Notwithstanding the provisions of Section 2 of Article III of the Bylaws of the Corporation, subject to the limitations on the number of directors set forth in Article VII of the Charter, the number of directors constituting the entire Board of Directors of the Corporation will be automatically increased to include the directors to be elected pursuant to this Section 7(a).

So long as any shares of Class E Preferred Stock are outstanding, the number of directors constituting the entire Board of Directors of the Corporation will at all times be such so that the exercise, by the holders of the Class E Preferred Stock and the holders of any other classes or series of capital stock of the Corporation upon which like voting rights have been conferred, of the right to elect directors under the circumstances provided above will not contravene any provision of the Corporation’s Charter or Bylaws restricting the number of directors which may constitute the entire Board of Directors of the Corporation.

If at any time when the voting rights conferred upon the Class E Preferred Stock pursuant to this Section 7(a) are exercisable, any vacancy in the office of a director elected pursuant to this Section 7(a) occurs, then such vacancy may be filled only by the remaining director elected pursuant to this Section 7(a) or by vote of the holders of record of the outstanding Class E Preferred Stock and any other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Class E Preferred Stock in the election of directors pursuant to this Section 7(a). Any director elected or appointed pursuant to this Section 7(a) may be removed only by the holders of the outstanding Class E Preferred Stock and any other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Class E Preferred Stock in the election of directors pursuant to this Section 7(a), and may not be removed by the holders of the Common Stock.

(b) So long as any shares of Class E Preferred Stock remain outstanding, the Corporation will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of Class E Preferred Stock outstanding at the time, given in person or by proxy either in writing or at a meeting (with the Class E Preferred Stock voting separately as a class), (A) authorize, create or issue, or increase the authorized or issued amount of, any class or series of capital stock of the Corporation ranking senior to the Class E Preferred Stock as to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Corporation or reclassify any authorized capital stock of the Corporation into such shares, or create, authorize or issue any obligation or security convertible into, exchangeable or exercisable for, or evidencing the right to purchase, any such shares, or (B) amend, alter or repeal any provisions of the Charter, whether by the merger, consolidation or otherwise (an “Event”), so as to materially and adversely affect any right, preference, privilege or voting power of the Class E Preferred Stock; provided, however, with respect to the occurrence of any Event, so long as each share of Class E Preferred Stock then outstanding remains outstanding or is converted into like securities of the surviving or resulting entity, in each case with the preferences, rights, privileges, voting powers and other terms thereof materially unchanged, taking into account that upon the occurrence of an Event the Corporation may not be the surviving entity and the surviving entity may be a non-corporate entity, such as a limited liability company, limited partnership or business trust, in which case the Class E Preferred Stock would be converted into an equity interest, other than capital stock, having preferences, rights, privileges, voting powers and other terms which are materially unchanged from those of the Class E Preferred Stock, the occurrence of such Event will not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the Class E Preferred Stock; and provided, further, that (i) any increase in the amount of authorized Preferred Stock or Common Stock, (ii) any increase in the amount of authorized shares of Class E Preferred Stock, or (iii) the creation, issuance or increase in the amount of authorized shares of any other class or series of capital stock of the Corporation, in each case ranking on a parity with or junior to the Class E Preferred Stock as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the Corporation, will not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers. For purposes of this paragraph, the filing in accordance with applicable law of articles supplementary or any similar document setting forth or changing the designations, preferences, conversion or other rights, voting powers, restrictions, limitation as to dividends, qualifications or other terms of any class or series of capital stock of the Corporation will be deemed an amendment to the Charter.

(c) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required is effected, all outstanding shares of Class E Preferred Stock have been redeemed or called for redemption and sufficient funds have been deposited in trust in accordance with the terms of Section 6 hereof to effect such redemption.

(d) On any matter submitted to a vote of the holders of Class E Preferred Stock or on which the Class E Preferred Stock otherwise is entitled to vote (as expressly provided in the Charter), including any action by written consent, each share of Class E Preferred Stock is entitled to one vote, except that when shares of any other class or series of Preferred Stock of the Corporation have the right to vote with the Class E Preferred Stock as a single class on any matter, the Class E Preferred Stock and the shares of each such other class or series will have one vote for each $25.00 of liquidation preference (excluding accrued dividends). The provisions of this paragraph will supersede any inconsistent provisions of the Bylaws of the Corporation.

8. Conversion. The Class E Preferred Stock is not convertible into or exchangeable for any other property or securities of the Corporation.

9. Office or Agency in New York City. The Corporation will at all times maintain an office or agency in the Borough of Manhattan, The City of New York, where shares of Class E Preferred Stock may be surrendered for payment (including upon redemption), registration of transfer or exchange.

10. No Preemptive Rights. The Class E Preferred Stock has no preemptive rights.

11. Status of Redeemed and Reacquired Class E Preferred Stock. In the event any shares of Class E Preferred Stock are redeemed pursuant to Section 5 hereof or otherwise reacquired by the Corporation, the shares so redeemed or reacquired will become authorized but unissued shares of Class E Preferred Stock, available for future issuance and reclassification by the Corporation.

12. Severability. If any preference, right, voting power, restriction, limitation as to dividends or other distributions, qualification, term or condition of redemption or other term of the Class E Preferred Stock is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, then, to the extent permitted by law, all other preferences, rights, voting powers, restrictions, limitations as to dividends

or other distributions, qualifications, terms or conditions of redemption and other terms of the Class E Preferred Stock which can be given effect without the invalid, unlawful or unenforceable preference, right, voting power, restriction, limitation as to dividends or other distributions, qualification, term or condition of redemption or other term of the Class E Preferred Stock will remain in full force and effect and will not be deemed dependent upon any other such preference, right, voting power, restriction, limitation as to dividends, qualification, term or condition of redemption or other term of the Class E Preferred Stock unless so expressed herein.

ARTICLE VII
Board of Directors

Section 7(a) Number of Directors. Effective upon the filing of these Articles of Amendment and Restatement with the State Department of Assessments and Taxation of Maryland, the number of directors shall be increased from two (2) to eight (8). Except as otherwise fixed by or pursuant to the provisions of Article VI hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of directors may thereafter be increased or decreased pursuant to the Bylaws of the Corporation; provided such number established in accordance with the Bylaws is not decreased to less than three (3) nor increased to more than thirteen (13).

Section 7(b) Removal of Directors. Subject to the rights of holders of one or more classes or series of Capital Stock other than Common Stock to elect one or more directors, any director may be removed only for cause and only by the affirmative vote of stockholders holding at least two thirds of all the votes entitled to be cast for the election of directors.

Section 7(c) Vacancies. Except in the case of a vacancy on the Board of Directors among the directors elected by a class or series of Capital Stock other than Common Stock, any vacancy on the Board of Directors may be filled by the affirmative vote of the remaining directors (except that a vacancy which results from an increase in the number of directors may be filled by a majority of the entire Board of Directors) and, in the case of a vacancy resulting from the removal of a director, by the stockholders by the affirmative vote of two-thirds of the votes entitled to be cast for the election of directors. Any vacancy on the Board of Directors among the directors elected by a class or series of Capital Stock other than Common Stock may be filled by a majority of the remaining directors elected by that class or series or by the sole remaining director elected by that class or series, or by the stockholders of that class or series unless otherwise provided in the articles supplementary for that class or series.

Section 7(d) Amendments. Notwithstanding any other provisions of the charter or Bylaws of the Corporation, the affirmative vote of stockholders holding at least two-thirds of all of the votes entitled to be cast thereon shall be required to amend, alter, change, repeal, or adopt any provisions inconsistent with the provisions of this ARTICLE VII.

ARTICLE VIII
Restriction on Transfer and Ownership of Shares of Capital Stock

Section 8.1 Definitions. For the purpose of this Article VIII, the following terms shall have the following meanings:

Beneficial Ownership. The term "Beneficial Ownership" shall mean ownership of shares of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include (in addition to direct ownership and indirect ownership through a nominee or similar arrangement) interests that would be treated as owned through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

Benefit Plan Investor. The term "Benefit Plan Investor" shall have the meaning provided in 29 C.F.R. § 2510.3-101(f)(2), or any successor regulation thereto.

Business Day. The term "Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in the state of Maryland or in the state of New York are authorized or required by law, regulation or executive order to close.

Charitable Beneficiary. The term "Charitable Beneficiary" shall mean one or more beneficiaries of the Charitable Trust as determined pursuant to Section 8.3.7, provided that each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) (other than clause (vii) or (viii) thereof) and 170(c)(2) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Charitable Trust. The term "Charitable Trust" shall mean any trust provided for in Section 8.2.1(b)(i) and Section 8.3.1.

Charitable Trustee. The term "Charitable Trustee" shall mean the Person, unaffiliated with the Corporation and a Prohibited Owner, that is appointed by the Corporation from time to time to serve as trustee of the Charitable Trust. In the absence of such designation, the Charitable Trustee shall be First National Bank of Chicago.

Closing Price. The "Closing Price" on any date shall mean the last sale price for such shares of Capital Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such shares of Capital Stock, in either case as reported on the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if such shares of Capital Stock are not listed or admitted to trading on the NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such shares of Capital Stock are listed or admitted to trading or, if such shares of Capital Stock are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices, in the over-the-counter market, as reported by the NASDAQ Stock Market or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such shares of Capital Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such shares of Capital Stock selected by the Board of Directors or, in the event that no trading price is available for such shares of Capital Stock, the fair market value of such shares, as determined in good faith by the Board of Directors.

Code. The term "Code" means the Internal Revenue Code of 1986, as amended.

Constructive Ownership. The term "Constructive Ownership" shall mean ownership of shares of Capital Stock by a Person, whether the interest in shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include any interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

Effective Date. The term "Effective Date" shall mean the date on which the Effective Time occurs.

Effective Time. The term "Effective Time" shall mean the later of (i) the time the State Department of Assessments and Taxation of Maryland accepts the articles of merger for the Merger for record or (ii) the time established under the articles of merger for the Merger.

ERISA Investor. The term "ERISA Investor" shall mean any holder of shares of Capital Stock that is (i) an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) a plan as defined in Section 4975(e) of the Code (any such employee benefit plan or "plan" described in clause (i) or this clause (ii) being referred to herein as a "Plan"), (iii) a trust which was established pursuant to a Plan, or a nominee for such trust or Plan, or (iv) an entity whose underlying assets include assets of a Plan by reason of such Plan's investment in such entity.

Excepted Holder. The term "Excepted Holder" shall mean a stockholder of the Corporation for whom an Excepted Holder Limit is created by the Board of Directors pursuant to Section 8.2.7.

Excepted Holder Limit. The term "Excepted Holder Limit" shall mean, provided that (and only so long as) the affected Excepted Holder complies with all of the requirements established by the Board of Directors pursuant to Section 8.2.7, and subject to adjustment pursuant to Section 8.2.8, the percentage limit established by the Board of Directors pursuant to Section 8.2.7.

Excluded Holder. The term "Excluded Holder" shall mean any Person who acquires Constructive Ownership or Beneficial Ownership of shares of Common Stock solely by reason of the Transfer of Common Stock in the Merger and who, immediately following the Merger, either Beneficially Owns or Constructively Owns shares of Common Stock in excess of the Ownership Limit solely by reason of such Transfer of Common Stock in the Merger.

Excluded Holder Limit. The term "Excluded Holder Limit" shall mean, with respect to any Excluded Holder, the lesser of (i) shares of Capital Stock representing 9.9% (in value) of the outstanding shares of Capital Stock of the Corporation or (ii) the shares of Capital Stock that such Excluded Holder was considered to Constructively Own immediately following the Merger solely by reason of the Merger (taking into account only such shares of Capital Stock and no other shares as to which such Person may thereafter become, for any reason, the Constructive Owner or the Beneficial Owner), provided, however, that if at any time the Excluded Holder Limit for any Excluded Holder would be less than the Ownership Limit, such Excluded Holder shall cease to be an Excluded Holder and the Ownership Limit shall thereafter apply to such Person.

Market Price. The term "Market Price" on any date shall mean, with respect to any class or series of outstanding shares of Capital Stock, the Closing Price for such shares of Capital Stock on such date.

Merger. The term "Merger" shall mean the merger of Host Marriott Corporation, a Delaware corporation, with and into the Corporation, with the Corporation being the surviving entity and with the outstanding shares of capital stock of Host Marriott Corporation being converted into shares of Capital Stock as set forth in the articles of merger for the Merger.

NYSE. The term "NYSE" shall mean the New York Stock Exchange, Inc.

Ownership Limit. The term "Ownership Limit" shall mean (i) with respect to shares of Common Stock, 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding Common Stock of the Corporation; and (ii) with respect to any class or series of shares of Preferred Stock or other stock, 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of such class or series of Preferred Stock or other stock of the Corporation.

Person. The term “Person” shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Sections 401(a) or 501(c)(17) of the Code), portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company, limited liability company, or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; provided, however, that the term “Person” shall not include any group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, if such “group” would be an Excluded Holder (but any Person that is a member of such “group” shall still be considered to be a “Person” for purposes hereof).

Prohibited Owner. The term “Prohibited Owner” shall mean any Person, who, but for the provisions of Section 8.2.1, would Beneficially Own or Constructively Own shares of Capital Stock, and if appropriate in the context, shall also mean any Person who would have been the record owner of shares of Capital Stock that the Prohibited Owner would have so owned.

Publicly Offered Securities. The term “Publicly Offered Securities” shall have the meaning provided in 29 C.F.R. Section 2510.3-101(b)(2), or any successor regulation thereto.

REIT. The term “REIT” shall mean a real estate investment trust within the meaning of Section 856 of the Code.

Restriction Date. The term “Restriction Date” shall mean the first day after the Effective Date.

Restriction Termination Date. The term “Restriction Termination Date” shall mean the first day after the Effective Date on which the Board of Directors determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of shares of Capital Stock set forth herein is no longer required in order for the Corporation to qualify as a REIT.

Transfer. The term “Transfer” shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event (or any agreement to take any such actions or cause any such events) that causes any Person to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock, or the right to vote or receive dividends on shares of Capital Stock, including without limitation, (a) the issuance and transfer to holders of shares of Host Marriott Corporation of shares of Capital Stock in the Merger, (b) a change in the capital structure of the Corporation, (c) a change in the relationship between two or more Persons which causes a change in ownership of shares of Capital Stock by application of either Section 544 of the Code, as modified by Section 856(h) or Section 318(a) of the Code, as modified by Section 856(d)(5), (d) the grant or exercise of any option or warrant (or any disposition of any option or warrant, or any event that causes any option or warrant not theretofore exercisable to become exercisable), pledge, security interest or similar right to acquire shares of Capital Stock, (e) any disposition of any securities or rights convertible into or exchangeable for shares of Capital Stock or any interest in shares of Capital Stock or any exercise of any such conversion or exchange right, (f) Transfers of interests in other entities that result in changes in Beneficial Ownership or Constructive Ownership of shares of Capital Stock, and (g) solely for purposes of applying the Excluded Holder Limit, any change in the value of one class or series of shares of Capital Stock relative to the value of any other class or series of shares of Capital Stock, in each case, whether voluntary or involuntary, whether owned of record, Constructively Owned or Beneficially Owned, and whether by operation of law or otherwise. (For purposes of this Article VIII, the right of a limited partner in Host Marriott, L.P., a Delaware limited partnership (or any successor thereto), to require the partnership to redeem such limited partner's units of limited partnership interest pursuant to Section 8.6 of the Amended and Restated Agreement of Limited Partnership of Host Marriott, L.P. shall not be considered to be an option or similar right to acquire shares of Capital Stock of the Corporation so long as such Section 8.6 is not amended in a manner that would grant to a limited partner a legal right to require that either Host Marriott, L.P. (or any successor thereto) or the Corporation issue to such limited partner shares of Capital Stock and so long as the restrictions in Section 8.6.C of such Agreement apply to the exercise of the rights set forth in such Section 8.6.) The terms "Transferring" and "Transferred" shall have the correlative meanings.

Section 8.2 Restrictions on Ownership and Transfer of Shares.

Section 8.2.1 Ownership Limitations. During the period commencing at the Effective Time and ending at the close of business on the Restriction Termination Date:

(a) Basic Restrictions.

(i) (1) No Person, other than an Excepted Holder or an Excluded Holder, shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Ownership Limit, (2) no Excepted Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excepted Holder Limit for such Excepted Holder, and (3) commencing at 12:01 a.m. (Eastern Standard Time) on the Restriction Date, no Excluded Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excluded Holder Limit for such Excluded Holder.

(ii) No Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent that (1) such Beneficial Ownership of shares of Capital Stock would result in the Corporation being "closely held" within the meaning of

Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), (2) such Constructive Ownership would cause either the Corporation to be considered to Constructively Own an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 856(c) of the Code or Host Marriott, L.P. (or any successor thereto) to be considered to Constructively Own an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 7704(d) of the Code, or (3) such Beneficial Ownership or Constructive Ownership of shares of Capital Stock would result in the Corporation otherwise failing to qualify as a REIT or Host Marriott, L.P. (or any successor thereto) to fail to qualify as a partnership for federal income tax purposes.

(iii) No Person shall Transfer any shares of Capital Stock if, as a result of the Transfer, the outstanding shares of all classes and series of Capital Stock would be Beneficially Owned by less than 100 Persons (determined without reference to the rules of attribution under Section 544 of the Code). Subject to Section 8.5 and notwithstanding any other provisions contained herein, any Transfer of shares of Capital Stock (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) that, if effective, would result in outstanding shares of all classes and series of Capital Stock being Beneficially Owned by less than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

(b) Transfer in Trust. If, as a result of the Merger and the Transfer of shares of Capital Stock to holders of shares of Host Marriott Corporation, a Delaware corporation, any Person Beneficially Owns or Constructively Owns shares of Capital Stock in violation of Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii) as of 12:01 a.m. (Eastern Standard Time) on the Restriction Date, then that number of shares of Capital Stock the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii) (whichever is applicable) (rounded upward to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 8.3, effective as of 12:01 a.m. (Eastern Standard Time) on the Restriction Date, and such Person shall have no rights in such shares of Capital Stock (except as otherwise provided in Section 8.3.5(b)). If any Transfer of shares of Capital Stock other than as a result of the Merger and Transfer of shares of Capital Stock to holders of shares of Host Marriott Corporation (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning shares of Capital Stock in violation of Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii), as applicable.

(i) then that number of shares of Capital Stock the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii) (rounded upward to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 8.3, effective as of the close of business on the Business Day prior to the date of such Transfer (or as of the close of business on the Effective Date as to any such Transfer that occurs on the Effective Date), and such Person shall acquire no rights in such shares of Capital Stock; or

(ii) if the transfer to the Charitable Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii), as applicable, then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii), as applicable, shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

Section 8.2.2 Remedies for Breach. If the Board of Directors or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 8.2.1 or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any shares of Capital Stock in violation of Section 8.2.1 (whether or not such violation is intended), the Board of Directors or a committee thereof shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares of Capital Stock, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfer or attempted Transfer or other event in violation of Section 8.2.1 shall automatically result in the transfer to the Charitable Trust described above, and, where applicable under Section 8.2.1(b)(ii), such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the Board of Directors or a committee thereof.

Section 8.2.3 Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock that will or may violate Section 8.2.1(a) or any Person who would have owned shares of Capital Stock that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 8.2.1(b), shall immediately give written notice to the Corporation of such event, or in the case of such a proposed or attempted transaction, give at least 15 days prior written notice, and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such acquisition or ownership on the Corporation's status as a REIT.

Section 8.2.4 Owners Required To Provide Information. During the period commencing at the Effective Time and ending at the close of business on the Restriction Termination Date:

(a) Every stockholder of record of more than five percent (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of Capital Stock within 30 days after the end of each taxable year, shall give written notice to the Corporation stating the name and address of such owner, the number of shares Beneficially Owned, and a description of the manner in which such shares of Capital Stock are held; provided that a stockholder of record who holds outstanding shares of Capital Stock as nominee for another Person, which other Person is required to include in gross income the dividends received on such shares (an "Actual Owner"), shall give written notice to the Corporation stating the name and address of such Actual Owner and the number of shares of Capital Stock of such Actual Owner with respect to which the stockholder of record is nominee. Each such stockholder of record and each Actual Owner shall provide to the Corporation such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Ownership Limit.

(b) Each Person who is a Beneficial Owner or Constructive Owner of shares of Capital Stock and each Person (including the stockholder of record) who is holding shares of Capital Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 8.2.5 Remedies Not Limited. Subject to Section 8.5, nothing contained in this Section 8.2 shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders in preserving the Corporation's status as a REIT.

Section 8.2.6 Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 8.2, Section 8.3 or any definition contained in Section 8.1, the Board of Directors shall have the power to determine the application of the provisions of this Section 8.2 or Section 8.3 with respect to any situation based upon the facts known to it. If Section 8.2 or 8.3 requires an action by the Board of Directors and the charter of the Corporation fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 8.1, 8.2 or 8.3.

Section 8.2.7 Exceptions.

(a) The Board of Directors, in its sole and absolute discretion, may grant to any Person who makes a request therefor an exception to the Ownership Limit (or one or more elements thereof) with respect to the ownership of any series or class of Capital Stock of the Corporation, subject to the following conditions and limitations: (A) the Board of Directors shall have determined that (x) assuming such Person would Beneficially Own or Constructively Own the maximum amount of shares of Common Stock and stock of the Corporation (other than Common Stock) permitted as a result of the exception to be granted and (y) assuming that all other Persons who would be treated as "individuals" for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code) would Beneficially Own or Constructively Own the maximum amount of shares of Common Stock and stock of the Corporation (other than Common Stock) permitted under this Article VIII (taking into account any exception, waiver or exemption granted under this Section 8.2.7 to (or with respect to) such Persons), the Corporation would not be "closely held" within the meaning of Section 856(h) of the Code (assuming that the ownership of shares of Capital Stock is determined during the second half of a taxable year) and would not otherwise fail to qualify as a REIT; and (B) such Person provides to the Board of Directors such representations and undertakings, if any, as the Board of Directors may, in its sole and absolute discretion, determine to be necessary in order for it to make the determination that the conditions set forth in clause (A) above of this Section 8.2.7(a) have been and/or will continue to be satisfied (including, without limitation, an agreement as to a reduced Ownership Limit or Excepted Holder Limit for such Person with respect to the Beneficial Ownership or Constructive Ownership of one or more other classes or series of shares of Capital Stock not subject to the exception), and such Person agrees that any violation of such representations and undertakings or any attempted violation thereof will result in the application of the remedies set forth in Section 8.2 with respect to shares of Capital Stock held in excess of the Ownership Limit or the Excepted Holder Limit (as may be applicable) with respect to such Person (determined without regard to the exception granted such Person under this subparagraph (a)). If a member of the Board of Directors requests that the Board of Directors grant an exception pursuant to this subparagraph (a) with respect to such member, or with respect to any other Person if such Board member would be considered to be the Beneficial Owner or Constructive Owner of shares of Capital Stock owned by such other Person, such member of the Board of Directors shall not participate in the decision of the Board of Directors as to whether to grant any such exception.

(b) In addition to exceptions permitted under subparagraph (a) above, the Board of Directors, in its sole and absolute discretion, may grant to any Person who makes a request therefor (a "Requesting Person") an exception from the Ownership Limit (or one or more elements thereof) if: (i) such Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that such Requesting Person is not an individual for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code); (ii) such Requesting Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that no Person who is an individual for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code) would be considered to Beneficially Own shares of Capital Stock in excess of the Ownership Limit by reason of the Requesting Person's ownership of shares of Capital Stock in excess of the Ownership Limit pursuant to the exception granted under this subparagraph (b); (iii) such Requesting Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that neither clause (2) nor clause (3) of subparagraph (a)(ii) of Section 8.2.1 will be violated by reason of the Requesting Person's ownership of shares of Capital Stock in excess of the Ownership Limit pursuant to the exception granted under this subparagraph (b); and (iv) such Requesting Person provides to the Board of Directors such representations and undertakings, if any, as the Board of Directors may, in its sole and absolute discretion, require to ensure that the conditions in clauses (i), (ii) and (iii) hereof are satisfied and will continue to be satisfied throughout the period during which such Requesting Person owns shares of Capital Stock in excess of the Ownership Limit pursuant to any exception thereto granted under this subparagraph (b), and such Requesting Person agrees that any violation of such representations and undertakings or any attempted violation thereof will result in the application of the remedies set forth in Section 8.2 with respect to shares of Capital Stock held in excess of the Ownership Limit with respect to such Requesting Person (determined without regard to the exception granted such Requesting Person under this subparagraph (b)).

(c) Prior to granting any exception or exemption pursuant to subparagraph (a) or (b), the Board of Directors may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors, in its sole and absolute discretion as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT; provided, however, that the Board of Directors shall not be obligated to require obtaining a favorable ruling or opinion in order to grant an exception hereunder.

(d) Subject to Section 8.2.1(a)(ii), an underwriter that participates in a public offering or a private placement of shares of Capital Stock (or securities convertible into or exchangeable for shares of Capital Stock) may Beneficially Own or Constructively Own shares of Capital Stock (or securities convertible into or exchangeable for shares of Capital Stock) in excess of the Ownership Limit, but only to the extent necessary to facilitate such public offering or private placement; and provided, that the ownership of shares of Capital Stock by such underwriter would not result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, or otherwise result in the Corporation's failing to qualify as a REIT. In this regard, at no time may either (x) an underwriter, or (y) any Person who would Constructively Own shares of Capital Stock owned by an underwriter Constructively Own, concurrently, 10% or more of the outstanding securities of any class or series of (i) the Corporation and any tenant or lessee of the Corporation (which, as of the Effective Date, includes Crestline Capital Corporation and its subsidiaries), or (ii) the Corporation and any Person that would be considered to Constructively Own or Beneficially Own 10% or more of any tenant or lessee of the Corporation (which, as of the Effective Date, includes Crestline Capital Corporation and its subsidiaries).

(e) The Board of Directors may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Ownership Limit.

Section 8.2.8 Increase or Decrease in Ownership Limit. The Board of Directors may from time to time increase or decrease the Ownership Limit, subject to the limitations provided in this Section 8.2.8.

(a) Any decrease may be made only prospectively as to subsequent holders (other than a decrease as a result of a retroactive change in existing law, in which case such change shall be effective immediately).

(b) The Ownership Limit may not be increased if, after giving effect to such increase, five Persons who are considered individuals pursuant to Section 542 of the Code, as modified by Section 856(h)(3) of the Code (taking into account all of the Excepted Holders), could Beneficially Own, in the aggregate, more than 49.5% of the value of the outstanding shares of Capital Stock.

(c) Prior to the modification of the Ownership Limit pursuant to this Section 8.2.8, the Board of Directors may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT if the modification in the Ownership Limit were to be made.

Section 8.2.9 Legend. Each certificate for shares of Capital Stock (or securities exercisable for or convertible into shares of Capital Stock) shall bear substantially the following legend:

> The shares of Capital Stock represented by this certificate are subject to restrictions on Beneficial Ownership and Constructive Ownership and Transfer primarily for the purpose of the Corporation's maintenance of its status as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Except as expressly provided in the Corporation's charter, (i) no Person may Beneficially Own or Constructively Own shares of Common Stock of the Corporation in excess of 9.8 percent (in value or number of shares, whichever is more restrictive) of the outstanding Common Stock of the Corporation unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable) or an Excluded Holder (in which case the Excluded Holder Limit shall be applicable); (ii) with respect to any class or series of shares of Capital Stock other than Common Stock, no Person may Beneficially Own or Constructively Own more than 9.8 percent (in value or number of shares, whichever is more restrictive) of the outstanding shares of such class or series of such stock of the Corporation (collectively, (i) and (ii) are referred to herein as the "Ownership Limit"), unless such Person is an Excepted

Holder (in which case the Excepted Holder Limit shall be applicable) or an Excluded Holder (in which case the Excluded Holder Limit shall be applicable); (iii) no Person may Beneficially Own or Constructively Own shares of Capital Stock that would result in the Corporation being "closely held" under Section 856(h) of the Code, would cause either the Corporation to be considered to Constructively Own an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 856(c) of the Code or Host Marriott, L.P. (or any successor thereto) to be considered to Constructively Own an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 7704(d) of the Code, or otherwise would cause the Corporation to fail to qualify as a REIT under the Code; and (iv) no Person may Transfer shares of Capital Stock if such Transfer would result in shares of Capital Stock of the Corporation being owned by fewer than 100 Persons. Notwithstanding the foregoing, commencing at 12:01 a.m. (Eastern Standard Time) on the day immediately following the effective date of the merger (the "Merger") of Host Marriott Corporation, a Delaware corporation, with and into the Corporation, no Excluded Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excluded Holder Limit for such Excluded Holder. An "Excepted Holder" means a stockholder of the Corporation for whom an Excepted Holder Limit is created by the Board of Directors. An "Excluded Holder" means any Person who acquires Constructive Ownership or Beneficial Ownership of shares of Common Stock solely by reason of the Transfer of Common Stock in the Merger and who, immediately following the Merger, either Beneficially Owns or Constructively Owns shares of Common Stock in excess of the Ownership Limit solely by reason of the Transfer of Common Stock in the Merger. The "Excluded Holder Limit" means, with respect to any Excluded Holder, the lesser of (i) shares of Capital Stock representing 9.9% (in value) of the outstanding shares of Capital Stock of the Corporation or (ii) the shares of Capital Stock that such Excluded Holder was considered to Constructively Own immediately following the Merger solely by reason of the Merger (taking into account only such shares of Capital Stock and no other shares as to which such Person may thereafter become, for any reason, the Constructive Owner or the Beneficial Owner), provided, however, that if at any time the Excluded Holder Limit for any Excluded Holder would be less than the Ownership Limit, such Excluded Holder shall cease to be an Excluded Holder and the Ownership Limit shall thereafter apply to such Person. Any Person who Beneficially Owns or Constructively Owns or attempts to Beneficially Own or Constructively Own shares of Capital Stock which cause or will cause a Person to Beneficially Own or Constructively Own shares of Capital Stock in excess or in violation of the above limitations must immediately notify the Corporation. If any of the restrictions on Transfer are violated, the shares of Capital Stock represented hereby will be automatically transferred to a Charitable Trustee of a Charitable Trust for the benefit (except as otherwise provided in the charter of the Corporation) of one or more Charitable Beneficiaries. In addition, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. A Person who attempts to Beneficially Own or Constructively Own shares of Capital Stock in violation of the Transfer restrictions described above shall have no claim, cause of action or any recourse whatsoever against a transferor of such shares of Capital Stock. All capitalized terms in this legend have the meanings defined in the Corporation's charter, as the same may be amended from time to time, a copy of which, including the restrictions on Transfer, will be furnished to each holder of shares of Capital Stock of the Corporation on request and without charge.

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

Section 8.3 Transfer of Shares of Capital Stock in the Corporation.

Section 8.3.1 Ownership in Trust. Upon any purported Transfer or other event described in Section 8.2.1(b) that would result in a transfer of shares of Capital Stock to a Charitable Trust, such shares of Capital Stock shall be deemed to have been transferred to the Charitable Trustee as trustee of a Charitable Trust for the exclusive benefit of one or more Charitable Beneficiaries (except to the extent otherwise provided in Section 8.3.5). Such transfer to the Charitable Trustee shall be deemed to be effective (i) as of 12:01 a.m. (Eastern Standard Time) on the Restriction Date, as to any Person who Beneficially Owns or Constructively Owns shares of Capital Stock in violation of Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii) as of such time and date as a result of the Merger and the Transfer of shares of Capital Stock to holders of shares of Host Marriott Corporation or (ii) as of the close of business on the Business Day prior to any other purported Transfer or other event that otherwise results in the transfer to the Charitable Trust pursuant to Section 8.2.1(b) (or as of the close of business on the Effective Date if such other purported Transfer or other event occurs on that date). The Charitable Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 8.3.7.

Section 8.3.2 Status of Shares of Capital Stock Held by the Charitable Trustee. Shares of Capital Stock held by the Charitable Trustee shall be issued and outstanding shares of Capital Stock of the Corporation. The Prohibited Owner shall have no rights in the shares of Capital Stock held by the Charitable Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares of Capital Stock held in trust by the Charitable Trustee (except to the extent otherwise provided in Section 8.3.5), shall have no rights to dividends or other distributions, and shall not possess any rights to vote or other rights attributable to the shares of Capital Stock held in the Charitable Trust. The Prohibited Owner shall have no claim, cause of action or other recourse whatsoever against the purported transferor of such shares of Capital Stock.

Section 8.3.3 Dividend and Voting Rights. The Charitable Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Capital Stock held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary (except to the extent otherwise provided in Section 8.3.5). Any dividend or other distribution paid prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Charitable Trustee shall be paid with respect to such shares of Capital Stock to the Charitable Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Charitable Trustee. Any dividends or distributions so paid over to the Charitable Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares of Capital Stock held in the Charitable Trust and, subject to Maryland law, effective as of the date that shares of Capital Stock have been transferred to the Charitable Trustee, the Charitable Trustee shall have the authority (at the Charitable Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Charitable Trustee and (ii) to recast such vote in accordance with the desires of the Charitable Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken irreversible action, then the Charitable Trustee shall not have the power to rescind and recast such vote. Notwithstanding the provisions of this Article VIII, until the Corporation has received notification that shares of Capital Stock have been transferred into a Charitable Trust, the Corporation shall be entitled to rely on its share transfer and other shareholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies, and otherwise conducting votes of stockholders.

Section 8.3.4 Rights Upon Liquidation. Upon any voluntary or involuntary liquidation, dissolution or winding up of or any distribution of the assets of the Corporation, the Charitable Trustee shall be entitled to receive, ratably with each other holder of shares of Capital Stock of the class or series of shares of Capital Stock that is held in the Charitable Trust, that portion of the assets of the Corporation available for distribution to the holders of such class or series (determined based upon the ratio that the number of shares of such class or series of shares of Capital Stock held by the Charitable Trustee bears to the total number of shares of Capital Stock of such class or series of shares of Capital Stock then outstanding). The Charitable Trustee shall distribute any such assets received in respect of the shares of Capital Stock held in the Charitable Trust in any liquidation, dissolution or winding up or distribution of the assets of the Corporation in accordance with Section 8.3.5.

Section 8.3.5 Sale of Shares by Charitable Trustee.

(a) Within 20 days of receiving notice from the Corporation that shares of Capital Stock have been transferred to the Charitable Trust, the Charitable Trustee of the Charitable Trust shall sell the shares of Capital Stock held in the Charitable Trust (together with the right to receive dividends or other distributions with respect to such shares of Capital Stock as to any shares of Capital Stock transferred to the Charitable Trustee as a result of the operation of Section 8.2.1(b)) to a person, designated by the Charitable Trustee, whose ownership of the shares of Capital Stock will not violate the ownership limitations set forth in Section 8.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares of Capital Stock sold shall terminate and the Charitable Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 8.3.5.

(b) A person who becomes a Prohibited Owner by virtue of the first sentence of Section 8.2.1(b) shall receive the lesser of (i) all of the net sales proceeds per share received by the Charitable Trustee from the sale or other disposition of such excess shares of Capital Stock held in the Charitable Trust, or (ii) an amount equal to the Closing Price of such excess shares of Capital Stock on the Effective Date, with the balance, if any, to be paid to the Charitable Beneficiary.

(c) Any other Prohibited Owner shall receive the lesser of (1) the net price paid by the Prohibited Owner for the shares of Capital Stock or, if the Prohibited Owner did not give value for the shares of Capital Stock in connection with the event causing the shares of Capital Stock to be held in the Charitable Trust (*e.g.*, in the case of a gift, devise or other such transaction), the Market Price of the shares of Capital Stock on the day of the event causing the shares of Capital Stock to be held in the Charitable Trust, and (2) the net sales proceeds per share received by the Charitable Trustee from the sale or other disposition of the shares of Capital Stock held in the Charitable Trust. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Charitable Trustee, such shares of Capital Stock are sold by a Prohibited Owner, then (i) such shares of Capital Stock shall be deemed to have been sold on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares of Capital Stock that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 8.3.5, such excess shall be paid to the Charitable Trustee upon demand.

Section 8.3.6 Purchase Right in Shares of Capital Stock Transferred to the Charitable Trustee. Shares of Capital Stock transferred to the Charitable Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Charitable Trust (or, in the case of a devise, gift or other such transaction, the Market Price of the shares of Capital Stock on the day of the event causing the shares of Capital Stock to be held in the Charitable Trust) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer until the Charitable Trustee has sold the shares of Capital Stock held in the Charitable Trust pursuant to Section 8.3.5. Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares of Capital Stock sold shall terminate and the Charitable Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 8.3.7. Designation of Charitable Beneficiaries. By written notice to the Charitable Trustee, the Corporation shall designate from time to time one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Charitable Trust such that (i) shares of Capital Stock held in the Charitable Trust would not violate the restrictions set forth in Section 8.2.1(a) in the hands of such Charitable Beneficiary and (ii) each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) or 170(c)(2) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code. In the absence of any such determination by the Corporation, the Charitable Beneficiary shall be the United Way of the National Capital Area.

Section 8.4 Restrictions on Ownership and Transfer of Shares of Capital Stock by Benefit Plans.

Section 8.4.1 Ownership Limitations. Notwithstanding any other provisions herein, if and to the extent that any class or series of shares of Capital Stock do not constitute Publicly Offered Securities, then Benefit Plan Investors may not, on any date, hold, individually or in the aggregate, 25 percent or more of the value of such class or series of shares of Capital Stock. For purposes of determining whether Benefit Plan Investors hold, individually or in the aggregate, 25 percent or more of the value of such class or series of shares of Capital Stock, the value of shares of Capital Stock of such class held by any director or officer of the Corporation, or any other Person who has discretionary authority or control with respect to the assets of the Corporation, or any Person who provides investment advice for a fee to the Corporation in connection with its assets, or an “affiliate” of such person, as defined in 29 C.F.R. Section 2510.3-101(f)(3), or any successor regulation thereto, shall be disregarded.

Section 8.4.2 Remedies for Violations by Benefit Plan Investors. If the Board of Directors or any duly authorized committee thereof shall at any time determine in good faith that (i) a Transfer or other event has taken place that results in a violation of Section 8.4.1 or will otherwise result in the underlying assets and property of the Corporation becoming assets of any ERISA Investor or (ii) that a Person intends to acquire or has attempted to acquire or hold shares of Capital Stock in a manner that will result in a violation of Section 8.4.1 or will otherwise result in the underlying assets and property of the Corporation becoming assets of any ERISA Investor, the Board of Directors or a committee thereof shall take such action as it deems advisable to mitigate, prevent or cure the consequences that might result to the Corporation from such Transfer or other event, including without limitation, refusing to give effect to or preventing such Transfer or event through redemption of such shares of Capital Stock or refusal to give effect to the Transfer or event on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event.

Section 8.4.3 Information on Benefit Plan Status. Any Person who acquires or attempts or intends to acquire or hold shares of Capital Stock shall provide to the Corporation such information as the Corporation may request in order to determine whether such acquisition or holding has resulted or will result in a violation of Section 8.4.1 or otherwise has resulted or will result in the underlying assets and property of the Corporation becoming assets of any ERISA Investor, including the name and address of any Person for whom a nominee holds shares of Capital Stock and whether the underlying assets of such Person include assets of any Benefit Plan Investor.

Section 8.5 NYSE Transactions. Nothing in this Article VIII shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction takes place shall not negate the effect of any other provision of this Article VIII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VIII.

Section 8.6 Enforcement. The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VIII.

Section 8.7 Non-Waiver. No delay or failure on the part of the Corporation or the Board of Directors in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the Board of Directors, as the case may be, except to the extent specifically waived in writing.

Section 8.8 Enforceability. If any of the restrictions on transfer of shares of Capital Stock contained in this Article VIII are determined to be void, invalid or unenforceable by any court of competent jurisdiction, then the Prohibited Owner may be deemed, at the option of the Corporation, to have acted as an agent of the Corporation in acquiring such shares and to hold such shares on behalf of the Corporation.

Section 8.9 Amendments. Notwithstanding any other provisions of the charter or Bylaws of the Corporation, the affirmative vote of stockholders holding at least two-thirds of all of the votes entitled to be cast thereon shall be required to amend, alter, change, repeal, or adopt any provisions inconsistent with, the provisions of this ARTICLE VIII.

ARTICLE IX
Merger, Consolidation, Share Exchange or Transfer of Assets

Subject to the terms of any class or series of Capital Stock at the time outstanding, the Corporation may merge with or into another entity, may consolidate with one or more other entities, may participate in a share exchange or may transfer its assets within the meaning of the MGCL, but any such merger, consolidation, share exchange or transfer of its assets must be approved (i) by the Board of Directors in the manner provided in the MGCL and (ii) by the stockholders by the affirmative vote of two-thirds of all votes entitled to be cast thereon to the extent a stockholder vote is required under the MGCL to effect any such transaction. Notwithstanding the foregoing, any merger of the Corporation with or into a trust organized for the purpose of changing the Corporation's form of organization from a corporation to a trust shall require the approval of stockholders of the Corporation by the affirmative vote only of a majority of all the votes entitled to be cast on the matter, provided that (i) the shareholders of the trust immediately following the merger are the same as the stockholders of the Corporation immediately prior to the merger and (ii) the trust's declaration of trust contains amendment provisions substantially equivalent to those contained in Section 7(d), Section 8.9, the last sentence of this Article IX and Section 10(a)(7) hereof. Notwithstanding any other provisions of the charter or Bylaws of the Corporation, the affirmative vote of stockholders holding at least two-thirds of all of the votes entitled to be cast thereon shall be required to amend, alter, change, repeal, or adopt any provisions inconsistent with, the provisions of this ARTICLE IX.

ARTICLE X
Miscellaneous Provisions

Section 10(a) Additional Provisions. The following provisions are hereby adopted for the purpose of defining, limiting, and regulating the powers of the Corporation and of the directors and stockholders of the Corporation:

(1) Authority to Issue Stock. The Board of Directors is hereby empowered to authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities convertible into shares of its stock of any class or classes, whether now or hereafter authorized, for such consideration as may be deemed advisable by the Board of Directors and without any action by the stockholders.

(2) No Preemptive Rights. No stockholder of the Corporation shall have preemptive rights to purchase, subscribe for, or otherwise acquire any stock or other securities of the Corporation, and any and all preemptive rights are hereby denied; other than such, if any, as the Board of Directors, in its sole discretion, may determine and at such price or prices and upon such other terms as the Board of Directors, in its sole discretion, may fix; and any stock or other securities which the Board of Directors may determine to offer for subscription may, as the Board of Directors in its sole discretion shall determine, be offered to the holders of any class, series or type of stock or other securities at the time outstanding to the exclusion of the holders of any or all other classes, series or types of stock or other securities at the time outstanding.

(3) Indemnification. The Corporation shall indemnify (A) its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the general laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) other employees and agents to such extent as shall be authorized by the Board of Directors or the Bylaws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such by-laws, resolutions, or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the right to indemnification provided hereunder with respect to any act or omission occurring prior to such amendment or repeal.

(4) Liability of Directors and Officers. To the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no director or officer of this Corporation shall be personally liable to the Corporation or its stockholders for money damages. No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the benefits provided to directors and officers under this provision with respect to any act or omission which occurred prior to such amendment or repeal.

(5) Call of Special Meetings of Stockholders. A special meeting of the stockholders of the Corporation may be called by the President, the Board of Directors or any other person specified in the Bylaws. The Secretary of the Corporation shall also call a special meeting of the stockholders on the written request of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting.

(6) Bylaws. The power to adopt, alter and repeal the Bylaws of the Corporation is vested exclusively in the Board of Directors.

(7) Amendments. The Corporation reserves the right from time to time to make any amendments of its charter which may now or hereafter be authorized by law, including without limitation any amendments changing the terms or contract rights, as expressly set forth in the charter, of any of its outstanding stock by classification,

reclassification or otherwise. Except as otherwise provided in the charter of the Corporation, any amendment to the charter shall be valid only if approved by the affirmative vote of stockholders of the Corporation holding not less than a majority of all the votes entitled to be cast on the matter. Notwithstanding any other provisions of the charter or Bylaws of the Corporation, the affirmative vote of stockholders holding at least two-thirds of all of the votes entitled to be cast thereon shall be required to amend, alter, change, repeal, or adopt any provisions inconsistent with, the provisions of Section 10(a) of this ARTICLE X.

Section 10(b) No Limitation of Powers. The enumeration and definition of particular powers of the Board of Directors included herein shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article or the charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit any powers conferred upon the Board of Directors under the general laws of the State of Maryland now or hereinafter in force.

THIRD: The foregoing restatement of the charter has been approved by a majority of the entire Board of Directors.

FOURTH: The charter is not amended by these Articles of Restatement.

FIFTH: The current address of the principal office of the Corporation is set forth in Article III of the foregoing restatement of the charter.

SIXTH: The name and address of the Corporation's current resident agent is set forth in Article IV of the foregoing restatement of the charter.

SEVENTH: The number of directors of the Corporation is seven (7). The names of the directors of the Corporation currently in office are:

Robert M. Baylis
Terence C. Golden
Ann McLaughlin Korologos
Richard E. Marriott
Judith A. McHale
John B. Morse, Jr.
Christopher J. Nassetta

EIGHTH: The undersigned President acknowledges these Articles of Restatement to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

Exhibit 10.26

HOST HOTELS & RESORTS, L.P.

Executive Deferred Compensation Plan

As Amended and Restated, Effective as of January 1, 2008

TABLE OF CONTENTS

HOST HOTELS & RESORTS, L.P.
Executive Deferred Compensation Plan

(As Amended and Restated Effective January 1, 2008)

PREAMBLE

WHEREAS, Host Marriott, L.P. sponsored the Host Marriott, L.P. Executive Deferred Compensation Plan, as amended and restated January 31, 2002, and further amended and restated effective January 1, 2005 and January 1, 2008 (the “Plan”); and

WHEREAS, Host Marriott, L.P. changed its name to Host Hotels & Resorts, L.P.; and

WHEREAS, pursuant to Section 9.1 of the Plan, the Board of Directors (as defined in Section 2.6) reserves the right to amend the Plan at any time; and

WHEREAS, the Board of Directors has determined to amend the Plan to reflect the final regulations issued under Section 409A of the Internal Revenue Code (as part of the American Jobs Creation Act of 2004); and

WHEREAS, Host Hotels & Resorts, L.P. intends to comply fully with the requirements of Section 409A of the Code, and Treasury regulations to be issued from time to time interpreting the statute; and

NOW, THEREFORE, set forth herein are the terms of the Plan, as amended and restated effective January 1, 2008, for the benefit of certain key executives.

ARTICLE I—INTRODUCTION

1.1 Name.

The name of this Plan is the Host Hotels & Resorts, L.P. Executive Deferred Compensation Plan (the “Plan”).

1.2 Purpose.

The purpose of the Plan is to offer Participants the opportunity to defer voluntarily current Compensation for retirement income and other significant future financial needs for themselves, their families and other dependents, and to provide the Employer, if appropriate, a vehicle to address limitations on its contributions under any tax-qualified defined contribution plan. This Plan is intended to be a nonqualified “top-hat” plan; that is, an unfunded plan of deferred compensation maintained for a select group of management or highly compensated employees pursuant to Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA, and an unfunded plan of deferred compensation under the Code.

1.3 Interpretation.

Throughout the Plan, certain words and phrases have meanings, which are specifically defined for purposes of the Plan. These words and phrases can be identified in that the first letter of the word or words in the phrase is capitalized. The definitions of these words and phrases are set forth in Article II and elsewhere in the Plan document. Wherever appropriate, pronouns of any gender shall be deemed synonymous, as shall singular and plural pronouns. Headings of Articles and Sections are for convenience or reference only, and are not to be considered in the construction or interpretation of the Plan. The Plan shall be interpreted and administered to give effect to its purpose in Section 1.2 and to qualify as a nonqualified, unfunded plan of deferred compensation. In addition, the Plan is designed to provide a benefit that is not “contingent”, as such term is defined and applied in Treasury Regulation Section 401(k)-1(e)(6), upon a Participant’s making elective contributions to the Qualified Retirement Plan. Both the form and the operation of the Plan shall be interpreted to assure compliance with such Regulation, or its successor, as amended from time to time.

ARTICLE II—DEFINITIONS

2.1 Generally.

Certain words and phrases are defined when first used in later paragraphs of this Agreement. Unless the context clearly indicates otherwise, the following words and phrases when used in this Agreement shall have the following respective meanings:

2.2 Account.

“Account” shall mean the interest of a Participant in the Plan as represented by the hypothetical bookkeeping entries kept by the Employer for each Participant. Each Participant’s interest may be divided into one or more separate accounts or sub-accounts, including the Participant Deferral Account and the Matching Contribution Account, which reflect not only the Contributions into the Plan, but also gains and losses, and income and expenses allocated thereto, as well as distributions or any other withdrawals. The value of these accounts or sub-accounts shall be determined as of the Valuation Date. The existence of an account or bookkeeping entries for a Participant (or his Designated Beneficiary) does not create, suggest or imply that a Participant, Designated Beneficiary, or other person claiming through them under this Plan, has a beneficial interest in any asset of the Employer.

2.3 Agreement.

"Agreement" shall mean this agreement, together with any and all amendments or restatements thereto.

2.4 Balance.

"Balance" shall mean the total of Contributions and Deemed Earnings credited to a Participant's Account under Article V, as adjusted for distributions or other withdrawals in accordance with the terms of this Plan and the standard bookkeeping rules established by the Employer.

2.5 Board Committee.

"Board Committee" shall mean the Compensation Committee of the Employer's Board of Directors, or such other Committee of the Board as may be delegated with the duty of determining Participant eligibility under the Plan.

2.6 Board of Directors.

"Board of Directors" or "Board" shall mean the Board of Directors of Host Hotels & Resorts, Inc., a Delaware corporation and the General Partner of Host Hotels & Resorts, L.P.

2.7 Change of Control.

"Change of Control" shall mean the occurrence of a "change in the ownership," a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of the Employer, as determined in accordance with this Section. In determining whether an event shall be considered a "change in the ownership," a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of the Employer, the following provisions shall apply:

(a) A "change in the ownership" of the Employer shall occur on the date on which any one person, or more than one person acting as a group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (a "Person")), acquires ownership of the equity securities of the Employer that, together with the equity securities held by such Person, constitutes more than 50% of the total fair market value or total voting power of the Employer, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(v). If a Person is considered either to own more than 50% of the total fair market value or total voting power of the equity securities of the Employer, or to have effective control of the Employer within the meaning of Section 2.7(b), and such Person acquires additional equity securities of the Employer, the acquisition of additional equity securities by such Person shall not be considered to cause a "change in the ownership" of the Employer.

(b) A “change in effective control” of the Employer shall occur on either of the following dates:

(i) The date on which any Person, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) ownership of equity securities of the Employer possessing 30% or more of the total voting power of the Employer’s equity securities, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vi). If a Person is considered to possess 30% or more of the total voting power of the Employer’s equity securities, and such Person acquires additional equity securities of the Employer, the acquisition of additional equity securities by such Person shall not be considered to cause a “change in the effective control” of the Employer; or

(ii) The date on which a majority of the members of the Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors before the date of the appointment or election, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vi).

(c) A “change in the ownership of a substantial portion of the assets” of the Employer shall occur on the date on which any one Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets from the Employer that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Employer immediately before such acquisition or acquisitions, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vii). A transfer of assets shall not be treated as a “change in the ownership of a substantial portion of the assets” when such transfer is made to an entity that is controlled by the holders of the Employer’s equity securities, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vii)(B).

(d) Notwithstanding the foregoing, the following acquisitions shall not constitute a Change in Control: (i) an acquisition by the Employer or entity controlled by the Employer, or (ii) an acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Employer or any entity controlled by the Employer.

2.8 <u>Code.</u>

"Code" shall mean the Internal Revenue Code of 1986 and the regulations issued thereunder, as amended from time to time.

2.9 <u>Committee.</u>

"Committee" shall mean the person or persons described in Article VIII who are charged with the day-to-day administration and operation of the Plan.

2.10 <u>Compensation.</u>

"Compensation" shall mean the base or regular cash salary payable to an Employee by the Employer, as well as cash incentives or cash bonuses payable to an Employee by the Employer, and cash commissions payable to an Employee by the Employer, including any such amounts which are not includible in the Participant's gross income under Sections 125, 401(k), 402(h) or 403(b) of the Internal Revenue Code of 1986, as amended.

2.11 <u>Contributions.</u>

"Contributions" shall mean the total of Participant Deferrals and Matching Contributions pursuant to Article IV, which represent each Participant's credits to his Account.

2.12 <u>Deemed Earnings.</u>

"Deemed Earnings" shall mean the gains and losses (realized and unrealized), and income and expenses credited or debited to Contributions based upon the Deemed Crediting Options in a Participant's Account as of any Valuation Date.

2.13 <u>Deemed Crediting Options.</u>

"Deemed Crediting Options" shall mean the hypothetical options made available to Plan Participants by the Employer for the purposes of determining the proper crediting of gains and losses, and income and expenses to each Participant's Account, subject to procedures and requirements established by the Committee. A Participant may reallocate his Account among such Deemed Crediting Options periodically at such frequency and upon such terms as the Committee may determine from time to time.

2.14 <u>Deferral Election Form.</u>

"Deferral Election Form" or "Annual Deferral Election Form" shall mean that written agreement of a Participant, which among other information the Committee may require of the Participant for proper administration of the Plan, shall establish the Participant's election to defer Compensation for a Plan Year under the Plan, the amount of the deferral into the Plan for the Plan Year, the Participant's election as to the distribution of his Account as an In-Service Distribution, and the allocation of his Accounts among the Deemed Crediting Options provided under the Plan. The Deferral Election Form shall be in such form or forms as may be prescribed by the Committee, and filed annually with the Employer according to procedures and at such times as set forth in this Plan and as established by the Committee.

2.15 <u>Designated Beneficiary.</u>

"Designated Beneficiary" or "Beneficiary" shall mean the person, persons or trust specifically named to be a direct or contingent recipient of all or a portion of a Participant's benefits under the Plan in the event of the Participant's death prior to the distribution of his full Account Balance. Such designation of a recipient or recipients may be made and amended, at the Participant's discretion, on the Distribution Election Form and according to procedures established by the Committee. No beneficiary designation or change of Beneficiary shall become effective until received and acknowledged by the Employer. In the event a Participant does not have a beneficiary properly designated, the beneficiary under this Plan shall be the Participant's estate.

2.16 <u>Disability or Disabled.</u>

"Disability" or "Disabled" shall mean that the Participant either: (a) has been determined to be entitled to benefits under a disability insurance program that complies with the requirements of Treas. Reg. §1.409A-3(i)(4), or (b) if he is not a participant in such long-term disability insurance program, has been determined to be totally disabled by the Social Security Administration.

2.17 <u>Distribution Election Form.</u>

"Distribution Election Form" shall mean that written agreement of a Participant, which among other information the Committee may require of the Participant for proper administration of the Plan, shall establish the Participant's elections as to the form of distribution of his Account upon a Separation from Service and timing of distribution upon death or Disability, and the name of the Designated Beneficiary. The Distribution Election Form shall be in such form or forms as may be prescribed by the Committee and filed with the Employer in accordance with Section 4.2, according to procedures and at such times as set forth in this Plan and as established by the Committee.

2.18 <u>Effective Date.</u>

"Effective Date" of the Plan, as amended and restated, shall mean January 1, 2008.

2.19 <u>Eligible Employee.</u>

"Eligible Employee" shall mean a person who (for any Plan Year or portion thereof) is: (1) an Employee of the Employer; (2) subject to US income tax laws; (3) a member of a select group of management or a highly compensated employee of the Employer; and (4) an executive having a title of Executive or Senior Vice President or higher with Compensation in excess of $210,000 annually, which such amount may be adjusted from time to time by the Committee to reflect cost of living increases.

2.20 Employee.

“Employee” shall mean a full time common law employee of the Employer.

2.21 Employer.

“Employer” shall mean Host Hotels & Resorts, L.P. and Host Hotels & Resorts, Inc., and any corporate successors and assigns, unless otherwise provided herein.

2.22 ERISA.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.23 In-Service Distribution.

“In-Service Distribution” shall mean a distribution of a portion of a Participant’s Account in accordance with Section 7.3.

2.24 Matching Contribution.

“Matching Contribution” shall mean an amount credited to a Participant’s Account in accordance with Section 4.6.

2.25 Matching Contribution Account.

“Matching Contribution Account” shall mean that portion of a Participant’s Account established to record Matching Contributions on behalf of a Participant.

2.26 Participant.

“Participant” shall mean an Eligible Employee who participates in the Plan under Article III; a former Eligible Employee who has participated in the Plan and continues to be entitled to a benefit (in the form of an undistributed Account Balance) under the Plan, and any Eligible Employee who has participated in the Plan under Article III and is out on a leave of absence and has not yet had a Separation from Service.

2.27 Participant Deferral.

“Participant Deferral” shall mean voluntary Participant deferral amounts, which could have been received currently but for the election to defer and are credited to his Account for later distribution, subject to the terms of the Plan.

2.28 Participant Deferral Account.

“Participant Deferral Account” shall mean that portion of a Participant’s Account established to record Participant Deferrals on behalf of a Participant.

2.29 <u>Plan Year.</u>

"Plan Year" shall mean the twelve (12) consecutive month period constituting a calendar year, beginning on January 1 and ending on December 31.

2.30 <u>Qualified Retirement Plan.</u>

"Qualified Retirement Plan" shall mean the Retirement and Savings Plan sponsored by the Employer.

2.31 <u>Separation from Service.</u>

"Separation from Service" shall mean the termination of Participant's services to the Employer, other than due to death or Disability, in accordance with Treas. Reg. §1.409A-1(h). A transfer of employment within and among the Employer and any member of a controlled group, as provided in Code Section 409A(d)(6), shall not be deemed a Separation from Service.

2.32 <u>Specified Employee.</u>

"Specified Employee" shall have the meaning set forth in Code Section 409A(a)(2)(B)(i) and the regulations issued thereunder.

2.33 <u>Unforeseeable Emergency.</u>

"Unforeseeable Emergency" shall mean a severe financial hardship of the Participant resulting from:

(a) an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary or the Participant's dependent (as defined in Code Section 152 without regard to paragraphs (b)(1), (b)(2) and (d)(1)(B) thereof),

(b) a loss of the Participant's property due to casualty,

(c) imminent foreclosure on or eviction from the Participant's primary residence,

(d) the need to pay for medical expenses, including non-refundable deductibles and the costs of prescription drug medications,

(e) the need to pay for the funeral expenses of the Participant's spouse, beneficiary, or dependent (as defined above), or

(f) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined by the Committee in accordance with Treas. Reg. Sec. 1.409A-3(i)(3).

2.34 <u>Valuation Date.</u>

"Valuation Date" shall mean the close of each business day, as established and amended from time to time by guidelines and procedures of the Committee in its sole and exclusive discretion.

ARTICLE III—ELIGIBILITY AND PARTICIPATION

3.1 <u>Eligibility Requirements.</u>

The Board Committee shall notify an Eligible Employee of his eligibility to participate in the Plan for a Plan Year in such form as it may determine most appropriate. Only an Eligible Employee may become a Participant in this Plan. Current Participants remain eligible until notified otherwise, provided that a Participant shall not be permitted to make new Participant Deferrals to the Plan for any Plan Year following the year in which he ceases to be an Eligible Employee for any reason (unless he again becomes an Eligible Employee, is notified of his eligibility to participate and meets the requirements of Section 3.2). If a Participant ceases to be an Eligible Employee other than as a result of death, Disability or Separation from Service, then his Accounts will remain in and continue to be subject to the provisions of the Plan.

3.2 <u>Participation.</u>

An Eligible Employee shall become a Participant in the Plan by the completion and timely filing with and subsequent acceptance by, the Employer of the Deferral Election Form, in such form and according to the terms and conditions established by the Committee. A Participant (or any Designated Beneficiary who becomes entitled) remains a Participant as to his Account until his Account Balance is fully distributed under the terms of the Plan.

ARTICLE IV—ELECTIONS, DEFERRALS & MATCHING CONTRIBUTIONS

4.1 <u>Participant Election to Defer Compensation.</u>

(a) No later than December 31, or an earlier date set by the Committee, a Participant may elect to defer Compensation for services to be performed in the next following Plan Year by the execution and timely filing, and Employer's acceptance of, a Deferral Election Form in such form and according to such procedures as the Committee may prescribe from time to time. Each such Deferral Election Form shall be effective for the Plan Year to which the Deferral Election Form pertains. However, no Deferral Election Form shall be accepted unless a Participant has first elected as of January 1 of the applicable Plan Year to defer the maximum amount of Compensation permitted by Code Sections 401(k), 402(g), and 415 under the Qualified Retirement Plan.

(b) Each Participant may elect annually to have his Compensation for the Plan Year reduced by a stated amount or a whole but not more than one hundred percent (100%). The amount deferred under the Plan shall be only the amount of such elected deferral that is in excess of the sum of (i) the amount that the Participant has elected to defer into the Qualified Retirement Plan as of January 1 of such Plan Year (regardless of any subsequent changes to such election during the Plan Year), (ii) the amount necessary for the Employer to satisfy any income and employment tax withholding obligations with respect to such Participant for such Plan Year, and (iii) the contributions by the Participant to any other employee benefit plan of the Employer. The amount deferred shall be credited to the Participant's Account as provided in Article V.

(c) Under such Deferral Election Form, a Participant shall indicate the amount of the Participant Deferral and allocate such Accounts among the various Deemed Crediting Options. The Deferral Election Form shall also permit a Participant to elect to receive the amounts deferred in such Plan Year as an In-Service Distribution, in accordance with Section 7.3. The Deferral Election Form may also request other information as may be required or useful for the administration of the Plan.

4.2 <u>Distribution Elections.</u>

Each Participant shall file one Distribution Election Form with respect to the form of his benefit payment upon a Separation from Service and timing of his benefit payment upon death or Disability with respect to all amounts deferred on his behalf under the Plan, in accordance with Section 7.2(c). Such Distribution Election Form must be filed at the same time and in the same manner as the Participant's initial Deferral Election Form filed pursuant to either Section 4.1 or 4.3. A Participant may not change or modify his Distribution Election Form after it has become irrevocable.

4.3 <u>New Participants and Partial Years.</u>

The initial Deferral Election Form and Distribution Election Form of a new Participant (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) shall be filed with the Employer on a date established by the Committee, but in any event not later than 30 days following the date the Participant becomes eligible to participate in the Plan and only with respect to services to be performed subsequent to the election. Such first Deferral Election Form shall be applicable to a Participant's Compensation beginning with the first payroll in the month after such Form is filed and accepted by the Employer. If a Participant fails to make a Deferral Election within 30 days of initial eligibility to participate, then such Participant may make a Deferral Election and Distribution Election only with respect to Compensation earned in subsequent calendar years, in accordance with Sections 4.1 and 4.2.

4.4 <u>Irrevocable Elections.</u>

Once filed, a Deferral Election Form shall be irrevocable as of December 31st of the year prior to which the election applies. A Distribution Election Form shall become irrevocable as of the December 31st of the year prior to the year the Participant's initial Deferral Election Form is applicable. Notwithstanding the foregoing, an initial Deferral Election Form and Distribution Election Form filed pursuant to Section 4.3 shall be irrevocable as of the date filed. Notwithstanding the foregoing, a Deferral Election Form shall automatically terminate upon the Participant's Separation from Service and pursuant to Section 7.4.

4.5 Unclear Elections.

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 Deferral Election Form or 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 within ninety (90) days following the date of his Separation from Service, death or Disability.

4.6 Matching Contributions.

The Employer shall accrue as a Matching Contribution in a Participant's Account an amount equal to $.50 for each $1.00 deferred under the Plan, up to a maximum of six percent (6%) of Compensation, less the amount of Employer matching contributions credited to the Participant's account in the Qualified Retirement Plan. The Committee, in its sole discretion, from time to time may make an additional discretionary Matching Contribution.

ARTICLE V—ACCOUNTS AND ACCOUNT CREDITING

5.1 Establishment of a Participant's Account.

(a) Bookkeeping Account. The Committee shall cause a bookkeeping Account and appropriate sub-accounts to be established and maintained in the name of each Participant, according to his annual Deferral Election Form for the Plan Year. This Account shall reflect the amount of Participant Deferrals, Matching Contributions and Deemed Earnings credited on behalf of each Participant under this Plan.

(b) Bookkeeping Activity. Participant Deferrals shall be credited to a Participant's Account on the business day they would otherwise have been made available as cash to the Participant. Matching Contributions shall be credited to a Participant's Account on the Valuation Date the Employer designates. Deemed Earnings shall be credited or debited to each Participant's Account, as well as any distributions and any other withdrawals under this Plan, as of a Valuation Date. Accounts shall continue on each Valuation Date until the Participant's Account is fully distributed under the terms of the Plan.

5.2 Deemed Crediting Options.

The Committee shall establish a portfolio of two or more Deemed Crediting Options, among which a Participant may allocate amounts credited to his Account, which are subject to Participant direction under this Plan. The Committee reserves the right, in its sole and exclusive discretion, to substitute, eliminate and otherwise change this portfolio of Deemed Crediting Options, as well as the right to establish rules and procedures for the selection and offering of these Deemed Crediting Options.

5.3 Allocation Of Account Among Deemed Crediting Options.

(a) Each Participant shall elect the manner in which his Account is divided among the Deemed Crediting Options by giving allocation instructions in a Deferral Election Form supplied by and filed with the Committee; or by such other procedure, including electronic communications, as the Committee may prescribe. A Participant's election shall specify the percentage of his Account (in any whole percentage) to be deemed to be invested in any Deemed Crediting Option. Such election shall remain in effect until a new election is made.

(b) Amounts credited to a Participant's Account shall be deemed to be invested in accordance with the most recent effective Deemed Crediting Option election. As of the effective date of any new Deemed Crediting Option election, all or a portion of the Participant's Account shall be reallocated among the designated Deemed Crediting Options and according to the percentages specified in the new instructions, until and unless subsequent instructions shall be filed and become effective. If the Committee receives a Deemed Crediting Option election, which is unclear, incomplete or improper, the Deemed Crediting Option election then in effect shall remain in effect until the subsequent instruction is clarified, completed or otherwise made acceptable to the Committee.

5.4 Valuation and Risk of Decrease in Value.

The Participant's Account will be valued on the Valuation Date at fair market value. On such date, Deemed Earnings will be allocated to each Participant's Account. Each Participant and Designated Beneficiary assumes the risk in connection with any decrease in the fair market value of his Account.

5.5 Limited Function of Committee.

By deferring compensation pursuant to the Plan, each Participant hereby agrees that the Employer and Committee are in no way responsible for or guarantor of the investment results of the Participant's Account. The Committee shall have no duty to review, or to advise the Participant on, the investment of the Participant's Account; and in fact, shall not review or advise the Participant thereon. Furthermore, the Committee shall have no power to direct the investment of the Participant's Account other than promptly to carry out the Participant's deemed investment instructions when properly completed and transmitted to the Committee and accepted according to its rules and procedures.

ARTICLE VI—VESTING

6.1 Vesting of Participant Deferrals.

A Participant shall be fully vested at all times in Participant Deferrals, as well as Deemed Earnings upon Participant Deferrals, credited to his Participant Deferral Account.

6.2 Vesting of Matching Contributions.

A Participant shall vest ratably in Matching Contributions, as well as Deemed Earnings upon Matching Contributions, credited to his Matching Contribution Account in accordance with the vesting schedule of the Qualified Retirement Plan. Vesting credit for Years of Service shall be determined in accordance with the methods used by the Qualified Retirement Plan.

Notwithstanding the above schedule, a Participant shall become fully vested in his Matching Contribution Account upon death, Disability or a Change of Control. Upon Separation from Service, a Participant shall be entitled to the vested portion of his Matching Contribution Account, and any non-vested portion shall be forfeited.

ARTICLE VII—DISTRIBUTIONS

7.1 Distributions Generally.

A Participant's Account shall be distributed only in accordance with the provisions of this Article VII. All distributions from Accounts under the Plan shall be made in currency of the United States of America.

7.2 Automatic Distributions.

(a) Participant's Death. If the Participant dies while employed by the Employer, his Account shall be valued as of the Valuation Date next following his date of death and shall be distributed in a lump sum to his Designated Beneficiary either within ninety (90) days following the date of death or on January 15th of the calendar year following the year in which occurs the date of death, in accordance with his Distribution Election.

(b) Participant's Disability. If a Participant becomes Disabled while employed by the Employer, his Account shall be valued as of the Valuation Date next following his date of Disability and shall be distributed in a lump sum either within ninety (90) days following the date of Disability or on January 15th of the calendar year following the year in which occurs the date of Disability, in accordance with his Distribution Election.

(c) Separation from Service. If a Participant incurs a Separation from Service, his vested Account shall be valued as of the Valuation Date next following his Separation from Service and shall be distributed in lump sum or in up to ten (10) annual installments to him commencing within ninety (90) days following his Separation from Service, in accordance with his Distribution Election; provided, however, that the Account of a Specified Employee shall commence distribution on the first business day of the seventh month following his Separation from Service, valued as of the Valuation Date immediately preceding the distribution date.

In any distribution in which a Participant has elected or will receive distribution in periodic installments, the amount of each periodic installment shall be determined by applying a formula to the Account in which the numerator is the number one and the denominator is the number of remaining installments to be paid. For example, if a Participant elects 10 annual installments for a Separation from Service distribution, the first payment will be $^1/_{10}$ of the Account, the second will be $^1/_9$, the third will be $^1/_8$; the fourth will be $^1/_7$ and so on until the Account is entirely distributed.

(d) Change in Control. Within thirty (30) days following a Change in Control, each Participant shall be paid all vested amounts in his Account in a single lump sum. A Participant's Account shall be valued as of the effective date of the Change in Control.

7.3 In-Service Distributions.

If a Participant so elects in his Deferral Election Form for a Plan Year, he can receive an In-Service Distribution from his Account as soon as three (3) years after the end of the deferral Plan Year of all of his annual deferral amount with respect to such Plan Year, plus Deemed Earnings thereon, but such distribution shall not include any Matching Contribution or Deemed Earnings on such Matching Contributions. An In-Service Distribution will be made as a single lump-sum payment within ninety (90) days after the distribution date specified in the Deferral Election Form. A Participant's Account shall be valued as of such distribution date elected on the Deferral Election Form.

7.4 Distributions Resulting from Unforeseeable Emergency.

A Participant may request that all or a portion of his Account be distributed at any time prior to Separation from Service (or an In-Service Distribution elected by the Participant) by submitting a written request to the Committee, provided that (i) the Participant has incurred an Unforeseeable Emergency, (ii) the distribution is necessary to alleviate such Unforeseeable Emergency, and (iii) the need with respect to an Unforeseeable Emergency cannot be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not cause severe financial hardship) or by cessation of deferrals under the Plan. The Committee shall determine in its sole and exclusive discretion whether or not (i) a Participant has an Unforeseeable Emergency, (ii) to make a distribution due to Unforeseeable Emergency, and (iii) to make any other determinations under this Section 7.4.

Such distribution shall be limited to an amount reasonably necessary to satisfy such Unforeseeable Emergency, (which may include amounts necessary to pay taxes or penalties reasonably anticipated as a result of the distribution), after taking into account cancellation of a Deferral Election. Such distribution shall be made as soon as administratively practicable. The Balance not distributed from the Participant's Account shall remain in the Plan. Such distributions will be made in compliance with Code Section 409A. If a Participant receives a distribution under this Section, his Deferral Election shall automatically terminate as soon as administratively practicable. Such Participant, if eligible to participate in the Plan pursuant to Article III, may make a Deferral Election for a subsequent Plan Year in accordance with Article IV.

7.5 Distributions of Small Accounts.

Notwithstanding any election to the contrary, if at any time the value of the Participant's Account (and any other nonqualified deferred compensation benefit that must be aggregated with the Plan pursuant to Treas. Reg. Section 1.409A-1(c)(2)) does not exceed the limit in effect under Code Section 402(g)(1)(B) ($15,500 in 2008), then the Committee may require, in its discretion, that the entire Account be distributed in the form of a single lump sum. If the value of a Participant's Account is zero upon the Valuation Date of any distribution, the Participant shall be deemed to have received a distribution of such Account and his participation in the Plan shall terminate. Notwithstanding the foregoing, no distribution will be made to the extent such distribution would violate the requirements of Code Section 409A and its underlying regulations.

ARTICLE VIII—ADMINISTRATION AND CLAIMS PROCEDURE

8.1 Duties of the Employer.

The Employer shall have overall responsibility for the establishment, amendment, termination, administration, and operation of the Plan. The Employer shall discharge this responsibility by the appointment and removal (with or without cause) of the members of the Committee, to which is delegated overall responsibility for administering, managing and operating the Plan.

8.2 The Committee.

The Committee shall consist of one or more members who shall be appointed by, and may be removed by, the Employer, and one of whom (who must be an officer of the Employer) shall be designated by the Employer as Chairman of the Committee. In the absence of such appointment, the Employer shall serve as the Committee. The Committee shall consist of officers or other Employees of the Employer, or any other persons who shall serve at the request of the Employer. Any member of the Committee may resign by delivering a written resignation to the Employer and to the Committee, and this resignation shall become effective upon the date specified therein. The members of the Committee shall serve at the will of the Employer, and the Employer may from time to time remove any Committee member with or without cause and appoint their successors. In the event of a vacancy in membership, the remaining members shall constitute the Committee with full order to act.

8.3 Committee's Powers and Duties to Enforce Plan.

The Committee shall be the "Administrator" and "Named Fiduciary" only to the extent required by ERISA for top-hat plans and shall have the complete control and authority to enforce the Plan on behalf of any and all persons having or claiming any interest in the Plan in accordance with its terms. The Committee, in its sole and absolute discretion, shall interpret the Plan and shall determine all questions arising in the administration and application of the Plan, including the ability to remedy any ambiguities and inconsistencies in the Plan. Any such interpretation by the Committee shall be final, conclusive and binding on all persons.

8.4 Organization of the Committee.

The Committee shall act by a majority of its members at the time in office. Committee action may be taken either by a vote at a meeting or by written consent without a meeting. The Committee may authorize any one or more of its members to execute any document or documents on behalf of the Committee. The Committee shall notify the Employer, in writing, of such authorization and the name or names of its member or members so designated in such cases. The Employer thereafter shall accept and rely on any documents executed by said member of the Committee or members as representing action by the Committee until the Committee shall file with the Employer a written revocation of such designation. The Committee may adopt such by-laws and regulations, as it deems desirable for the proper conduct of the Plan and to change or amend these by-laws and regulations from time to time. With the permission of the Employer, the Committee may employ and appropriately compensate accountants, legal counsel, benefit specialists, actuaries, plan administrators and record keepers and any other persons as it deems necessary or desirable in connection with the administration and maintenance of the Plan. Such professionals and advisors shall not be considered members of the Committee for any purpose.

8.5 <u>Limitation of Liability.</u>

(a) No member of the Board of Directors, the Employer and no officer or Employee of the Employer shall be liable to any Employee, Participant, Designated Beneficiary or any other person for any action taken or act of omission in connection with the administration or operation of this Plan unless attributable to his own fraud or willful misconduct. Nor shall the Employer be liable to any Employee, Participant, Designated Beneficiary or any other person for any such action taken or act of omission unless attributable to fraud, gross negligence or willful misconduct on the part of a Director, officer or Employee of the Employer. Moreover, each Participant, Designated Beneficiary, and any other person claiming a right to payment under the Plan shall only be entitled to look to the Employer for payment, and shall not have the right, claim or demand against the Committee (or any member thereof), any Director, Officer or Employee of the Employer.

(b) To the fullest extent permitted by the law and subject to the Employer's Certificate of Incorporation and By-laws, the Employer shall indemnify the Committee, each of its members, and the Employer's officers and Directors (and any Employee involved in carrying out the functions of the Employer under the Plan) for part or all expenses, costs, or liabilities arising out of the performance of duties required by the terms of the Plan agreement, except for those expenses, costs, or liabilities arising out of a member's fraud, willful misconduct or gross negligence.

8.6 <u>Committee Reliance on Records and Reports.</u>

The Committee shall be entitled to rely upon certificates, reports, and opinions provided by an accountant, tax or pension advisor, actuary or legal counsel employed by the Employer or Committee. The Committee shall keep a record of all its proceedings and acts, and shall keep all such books of account, records, and other data as may be necessary for the proper administration of the Plan. The regularly kept records of the Committee and the Employer shall be conclusive evidence of the service of a Participant, Compensation, age, marital status, status as an Employee, and all other matters contained therein and relevant to this Plan. The Committee, in any of its dealings with Participants hereunder, may conclusively rely on any Deferral Election Form, Distribution Election Form, written statement, representation, or documents made or provided by such Participants.

8.7 Costs of the Plan.

All the costs and expenses for maintaining the administration and operation of the Plan shall be borne by the Employer unless the Employer shall give notice (that Plan Participants bear this expense, in whole or in part) to: (a) Eligible Participants at the time they become a Participant by completion and filing of a Deferral Election Form; or (b) to existing Participants during annual re-enrollment. Such notice shall detail the administrative expense to be assessed a Plan Participant, how that expense will be assessed and allocated to the Participant Accounts, and any other important information concerning the imposition of this administrative expense. This administration charge, if any, shall operate as a reduction to the bookkeeping Account of a Participant or his designated Beneficiary, and in the absence of specification otherwise shall reduce the Account, and be charged annually during the month of January.

8.8 Claims Procedure.

(a) Claim. Benefits shall be paid in accordance with the terms of this Plan. A Participant, Designated Beneficiary or any person who believes that he is being denied a benefit to which he is entitled under the Plan (hereinafter referred to as a “Claimant”) may file a written request for such benefit with the Employer, setting forth his claim. The request must be addressed to the Committee care of Secretary of Host Hotels & Resorts, Inc. (the “Secretary”) at its then principal place of business.

(b) Claim Decision. Upon the receipt of a claim, the Committee shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. However, the Committee may extend the reply period for an additional ninety (90) days for reasonable cause; provided that the Committee notify the Claimant of such extension. If such extension is required, written notice shall be furnished to the Claimant within 90 days of the date the claim was filed stating the reasons requiring an extension and the date by which a decision on the claim can be expected which shall be no more than 180 days from the date the claim was filed. If the claim is denied in whole or in part, the Committee shall adopt a written opinion, using language calculated to be understood by the Claimant, setting forth:

(i) The specific reason or reasons for such denial;

(ii) The specific reference to pertinent provisions of this Plan on which such denial is based;

(iii) A description of any additional material or information necessary for the Claimant to perfect his claim and an explanation why such material or such information is necessary;

(iv) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review;

(v) The time limits for requesting a review under Subsection C and for review under Subsection D hereof; and

(vi) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision upon review.

(c) Request for Review. Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Secretary of the Employer review the determination of the Committee. Such request must be addressed to the Secretary of the Employer, at its then principal place of business. The Claimant or his duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Employer. The Claimant may also review and/or copy free of charge pertinent Plan documents, records and other information relevant to the claim. If the Claimant does not request a review of the Committee's determination by the Secretary within such sixty (60) day period, he shall be barred and estopped from challenging the Committee's determination.

(d) Review of Decision. Within sixty (60) days after the Secretary's receipt of a request for review, he will review the Committee's determination. After considering all materials presented by the Claimant, the Secretary will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Agreement on which the decision is based. If the Claim is denied, such response will contain a statement that the Claimant is entitled upon request to receive free of charge reasonable access to and copies of all documents, records and other information relevant to Claimant's claim and of Claimant's right to bring an action under Section 502(a) of ERISA. If special circumstances require that the sixty (60) day time period be extended, the Secretary will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review. The decision of the Secretary shall be conclusive, final and binding in all respects on all parties, including the Employer and the Claimant. Benefits shall be paid only if the Secretary determines that the Claimant is entitled to them.

8.9 Litigation.

In the event of any dispute of benefits under this Plan, all remedies available to the Claimant under Section 8.8 must be exhausted before legal recourse of any type may be sought, and any such action must be brought within 90 days of the Secretary's final determination under Section 8.8. It shall not be necessary to join the Employer as a party in any action or judicial proceeding affecting the Plan. No Participant or Designated Beneficiary or any other person claiming under the Plan shall be entitled to service of process or notice of such action or proceeding, except as may be expressly required by law. Any final judgment in such action or proceeding shall be binding on all Claimants.

ARTICLE IX—AMENDMENT, TERMINATION & REORGANIZATION

9.1 Amendment.

The Board of Directors, or a duly authorized committee thereof, in accordance with its by-laws, reserves the right to amend the Plan. However, no amendment to the Plan shall be effective to the extent that it has the effect of decreasing a Participant's (or Designated Beneficiary's) accrued benefit prior to the date of the amendment.

9.2 Amendment Required By Law.

Notwithstanding Section 9.1, the Plan may be amended at any time, if in the opinion of the Employer, such amendment is necessary to ensure the Plan is treated as a nonqualified plan of deferred compensation under the Code and ERISA, or to bring it into conformance with Treasury or SEC regulations or requirements for such plans. This includes the right to amend this Plan so that any Trust created in conjunction with this Plan will be treated as a grantor Trust under Sections 671 through 679 of the Code, and to otherwise conform the Plan provisions and such Trust, if applicable, to the requirements of any applicable law. Additionally, if and to the extent the Employer shall determine that the terms of the Plan may result in the failure of the Plan, or amounts deferred by or for any Participant under the Plan, to comply with the requirements of Section 409A of the Code or any applicable regulations or guidance promulgated by the Secretary of the Treasury in connection therewith, the Employer shall have authority to take such action to amend, modify, cancel or terminate the Plan as it deems necessary or advisable, including without limitation any amendment or modification of the Plan to conform the Plan to the requirements of Section 409A of the Code or any regulations or other guidance thereunder (including, without limitation, any amendment or modification of the terms of any applicable to any Participant's Accounts regarding the timing or form of payment).

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 Employer, 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.

9.3 Termination.

The Employer intends to continue the Plan indefinitely. However, the Board of Directors or a duly authorized committee thereof, in accordance with its by-laws, reserves the right to terminate the Plan at any time. However, no such termination shall deprive any Participant or Designated Beneficiary of a right accrued under the Plan prior to the date of termination.

In the event of a Plan termination, the Employer shall distribute Accounts in accordance with the requirements of Treas. Reg. §1.409A-3(j)(4)(ix).

9.4 Consolidation/Merger.

The Employer shall not enter into any consolidation or merger without the guarantee and assurance of the successor or surviving company or companies to the obligations contained under the Plan. Should such consolidation or merger occur, the term "Employer" as defined and used in this Agreement shall refer to the successor or surviving company.

ARTICLE X—GENERAL PROVISIONS

10.1 Applicable Law.

Except insofar as the law has been superseded by Federal law, Maryland law shall govern the construction, validity and administration of this Plan as created by this Agreement. The parties to this Agreement intend that this Plan shall be a nonqualified unfunded plan of deferred compensation without plan assets and any ambiguities in its construction shall be resolved in favor of an interpretation which will effect this intention.

10.2 Benefits Not Transferable or Assignable.

Benefits under the Plan shall not be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge such benefits shall be void, nor shall any such benefits be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to them. However, a Participant may name a recipient for any benefits payable or which would become payable to a Participant upon his death. This Section shall also apply to the creation, assignment or recognition of a right to any benefit payable with respect to a Participant pursuant to a domestic relations order, including a qualified domestic relations order under Section 414(p) of the Code. In addition, the following actions shall not be treated or construed as an assignment or alienation: (a) Plan Contribution or distribution tax withholding; (b) recovery of distribution overpayments to a Participant or Designated Beneficiary; (c) direct deposit of a distribution to a Participant's or Designated Beneficiary's banking institution account; or (d) transfer of Participant rights from one Plan to another Plan, if applicable.

The Employer may bring an action for a declaratory judgment if a Participant's, Designated Beneficiary's or any Beneficiary's benefits hereunder are attached by an order from any court. The Employer may seek such declaratory judgment in any court of competent jurisdiction to:

(i) determine the proper recipient or recipients of the benefits to be paid under the Plan;

(ii) protect the operation and consequences of the Plan for the Employer and all Participants; and

(iii) request any other equitable relief the Employer in its sole and exclusive judgment may feel appropriate.

Benefits which may become payable during the pendency of such an action shall, at the sole discretion of the Employer, either be:

(iv) paid into the court as they become payable or

(v) held in the Participant's or Designated Beneficiary's Account subject to the court's final distribution order.

10.3 Not an Employment Contract.

The Plan is not and shall not be deemed to constitute a contract between the Employer and any Employee, or to be a consideration for, or an inducement to, or a condition of, the employment of any Employee. Nothing contained in the Plan shall give or be deemed to give an Employee the right to remain in the employment of the Employer or to interfere with the right to be retained in the employ of the Employer, any legal or equitable right against the Employer, or to interfere with the right of the Employer to discharge any Employee at any time. It is expressly understood by the parties hereto that this Agreement relates to the payment of deferred compensation for the Employee's services, generally payable after separation from employment with the Employer, and is not intended to be an employment contract.

10.4 Notices.

Any communication, benefit payment, statement of notice addressed to a Participant or Designated Beneficiary at the last post office address as shown on the Employer's records shall be binding on the Participant or Designated Beneficiary for all purposes of the Plan. The Employer shall not be obligated to search for any Participant or Designated Beneficiary beyond sending a registered letter to such last known address.

10.5 Severability.

The Plan as contained in the provisions of this Agreement constitutes the entire Agreement between the parties. If any provision or provisions of the Plan shall for any reason be invalid or unenforceable, the remaining provisions of the Plan shall be carried into effect, unless the effect thereof would be to materially alter or defeat the purposes of the Plan. All terms of the plan and all discretion granted hereunder shall be uniformly and consistently applied to all the Employees, Participants and Designated Beneficiaries.

10.6 Participant is General Creditor with No Rights to Assets.

(a) The payments to the Participant or his Designated Beneficiary or any other beneficiary hereunder shall be made from assets which shall continue, for all purposes, to be a part of the general, unrestricted assets of the Employer, no person shall have any interest in any such assets by virtue of the provisions of this Agreement. The Employer's obligation hereunder shall be an unfunded and unsecured promise to pay money in the future. To the extent that any person acquires a right to receive payments from the Employer under the provisions hereof, such right shall be no greater than the right of any unsecured general creditor of the Employer; no such person shall have nor require any legal or equitable right, or claim in or to any property or assets of the Employer. The Employer shall not be obligated under any circumstances to fund obligations under this Agreement.

(b) The Employer at its sole discretion and exclusive option, may acquire and/or set-aside assets or funds, in a trust or otherwise, to support its financial obligations under this Plan. No such trust established for this purpose shall be established in or transferred to a location that would cause it to be deemed to be an "offshore trust" for purposes of Code Section 409A (b)(1). No such acquisition or set-aside shall impair or derogate from the Employer's direct obligation to a Participant or Designated Beneficiary under this Plan. However, no Participant or Designated Beneficiary shall be entitled to receive duplicate payments of any Accounts provided under the Plan because of the existence of such assets or funds.

(c) In the event that, in its discretion, the Employer purchases an asset(s) or insurance policy or policies insuring the life of the Participant to allow the Employer to recover the cost of providing benefits, in whole or in part hereunder, neither the Participant, Designated Beneficiary nor any other beneficiary shall have any rights whatsoever therein in such assets or in the proceeds therefrom. The Employer shall be the sole owner and beneficiary of any such assets or insurance policy and shall possess and may exercise all incidents of ownership therein. No such asset or policy, policies or other property shall be held in any trust for the Participant or any other person nor as collateral security for any obligation of the Employer hereunder. Nor shall any Participant's participation in the acquisition of such assets or policy or policies be a representation to the Participant, Designated Beneficiary or any other beneficiary of any beneficial interest or ownership in such assets, policy or policies. A Participant may be required to submit to medical examinations, supply such information and to execute such documents as may be required by an insurance carrier or carriers (to whom the Employer may apply from time to time) as a precondition to participate in the Plan.

10.7 <u>No Trust Relationship Created.</u>

Nothing contained in this Agreement shall be deemed to create a trust of any kind or create any fiduciary relationship between the Employer and the Participant, Designated Beneficiary, other beneficiaries of the Participant, or any other person claiming through the Participant. Funds allocated hereunder shall continue for all purposes to be part of the general assets and funds of the Employer and no person other than the Employer shall, by virtue of the provisions of this Plan, have any beneficial interest in such assets and funds. The creation of a grantor Trust (so called "Rabbi Trust") under the Code (owned by and for the benefit of the Employer) to hold such assets or funds for the administrative convenience of the Employer shall not give nor be a representation to a Participant, Designated Beneficiary, or any other person, of a property or beneficial ownership interest in such Trust assets or funds even though the incidental advantages or benefits of the Trust to Plan Participants may be communicated to them.

10.8 <u>Limitations on Liability of the Employer.</u>

Neither the establishment of the Plan nor any modification hereof nor the creation of any Account under the Plan nor the payment of any benefits under the Plan shall be construed as giving to any Participant or any other person any legal or equitable right against the Employer or any Director, officer or Employee thereof except as provided by law or by any Plan provision.

10.9 <u>Agreement Between Employer and Participant Only.</u>

This Agreement is solely between the Employer and Participant. The Participant, Designated Beneficiary, estate or any other person claiming through the Participant, shall only have recourse against the Employer for enforcement of this Agreement. This Agreement shall be binding upon and inure to the benefit of the Employer and its successors and assigns, and the Participant, successors, heirs, executors, administrators and beneficiaries.

10.10 <u>Independence of Benefits.</u>

The benefits payable under this Agreement are for services already rendered and shall be independent of, and in addition to, any other benefits or compensation, whether by salary, bonus, fees or otherwise, payable to the Participant under any compensation and/or benefit arrangements or plans, incentive cash compensations and stock plans and other retirement or welfare benefit plans, that now exist or may hereafter exist from time to time.

10.11 <u>Unclaimed Property.</u>

Except as may be required by law, the Employer may take any of the following actions if it gives notice to a Participant or Designated Beneficiary of an entitlement to benefits under the Plan, and the Participant or Designated Beneficiary fails to claim such benefit or fails to provide their location to the Employer within three (3) calendar years of such notice:

(a) Direct distribution of such benefits, in such proportions as the Employer may determine, to one or more or all, of a Participant's next of kin, if their location is known to the Employer;

(b) Deem this benefit to be a forfeiture and paid to the Employer if the location of a Participant's next of kin is not known. However, the Employer shall pay the benefit, unadjusted for gains or losses from the date of such forfeiture, to a Participant or Designated Beneficiary who subsequently makes proper claim to the benefit.

The Employer shall not be liable to any person for payment pursuant to applicable state unclaimed property laws.

10.12 <u>Required Tax Withholding and Reporting.</u>

The Employer shall withhold and report Federal, state and local income and payroll tax amounts on all Contributions to and distributions and withdrawals from a Participant's Account as may be required by law from time to time.

10.13 <u>Section 409A Compliance</u>

To the extent applicable, this Plan shall be interpreted in accordance with Internal Revenue Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder. If the Employer determines that any compensation or benefits payable under this Plan do not comply with Code Section 409A and related Department of Treasury guidance, the Employer may amend the Plan or take such other actions as the Employer deems necessary or appropriate to comply with the requirements of Code Section 409A while preserving the economic agreement of the parties.

Exhibit 10.29

HOST HOTELS & RESORTS, L.P.

RETIREMENT AND SAVINGS PLAN

**(As amended and restated effective January 1, 2008,
except as otherwise provided in Exhibit 1)**

HOST HOTELS & RESORTS, L.P.

RETIREMENT AND SAVINGS PLAN

PREAMBLE

WHEREAS, Host Hotels & Resorts, L.P., a Delaware limited partnership, maintains the Host Hotels & Resorts, L.P. Retirement and Savings Plan (the “Plan”);

WHEREAS, the Plan has been amended from time to time;

WHEREAS, Host Hotels & Resorts, L.P. wishes to amend the Plan in order to permit Participants to make “designated Roth contributions” to the Plan effective February 1, 2008, to discontinue the Host Hotels & Resorts, Inc. Stock Fund under the Plan effective December 31, 2008 and to amend the Plan in certain other respects;

NOW, THEREFORE, IT IS RESOLVED that, Host Hotels & Resorts, L.P. hereby amends and restates the Plan, effective as of January 1, 2008, unless otherwise provided in the Plan or Exhibit 1 which is attached hereto and incorporated in the Plan by this reference.

This amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of its various amendments.

TABLE OF CONTENTS

ARTICLE I.
DEFINITIONS

When used in this instrument, the following words and phrases have the indicated meanings except where the contrary is expressly stated:

1.1 "Account" shall have the meaning set forth in Section 6.1.

1.2 "Actual Contribution Percentage" means, for a given Plan Year, the average of the ratios, calculated separately for each Participant in a group and in accordance with applicable Treasury regulations, of (a) the sum of After-tax Savings credited to the Participant's After-tax Savings Account and Company contributions and forfeitures allocable to the Participant's Company Contribution Account for the Plan Year to (b) the Participant's Compensation for such Plan Year.

1.3 "Actual Deferral Percentage" means, for a given Plan Year, the average of the ratios, calculated separately for each Participant in a group and in accordance with applicable Treasury regulations, of (a) the Section 401(k) Contributions made on behalf of such Participant by the Company for the Plan Year and Roth Contributions made by the Participant for the Plan Year to (b) the Participant's Compensation for such Plan Year.

1.4 "Additional After-tax Savings" means After-tax Savings not included in Combined Basic Savings for a Payroll Period.

1.5 "Additions" means, with respect to each Participant for any Plan Year, the total of (a) the Company contributions and forfeitures allocated to the Participant's Company Contribution Account, plus (b) Section 401(k) Contributions allocated to the Participant's Section 401(k) Contribution Account, plus (c) Roth Contributions allocated to the Participant's Roth Contribution Account, plus (d) the After-tax Savings allocated to the Participant's After-tax Savings Account, and other amounts described in Treas. Reg. Section 1.415(c)-1(b). Catch-up contributions, restorative payments and other amounts described in Treas. Reg. Section 1.415(c)-1(b) do not give rise to Additions for a Participant.

1.6 "Administrative Expenses" means the administrative expenses described in Section 15.6(a).

1.7 "Affiliated Company" means (a) a member of a controlled group of corporations of which Host Hotels & Resorts, L.P. is a member as determined in accordance with Section 414(b) of the Code; or (b) an unincorporated trade or business which is under common control by or with Host Hotels & Resorts, L.P., as determined in accordance with Section 414(c) of the Code. For purposes hereof, a "controlled group of corporations" shall mean a controlled group of corporations as defined in Section 1563(a) of the Code, determined without regard to Sections 1563(a)(4) and 1563(e)(3)(C) of the Code, except that, with respect to the limitation on annual Additions set forth in Section 6.11, instead of eighty percent (80%), the applicable percentage shall be fifty percent (50%) wherever such percentage appears in Section 1563(a)(1) of the Code.

1.8 "After-tax Savings" means the After-tax savings deposited into the Trust Fund by a Participant in accordance with Article IV.

1.9 "After-tax Savings Account" shall have the meaning set forth in Section 6.1(a).

1.10 “Allocable Portion” means, for purposes of Section 11.2, the lesser of: (a) fifty percent (50%) of the Participant’s vested Account balance; or (b) $50,000, reduced by the excess of (1) the highest outstanding balance of any previous loan from the Plan and any other plans of the Company or an Affiliated Company during the one-year period ending on the day before the date on which the current loan is made over (2) the outstanding balance of any previous loan from the Plan and any other plans of the Company or an Affiliated Company on the date on which the current loan is made.

1.11 “Allocation Agreement” means the Employee Benefits & Other Employment Matters Allocation Agreement entered into by and between Host Hotels & Resorts, Inc., Host Hotels & Resorts, L.P. and Crestline Capital Corporation.

1.12 “Alternate Payee” means any Spouse, former Spouse, child or other dependent of a Participant who is entitled under a Qualified Domestic Relations Order to receive all, or part of, the benefits payable to that Participant under the Plan.

1.13 “Annuity Starting Date” means the first day of the first period for which an amount is received as an annuity by reason of retirement or disability.

1.14 “Authorized Leave of Absence” means any absence authorized by the Company under the Company’s standard personnel practices provided that the Employee or Participant returns within the period of authorized absence. An absence due to service in the Armed Forces of the United States shall be considered an Authorized Leave of Absence provided that the absence is caused by war or other emergency, or provided that the Employee or Participant is required to serve under the laws of conscription in time of peace, and further provided that the Employee or Participant returns to employment with the Company within the period provided by law. Except for service in the Armed Forces of the United States in accordance with the preceding sentence, an Authorized Leave of Absence may not extend beyond two (2) years.

1.15 “Basic After-tax Savings” means After-tax Savings included in Combined Basic Savings for a Payroll Period.

1.16 “Beneficiary” means the person or persons designated as a beneficiary pursuant to Article XII.

1.17 “Board of Directors” means the board of directors of Host Hotels & Resorts, Inc., a Delaware corporation and the General Partner of Host Hotels & Resorts, L.P.

1.18 “Code” means the Internal Revenue Code of 1986, as amended, or any successor statute, including the regulations issued thereunder.

1.19 “Combined Basic Savings” means the sum of a Participant’s After-tax Savings, Section 401(k) Contributions and Roth Contributions for each Payroll Period, provided that such sum shall include only an amount up to six percent (6%) of Pay for each Payroll Period. If the sum of a Participant’s After-tax Savings, Section 401(k) Contributions and, effective February 1, 2008, Roth Contributions for a Payroll Period exceeds six percent (6%) of Pay, the Participant’s Section 401(k) Contributions shall first be included in Combined Basic Savings until exhausted, next, effective February 1, 2008, Roth Contributions shall be included until exhausted and lastly After-tax Savings shall be included in Combined Basic Savings.

Notwithstanding any provision herein to the contrary, the maximum Combined Basic Savings for any Plan Year shall not exceed 6% of the Participant's Compensation, calculated on an annual basis.

1.20 "Committee" means the investment committee appointed by the Company pursuant to Section 15.1(b).

1.21 "Company" means Host Hotels & Resorts, L.P.

1.22 "Company Contribution Account" shall have the meaning set forth in Section 6.1 (d).

1.23 "Compensation"

(a) Compensation means, for a Plan Year, a Participant's wages, salaries, and fees for professional services, and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Participating Company, to the extent that the amounts are includable in gross income (including, but not limited to, commissions to salespersons, compensation for services on the basis of percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, reimbursements or other expenses under a non-accountable plan (as described in Treas. Reg. Section 1.62-2(c)) and the other items described in Treas. Reg. Section 1.415(c)-2(b)) and amounts which would have been received and includible in gross income but for an election under Sections 125(a) (including "deemed Section 125 Compensation" within the meaning of Treas. Reg. Section 1.415(c)-2(g)(6)), 132 (f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 457(b) of the Code, but excluding the following:

(1) Participating Company contributions (other than elective contributions described in Sections 402(e)(3), 408(k)(6), 408(p)(2)(A)(i) or 457(b) of the Code) to a plan of deferred compensation (whether or not qualified) which are not included in the Employee's gross income for the taxable year in which contributed, or any distribution from a plan of deferred compensation regardless of whether such amounts are included in the Employee's gross income when distributed;

(2) Amounts realized from the exercise of a nonstatutory option (which is an option other than a statutory option as defined in Treas. Reg. Section 1.421-1(b)), or when restricted stock (or other property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(3) Amounts realized from the sale, exchange or other disposition of stock acquired under a statutory stock option (as defined in Treas. Reg. Section 1.421-1(b));

(4) Other amounts that receive special tax benefits, such as premiums for group-term life insurance (but only to the extent that the premiums are not includible in the gross income of the Employee and are not salary reduction amounts described in Code Section 125); and

(5) Other items of remuneration that are similar to the items listed in paragraphs (1) – (4).

Notwithstanding the foregoing, Compensation taken into account for each Participant for a Plan Year shall not exceed Two Hundred Thousand Dollars ($200,000) (adjusted as described in Section 401(a)(17)(B) of the Code) or such other limit set forth in Section 401(a)(17) of the Code.

(b) Except as described in subsections (c) and (d), Compensation must be actually paid or made available to the Participant (or, if earlier, includible in the gross income of the Participant) within the Plan Year and it must be paid or treated as paid prior to his severance from employment within the meaning of Treas. Reg. Section 1.415(a)-1(f)(5). Notwithstanding the foregoing, Compensation shall include amounts earned during the Plan Year but not paid during such period solely because of the timing of Payroll Periods and pay dates if the following requirements are satisfied:

(1) These amounts are paid during the first few weeks of the next Plan Year;

(2) The amounts are included on a uniform and consistent basis with respect to all similarly situated Participants; and

(3) No such Compensation is included in more than one Plan Year.

(c) (1) Notwithstanding subsection (b), any amount described in paragraphs 2 or 3 does not fail to be Compensation for a Participant merely because it is paid after his severance from employment provided that it is paid by the later of two and one-half (2 1/2) months after his severance from employment or the end of the Plan Year that includes the date of his severance from employment.

(2) An amount is described in this paragraph if it is

(A) regular compensation for services during the Participant’s regular working hours or compensation for services outside the Participant’s regular working hours (such as overtime or shift differential, commissions, bonuses, or other similar payments), and

(B) the payment would have been paid to the Participant prior to his severance from employment if he had continued employment with the Company.

(3) An amount is described in this paragraph if it is

(A) payment for unused accrued bona fide sick, vacation or other leave, but only if the Participant would have been able to use the leave if his employment had continued, or

(B) received by the Participant pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Participant at the same time if the Participant had continued in employment with the Company and only to the extent it is includible in the Participant's gross income;

provided, however, that such amounts would have been included in the definition of Compensation if they were paid prior to the Participant's severance from employment with the Company.

(d) Compensation shall not include:

(1) severance pay or parachute payments within the meaning of Section 280G(b)(2), if they are paid after the Participant's severance from employment;

(2) post-severance payments to a Participant under a nonqualified unfunded deferred compensation plan unless the payments would have been paid at that time without regard to the Participant's severance from employment.

(e) Notwithstanding subsection (b), Compensation shall include payments to:

(1) an individual who does not currently perform services for the Company by reason of qualified military service (as defined in Code Section 414(u)(1)) to the extent those payments do not exceed the amounts the individual would have received if he had continued to perform services for the Company rather than entering into qualified military service; or

(2) a Participant who is permanently and totally disabled within the meaning of Code Section 22(e)(3) if the conditions described in Treas. Reg. Section 415(c)-2(g)(4)(ii)(A) are satisfied.

1.24 "Default" includes: (a) a failure by a Participant to pay any principal or interest when due on a loan provided pursuant to Section 11.1 that continues beyond the end of the calendar quarter following the calendar quarter in which the payment of principal and interest was due shall constitute a default of such loan; (b) a failure by a terminated Participant to repay the entire outstanding balance of a loan prior to the end of the calendar quarter following the calendar quarter in which the Participant terminated employment with the Company; or (c) any other uniform and nondiscriminatory written standards adopted by the Committee as to what constitutes default.

1.25 "Distributee" means a Participant, Former Participant, Retired Participant, Disabled Participant, the Surviving Spouse of a Deceased Participant, an Alternate Payee, and other Beneficiary.

1.26 "Effective Date" means January 1, 2008 unless otherwise provided in the Plan or Exhibit 1 or as required by law.

1.27 "Eligible Rollover Distribution" means any distribution of all or a portion of the Distributee's Account balance, except that an Eligible Rollover Distribution does not include (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated Beneficiary, or for a specified period of ten (10) years or more, (b) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code, and (c) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Company securities). This definition shall not apply to amounts distributed due to hardships as provided in Section 10.7 of the Plan. For purposes of the direct rollover provisions in Sections 6.12 and 8.12 of the Plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions or designated Roth contributions within the meaning of Code Section 402A, which are not includable in gross income. However, such portion consisting of after-tax employee contributions may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan or qualified defined benefit plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable. In addition, any portion of an Eligible Rollover Distribution consisting of designated Roth contributions may be transferred only to another designated Roth account under an applicable retirement plan described in Section 402A(e)(1) of the Code but only through a direct rollover or a Roth IRA described in Section 408A of the Code, and only to the extent the rollover is permitted under the rules of Section 402(c) of the Code.

1.28 "Eligible Retirement Plan" means an individual retirement account (described in Section 408(a) of the Code), an individual retirement annuity (described in Section 408(b) of the Code), an annuity plan (described in Section 403(a) of the Code), a qualified trust (described in Section 401(a) of the Code), that accepts the Distributee's Eligible Rollover Distribution, an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state, and which agrees to separately account for amounts transferred into such a plan from this plan. In addition, a Roth IRA described in Code Section 408A is an Eligible Retirement Plan that may accept a Distributee's Eligible Rollover Distribution (which may in part consist of Roth Contributions or not) provided that, pursuant to Code Section 408A(d)(3)(A), the Distributee's gross income includes any amount that would be includible if the distribution was not rolled over and provided further, that for distributions beginning before January 1, 2010, the Distributee must satisfy the income restrictions described in Code Section 408A(c)(3)(B). In the case of an Eligible Rollover Distribution to a non-Spouse Beneficiary, then Eligible Retirement Plan shall mean only an individual retirement account or an individual retirement annuity.

1.29 "Employee" means any person classified by a Participating Company as an "employee" and employed by a Participating Company other than: (a) a person who is covered by a collective bargaining agreement, if there is evidence to show that retirement benefits were the subject of good faith bargaining between a Participating Company and the employee representatives with whom such agreement was entered; (b) a nonresident alien who receives no earned income (within the meaning of Section 911(d)(2) of the Code) from a Participating Company which constitutes income from sources within the United States (within the meaning of Section 861(a)(3) of the Code); (c) a participant in a profit sharing plan, pension plan or other retirement plan (other than the Plan, the Host Hotels & Resorts, L.P. Executive Deferred Compensation Plan or the Host Hotels & Resorts, Inc. and Host Hotels

& Resorts, L.P. Comprehensive Stock and Cash Incentive Plan or the Host Hotels & Resorts, Inc. Non-Employee Directors' Deferred Stock Compensation Plan) maintained by Host Hotels & Resorts, Inc. or Host Hotels & Resorts, L.P. or an affiliate, whether or not the plan or the trust of such plan is intended to qualify under Section 401 of the Code; (d) a leased employee (within the meaning of Section 414(n) of the Code); (e) an independent contractor; or (f) any other individual who is not classified by the Participating Company as an employee, regardless of whether such leased employee, independent contractor or other individual is later determined to be common law employee.

1.30 "Entry Date" means the first day of the four week accounting period of the Participating Company immediately following receipt by the Plan Administrator of an application for admission to the Plan in writing, or in such other form authorized by the Plan Administrator. The Board of Directors may, with respect to persons who become Employees by virtue of having been employed by any business entity the stock or substantially all of the assets of which are acquired by Host Hotels & Resorts, L.P. or any affiliate or Affiliated Company or the management of which is assumed by the Company, establish by written resolution as a special Entry Date, solely for such Employees, the date of such acquisition or assumption of management.

1.31 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.32 "Fiduciary" means any person who (a) exercises any discretionary authority or discretionary control respecting management of the Plan or exercises any authority or control respecting management or disposition of the Plan's assets; (b) renders investment advice for a fee or other compensation, direct or indirect, with respect to any monies or other property of the Plan, or has any authority or responsibility to do so; or (c) has any discretionary authority or discretionary responsibility in the administration of the Plan. The term "Fiduciary" includes the Named Fiduciary, the Trustees and any person to whom fiduciary responsibilities have been delegated pursuant to Section 15.3.

1.33 "FLSA" means the Fair Labor Standards Act, as amended from time to time.

1.34 "Fund" means any of the separate funds in which Participants' Accounts may be placed and which are allocated and invested in accordance with Article XIV.

1.35 "Hardship" means the existence of an immediate and heavy financial need of the Participant or, for purposes of (a), (c) and (e) below, the Beneficiary. A need exists if it is necessary for the following:

(a) expenses for medical care previously incurred by the Participant, his spouse or any of his dependents or necessary for these persons to obtain medical care within the limits of Section 213(d) of the Code;

(b) purchase (excluding mortgage payments) of a principal residence for the Participant;

(c) Payment of tuition, related education fees and room and board for the next 12 months of post-secondary education for the Participant, his spouse, children or dependents;

(d) Payment to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence; and

(e) Payments for burial or funeral expenses for the Participant's deceased parent, Spouse, children or dependents;

(f) Expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Code Section 165, determined without regard to whether the loss exceeds ten percent of gross income; or

(g) Any other event determined by the Commissioner of Internal Revenue.

1.36 "Highly Compensated Employee" means any Employee or former Employee who performs service for a Participating Company during the Plan Year and who (i) for the prior Plan Year received Compensation from the Participating Company in excess of $100,000 (adjusted as described in Section 414(q)(1) of the Code) and was in the "top-paid group," as defined in Section 414(q) of the Code; or (ii) during the Plan Year or the prior Plan Year was a 5% owner (as defined in Code Section 416(i)(1)(B)(i)).

1.37 "Hire Date" means, for any Employee, the date on which he first becomes entitled to credit for an hour for which he is directly or indirectly paid or entitled to be paid by the Company or an Affiliated Company for the performance of employment services.

1.38 "Host Marriott L.P." means Host Hotels & Resorts, L.P., a Delaware limited partnership, or any successor thereto by merger, consolidation or the acquisition of substantially all of the assets and business thereof.

1.39 "Investment Expenses" means all expenses which under generally accepted accounting principles would be classified as investment expenses, including, without limitation, investment manager's or advisor's fees and expenses, custodial fees, fees of broker-dealers for effecting investment transactions or rendering investment advice, expenses relating to the making of investments and expenses relating to the recovery of any investment in a bankrupt or insolvent entity.

1.40 "Maximum Permissible Amounts" means the lesser of:

(a) $46,000, or such higher amount to which such amount may be adjusted as described in Code Section 415(d) or, pursuant to Section 415(f) of the Code, to implement special rules applicable to combining more than one defined contribution plan as a single plan; or

(b) One hundred percent (100%) of the Participant's Compensation.

1.41 "Named Fiduciary" means the Committee in its role as named fiduciary of the Plan as set forth in Section 15.1(a).

1.42 "Participant" means an Employee of the Company who has been admitted to participation in this Plan in accordance with Article II. As appropriate to the context a "Participant" may include one or more of the following sub-definitions:

(a) "Former Participant" means any present Employee of the Participating Company and all affiliates who, after having been a Participant, ceases to participate in the Plan.

(b) “Terminated Participant” means any prior Employee of the Participating Company and all affiliates who, after having been a Participant, terminated his employment other than by retirement, death or Permanent Disability, and has any vested balance in the Plan.

(c) “Retired Participant” means any Participant who retires from employment with the Participating Company and all affiliates in accordance with Section 8.1 and has any vested balance in the Plan.

(d) “Disabled Participant” means any Participant who terminates from employment with the Participating Company and all affiliates as a result of a Permanent Disability and has any vested balance in the Plan.

(e) “Deceased Participant” means any Participant who terminates employment by reason of death and leaves any vested balance in the Plan.

1.43 “Participating Company” means Host Hotels & Resorts, L.P. or any Affiliated Company that has elected to join the Plan with the consent of the Host Hotels & Resorts, Inc.’s Board of Directors.

1.44 “Pay” of a Participant means the amount of his Compensation payable to him for a Payroll Period but without regard to any limitation imposed by Code Section 401(a)(17).

1.45 “Payroll Period” of a Participant means the period established by the Participating Company during which services are performed entitling the Participant to Compensation.

1.46 “Period of Severance” means the period of time commencing on the Separation Date and ending on the Participant’s Reemployment Date.

1.47 “Permanent Disability” means that the Participant is either (a) determined to be entitled to benefits under the Company’s long-term disability plan, or (b) if he is not a participant in such long-term disability plan, has been determined to be disabled by the Social Security Administration.

The determination of the existence of a Permanent Disability shall be made by the Plan Administrator and shall be final and binding upon the Participant and all other parties.

1.48 “Plan” means the Host Hotels & Resorts, L.P. Retirement and Savings Plan, including any amendments thereto.

1.49 “Plan Administrator” means the person to whom the duties of Plan Administrator are delegated pursuant to Section 15.3(b).

1.50 “Plan Year” shall mean the calendar year.

1.51 “Predecessor Company” means Host Hotels & Resorts, Inc.

1.52 “Prior Plan” means the Host Marriott Corporation (HMC) Retirement and Savings Plan and Trust, as in effect prior to January 1, 2004.

1.53 “Pro Rata Share of Administrative Expenses” means the amount determined by multiplying the Administrative Expenses of the Plan by a fraction, the numerator of which is the total value of each Fund and the denominator of which is the total aggregate value of all such Funds.

1.54 “Qualified Domestic Relations Order” or “QDRO” shall have the same meaning as “qualified domestic relations order” under Section 414(p) of the Code and the Treasury Regulations thereunder.

1.55 “Qualified Joint and Survivor Annuity” or “QJSA” means an annuity purchased from a commercial insurance company with the Participant’s Account that pays a benefit for the life of the Participant with a survivor annuity for the life of the Participant’s Surviving Spouse in an amount elected by the Participant of either fifty percent (50%) or one hundred percent (100%) of the amount being paid to the Participant during his lifetime.

1.56 “Reemployment Date” means, for any Employee, the first date following the Employee’s Separation Date on which he first becomes entitled to credit for an hour for which he is directly or indirectly paid or entitled to be paid by the Company or an Affiliated Company for the performance of employment duties.

1.57 “Required Beginning Date” means April 1 of the calendar year following the calendar year in which the Participant attains age 70- $^1/_2$ or, if later, the calendar year in which the Participant retires from the Company; provided, however, that in the case of a Participant who is a 5% owner (as defined in Code Section 416), Required Beginning Date means April 1 of the calendar year following the calendar year in which the Participant attains age 70- $^1/_2$.

1.58 “Roth Contributions” shall have the meaning set forth in Section 5.2.

1.59 “Roth Contribution Account” shall have the meaning set forth in Section 6.1(c).

1.60 “Section 401(k) Contribution” shall have the meaning set forth in Section 5.2.

1.61 “Section 401(k) Contribution Account” shall have the meaning set forth in Section 6.1(b).

1.62 “Separation Date” means the earlier of:

(a) Any date on which an Employee’s employment with the Company terminates by reason of voluntary termination, discharge, retirement or death; or

(b) The first anniversary of the first date of a period in which the Employee remains absent from active employment with the Company for some reason other than voluntary termination, discharge, retirement, death, approved leave of absence, or military service.

Provided, however, that, solely for the purpose of determining whether a Period of Severance has occurred, if an Employee is absent from service beyond the first anniversary of the first date of absence by reason of a “maternity or paternity leave”, then the Separation Date of such Employee shall be the second anniversary of the first date of such absence. For purposes of this Section, “maternity or paternity leave” means termination of employment or absence from work due to: (i) the pregnancy of the Participant, (ii) the birth of a child of the Participant, (iii) the placement of a child in connection with the adoption of the child by a Participant, or (iv) the caring for a Participant’s child during the period immediately following the child’s birth or placement for adoption. The Plan Administrator shall determine, under rules of uniform application and based on information provided to the Plan Administrator by the Participant, whether or not the Participant’s termination of employment or absence from work is due to “maternity or paternity leave”.

1.63 “Service” means an Employee’s or a Participant’s period of employment with the Company; the Predecessor Company prior to January 1, 2004; as a leased employee (within the meaning of Section 414(n) of the Code) unless the leased employee is covered by a safe harbor plan described in Section 414(n)(5) of the Code; any other employer that is required to be aggregated with the Company under Section 414 of the Code, as determined in accordance with Article VII or any employer that maintains a plan from which assets are transferred to this Plan on behalf of the Employee or Participant in a transaction subject to Section 414(1) of the Code. An Employee’s Service shall include any period of employment with Crestline Capital Corporation if the Employee was employed by the Company immediately after becoming employed by Crestline Capital Corporation. Employment of an Employee or a Participant by any of the following employers shall be treated as Service:

(a) An Affiliated Company, both prior to and after becoming an Affiliated Company, if such Affiliated Company has elected to join the Plan.

(b) An Affiliated Company, after becoming an Affiliated Company, if such Affiliated Company has not elected to join the Plan.

In addition, the Board of Directors shall have the authority by adopting written resolutions to recognize employment of an Employee or a Participant by any of the following employers as Service:

(a) An Affiliated Company, prior to becoming an Affiliated Company, if such Affiliated Company has not elected to join the Plan.

(b) Any business entity substantially all of the assets of which are acquired by Host Hotels & Resorts, L.P. or any affiliate or Affiliated Company or whose management is assumed by the Company; provided that such recognition shall apply uniformly to all employees of any such employer.

1.64 “Spousal Consent” means a Spouse’s written consent which acknowledges the effect of the Participant’s election and is witnessed by a Plan representative or notary public. Spousal Consent may be in the form of a specific consent, general consent or limited general consent, as provided in Section 8.6(e).

1.65 “Spouse” or “Surviving Spouse” means the spouse or surviving spouse of the Participant, provided that a former spouse will be treated as the spouse or surviving spouse and a current spouse will not be treated as the spouse or surviving spouse to the extent provided in a Qualified Domestic Relations Order.

1.66 "Subaccount" means the portion of a Participant's Account placed in each Fund pursuant to Article XIV.

1.67 "Trustees" means the corporate trustee or persons appointed as Trustee of the Trust Fund and any successors.

1.68 "Trust Agreement" means the agreement providing for the terms and conditions under which the Trustee will hold and invest the Trust Fund.

1.69 "Trust Fund" means the assets of the Plan and Trust as the same shall exist from time to time.

1.70 "Valuation Date" means each business day, as of which the Plan Administrator values the interest of Participants in the assets of the Trust Fund, such valuations being made in accordance with the provisions of Section 6.8.

ARTICLE II.
ELIGIBILITY AND PARTICIPATION

2.1 Eligibility and Participation

(a) Commencement of Participation. Each Employee shall be automatically enrolled in the Plan on the Entry Date immediately following the Employee's Hire Date, unless the Employee submits a waiver of automatic enrollment in the form and manner determined by the Plan Administrator pursuant to Section 5.3. Any Employee who submits a waiver of automatic enrollment may subsequently submit a written application to the Plan Administrator for admission to the Plan, and shall be admitted to the Plan on the next following Entry Date.

(b) *Continued Participation.* Notwithstanding subsection (a), any person who was a Participant in the Plan on the day before the Effective Date shall continue to be a Participant under this Plan on the Effective Date, provided that such person is an Employee on the Effective Date.

(c) *Participation Voluntary.* Notwithstanding subsection (a), participation in the Plan is entirely voluntary. Employees who do not wish to be enrolled in the Plan shall submit a written waiver of automatic enrollment as described in subsection (a). An Employee who has waived automatic enrollment may subsequently elect to commence participation in the Plan in accordance with subsection (a).

(d) *Default Contribution Level.* Upon automatic enrollment in the Plan, the Participant will be deemed to have elected to contribute three percent (3%) of his Flexible Compensation as a Section 401(k) Contribution, subject to the terms and conditions of Article V of the Plan, including changes in elections under Section 5.3.

2.2 Reemployment of Employee. An Employee who terminates employment with the Company and subsequently resumes employment with the Company shall become eligible to participate in the Plan immediately upon again becoming an Employee and shall be admitted to the Plan in accordance with the method determined by the Committee pursuant to Section 5.2(a).

2.3 Termination of Plan Participation. A Participant may cease to participate in the Plan during the Participant's continued employment at any time by giving written notice thereof to the Plan Administrator. Such notice shall be effective to terminate participation as soon as practicable and such Employee shall thereupon become a Former Participant.

2.4 Readmission of Former Participant. Any Former Participant may be readmitted to the Plan as a Participant on any Entry Date upon written application in accordance with Section 2.1(a); provided, however, that if any Former Participant withdraws any portion of his Basic After-tax Savings pursuant to Section 10.1, he shall not be eligible for readmission to the Plan until six (6) months have elapsed from the date on which he became a Former Participant.

2.5 Participation During Authorized Leave of Absence or During Employment by Affiliated Company That Has Not Joined Plan. Participation in the Plan may continue during periods of Authorized Leave of Absence, and periods during which a Participant is employed by an Affiliated Company, which has not elected to join the Plan. However, the Participant may neither deposit savings in the Trust Fund nor share in the allocation of the Company contribution during such periods. A Participant on Authorized Leave of Absence who does not return to active employment with the Company by the expiration of such Authorized Leave of Absence shall be treated for the purposes of the Plan as having terminated employment pursuant to Section 9.1.

2.6 Treatment of Participants Who Cease Being Employees Pursuant to Section 1.29. Notwithstanding the provisions of Section 2.5, any Participant who ceases to be an Employee by reason of Section 1.29(a), (b), (d) or (e), or by becoming employed by an Affiliated Company which has not elected to join the Plan, or by becoming a participant in a plan described in Section 1.29(c), shall be treated thereupon as a Former Participant in accordance with the provisions of this Plan.

ARTICLE III.
COMPANY CONTRIBUTION

3.1 Amount of Contribution. For each Plan Year or portion thereof, each Participating Company shall make the following contributions to the Trust Fund:

(a) Section 401(k) Contributions and Roth Contributions, as provided by Article V;

(b) A matching contribution on behalf of each Participant in the amount of fifty percent (50%) of the Participant's Combined Basic Savings, but only if such Participant is an employee on the last day of the applicable Payroll Period; and

(c) Any additional contribution, if any, as determined in the absolute and sole discretion of the Host Hotels & Resorts, Inc. Board of Directors or the Committee.

In no event shall the amount of the contribution exceed the maximum amount deductible by a Participating Company for the Plan Year with respect to which the contribution is made under Section 404(a) of the Code or the corresponding provision of any subsequent tax law.

Notwithstanding anything to the contrary, no matching contributions under Section 3.1(b) (as allocated under Section 6.5(a)) and Section 3.1(c) (as allocated under Section 6.5(b)(2)) shall be made with respect to catch-up contributions described in Section 5.12 of the Plan.

3.2 Time of Payment of Contributions . A Participating Company may pay its contributions at such time or times and in such amount or amounts as it may deem appropriate during the Plan Year for which each such contribution becomes due and for such period thereafter during which payment thereof may be permitted as a deduction for the previous Plan Year under the Code.

3.3 Form of Payment of Contributions. All payments of contributions shall be made directly to the Trustees. Payments may be in cash or in such other property of any kind as the Named Fiduciary may authorize the Trustees to accept, to the extent permitted by law. The value of any property other than cash, which may be paid to the Trustees shall be its fair market value as of the date of such payment, as determined by the Named Fiduciary, based on the report of an independent appraiser.

3.4 Return of Contributions to Company. Notwithstanding any other provisions of this Plan, any contributions made by a Participating Company pursuant to Section 3.1 shall, to the extent permitted by Section 403(c) of ERISA, be returned to a Participating Company if:

(a) The contributions are made as the result of a mistake of fact;

(b) A tax deduction claimed for the contributions pursuant to Section 404 of the Code is denied to the Company by the Internal Revenue Service; or

(c) The IRS determines that the Plan is not tax-qualified under Section 401 of the Code.

Notwithstanding the foregoing, however, no contributions may be returned to a Participating Company under the above provisions later than one (1) year from the date a mistaken contribution is made, a tax deduction for a contribution is denied, or the IRS determines that the Plan is not tax-qualified, as the case may be. Further, except as otherwise provided in this paragraph, the assets of the Plan shall not inure to the benefit of the Company, and shall be held for the exclusive purposes of providing benefits to Participants and Beneficiaries and defraying reasonable expenses of administering the Plan.

ARTICLE IV.
PARTICIPANTS' AFTER-TAX SAVINGS

4.1 Participant After-tax Savings. Subject to the provisions of Section 4.2, each Participant may deposit After-tax Savings into the Trust Fund.

4.2 Amount of After-tax Savings. Subject to the limitation provisions of Section 6.6, a Participant may deposit in the Trust Fund, specified in multiples of one percent (1%), an amount, which is at least one percent (1%), but not more than twenty percent (20%), of his Pay for each Payroll Period. However, the maximum amount of After-tax Savings permitted in any Plan Year shall not exceed 20% of the Participant's Compensation, calculated on an annual basis, and such maximum amount shall be reduced by the amount of the Participant's 401(k) Contributions and Roth Contributions as provided in Section 5.8.

4.3 Payroll Deduction. Each Participant's After-tax Savings shall be withheld by the Participating Company from his Pay for each Payroll Period.

4.4 Change in Rate of After-tax Savings. A Participant may change the rate of his After-tax Savings to any other rate authorized by Section 4.2 at any time by giving written notice to the Plan Administrator in the manner determined by the Committee. Such notice shall be effective as specified by the Committee. In addition, a Participant may discontinue his After-tax Savings at any time by giving written notice to the Plan Administrator. Such notice of discontinuation shall be effective as specified in Section 2.3, unless the Participant has made an election pursuant to Section 5.2.

4.5 Payment to Trustees. The Participants' After-tax Savings withheld shall be paid to the Trustees by the Company on the earliest date on which such After-tax Savings can reasonably be segregated from the Company's general assets. A statement showing the amount representing the After-tax Savings of each Participant shall accompany each such payment.

4.6 Investment of Participants' After-tax Savings. Subject to the Participant's right to direct investments, the Participant's After-tax Savings shall be commingled with other assets in the Trust Fund for investment purposes.

4.7 In-Service Withdrawal of After-tax Savings. A Participant may withdraw After-tax Savings from his After-tax Savings Account as provided in Sections 10.1 and 10.5.

4.8 Effect of Termination of Plan or Discontinuance of After-tax Contributions. In the event (a) the Plan is terminated or partially terminated with respect to a Participating Company or particular group or class of Participants, or (b) the Company or any Participating Company discontinues the making of After-tax Contributions, the election made by any affected Participant under the provisions of this Article IV shall be immediately null and void and of no further effect, and no additional amounts of After-tax Savings shall be contributed to the Trust Fund by the Company or the Participating Company.

ARTICLE V.
SECTION 401(k) CONTRIBUTIONS AND
ROTH CONTRIBUTIONS

5.1 Section 401(k) Contributions and Roth Contributions. Notwithstanding Section 2.1 and subject to the terms and conditions of this Article V, any Participant may, at any time and from time to time, elect to have contributed to the Trust Fund out of his Pay for each Payroll Period, specified in multiples of one percent (1%), an amount which shall be designated by the Participant as:

(a) a Section 401(k) Contribution which shall constitute a contribution to the Trust Fund by the Company on behalf of the Participant under the provisions of Section 401(k) of the Code, and/or

(b) a Roth Contribution which shall constitute a contribution to the Trust Fund by the Participant under the provisions of Section 402A of the Code.

The maximum aggregate Section 401(k) Contributions, Roth Contribution and After-tax Savings permitted in any Plan Year shall not exceed 20% of the Participant's Pay for each Payroll Period and the Participant's Compensation calculated on an annual basis.

5.2 Election Rules.

(a) *Method of Election.* The Committee shall determine the method by which an election may be made pursuant to this Article V. Any such election method with respect to Section 401(k) Contributions must be consistent with the provisions of Section 401(k)(2) of the Code and (assuming such consistency) may include either an affirmative election procedure whereby Participants shall only be treated as having made an election upon written direction of the Participants or a negative election procedure whereby Participants shall be deemed to have made an election until and unless a Participant files a written direction negating the election. Any such election method with respect to Roth Contributions must be consistent with the provisions of Section 402A of the Code and must be an affirmative election whereby Participants shall only be treated as having made an election upon written direction of the Participants. Regardless of the method of election determined by the Committee, Participants shall be given prompt and adequate notice thereof and thus be afforded an appropriate opportunity to exercise their rights under this Article V.

(b) *Effective Date of Election.* A Participant's election shall become effective (unless previously revoked) upon the first day of the Payroll Period of the Company immediately following receipt by the Plan Administrator of the election.

(c) *Revocation or Amendment.* An election may be made to change a Participant's rate of Section 401(k) Contributions and/or Roth Contributions to any other rate authorized under Section 5.2 or to discontinue such contributions at any time. Such election shall be made in the manner, and shall be effective, as specified by the Committee. Finally, the Committee shall have the right and obligation to reduce a Participant's rate of Section 401(k) Contributions and/or Roth Contributions to any rate as the Committee deems necessary, from time to time, in order to assure compliance by this Plan with the standards of Section 401(k)(3) and Section 402(g) of the Code. The order and the amount of any such reduction (and the extent to which the reduction is made from a Participant's Section 401(k) Contributions or Roth Contributions) shall be determined by the Committee.

5.3 Treatment of Section 401(k) Contributions and Roth Contributions

(a) For each Payroll Period, a Participant's Pay shall be reduced by the amount which such Participant has elected to contribute as Section 401(k) Contributions (or such lesser amount determined by the Committee pursuant to Section 5.3(c)).

(b) For Payroll Periods beginning on or after February 1, 2008, a Participant's Pay shall be reduced by the amount which such Participant has elected to contribute as Roth Contributions (or such lesser amount determined by the Committee pursuant to Section 5.3(c)).

5.4 Limitations on Section 401(k) Contributions and Roth Contributions. Except as permitted under Section 5.12 of the Plan and Section 414(v) of the Code, the maximum amount of a Participant's Section 401(k) Contributions and Roth Contributions for a calendar year shall not exceed the limit in effect under Section 402(g)(1)(B) of the Code (as adjusted for cost of living) for such calendar year.

5.5 Actual Deferral Percentage Tests. The Actual Deferral Percentage Test shall be satisfied for a Plan Year if one of the following two tests is met for such Plan Year:

(a) The Actual Deferral Percentage for the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees for the prior Plan Year multiplied by 1.25; or

(b) The Actual Deferral Percentage for the Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees for the prior Plan Year multiplied by 2.0, and the excess of the Actual Deferral Percentage for the Highly Compensated Employees for the prior Plan Year over all other eligible Employees for the prior Plan Year is not more than two percentage points.

5.6 Correction of Failed Actual Deferral Percentage Tests. In order to achieve the result described in Section 5.6, the following actions may be taken, as determined by the Committee:

(a) To the extent that Section 401(k) Contributions made on behalf of a Participant pursuant to an election under Section 5.2(a) by a Participant who is a Highly Compensated Employee would otherwise cause the Plan to fail to comply with the Actual Deferral Percentage Tests set forth in Section 5.6, such contributions shall constitute After-tax Savings by the Participant rather than Section 401(k) Contributions. Excess Section 401(k) Contributions for a Plan Year (along with the required amount of income) shall be recharacterized as After-tax Savings for the Highly Compensated Employees in question in accordance with the Leveling Method described in subsection (c).

(b) Within two and one-half (2 $^1/_2$) months following the end of the Plan Year (or such longer period permitted by law), the amount of excess Section 401(k) Contributions and/or excess Roth Contributions (along with the required amount of income), as determined by the Committee, for Participants who are Highly Compensated Employees shall be allocated according to the Leveling Method described in subsection (c) and distributed to the Highly Compensated Employees in question in conformance with Treas. Reg. Section 1.401(k)-2(b)(4)(ii).

(c) The Leveling Method refers to the following two step method of determining the total dollar amount of excess Section 401(k) Contributions (and, with respect to the correction described in subsection (b), excess Roth Contributions) in accordance with the procedures established by the Committee and apportioning such excess amount among the Highly Compensated Employees in question so that the appropriate action described in subsection (a) or (b) may be taken by the Committee:

(1) The actual deferral ratio of the Highly Compensated Employee with the highest actual deferral ratio shall be reduced to equal that of the Highly Compensated Employee with the next highest actual deferral ratio and this process shall be repeated until Section 5.6 is satisfied. If a lesser reduction would enable the Plan to satisfy Section 5.6, then the lesser reduction will apply.

(2) The total amount determined under paragraph (1) shall be apportioned among the Highly Compensated Employees such that the allocations of the Highly Compensated Employee with the highest dollar amount of allocations described in Section 6.3 or Section 6.4 for the Plan Year in question shall be reduced by the amount required to cause the Highly Compensated Employee's allocations to equal the dollar amount of the Highly Compensated Employee with the next highest dollar amount of such allocations and this process shall be repeated to the extent required so that the total reductions equal the total amount determined under paragraph (1). If a lesser reduction, when added to the dollar amount already reduced, would equal the total dollar amount determined under paragraph (1), the lesser reduction shall apply. The order of any such reduction (and the extent to which the reduction is made from a Highly Compensated Employee's Section 401(k) Contributions or Roth Contributions) shall be determined by the Committee.

(d) The amount of any distribution under subsection (b) or re-characterization under subsection (a) with respect to a Participant for a Plan Year shall be reduced by any distribution under Section 5.13 previously distributed to such Participant for his taxable year in accordance with Section 402(g)(2) of the Code.

5.7 <u>Coordination of After-tax Savings, Section 401(k) Contributions and Roth Contributions</u>. The maximum aggregate Section 401(k) Contributions, Roth Contributions and After-tax Savings of a Participant for any Payroll Period shall not exceed twenty percent (20%) of the Participant's Pay. In addition, the maximum aggregate amount of After-tax Savings, Section 401(k) Contributions and Roth Contributions in any Plan Year shall not exceed twenty percent (20%) of the Participant's Compensation, calculated on an annual basis. If the sum of a Participant's After-tax Savings, Section 401(k) Contributions and Roth Contributions for any Payroll Period exceeds twenty percent (20%) of Pay (or, with respect to a Plan Year, Compensation), the Participant's Section 401(k) Contributions shall first be included towards such maximum until exhausted, next, Roth Contributions shall be included until exhausted and lastly After-tax Savings. Any excess amounts in any such period shall be paid to the Participant as cash compensation for the period in question.

5.8 Payment to Trustees. Section 401(k) Contributions and Roth Contributions shall be paid to the Trustees by the Company on the earliest date on which such Section 401(k) Contributions and Roth Contributions can reasonably be segregated from the Company's general assets. A statement showing the amount representing the Section 401(k) Contributions and Roth Contributions of each Participant shall accompany each such payment.

5.9 Distribution of Section 401(k) Contributions and Roth Contributions.

(a) *Restrictions on Distributions.* Notwithstanding any provision of this Plan to the contrary, a Participant's Section 401(k) Contributions and Roth Contributions (and, except as provided in Section 10.7(a) for Hardship distributions, earnings attributable thereto) shall not be distributable other than upon:

(1) The Participant's severance from employment (within the meaning of Section 401(k)(2)(B) of the Code), death or Permanent Disability;

(2) The Participant's attainment of age 59- 1/2, or termination of participation in the Plan after attaining age 59- 1/2;

(3) The Participant's Hardship;

(4) The termination of the Plan by the Company without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in Section 4975(e)(7) of the Code);

(5) The correction of a failed Actual Deferral Percentage Test described in Section 5.6, determined in accordance with Section 5.7 of the Plan; or

(6) The correction of a Participant's contributions which are in excess of the Code Section 402(g) limit (along with the required amount of income) in accordance with Section 5.13.

Notwithstanding the foregoing, any distribution made pursuant to subsections (a)(4) of this Section must meet the requirements of Section 401(k)(10) of the Code.

(b) *In-Service Withdrawal of Section 401(k) Contributions and Roth Contributions.* Any Participant or Former Participant who meets the requirements of subsection (a)(2) or (3) of this Section may withdraw his Section 401(k) Contributions and Roth Contributions during the Participant's continued employment, as provided in Section 10.5 or Section 10.7, as applicable.

5.10 Effect of Termination of Plan or Discontinuance of Section 401(k) Contributions, Roth Contributions and After-tax Savings. In the event (a) the Plan is terminated or partially terminated with respect to a Participating Company or particular group or class of Participants, or (b) the Company or any Participating Company discontinues the making of Section 401(k) Contributions, Roth Contributions and After-tax Savings, the elections made by any affected Participant under the provisions of this Article V and Article IV shall be immediately null and void and of no further effect, and no additional amounts shall be contributed to the Trust Fund by the Company or the Participating Company.

5.11 Catch-up Contributions. All Participants who are eligible to make Section 401(k) Contributions and Roth Contributions under the Plan and who have attained age 50 before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code. Each eligible Participant who elects to make catch-up contributions shall make a separate catch-up contribution election with respect to Section 401(k) Contributions and/or Roth Contributions. Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of sections 402(g) and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

5.12 Contribution Limitation. In no event shall the aggregate Section 401(k) Contributions and Roth Contributions of a Participant (excluding catch-up contributions described in Section 5.12) for any calendar year, together with any such contributions the Participant made under another employer's plan, exceed the limit described in Section 402(g) of the Code. If a Participant makes excess deferrals to the Plan and another employer's plan, the Participant shall notify the Plan Administrator of the excess deferrals under the Plan (including the extent to which the excess deferrals are attributable to Roth Contributions) not later than the April 15 following the close of the calendar year in which such excess deferrals were made to the Plan. If a Participant makes excess deferrals under the Plan and any other plan of the Company or an Affiliated Company, the Participant is deemed to have notified the Plan Administrator of such excess deferrals (including the extent to which the excess amount is attributable to Roth Contributions). Not later than April 15 following the close of the calendar year in which the excess deferrals were made to the Plan (or such later date as permitted by law), the Plan shall distribute the excess deferrals (and the required amount of earnings). Notwithstanding the foregoing, if a Participant has excess deferrals under the Plan for a calendar year, the Participant shall receive a corrective distribution during such calendar year (or such later period permitted by law) provided that the requirements described in Treas. Reg. Section 1.402(g)-1(e)(3) are satisfied.

ARTICLE VI.
ALLOCATION OF CONTRIBUTIONS
AND NET INCOME AMONG PARTICIPANTS

6.1 Maintenance of Separate Accounts. The Plan Administrator shall maintain the following accounts in the name of each person participating in the Plan:

(a) After-tax Savings Account (consisting of Participants' After-tax Savings pursuant to Article IV and any earnings or losses thereon);

(b) Section 401(k) Contribution Account (consisting of Section 401(k) Contributions pursuant to Article V and any earnings or losses thereon);

(c) Roth Contribution Account (consisting of Roth Contributions pursuant to Article V and any earnings or losses thereon); and

(d) Company Contribution Account (consisting of Company contributions under Section 3.1(b) and (c), forfeitures and any earnings or losses thereon).

All of such separate accounts and the separate Fund Subaccounts, as established pursuant to Section 14.5(a), shall in the aggregate constitute the Participant's Account.

6.2 Allocation to After-tax Savings Accounts. The After-tax Savings deposited by a Participant pursuant to Section 4.2 shall be credited, as made, to the Participant's After-tax Savings Account.

6.3 Allocation of 401(k) Contribution. Section 401(k) Contributions made by the Company on behalf of a Participant pursuant to Section V shall be credited, as made, to the Participant's Section 401(k) Contribution Account.

6.4 Allocation of Roth Contribution. Roth Contributions made by the Participant pursuant to Section V shall be credited, as made, to the Participant's Roth Contribution Account.

6.5 Allocation of Company Contribution. Subject to Section 6.7, Company contributions shall be allocated as follows:

(a) Company contributions pursuant to Section 3.1(b) shall be credited as made pursuant to Section 3.2 to each Participant's Company Contribution Account if such Participant is an active employee on the last day of the quarter or such earlier date as determined by the Committee or Plan Administrator; and

(b) Company contributions pursuant to Section 3.1(c) shall be allocated and applied in the following order:

(1) To the restoration of forfeitures of Terminated Participants re-admitted to the Plan in accordance with Section 9.5(b) and unclaimed benefits previously reallocated in accordance with Section 6.10, to the extent that current forfeitures are insufficient to provide for such restoration, as provided in Sections 6.9 and 6.10; and

(2) To the Company Contribution Accounts of all Participants who are Employees of the Company on the day that the Board approves the Company Contribution made pursuant to Section 3.1(c), and all Participants who become Retired, Disabled or Deceased Participants during the Plan Year, based on the ratio that each such Participant's Combined Basic Savings for such Plan Year bears to the total Combined Basic Savings of all such Participants for such Plan Year. The Company Contributions allocated to each Participant's Account shall be further allocated among such Participant's Fund Subaccounts in accordance with the provisions of Article XIV.

6.6 Limitation on After-tax Savings and Company Contributions. Notwithstanding any provisions of the Plan to the contrary, the Participant's After-tax Savings and Company contributions (including forfeitures used to reduce contributions under Section 3.1(b) or (c) for a Plan Year must satisfy the Actual Contribution Percentage Tests for such Plan Year. The Actual Contribution Percentage Test shall be satisfied for a Plan Year if one of the following two tests is met for such Plan Year:

(a) The Actual Contribution Percentage for the eligible Highly Compensated Employees is not more than the Actual Contribution Percentage for the prior Plan Year of all other eligible Employees multiplied by 1.25; or

(b) The Actual Contribution Percentage for the Highly Compensated Employees is not more than the Actual Contribution Percentage for the prior Plan Year of all other eligible Employees multiplied by 2.0, and the excess of the Actual Contribution Percentage for the Highly Compensated Employees over all other eligible Employees for the prior Plan Year is not more than two percentage points.

6.7 Correction of Failed Actual Contribution Percentage Tests. In order to achieve the result described in Section 6.6, the following actions may be taken, as determined by the Committee:

(a) Within two and one-half (2 1/2) months following the end of the Plan Year (or such longer period permitted by law), the amount of excess aggregate contributions (along with the required amount of income) for Participants who are Highly Compensated Employees, as determined by the Committee, shall be allocated according to the Leveling Method described in subsection (c) and distributed to the Highly Compensated Employees in question or forfeited in accordance with Treas. Reg. Section 1.401(m)-2(b)(2).

(b) The Leveling Method refers to the following two step method of determining the total dollar amount of excess aggregate contributions in accordance with the procedures established by the Committee and apportioning such excess amount among the Highly Compensated Employees in question so that the excess aggregate contributions may be distributed to the appropriate Participants who are Highly Compensated Employees or, with respect to Company contributions, forfeited:

(1) The actual contribution ratio of the Highly Compensated Employee with the highest actual contribution ratio shall be reduced to equal that of the Highly Compensated Employee with the next highest actual contribution ratio and this process shall be repeated until Section 6.6 is satisfied. If a lesser reduction would enable the Plan to satisfy Section 6.6, then the lesser reduction will apply.

(2) The total amount determined under paragraph (1) shall be apportioned among the Highly Compensated Employees such that the allocations of the Highly Compensated Employee with the highest dollar amount of allocations described in Section 6.2 (or Section 6.5) for the Plan Year in question shall be reduced by the amount required to cause the Highly Compensated Employee's allocations to equal the dollar amount of the Highly Compensated Employee with the next highest dollar amount of such allocations and this process shall be repeated to the extent required so that the total reductions equal the total amount determined under paragraph (1). If a lesser reduction, when added to the dollar amount already reduced, would equal the total dollar amount determined under paragraph (1), the lesser reduction shall apply. The extent to which the reduction is made from After-tax Savings Accounts and distributed to the applicable Highly Compensated Employees or from Company Contribution Accounts and forfeited shall be determined by the Committee.

6.8 Allocation of Net Income. As of each Valuation Date, each Fund shall be charged or credited with the net earnings, gains, losses, Investment Expenses and the Pro Rata Share of Administrative Expenses as well as any appreciation or depreciation in the market value using publicly issued fair market values when available or appropriate. To the extent that a Participant's Subaccounts are invested in Funds that are accounted for as pooled assets or investments, the allocation of earnings, gains and losses of each Participant's accounts shall be based upon the total amount of funds so invested, in a manner proportionate to the Participant's share of such pooled investment. To the extent that a Participant's Subaccounts are invested in Funds that are accounted for as segregated assets, the allocation of earnings, gains and losses from such assets shall be made on a separate and distinct basis.

6.9 Use of Forfeitures. Forfeitures, as described in Section 9.5(a), shall be applied in the following order: (a) first to restore forfeitures of Terminated Participants readmitted to the Plan in accordance with Section 9.5(b) and unclaimed benefits previously reallocated in accordance with Section 6.10, (b) second to pay Plan expenses, and (c) third, to reduce the Company Contributions.

6.10 Use of Unclaimed Benefits.

(a) *Method of Allocation.* Unclaimed benefits, as described in Section 19.10, shall be reallocated in the same manner as forfeitures as provided in Section 6.9.

(b) *Reduction in Forfeitures.* If the Plan Administrator pays any unclaimed benefits, which had previously been reallocated hereunder, the amount of such benefits shall reduce the amount of forfeitures otherwise reallocated pursuant to Section 6.9. In the event that forfeitures for the Plan Year in question are not sufficient to pay any unclaimed benefits, the Company contribution for such Plan Year shall first be applied for such payment.

6.11 Allocation Limitations.

(a) *Maximum Additions.* Notwithstanding anything to the contrary contained in the Plan, the sum of: (1) the total Additions made to the Account of a Participant under this Plan for any Plan Year; and (2) the "annual additions" (as defined in Section 415 of the Code) made to the account of a Participant under any other qualified defined contribution plan maintained by the Company or any Affiliated Company, shall not exceed the Maximum Permissible Amount.

(b) *Correction of Excess.* If the Maximum Permissible Amount is exceeded in any Plan Year, corrections shall be made in conformance with the Employee Plans Compliance Resolution System (or any successor thereto).

(c) *Further Limitations on Additions.* Notwithstanding the foregoing provisions of this Section 6.11, the otherwise permissible annual Additions for any Participant under this Plan shall be further reduced to the extent necessary, as determined by the Committee to prevent disqualification of the Plan under Section 415 of the Code, which imposes additional limitations on the benefits payable to Participants who also may be participating in another tax-qualified pension, profit sharing, savings or stock bonus plan of the Company or any Affiliated Company. The Committee shall advise affected Participants of any additional limitation of their annual Additions required by the preceding sentence. The Plan Year shall be the "limitation year" of the Plan for purposes of the limitation on contributions and benefits under Section 415 of the Code, or any successor provision thereto.

6.12 Transfers From Other Qualified Plans.

(a) *Manner of Rollover or Direct Transfer.* An Employee (including an Employee who is not a Participant) may rollover or transfer to this Plan amounts received from a retirement plan which are eligible to be rolled over or transferred to this Plan pursuant to the provisions of Section 402 of the Code, including a direct transfer of an eligible rollover distribution pursuant to the provisions of Sections 401(a) and 403(a) of the Code, an annuity that meets the requirements of Section 403(b) of the Code, or from an eligible plan under Section 457(b) of the Code. Such rollover or transfer must comply with the requirement of Section 402 of the Code.

(b) *Governing Provisions.* The assets so rolled over or transferred shall be solely in cash. The Committee shall develop such procedures, and may require such information from the Employee desiring to make such a rollover or transfer, as it deems necessary to determine that the proposed rollover or transfer will meet the requirements of this Section and will not jeopardize the tax qualified status of the Plan. All amounts rolled over or transferred pursuant to this Section shall be deposited in the Trust Fund and shall be credited to a rollover account except that an Employee's designated Roth account within the meaning of Section 402A of the Code shall be subject to the separate accounting rules which apply to Roth Contributions. The rollover account and the designated Roth account shall be one hundred percent (100%) vested in the Participant, shall share in income allocations in accordance with Section 6.8 (but shall not share in Company contributions) and shall be invested in accordance with the provisions of Article XIV.

ARTICLE VII.
VESTING

7.1 Vesting of After-tax Savings Account. The interest of each Participant in his After-tax Savings Account shall vest to the extent of one hundred percent (100%) as soon as such After-tax Savings are withheld from his Pay pursuant to Article IV and as soon as the earnings on such After-tax Savings are credited pursuant to Article VI.

7.2 Vesting of Section 401(k) Contribution Account and Roth Contribution Account. The interest of each Participant in his Section 401(k) Contribution Account and Roth Account shall vest to the extent of one hundred percent (100%) as soon as such Section 401(k) Contributions are made on his behalf by the Company or such Roth Contributions are made by the Participant pursuant to Article V and as soon as the earnings thereon are credited pursuant to Article VI.

7.3 Vesting of Company Contribution Account.

(a) *Vesting Schedule.* The interest of each Participant in his Company Contribution Account shall vest as follows:

Period of Service	Vested Percentage
Less than 2 years	0%
At least 2 years but less than 3 years	25%
At least 3 years but less than 4 years	50%
At least 4 years but less than 5 years	75%
5 years or more	100%

(b) *Service to be Credited Upon Resumption of Employment.* If an Employee terminates employment and is reemployed by the Company, upon the Employee's reemployment, all Service with the Company (including Service before and after such reemployment) shall be counted for purposes of determining his vested interest in his Company Contribution Account, if any.

(c) *Definition of "Service".* For purposes of determining a Participant's vested interest in his Company Contribution Account, "Service" means the period of time commencing on the Participant's Hire Date and ending on the Participant's Separation Date and, if applicable, the period of time commencing on the Participant's Reemployment Date and ending on the Participant's subsequent Separation Date. In addition, such Service shall include the period following a Separation Date described in Section 1.66(a) if a Participant's or Former Participant's Reemployment Date occurs within the 12-consecutive month period following such Separation Date; provided, however, that if a Participant or Former Participant is otherwise absent from employment, the period following such Separation Date shall be counted as Service only if the Participant's or Former Participant's Reemployment Date occurs within the 12-consecutive month period following the commencement of such other absence from employment. "Service" shall also include any periods of absence from active employment followed by a Separation Date, and periods of approved Leaves of Absence granted in accordance with a nondiscriminatory leave policy; provided, however, that if the Participant or Former Participant does not resume status as an employee of the Company at the time agreed upon by the Company and the Participant, the Participant shall be deemed to be discharged at such time. Service includes periods of employment described in Section 1.67.

(d) *Automatic 100% Vesting.* Notwithstanding subsection (a) of this Section, the Participant's interest in his Company Contribution Account shall vest to the extent of one hundred percent (100%) upon the earlier of the following while employed by the Company or an Affiliate:

(1) Death;

(2) Permanent Disability; or

(3) Attainment of age 59 $^{1}/_{2}$.

ARTICLE VIII.
TERMINATION AND DISTRIBUTION UPON RETIREMENT DEATH OR DISABILITY

8.1 Retirement. Retirement age for purposes of any Participant under this Plan is age 59 $^1/_2$. Upon his termination from employment on or after attaining retirement age, a Participant shall be eligible to receive the balance in his Account.

8.2 Death. The death of any Participant or Former Participant shall be reported promptly to the Plan Administrator by the Participating Company. The death of a Terminated Participant or a Retired Participant shall be reported to the Plan Administrator by dependents or beneficiaries who are directly concerned. Upon the Participant's death, the Participant's Beneficiary shall be entitled to payment of the balance of the Participant's vested Account in the manner provided by the Plan.

8.3 Disability. The termination of a Participant's employment with the Participating Company by reason of Permanent Disability shall be promptly certified to the Plan Administrator by the Participating Company. Upon such termination of employment, the Participant shall be eligible to receive the balance in his Account.

8.4 Valuation of Account Balance. The Account balance of a Retired, Deceased or Disabled Participant shall be valued as of the Valuation Date immediately preceding the date distribution is made to such Participant or Beneficiary, as applicable (and shall include such Participant's pro rata share of the Company contribution under Section 3.1(c), as determined under Section 6.5(b), if any, for the year in which such Participant terminated employment).

8.5 Available Payment Options. Subject to the mandatory cash-out of small amounts provided in Section 8.10, a Retired, Deceased or Disabled Participant's Account balance shall be distributed by the Trustees under such of the following payment options as the Participant (or, if a Deceased Participant shall have failed to select a payment option, as his Beneficiary) shall determine:

(a) Lump sum payment;

(b) Deferred payments in installments in any amount from time to time or over a period of time specified by the Participant, including installment payments in substantially equal amounts;

(c) Purchase of a term annuity contract from a commercial insurance company with payments for a term certain in regular installments; or

(d) Purchase of a single-life or Qualified Joint and Survivor Annuity contract from a commercial insurance company with payments for the life of the Participant or the life of the Participant and his or her Surviving Spouse. Election of a single life annuity by a married Participant and revocation of Qualified Joint and Survivor Annuity are subject to the Spousal Consent Rules of Section 8.6.

8.6 Spousal Consent Rules.

(a) *Revocation of an Annuity.* A married Participant who has selected a term annuity pursuant to Section 8.5(c) or a single life annuity or Qualified Joint and Survivor Annuity (hereinafter "QJSA"), pursuant to Section 8.5(d), may revoke such election and elect instead to receive his or her benefits as follows:

(1) If the Participant elected a term certain annuity form of payment and the commercial annuity contract has not yet been purchased by the Plan, the Participant (or the Surviving Spouse, if the Participant has died) may elect to receive any other form of benefit available for the Plan;

(2) If the Participant elected a life annuity or a Qualified Joint and Survivor Annuity form of payment and the commercial annuity contract has not yet been purchased by the Plan, the Participant (or his Surviving Spouse, if the Participant has died) may elect to receive any other form of benefit available from the Plan, provided that the Participant and his Spouse (or the Surviving Spouse, if the Participant has died) consent in writing to the distribution revocation of such election in accordance with Section 8.6(b).

(b) *Waiver of Life Annuity or Qualified Joint and Survivor Annuity.* A Participant who is married on the Annuity Starting Date may elect a single life annuity pursuant to Section 8.5(d) only if the Participant's Spouse provides a waiver of a Qualified Joint and Survivor Annuity. A married Participant who has selected a QJSA, pursuant to Section 8.5(d), may if permitted under Section 8.6(a) elect to revoke such election and waive the QJSA payment option. Such waivers must be made within the one hundred eighty (180) day period ending on the Participant's Annuity Starting Date with respect to such benefit. Subject to Section 8.6(a), a Participant may subsequently revoke the election to waive the QJSA and elect again to waive the QJSA at any time and any number of times prior to such Annuity Starting Date. All such elections and revocations shall be in writing. Any election to waive the QJSA must:

(1) Specify the alternate payment option elected;

(2) Be accompanied by the designation of a specific non-spouse Beneficiary (including any class of beneficiaries or any contingent beneficiaries) who will receive the benefit upon the Participant's death, if applicable; and

(3) Be accompanied by Spousal Consent.

If the Participant elects to waive the QJSA in accordance with the provisions of this Section 8.6, then he may elect distribution in the form of a "qualified optional survivor annuity" at any time prior to the Annuity Starting Date. A "qualified optional survivor annuity" is an annuity for the life of the Participant with an annuity for the Surviving Spouse equal to 75% of the amount payable during the joint lives of the Participant and the Spouse, which may be purchased from a commercial insurance company.

Notwithstanding the above, no consent under this subsection (b) shall be valid unless, within thirty (30) days and no more than one hundred eighty (180) days before the Annuity Starting Date, the Plan Administrator has provided the Participant with the written explanation described in subsection (c) of this Section. A Participant may elect to receive distribution prior to the expiration of such thirty (30) day period if distribution commences more than seven (7) days after the written explanation described in the previous sentence was provided.

A Participant who is not married on the Annuity Starting Date may, subject to Section 8.6(a), revoke an election to receive a single life annuity. The election must comply with this Section and Section 8.6(c) as if it were an election to waive the Qualified Joint and Survivor Annuity by a married participant, but without the Spousal Consent requirement.

(c) *Written Explanation.* The written explanation shall be designed to meet the requirements of Treas. Reg. Section 1.417(a)(3)-1, and shall contain the following:

(1) The terms and conditions of the QJSA;

(2) The Participant's right to make, and the effect of, an election to waive the QJSA payment option and, effective January 1, 2008, the qualified optional survivor annuity;

(3) The rights of the Participant's Spouse;

(4) The right to make, and the effect of, a revocation of a previous election to waive the QJSA; and

(5) A general description of the eligibility conditions and other material features of the Plan's other forms of benefit and their financial effects.

(d) *Result of Effective Waiver.* In the event of an effective waiver of the QJSA payment option, in accordance with the terms of subsection (b) of this Section, the amount payable to the married Retired or Disabled Participant (or to the Beneficiary of a Deceased Participant) shall be distributed by the Trustees or their delegate under such of the alternate payment options set forth in Section 8.5 as the Participant or his legal representative may select.

(e) *Spousal Consent.* A Spousal Consent shall specify the non-spouse Beneficiary. Once made, a consent shall be irrevocable unless the Participant changes his Beneficiary designation or revokes his election to waive the Qualified Joint and Survivor Annuity; upon such event, the consent shall be deemed to be revoked. Notwithstanding the foregoing, Spousal Consent is not required if the Participant establishes to the satisfaction of the Plan Administrator that such written consent cannot be obtained because there is no Spouse or that the Spouse cannot be located. In addition, no Spousal Consent is necessary if the Participant has been legally separated or abandoned within the meaning of local law and the Participant provides the Plan Administrator with a court order to that effect, so long as such court order does not conflict with a Qualified Domestic Relations Order. If the Spouse is legally incompetent to consent, the Spouse's legal guardian may consent on his behalf, even if the legal guardian is a Participant.

8.7 <u>Distributions Upon Married Participant's Death</u>. If a Participant is married on the date of his death, the full amount of the Participant's Account balance shall be payable on the death of the Participant to the Participant's Surviving Spouse, unless the Participant's Surviving Spouse has given Spousal Consent to the designation of a specific non-spouse Beneficiary (including any class of beneficiaries or any contingent beneficiaries) who will receive the Account balance upon the Participant's death.

8.8 <u>Distribution Requirements</u>.

(a) *General Distribution Requirements*. Notwithstanding any provision to the contrary, all Plan distributions to Participants and Beneficiaries shall comply with the requirements of Section 401(a)(9) of the Code and the regulations thereunder as set forth in Appendix A.

(b) *Commencement of Distribution*. Distribution of a Participant's Account balance shall be made or commence no later than 60 days after the close of the Plan Year in which occurs the latest of:

(1) The date on which the Participant attains age 59 1/2;

(2) The tenth anniversary of the year in which the Participant commenced participation in the Plan; or

(3) The date on which the Participant terminates employment with the Company.

Notwithstanding the preceding sentence no payment will be made under the Plan until the Participant files a written claim for such payment unless otherwise required by the Plan.

8.9 <u>Form of Payment</u>. Until December 31, 2008, distribution may be in cash or employer securities, except that any distribution of employer securities shall be limited to the amount of such securities credited to the Participant's Account under the Host Hotels & Resorts, Inc. Stock Fund, if any. Effective for all distributions on or after January 1, 2008, all distributions shall be made in cash.

8.10 <u>Mandatory Cash-Out of Small Accounts</u>. Notwithstanding any other provision of this Article VIII, if the aggregate vested value of the Participant's Account and any rollover account established pursuant to Section 6.12 of the Plan does not (and did not, at the time of commencement of the distribution) exceed One Thousand Dollars ($1,000), the Plan Administrator shall direct the Trustee to distribute as soon as practicable the full amount thereof to the Participant, his legal representative or Beneficiary

8.11 <u>Account Balance</u>. For purposes of this Article VIII, Account balance shall include any rollover account balance.

8.12 <u>Special Rule for Rollovers Out of the Plan</u>. Notwithstanding any provision of the Plan to the contrary that would otherwise limit the election of a Distributee under this Article VIII, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a direct rollover. Any portion of an Eligible Rollover Distribution that is not paid directly to an Eligible Retirement Plan shall be subject to applicable income tax withholding. For purposes of this Section 8.12, a "direct rollover" is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

ARTICLE IX.
TERMINATION AND DISTRIBUTION UPON TERMINATION OF EMPLOYMENT OTHER THAN FOR RETIREMENT DEATH OR DISABILITY

9.1 Terminated Participant. Upon a Participant's or Former Participant's termination of employment with the Company for any reason other than retirement, death or Permanent Disability, the Company shall promptly notify the Plan Administrator in writing of such fact and such Participant shall become (a) a Terminated Participant if such Participant has not attained retirement age (as provided in Section 8.1), or (b) a Retired Participant if such Participant has attained retirement age (as provided in Section 8.1). In the event a Terminated Participant attains retirement age following his termination of employment, then the provisions of Article VIII shall thereafter apply to such Participant.

9.2 Distribution of After-tax Savings, Section 401(k) Contributions and Roth Contributions. The balance of a Terminated Participant's After-tax Savings Account, Section 401(k) Contribution Account and Roth Contribution Account (as determined in accordance with Articles IV and V) shall be valued as of the Valuation Date coinciding with or immediately preceding the date distribution is made to the Participant, and shall be subject to distribution in the same manner as provided in Sections 8.5 and 8.10 (and in the same form as provided in Section 8.9) without discrimination in favor of or against any class.

9.3 Distribution of Vested Company Contribution Account. The vested interest of the Terminated Participant in the Terminated Participant's Company Contribution Account (as determined in accordance with Article VII) shall be valued as of the Valuation Date coinciding with or immediately preceding the date distribution is made to the Participant, and shall be subject to distribution in the same manner as provided in Section 8.5 and 8.10 (and in the same form as provided in Section 8.9) without discrimination in favor of or against any class. If the vested interest of the Terminated Participant in his Company Contribution Account on the Separation Date is zero percent (0%), then the Terminated Participant's Company Contribution Account shall be deemed distributed on the first date of distribution of the vested portion of his Account. A Terminated Participant may elect to defer distribution of his vested interest until the earliest of the date such Terminated Participant attains age 62, dies, or suffers a Permanent Disability; provided, however, that the Terminated Participant may elect to commence distribution in any of the forms of payment available under Section 8.5 as of any earlier date after the date on which he becomes a Terminated Participant. There will be no pro rata credit of the Company Contribution for the partial Plan Year in valuing a Terminated Participant's Company Contribution Account.

9.4 Mandatory Cash-Out of Small Accounts. Notwithstanding any other provision of this Article IX, if the aggregate value of the Terminated Participant's vested Account and any rollover account established pursuant to Section 6.12 of the Plan does not (and did not, at the time of any prior distribution or withdrawal) exceed One Thousand Dollars ($1,000), the Plan Administrator shall direct the Trustee to distribute as soon as practicable the full amount thereof to the Terminated Participant, his legal representative or Beneficiary.

9.5 Unvested Company Contributions.

(a) *Forfeiture*. Any portion of a Terminated Participant's Company Contribution Account, which has not vested at the time the Participant's employment is terminated will be forfeited upon the earlier of the Participant's receipt of his distribution (including a deemed distribution) or his completion of a five (5) consecutive one-year Period of Severance.

(b) *Restoration of Forfeiture*. Subject to the requirements of subsection (c) of this Section, a Terminated Participant (described in subsection (a) of this Section) who resumes status as an Employee of the Company before incurring five (5) consecutive one-year Periods of Severance and who is readmitted to the Plan in accordance with Section 2.2 shall have his forfeited amounts restored and added to his new Company Contribution Account (where it will vest in accordance with Article VII).

(c) *Distribution Prior to Reemployment*. A Terminated Participant described in subsection (b) of this Section who previously received a distribution will have his forfeitures restored only if he repays, at any time prior to the end of five (5) consecutive one-year Periods of Severance commencing on the date such distribution is made:

(1) The entire amount of distribution, if any, previously received from the Terminated Participant's After-tax Savings Account under Section 9.2;

(2) The entire amount of distribution, if any, previously received from the Terminated Participant's Section 401(k) Contribution Account and Roth Contribution Account under Section 9.2; and

(3) The entire amount of distribution, if any, previously received from the Terminated Participant's Vested Company Contribution Account under Section 9.3.

Any repayment made by a Participant pursuant to this subsection (c) shall be made by means of a single lump sum cash payment.

9.6 Account Balance. For purposes of this Article IX, Account balance shall include any rollover account balance.

9.7 Special Rule for Rollovers Out of the Plan. The special rule provided in Section 8.12 shall apply to distributions under this Article IX.

ARTICLE X.
DISTRIBUTION DURING CONTINUED EMPLOYMENT

10.1 Withdrawal of After-tax Savings.

(a) *Withdrawal of Additional After-tax Savings*. A Participant or Former Participant may withdraw his Additional After-tax Savings at any time and continue to participate in the Plan after such withdrawal.

(b) *Withdrawal of Basic After-tax Savings*. A Participant or Former Participant may withdraw his Basic After-tax Savings at any time. However, upon withdrawing such Basic After-tax Savings, the Participant shall be prohibited from making Section 401(k) Contributions, Roth Contributions and contributing After-Tax Savings to the Plan and shall in all respects become a Former Participant, except as otherwise provided in Section 10.5 and subject to the provisions of Section 2.4.

(c) *Valuation of After-tax Savings Account*. The After-tax Savings Account of the Participant or Former Participant shall be valued as of the Valuation Date coinciding with or immediately preceding the date distribution is made to the Participant or Former Participant.

(d) *Form of Payment*. Withdrawals of After-tax Savings under this Section 10.1 (including the withdrawal of any earnings thereon) shall be distributed in whole or in part as a single lump sum payment and may be in cash or employer securities, except that any withdrawal of employer securities shall be limited to the amount of such securities credited to the Participant's or Former Participant's account under the Host Hotels & Resorts, Inc. Stock Fund, if any, which shall be eliminated effective December 31, 2008.

(e) *Taxation of Withdrawal*. After-tax Savings (including earnings) shall be treated as a "separate contract" from all other contributions for purposes of determining the tax consequences of withdrawals.

10.2 Withdrawal of Section 401(k) Contribution and Roth Contributions. Distribution of a Participant's or Former Participant's Section 401(k) Contribution Account and Roth Contribution Account (and the earnings thereon, except as provided in Section 10.7(a) for Hardship distributions) is subject to Section 5.10 and the limitations of Section 401(k) of the Code.

10.3 Withdrawal of Vested Company Contribution Account. A Participant or Former Participant may not withdraw his vested Company contributions (or any earnings thereon) prior to his Separation Date, except as provided in Section 10.5.

10.4 Readmission of Former Participant to Plan. A Former Participant who terminates participation in the Plan during continued employment shall be entitled to readmission thereto as provided in Section 2.4.

10.5 Distributions Upon Attainment of Age 59-$^1/_2$. Upon attainment of age 59-$^1/_2$, a Participant or Former Participant may elect to withdraw all or a portion of the balance of his After-tax Savings Account, Section 401(k) Contribution Account, Roth Contributions and vested Company Contribution Account and continue participation in the Plan in accordance with the rules established by the Committee.

10.6 Account Balance. For purposes of this Article X, Account balance shall include any rollover account balance.

10.7 Hardship Withdrawals.

(a) *Terms of Hardship Withdrawals*. Any Participant who sustains a Hardship may submit a request to the Plan Administrator for a distribution from the Plan as may be necessary to meet such Hardship. The Plan Administrator shall have the power in its sole discretion to approve or disapprove (in whole or in part) any such request, based on the standards set forth in this Section 10.7. Any distribution to a Participant pursuant to this Section 10.7 shall not exceed the amount required to meet the Hardship, and distribution shall be made only if Participant represents in writing that such amount is not reasonably available from other resources of the Participant as described in Treas. Reg. Section 1.401(k)-1(d)(3)(iv)(C). Such distributions shall be limited to the sum of (1) amounts in the Participant's Section 401(k) Contribution Account attributable to amounts transferred from the Prior Plan that had accrued on or before December 31, 1988 (along with earnings attributable thereto), plus (2) amounts in the Participant's Section 401(k) Contribution Account accrued under the Prior Plan and this Plan after December 31, 1988 (exclusive of any earnings), plus (3) amounts in the Participant's Roth Contribution Account (exclusive of any earnings), plus (4) amounts in the Participant's Rollover Account and shall be subject to the rules established by the Committee.

(b) *Restrictions*. Participants receiving a Hardship distribution under this Section 10.7 shall be prohibited for six (6) months from the date of a distribution under this Section 10.7 from electing any Section 401(k) Contributions or Roth Contributions under Article V or making contributions of After-tax Savings under Article IV of this Plan. The Participant shall likewise be prohibited for the same six (6) month period from making elective contributions and employee contributions under any deferred compensation plan of the Company, in accordance with written guidelines set forth by the Committee.

(c) *Committee Guidelines and Determination*. The Committee shall set forth written guidelines for the Administrator to make its determination under this Section 10.7 in accordance with the above standards (and the definition of Hardship) in a uniform and nondiscriminatory manner. The Committee shall make its determination under this Section 10.7 in accordance with the above standards (and the definition of Hardship) and in a uniform and nondiscriminatory manner.

10.8 Special Rule for Rollovers Out of the Plan. Unless otherwise provided by a provision of the Code, the rule provided in Section 8.12 shall apply to distributions under this Article X.

10.9 Qualified Reservist Distributions. Notwithstanding any provisions of this Plan to the contrary, a Participant may elect a "qualified reservist distribution" if the Participant is ordered or called to active duty after September 11, 2001 and before December 31, 2007 for a period of more than 179 days or for an indefinite period by reason of being a member of a reserve component (as defined in 37 U.S.C. Section 101). For purposes of this section, a "qualified reservist distribution" is a distribution of all or a portion of the Participant's Section 401(k) Contribution Account that is made during the period commencing on the date of the order or call and ending at the close of the active duty period.

ARTICLE XI.
LOANS TO PARTICIPANTS

11.1 General Provisions. The Committee shall direct the Trustees to make a loan to Participants who are "parties in interest" (as defined in Section 3(14) of ERISA) (and to beneficiaries of such Participants as designated in written rules set forth by the Committee) as provided in this Section 11.1. Such loan shall be in an amount that does not exceed the amount set forth in Section 11.2. Loans shall be made on written application to the Plan Administrator and on such terms and conditions as set forth in this Article XI, and in accordance with the rules and procedures established by the Committee in a written resolution. All such rules and procedures shall be uniform and nondiscriminatory and shall relate to such matters as:

(a) Procedures for applying for loans;

(b) The basis on which loans will be approved or denied;

(c) Limitations on the types of loans offered;

(d) The procedure for determining a reasonable rate of interest;

(e) The types of collateral which may secure a loan;

(f) The events constituting default;

(g) Minimum loan amounts;

(h) Frequency of loans; and

(i) Any other appropriate matters consistent with this Article XI.

11.2 Maximum Loan Amount. A loan to a Participant (when added to the outstanding balance of all other loans made to the Participant under this Plan) shall not be in an amount that exceeds the Allocable Portion of the total balance in the Participant's After-tax Savings Account, Section 401(k) Contribution Account and Roth Contribution Account (valued as of the Valuation Date coinciding with or immediately preceding the date of such loan). The Allocable Portion shall be adjusted accordingly in the event the maximum permissible loan amount under Section 72(p) of the Code (or any successor provision) is modified.

11.3 Minimum Loan Amount. The minimum loan amount for each loan shall be One Thousand Dollars ($1,000).

11.4 Repayment Period. The term of a loan made under this Article XI shall be fixed by the Committee, but in no event shall such term exceed (a) one hundred twenty (120) months in the case of a loan for the purchase of a principal residence, or (b) sixty (60) months in the case of a loan for any other purpose.

11.5 Terms and Conditions. Loans made to Participants shall be made in accordance with the following terms and conditions:

(a) The loans shall be secured by the Participant's interest in the Plan, plus by the Participant's promissory note for the amount of the loan (including interest) payable to the order of the Trustees. The Plan Administrator may also require such other collateral which in a normal commercial setting would be considered adequate for the full protection of the Trust Fund.

(b) The interest rate for the loan shall be the Federal prime rate as of the last day of the quarter immediately preceding or ending on the date the loan is made.

(c) Payment of principal and interest shall be made through appropriate payroll deductions from the Participant's Pay while the Participant is an Employee. Such payroll deductions shall continue until the full outstanding balance of any loans is repaid, regardless of whether the borrower remains a Participant in the Plan. Payment of principal by an individual who is no longer an Employee shall be made through such other means (not less frequently than quarterly) as the Committee deems appropriate.

(d) The loan shall be made to the Participant from his Account and shall be treated as an investment of assets of such Account. All interest and all losses attributable to loans shall be charged to the borrowing Participant's Account, and all loan payments shall be credited to the Participant's Account.

(e) The loan shall not be used as a means of distributing benefits before they otherwise become due.

(f) Any loan made under the Plan shall be subject to such other terms and conditions as the Committee shall determine are necessary or appropriate, including the condition that the Participant pay (through payroll withholding) the reasonable expenses determined by the Committee incurred by the Plan to make and service the loan.

(g) Loan repayments will be suspended during a period of Qualified Military Service as defined in Section 414(u) of the Code.

(h) A married Participant must obtain Spousal Consent in a manner consistent with the requirement of Treas. Reg. Section 1.401(a)-20, Q&A 24, to obtain a loan.

11.6 Nondiscrimination. In making loans under this Article XI, the Committee shall not discriminate in favor of or against any Participant or group of Participant. Accordingly, loans shall be available to all Participants on a reasonably equivalent basis and shall not be made to Highly-Compensated Employees of the Company in an amount greater than the amount made available to other Participants.

11.7 Offset of Account Balance. Notwithstanding anything to the contrary contained elsewhere in the Plan, in determining the amount of any distribution made in accordance with Article VIII or Article IX, the amount of any security interest held by the Plan by reason of any loan made against the Participant's Account under this Article XI, including accrued interest, shall be collected by the Plan Administrator from any amounts standing to the credit of the Participant in the Plan in satisfaction of the loan before making any payments to the Participant or to the Participant's Beneficiary.

11.8 Default. In the event a Participant defaults on the repayment of a loan (under uniform and nondiscriminatory written standards adopted by the Committee as to what constitutes default), the Trustees may treat the loan as a distribution and pay the principal and interest owing under the loan from the Participant's After-tax Savings Account in the following order of priority:

(a) Current year After-tax Savings;

(b) Prior years' After-tax Savings;

(c) Earnings on prior years' After-tax Savings; and

(d) Earnings on current year After-tax Savings.

In the event the Participant's After-tax Savings Account is insufficient to repay the full amount of principal and interest owing, the Plan Administrator, in its sole discretion, may treat the unpaid balance as a distribution from the vested portion of the Participant's Company Contribution Account.

In the event the Participant's After-tax Savings Account and the vested portion of the Participant's Company Contribution Account are insufficient to repay the full amount of principal and interest owing, a determination shall be made whether the Participant qualifies for a Hardship withdrawal under the provisions of Section 10.7, and, if so, a distribution shall be made in accordance therewith. If the Participant fails to qualify for a Hardship distribution, the Committee shall take such other collection action as it deems fit, in accordance with written standards adopted by the Committee; provided, however, that the Committee shall defer making any distribution from the Participant's Section 401(k) Contribution Account and Roth Contribution Account to repay any unpaid loan balance until such time as the Participant has incurred a Separation Date or has attained age 59 $^{1}/_{2}$, or until an event described in Section 401(k)(10) of the Code has occurred or as defined in Section 1.24.

ARTICLE XII.
BENEFICIARIES

12.1 Designation of Beneficiary. Each Participant or Alternate Payee may designate, on the forms provided by the Plan Administrator, one or more Beneficiaries and contingent Beneficiaries to receive the Plan benefits in the event of the Participant's or Alternate Payee's death. Notwithstanding the preceding sentence, if the Participant is married at the time of his death and has not elected a Qualified Joint and Survivor Annuity, his Account balance shall be payable in full to his Surviving Spouse, unless he has designated a different beneficiary with the consent of his Spouse, if any, in accordance with Sections 1.68 and 8.6(e).

12.2 Manner of Designation. Such designation may be delivered, on forms provided by the Plan Administrator, at the time such Participant commences participation in the Plan, or thereafter. A beneficiary designation completed by an Alternate Payee may be delivered at the time the Administrator notifies the Alternate Payee that he is entitled to Plan benefits under a Qualified Domestic Relations Order, or thereafter. A Participant or Alternate Payee may designate different Beneficiaries at any time by delivering a new written designation to the Plan Administrator. Any such designation shall become effective only upon its receipt by the Plan Administrator. The last effective designation received by the Plan Administrator shall supersede all prior designations. A designation of a Beneficiary shall be effective only if the designated Beneficiary survives the Participant or Alternate Payee. All designations must be signed by either the Participant or Alternate Payee, as appropriate.

12.3 Absence of Valid Designation of Beneficiary. Except as provided in section 8.7, if a Participant or Alternate Payee fails to designate a Beneficiary, if no designated Beneficiary survives the Participant or Alternate Payee, or if such designation is for any reason illegal or ineffective, distribution of benefits otherwise payable under this Plan shall be made to the Participant's or Alternate Payee's estate.

12.4 Beneficiary Bound by Plan Provisions. Whenever the rights of a Participant or Alternate Payee are stated or limited in the Plan, the Participant's or Alternate Payee's Beneficiaries shall be bound thereby.

ARTICLE XIII.
QUALIFIED DOMESTIC RELATIONS ORDERS

13.1 Governing Provisions. Notwithstanding any other provisions of this Plan, a Participant's Account may be assigned in whole or in part pursuant to the provisions of a Qualified Domestic Relations Order (hereinafter "QDRO"). In such case, the following rules shall apply:

(a) A separate account shall be established for any Alternate Payee who has been awarded Plan assets, unless a QDRO obligates the Plan to distribute, as soon as administratively practicable, all or part of a Participant's Account to the Alternate Payee. In such cases, a pro rata portion of the amount payable to the Alternate Payee shall be withdrawn from each Fund in which the Participant, pursuant to Section 14.1, has invested. This pro rata withdrawal from each Fund shall be calculated according to the percentage of the Participant's total Account, which the Participant has placed in each Fund. Thus, for example, if a Participant with an Account of $200,000 has invested fifty percent (50%) in the Balanced Fund and fifty percent (50%) in the Bond Fund, and a QDRO awards $100,000 to an Alternate Payee, fifty percent (50%) of the Alternate Payee's award shall be deducted from the Bond Fund and fifty percent (50%) from the Balanced Fund.

(b) All such payments pursuant to a QDRO shall be subject to reasonable rules and regulations promulgated by the Committee respecting the time of payment pursuant to such order and the valuation of the Participant's Account from which payment is made, provided that all such payments are made in accordance with such order and Section 414(p) of the Code.

(c) The balance of a Participant's Account subject to any QDRO shall be reduced by the amount of any payment made pursuant to such order.

An Alternate Payee for whom a separate Account is established pursuant to this Article XIII shall be entitled to file an election with regard to investment of that Account in the manner specified by Article XIV and subject to the terms of the QDRO. All such elections shall be subject to the same terms and conditions as Article XIV imposes upon Participant elections, including the default election rule of Section 14.2(e), and all such elections shall be carried out by the Administrator in accordance with Article XIV.

Upon the death of an Alternate Payee, the Alternate Payee's Beneficiaries shall be entitled to payment of benefits in an amount and in the manner provided by the Plan.

ARTICLE XIV.
PARTICIPANT'S DIRECTED INVESTMENTS

14.1 Election by Participants. Subject to the terms and conditions of this Article XIV, each Participant shall have the right to direct that his (a) Account balance, (b) share of future allocations of Company contributions, (c) share of future forfeitures, and (d) future After-tax Savings, Section 401(k) Contributions and Roth Contributions, be invested, in specified multiples of one percent (1%), in any of the Funds maintained under the Plan, provided the Participant elects to do so. The Plan Administrator shall carry out the election in accordance with the provisions of this Article XIV. For the purposes of making elections under this Article XIV, the term "Participant" shall include a Beneficiary and an Alternate Payee for whom a separate account has been established in accordance with Article XIII.

14.2 Election Rules.

(a) *Election to be in Writing*. A Participant's election to direct investments shall be in writing, on a form furnished by the Plan Administrator, or shall be made under such other procedures as specified by the Plan Administrator. The election shall state the percentage to be transferred to or from a Fund.

(b) *Effective Date of Election*. An election shall become effective upon the next subsequent Transfer Date (as described in Section 14.3) occurring within a reasonable time (as determined under procedures specified by the Plan Administrator) after the receipt of the Participant's valid election by the Plan Administrator, unless such election is revoked before such Transfer Date.

(c) *Revocation of Election*. A Participant may revoke an election, in whole or in part, any time prior to the Transfer Date. Thereafter, a revocation shall become effective as of the next ensuing Transfer Date occurring within a reasonable time (as determined under procedures specified by the Plan Administrator) after the Plan Administrator's receipt of such revocation.

(d) *Change in Election*. Each Participant may elect to change the Funds (and/or the percentage to be allocated thereto) in which his (1) Account balance, (2) share of future allocations of Company contributions, (3) share of future forfeitures, and (4) future After-tax Savings, Section 401(k) Contributions and Roth Contributions, are to be invested. Upon the receipt by the Plan Administrator of a Participant's request for a change in writing or in some other form authorized by the Plan Administrator, the election shall be effective as provided in paragraph (b) of this Section.

(e) *Default Election*. In the event that a Participant does not make an initial election to direct investments, his (1) Account balance, (2) share of future allocations of Company contributions (3) share of future forfeitures, and (4) future After-tax Savings, Section 401(k) Contributions and Roth Contributions, shall be invested in the Fund(s) determined in the sole discretion of the Committee until an election is made pursuant to this Article.

14.3 Transfer Date. The Committee on behalf of the Named Fiduciary shall establish one or more Transfer Dates in each Plan Year; provided, however, that such Transfer Dates shall occur no less frequently than quarter-annually.

14.4 Confirmation. The Plan Administrator shall provide written confirmation to a Participant within a reasonable time after an election or change of election is made by such Participant.

14.5 Subdivision of Accounts.

(a) *Establishment of Subaccounts*. The Account of a Participant who has made an election pursuant to this Article shall be subdivided as of the Transfer Date into a Subaccount corresponding to each of the Funds maintained under the Plan into which the Participant has made an election to have his Account invested. Such Participant's Fund Subaccounts shall each have a balance as of the Transfer Date giving effect to the percentages indicated by the Participant's election. If a Participant has not made an election as to any Fund, such Participant's Account shall be placed into the Fund(s) determined under Section 14.2(e) and the Participant's Fund Subaccount(s) shall have an aggregate value equal to the Participant's entire Account balance.

(b) *Allocation of After-tax Savings, Section 401(k) Contributions, Roth Contributions, Company Contributions and Forfeitures Among Subaccounts*. The following amounts shall be further allocated among such Participant's Fund Subaccounts in the appropriate percentages in accordance with the Participant's election: (1) that portion of any Company contribution which is allocated pursuant to Section 6.5 to the Company Contribution Account of a Participant; (2) the Participant's After-tax Savings; (3) the Participant's Roth Contributions; (4) the Participant's Section 401(k) Contributions; and (5) forfeitures allocated under Section 6.9 to the Company Contribution Account of a Participant.

14.6 Investment Funds.

(a) *Committee's Responsibility for Funds*. The Committee shall be responsible for designating Funds in the Trust Fund into which Participants may elect to invest their Accounts as provided in this Article. The Plan Administrator shall provide sufficient information to Participants concerning the Funds to permit them to make informed investment decisions, or, if appropriate, provide Participants with directions as to how such information may be obtained.

(b) *Investment Policy of Funds*. The Committee shall determine the Funds to be made available under the Plan; provided however, that in addition to the Host Hotels & Resorts, Inc. Stock Fund which shall be closed to new investment elections under the Plan effective January 1, 2008 and shall be eliminated as a Fund under the Plan effective December 31, 2008, three (3) or more Funds shall be maintained which (1) shall not invest in Qualifying Employer Securities or Qualifying Employer Real Property; (2) shall be designed to enable Participants, by choosing among them, to minimize the risk of large losses in their Accounts; (3) shall be designed to enable Participants, by combining them, to achieve general risk and return characteristics in their Accounts as desired by Participants; (4) shall be designed to limit a Participant's investment in Company stock or Qualifying Employer Securities to no more than twenty percent (20%) of the Participant's Account; and (5) shall be designed to permit Participants to generally minimize the risk to their Accounts at any level of expected return.

The Named Fiduciary, acting by and through the Committee, shall establish an investment policy and method consistent with the objectives of the Plan and the requirements of Title I of ERISA. Such objectives shall include, those set forth in Article XIV with respect to the Funds. The Committee acting on behalf of the Named Fiduciary shall at least annually review such investment policy and method. In establishing and reviewing such investment policy and method, the Named Fiduciary shall endeavor to determine the Plan's short-term and long-term objectives and financial needs, taking into account the need for liquidity to pay benefits and the need for investment growth. All actions of the Committee acting on behalf of the Named Fiduciary taken pursuant to this subsection (b) and the reasons therefore shall be recorded and shall be communicated to the Trustees and to the Board of Directors.

(c) *Funds*. The Committee shall make available to the Participants the Funds described in the Investment Policy or such other Funds as the Committee shall determine from time to time.

14.7 <u>Allocation of Income of Funds</u>. The net income of each Fund shall be allocated among the Fund Subaccounts as provided in Section 6.8.

14.8 <u>Investment Authority of Former Employees</u>. Any Participant who ceases to be an Employee shall continue to have the authority to direct the investment of his Account in accordance with the provisions of this Article.

14.9 <u>Investment for the Benefit of Incompetents</u>. If the Plan Administrator receives notice that any person entitled to direct investments hereunder has been determined to be legally incompetent, his Account shall be placed in a Fund(s) determined under Section 14.2(e) until such time as the person's legal representative files an election in the manner specified in this Article.

14.10 <u>Rules of Committee</u>. The Committee may establish such rules as it deems necessary to carry out the provisions of this Article and to comply with the requirements of ERISA.

ARTICLE XV.
PLAN FIDUCIARIES

15.1 Plan Fiduciaries.

(a) *Named Fiduciary*. The Committee is hereby named as the fiduciary of the Plan to have authority to control and manage the operation and administration of the Plan. As such, the Committee may hereinafter be referred to as the “Named Fiduciary”. The Named Fiduciary shall have all of the legal liabilities and obligations set forth in ERISA with respect to employee benefit plan fiduciaries.

(b) *Committee*. The function of the Committee shall be to advise and assist the Plan Administrator in the day-to-day discharge of its duties hereunder. The Committee shall consist of at least five (5), but no more than ten (10), persons appointed by the Board of Directors. The Plan Administrator shall attend all meetings of the Committee. A representative of the Office of the General Counsel shall attend all meetings of the Committee and shall act as the secretary of the Committee ex officio to record minutes of all action taken at any such meeting. Each member of the Committee shall sit at the pleasure of the Board of Directors and may be removed at any time with or without cause.

(c) *Trustees*. The Named Fiduciary shall appoint one or more trustees (“Trustees”) under the terms of the Trust Agreement.

15.2 Fiduciary Duty. Subject to Section 403(c) of ERISA, the Named Fiduciary and each other Fiduciary shall discharge its duties with respect to the Plan solely in the interest of the Participants and their Beneficiaries and:

(a) For the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan;

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(c) By diversifying the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(d) In accordance with the provisions of this Plan insofar as they are consistent with the provisions of ERISA.

15.3 Agents and Advisors.

(a) *Employment of Agents*. The Named Fiduciary and the Committee shall have the power to employ suitable agents and advisors for themselves including but not limited to auditors, accountants, investment advisers and custodians and legal and other counsel, and to pay reasonable compensation for their services. Such agents may be persons acting in a similar capacity for the Company, or may be employees of the Company. The opinion of any such agent shall be complete authority and protection for any action taken or omitted by the Named Fiduciary and the Committee acting in good faith and in accordance with such opinion.

(b) *Delegation to Agents and Plan Administrator*. The Named Fiduciary acting by and through the Committee may employ agents and delegate to them ministerial duties. The Named Fiduciary may also designate persons, including a Plan Administrator and the Committee, to carry out both ministerial and fiduciary responsibilities; provided, however, that the Trustees' responsibility to manage or control the assets of the Plan may not be so delegated except to an investment manager or managers pursuant to subsection (c) of this Section.

(c) *Appointment of Investment Manager*. The Named Fiduciary shall have the power as provided in the Trust Agreement to appoint an investment manager or managers with the power to manage, acquire or dispose of any assets of the Plan so long as each such investment manager (1)(i) is registered as an investment advisor under the Investment Advisors Act of 1940; (ii) is a bank, as defined in that Act; or (iii) is an insurance company qualified to manage, acquire, or dispose of assets of employee pension benefit plans under the laws of more than one State; and (2) has acknowledged in writing to the Named Fiduciary that he or she or it is a fiduciary with respect to the Plan.

15.4 <u>Administrative Action</u>.

(a) *Action by Majority*. The action of a majority of the Board of Directors or the Committee at the time acting hereunder, and any instrument executed by a majority of such Directors or Committee members shall be considered the action or instrument of the Board of Directors or the Committee as the case may be. Action may be taken by the Board of Directors or the Committee at a meeting or in writing without a meeting.

(b) *Right to Vote*. No Director or Committee member or Plan Administrator shall have the right to vote or decide upon any matter relating solely to himself or solely to any of his rights or benefits under the Plan.

(c) *Authority to Execute Documents*. The Named Fiduciary or the Committee may authorize in writing any one or more of their number to execute any document or documents on their behalf, and anyone dealing with the Named Fiduciary, Committee or Trustees may accept and rely upon any document executed by such member or members as representing action by the Named Fiduciary, Committee or Trustees, as the case may be.

15.5 <u>Liabilities and Indemnifications</u>.

(a) *Liability of Fiduciaries*. The Named Fiduciary and their assistants and representatives including members of the Committee and the Plan Administrator (other than any Investment Manager) shall be free from all liability for their acts and conduct in the administration of the Plan except for acts of willful misconduct; provided, however, that the foregoing shall not relieve any of them from any responsibility or liability for any responsibility, obligation or duty that they may have pursuant to ERISA.

(b) *Indemnity by Company*. To the extent not insured against by any insurance company pursuant to provisions of any applicable insurance policy, the Company shall indemnify and hold harmless the Named Fiduciary and their delegates and representatives, including members of the Committee and the Plan Administrator, from any and all claims, demands, suits or proceedings in connection with the Plan that may be brought by the Company's (or Affiliated Company's) employees, Participants or their Beneficiaries or legal representatives, or by any other person, corporation, entity, government or agency thereof; provided, however, that such indemnification shall not apply to any such person for such person's acts of willful misconduct in connection with the Plan.

15.6 Plan Expenses and Taxes.

(a) *Plan Expenses*. The administrative expenses (and the Investment Expenses) incurred by the Named Fiduciary, the Committee and Trustees in the performance of their duties, including recordkeeping fees and fees for legal services rendered to the Named Fiduciary and Trustees, such compensation (to the extent permitted by law) to the Named Fiduciary and Trustees as may be agreed upon in writing from time to time between themselves and the Board of Directors, and all other proper charges and disbursements of the Named Fiduciary, the Committee and Trustees, shall be paid by the Trust Fund to the extent not paid from forfeitures as provided in Section 6.9 or by the Company.

(b) *Taxes*. All taxes of any and all kinds whatsoever that may be levied or assessed under existing or future laws upon or with respect to the Trust Fund or the income thereof shall be paid from the Trust Fund, subject to the making of appropriate charges.

15.7 Records and Financial Reporting.

(a) *Book of Account*. The Named Fiduciary acting by and through the Committee and the Trustees shall keep accurate and detailed accounts of all investments, receipts, disbursements and other transactions hereunder. Within ninety (90) days following the close of each Plan Year and at the request of the Company ninety (90) days after the removal or resignation of any Trustee as provided in Section 15.1(c), the Trustees shall file with the Company a written account setting forth all investments, receipts, disbursements, allocations and other transactions effected by the Trustees during such Plan Year or during the period from the close of the last Plan Year to the date of such removal or resignation.

(b) *Financial Reporting Under ERISA*. The Named Fiduciary shall if required by ERISA cause the Plan to engage, on behalf of the Participants, an independent qualified public accountant, who shall conduct such examinations and give such opinions as are required in connection with the Plan's reporting and filing requirements under ERISA. The Named Fiduciary shall make available or cause to be made available to each Participant and each beneficiary who is receiving benefits under this Plan, such information, financial and otherwise, and in such manner and at such times as is required under ERISA.

15.8 Compliance with ERISA and Code. The Named Fiduciary shall cause the Plan to comply with all filing requirements as provided in ERISA and in the Code and all regulations promulgated thereunder. All authority granted to the Named Fiduciary, the Committee and the Trustees hereunder is subject to their compliance with Sections 15.2, 15.9 and 15.10 and with ERISA.

15.9 Prohibited Transactions. A Fiduciary shall not engage in any prohibited transaction within the meaning of Sections 406 and 407 of ERISA, or Section 4975(c) of the Code, unless such transaction is exempt under Section 408 or Section 414(c) of ERISA or Section 4975(d) of the Code, or acquire or hold any Company securities or real property except to the extent permitted under Section 407 of ERISA.

15.10 Foreign Assets. No Fiduciary may maintain the indicia of ownership of any assets of the Plan outside the jurisdiction of the district courts of the United States, except as may be authorized by the Secretary of Labor by regulation.

15.11 Exclusive Benefit of Trust Fund. The assets of the Trust Fund shall never inure to the benefit of the Company and shall be held for the exclusive purposes of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan.

15.12 Board of Directors Resolution. Any action by the Company pursuant to any of the provisions hereof shall be evidenced by a resolution of its Board of Directors certified to the Committee or the Trustees over the signature of its secretary or of any assistant secretary. The Committee and the Trustees shall be fully protected in acting in accordance with such certified resolution.

ARTICLE XVI.
PLAN ADMINISTRATION

16.1 Administration of the Plan.

(a) *Authority to Administer*. On behalf of the Named Fiduciary, the Committee shall administer the Plan in accordance with its terms and shall have all powers and discretionary authority necessary to carry out the provisions of the Plan, including but not limited to, the power to: (1) interpret and construe the provisions of the Plan, including making factual determinations; (2) prepare any rules and regulations which may become necessary or desirable in the operation of the Plan, including but not limited to specifying procedures to be followed by eligible Employees in electing to participate in the Plan and in revoking such participation; (3) determine eligibility for benefits and determine the amounts and manner of payment thereof under the provisions of the Plan; (4) keep individual accounts; (5) establish investment policies to be followed by the Trustees; and (6) perform such other duties as may be required for the proper administration of the Plan. The Committee shall have absolute discretion in interpreting the provisions of the Plan and administering the Plan in accordance with such provisions, including by way of illustration and not of limitation, the making of determinations of eligibility to participate and the calculation of benefits accruing or payable under this Plan.

(b) *Delegation of Authority to Plan Administrator*. In accordance with Section 15.3(b), the duties described in subsection (a) of this Section shall be exercised by the Plan Administrator acting on behalf of the Committee, subject to review by the Committee under Section 16.2(c) of a denial of a claim for benefits.

(c) *Finality of Decision*. Any decision of the Named Fiduciary or of the Committee on its behalf, in matters within its jurisdiction shall be final, binding and conclusive upon the Company and upon all persons who have participated or have any interest or concern, whatsoever, in the Plan.

16.2 Claims. Any claim for benefits under the Plan shall be made in writing to the Plan Administrator. Except as to his own account, no claimant shall have any legal right to inquire as to any payment under the Plan having been made or as to determining the amount of such payment. Benefits will be paid under the Plan only if the Plan Administrator, or its delegate, determines in its discretion that the claimant is entitled to them.

The Plan Administrator’s final decision shall be conclusive, final and binding on all parties. No action may be brought at law or in equity for benefits under the Plan until the claims procedures described in this Section 16.2 and Appendix B have been exhausted and the Plan benefits requested in that appeal have been denied in whole or in part. If a claim for benefits under the Plan is finally denied by the Plan Administrator, a claimant may then bring suit in Federal court, but must do so within 90 days of the date of the Plan Administrator’s final decision.

ARTICLE XVII.
PARTICIPATING COMPANY WITHDRAWAL FROM PLAN;
TERMINATION OR MERGER OF THE PLAN

17.1 Voluntary Withdrawal from Plan.

(a) *Withdrawal By Participating Company*. Any Participating Company may at any time withdraw from the Plan upon giving the Named Fiduciary at least thirty (30) days notice in writing of its intention to withdraw, unless the Named Fiduciary shall waive such thirty (30) days notice.

(b) *Segregation of Trust Assets Upon Withdrawal*. Upon the withdrawal of a Participating Company pursuant to subsection (a) of this Section, the Plan Administrator shall segregate the share of the assets in the Trust Fund, the value of which, determined on the day the withdrawal of such Participating Company shall be effective, shall equal the total credited to the accounts of Participants of the withdrawing Participating Company. The determination of which assets are to be so segregated shall be made by the Committee acting on behalf of the Named Fiduciary in its sole discretion.

(c) *Exclusive Benefit of Participants*. Neither the segregation and transfer of the Trust assets upon the withdrawal of a Participating Company nor the execution of a new agreement and declaration of trust by such withdrawing Participating Company shall operate to permit any part of the Trust Fund to be used for or diverted to purposes other than for the exclusive benefit of the Participants.

(d) *Applicability of Withdrawal Provisions*. The withdrawal provisions contained in this Section 17.1 shall be applicable only if the withdrawing Participating Company continues to cover its Participants and eligible employees in another profit-sharing plan or pension plan and trust qualified under Sections 401 and 501 of the Code. Otherwise, the termination provisions of Section 17.3 shall apply.

17.2 Amendment of Plan. The Board of Directors may amend the Plan with respect to all Participating Companies or with respect to a particular Participating Company at any time, and from time to time, pursuant to written resolutions adopted by the Board of Directors (and all Employees and persons claiming any interest hereunder shall be bound thereby); provided, however, that no such amendment shall:

(a) Alter the rights, duties or responsibilities of the Named Fiduciary or Trustees without their written consent;

(b) Permit any portion of the Trust Fund to inure to the benefit of the Company or permit any portion of the Trust Fund to be held or used other than for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable costs of administering the Plan; or

(c) Have the effect of decreasing the “accrued benefit” of any Participant as proscribed in Section 411(d)(6) of the Code;

(d) Have the effect of reducing any then vested percentage of benefits of any Participant as computed in accordance with the vesting schedule under Article VII of the Plan.

If the vesting schedule under Article VII of the Plan shall be amended and such an amendment would, at any time, decrease the percentage of vested benefits which any Participant would have been entitled to receive had the vesting schedule not been so amended, then each Participant who is an Employee on the date such amendment is adopted, or the date such amendment is effective, whichever is later, and who has three (3) or more years of Service as of the end of the period within which such Participant may make the election provided for herein, shall be permitted, beginning on the date such amendment is adopted, to irrevocably elect to have the Participant’s vested interest computed without regard to such amendment. Written notice of such amendment and the availability of such election must be given to each such Participant, and each such Participant shall be granted a period of sixty (60) days after the later of:

(1) The Participant’s receipt of such notice; or

(2) The effective date of such amendment within which to make such election.

Such election shall be exercised by the Participant by delivering or sending written notice thereof to the Named Fiduciary prior to the expiration of such sixty (60) day period.

The Board of Directors has delegated to its Compensation Policy Committee the authority to approve any Plan amendment, which subsequently shall be ratified by the Board of Directors.

17.3 <u>Voluntary Termination of Plan</u>.

(a) *Right to Terminate Plan*. Each Participating Company contemplates that the Plan shall be permanent and that it shall be able to make contributions to the Plan. Nevertheless, in recognition of the fact that future conditions and circumstances cannot now be entirely foreseen, each Participating Company reserves the right to terminate (as to such Participating Company) either the Plan (exclusive of the Trust Fund) or both the Plan and the Trust Fund, at any time, by resolution of the board of directors of the Participating Company.

(b) *Merger or Consolidation of Plan and Trust*. Neither the Plan nor the Trust Fund may be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan or trust, unless each Participant would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

(c) *Termination of Plan and Trust Fund*. If the board of directors of a Participating Company determines to terminate (as to such Participating Company) the Plan and Trust Fund completely, the Plan and Trust Fund shall be terminated insofar as they are applicable to such Participating Company as of the date specified in certified copies of resolutions of such board of directors delivered to the Named Fiduciary, the Committee and the Trustees. Upon such termination of the Plan and Trust Fund, after payment of all expenses and proportional adjustment of accounts of Participants employed by such Participating Company to reflect such expenses, Trust Fund earnings or losses, and allocations of any previously unallocated funds to the date of termination, such Participating Company's Participants shall be entitled to receive the amount then credited to their respective accounts in the Trust Fund. The Named Fiduciary, in its sole discretion, may make payment of such amount in cash, in assets of the Trust Fund, or in the form of immediate or deferred payment term annuity contracts for such Participants.

17.4 Discontinuance of Contributions. Whenever a Participating Company determines that it is impossible or inadvisable for it to make further contributions as provided in the Plan, the board of directors of such Participating Company may, without terminating the Trust Fund, adopt an appropriate resolution permanently discontinuing all further contributions by such Participating Company. A certified copy of such resolution shall be delivered to the Named Fiduciary, the Committee and the Trustees. Thereafter, the Named Fiduciary, the Committee and the Trustees shall continue to administer all the provisions of the Plan, which are necessary and remain in force, other than the provisions relating to contributions by such Participating Company. However, the Trust Fund shall remain in existence with respect to such Participating Company and all of the provisions of the Plan relating to the Trust Fund shall remain in force.

17.5 Rights to Benefits Upon Termination of Plan or Complete Discontinuance of Contributions. Upon the termination or partial termination of the Plan or the complete discontinuance of contributions by a Participating Company, the rights of each of such Participating Company's Participants affected by such termination or partial termination to the amount credited to such Participant's Account at such time shall be nonforfeitable without reference to any formal action on the part of such Participating Company, the Named Fiduciary, the Committee or the Trustees.

ARTICLE XVIII.
ELECTION TO PARTICIPATE BY SUBSIDIARIES

18.1 Consent Required for Subsidiaries to Join Plan. The Plan Administrator, upon receiving a written resolution of the board of directors of an Affiliated Company electing to become a Participating Company, may approve or disapprove such election acting as the delegate of the Board of Directors. The Board of Directors shall retain the final authority to override such action and approve or disapprove the Affiliated Company's request.

ARTICLE XIX.
MISCELLANEOUS PROVISIONS

19.1 Status of Employment. The adoption and maintenance of the Plan shall not be deemed to constitute a contract of employment between the Company and any Employee or Participant, or to be a consideration for, or an inducement or condition of, any employment. Nothing contained herein shall be deemed to give any Employee the right to be retained in the service of the Company or to interfere with the right of the Company to discharge any Employee or Participant at any time.

19.2 Liability of Company. Except as may be determined by the Board of Directors, in its sole discretion from time to time, all benefits payable under this Plan shall be paid or provided solely from the Trust Fund. The Company assumes no liability or responsibility therefor; its obligation which is expressly stated to be non-contractual is limited solely to the making of contributions to the Trust Fund as provided in this Plan.

19.3 Information.

(a) *Supplied by Named Fiduciary, the Committee or Trustees*. A certification in writing to the Named Fiduciary, Plan Administrator, the Committee or the Trustees, executed in accordance with the provisions of this Plan, certifying to the existence, occurrence or happening of any event, shall constitute evidence of such existence, occurrence or happening; and the Named Fiduciary, Plan Administrator, the Committee, the Trustees and the Company shall be fully protected in accepting and relying upon such certification and shall incur no liability or responsibility for so doing.

(b) *Supplied by Company*. At the request of the Named Fiduciary, the Committee or the Trustees, the Company shall furnish in writing to the Named Fiduciary, the Committee or the Trustees such information as may be necessary or desirable in order that the Named Fiduciary, the Committee or the Trustees may be able to carry out their respective duties hereunder. The Named Fiduciary, the Committee and the Trustees shall be entitled to rely upon such information as being correct.

19.4 Provisions of Plan to Control. In the event of any conflict between the terms of the Plan as set forth in this instrument and in any description of the Plan which may be furnished to Participants or others, the Plan set forth herein shall control.

19.5 Payment for Benefit of Incompetent. The Trustees may make payment to any incompetent who is entitled to receive payments hereunder by making the same to the legal representative of such incompetent or to his parent or Spouse or may apply them for the incompetent benefit.

19.6 Account to be Charged Upon Payment. When any distribution or other payment is made to or for the benefit or on behalf of any party entitled to receive payments hereunder, the account held for the benefit of such party shall be charged accordingly.

19.7 Tax Qualification of Plan. The Plan is intended to qualify as a tax exempt profit sharing plan pursuant to the provisions of Section 401, the cash or deferred arrangement provisions of the Plan set forth in Article V and elsewhere are intended to satisfy the requirements of Sections 401(k) and

401(m), and the Trust created hereunder is intended to qualify as a tax exempt trust under the provisions of Section 501(a) of the Code together with any amendments thereto and all provisions of the Plan shall be construed to obtain those results.

19.8 Deductibility of Company Contributions. The Contributions made by the Company under this Plan are intended to be deductible as business expenses, under the provisions of Section 404 of the Code, together with any amendments thereto, and all provisions of the Plan shall be construed accordingly.

19.9 Restriction on Alienation or Assignment. Benefits provided under the Plan may not be assigned or alienated, except as permitted by Article XIII and the following:

(a) A loan made by the Plan to a Participant in accordance with Article XI shall be secured by the Participant's After-tax Savings Account, Section 401(k) Contribution Account, Roth Contribution Account and Company Contribution Account as provided in Article XI.

(b) If a Participant is indebted to the Company or to the Marriott Employees Federal Credit Union at the time any payments are to be made to such Participant or to the Participant's Beneficiary hereunder and if the Participant, prior to September 2, 1974 has executed in favor of such creditor an irrevocable security assignment of the Participant's account balances in the Plan, the Trustees are authorized to pay to such creditor all or such portion of said payments as may be required to discharge such indebtedness.

(c) An offset to a Participant's benefit against an amount the Participant is required to pay the Plan with respect to a judgment, order, decree or settlement entered into or against a Participant on or after August 5, 1997 shall be permitted in accordance with Code section 401(a)(13)(C).

19.10 Unclaimed Benefits. In the event that benefit payments owing to a Participant have not been claimed by the Participant within three (3) years of the date on which such benefits first became payable, the Plan Administrator shall, at the end of the Plan Year during which such three (3) year anniversary occurs reallocate such benefits to the remaining Participants in the manner provided in Section 6.10(a). If subsequent to such reallocation, the Participant entitled to such benefits makes claim therefor, the Plan Administrator shall promptly pay such forfeited benefit. Funds with which to pay any such benefits shall be provided as set forth in Section 6.10(b).

19.11 Recovery of Plan Benefits Payment Made by Mistake. A Participant or Beneficiary shall be required to return to the Plan any payments made under the Plan made by a mistake of fact or law.

19.12 Bonding. Every Fiduciary of the Plan and every person who handles funds or other property of the Plan shall be bonded if and to the extent required by Section 412 of ERISA.

19.13 Titles and Captions. The titles and captions to the Articles, Sections and subsections in the Plan are placed herein for convenience of reference only, and in case of any conflict the text of this instrument, rather than such titles, shall control.

19.14 Execution of Counterparts. This instrument may be executed in any number of counterparts, each of which shall be deemed to be an original.

19.15 Governing Law. The Plan shall be governed, construed, administered and regulated in all respects by and under the laws of the State of Maryland.

19.16 Separability. If any provisions of the Plan shall for any reason be invalid or unenforceable, the remaining provisions shall nevertheless remain in full force and effect.

19.17 Supplements and Appendices. Supplements and Appendices to the Plan or the Trust may be adopted, attached to and incorporated in the Plan or the Trust at any time. The provisions of any such Supplements or Appendices shall have the same effect that such provisions would have if they were included within the basic text of the Plan or the Trust. Supplements and Appendices shall be adopted by the Board pursuant to the amendment authority set forth in Section 17.2 of the Plan and shall specify the persons affected.

19.18 Military Service. Notwithstanding any other provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

ARTICLE XX.
TOP HEAVY PROVISIONS

20.1 Determination of Top Heavy Status. For purposes of this Article, the Plan shall be a Top Heavy Plan if, as of the Determination Date, either:

(a) The sum of the aggregated accounts of Participants who are “key employees” (as defined in Section 416(i) of the Code) exceeds sixty percent (60%) of the sum of the aggregated accounts of all Plan Participants; or

(b) The Plan is included in a Top Heavy Group.

If a Participant has received no compensation from the Company during the five (5) year period preceding the Determination Date, his account balance may be disregarded for purposes of determining whether the Plan is top-heavy. Solely for purposes of determining which Participants are “key employees,” the term “compensation” (as used in Section 416(1) of the Code) shall mean the compensation stated on an Employee’s Form W-2 for the calendar year that ends with or within the Plan Year.

20.2 Definitions. For purposes of this Article, the following terms shall have the meanings set forth herein:

(a) “*Aggregation Group*” means:

(1) Each Section 401 Plan of the Company in which a “key employee” (as defined in Section 416(i) of the Code) is a participant; and

(2) Each Section 401 Plan of the Company which enables any plan described in subsection (a)(i) of this Section to meet the requirements of Section 401(a)(4) or 410 of the Code.

(3) To the extent elected by the Committee, any other Section 401 Plan of the Company that when aggregated with any plans described in Subsections (a)(1) and (2) of this Section meets the requirements of Sections 401(a)(4) and 410 of the Code.

(b) “*Determination Date*” means, with respect to any Plan Year, the last day of the preceding Plan Year. In the case of the Plan Year which includes the Effective Date of the Plan, the last day of such Plan Year.

(c) “*Section 401 Plan*” means any stock bonus, pension, or profit sharing plan subject to the qualification requirements of Section 401 of the Code.

(d) “*Top Heavy Group*” means any Aggregation Group determined to be a Top Heavy Group in accordance with the test set forth in Code Section 416(g)(2)(B).

(e) “*Valuation Date*” shall have the same meaning as set forth in Section 1.72.

20.3 Requirements if Plan is a Top Heavy Plan. Notwithstanding any other provision of this Plan, for any Plan Year for which the Plan is a Top Heavy Plan, a minimum allocation shall be made on behalf of each Participant who is not a "key employee" (as defined in Section 416(i) of the Code) and who is employed on the last day of such Plan Year in an amount equal to the lesser of (a) three percent (3%) of such Participant's Compensation or (b) the largest percentage of Compensation allocated to any key employee during such Plan Year. 401(k) elective deferrals made by a non-key employee under this Plan or any other plan of the Company or an Affiliated Company pursuant to a cash or deferred arrangement shall not be credited toward the minimum allocation described in the preceding sentence. The minimum allocation shall not apply to any non-key employee who receives a minimum contribution or a minimum benefit under any other plan of the Company or an Affiliated Company. Notwithstanding the above, if a non-key employee participates in this Plan and a defined benefit plan that is included in an Aggregation Group, the non- key employee shall receive a minimum benefit under the defined benefit plan rather than a minimum allocation under this Plan, provided that if the defined benefit plan does not provide for a minimum benefit, the non-key employee shall receive a minimum allocation under this Plan of five percent (5%) of Compensation.

20.4 Applicability of Top-Heavy Rules. The top-heavy requirements of Section 416 of the Code and Article 20 of the Plan shall not apply in any year beginning after December 31, 2001, in which the plan consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of the Section 401(m)(11) of the Code are met.

CERTIFICATE OF SECRETARY

I, the undersigned secretary of Host Hotels & Resorts, Inc., the General Partner of Host Hotels & Resorts, L.P., do hereby certify that the foregoing Host Hotels & Resorts, L.P. Retirement and Savings Plan (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 Host Hotels & Resorts, Inc. as of the 19th day of December, 2008.

HOST HOTELS & RESORTS, INC.

By:	/s/ ELIZABETH A. ABDOO
Name:	Elizabeth A. Abdoo
Title:	Executive Vice President, General Counsel and Corporate Secretary

EXHIBIT 1

Effective Dates

The provisions of the Plan are generally effective January 1, 2008 unless otherwise provided in the Plan or as required by law. However, the provisions set forth below are effective as follows:

Sections	Effective Date
Amendments to the Plan regarding Roth Contributions or the Roth Contribution Account, in Sections 1.3, 1.5, 1.19, 1.27, 1.28, 1.58, 1.59, 3.1, 4.2, Article V, 6.1, 6.4, 6.12, 7.2, 9.2, 9.5, 10.1, 10.2, 10.5, 10.7, 11.2, 11.8, 14.1, 14.2, 14.5, 19.9	February 1, 2008
Amendments to the Plan related to the discontinuation of the Host Hotels & Resorts, Inc. Stock Fund, in Sections 8.9 and 14.6	December 31, 2008

Appendix A

MINIMUM DISTRIBUTION REQUIREMENTS

Section A-1. General Rules

A-1.1. *Effective Date*. The provisions of this Appendix will apply for purposes of determining required minimum distributions.

A-1.2. *Precedence*. The requirements of this Appendix will take precedence over any inconsistent provisions of the Plan.

A-1.3. *Requirements of Treasury Regulations Incorporated*. All distributions required under this Appendix will be determined and made in accordance with the Treasury regulations under Code Section 401(a)(9).

A-1.4. *TEFRA Section 242(b)(2) Elections*. Notwithstanding the other provisions of this Appendix, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to section 242(b)(2) of TEFRA.

Section A-2. Time and Manner of Distribution.

A-2.1. *Required Beginning Date*. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

A-2.2. *Death of Participant Before Distributions Begin*. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) If the Participant's surviving spouse is the Participant's sole designated beneficiary, then distributions to the surviving spouse will begin by the later of December 31 of the calendar year immediately following the calendar year in which the Participant died or by December 31 of the calendar year in which the Participant would have attained age 70 $^{1}/_{2}$.

(b) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, then, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(c) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this section A-2.2, other than section A-2.2(a), will apply as if the surviving spouse were the Participant.

For purposes of this section A-2.2 and section A-4, unless section A-2.2(d) applies, distributions are considered to begin on the Participant's Required Beginning Date. If section A-2.2(d) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under section A-2.2(a). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under section A-2.2(a)), the date distributions are considered to begin is the date distributions actually commence.

A-2.3. *Forms of Distribution*. Unless the Participant's interest is distributed in a single sum on or before the Required Beginning Date, as of the first distribution calendar year distributions will be made in accordance with sections A-3 and A-4 of this Appendix. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

Section A-3. Required Minimum Distributions During Participant's Lifetime.

A-3.1. *Amount of Required Minimum Distribution For Each Distribution Calendar Year*. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(a) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Treas. Reg. Sec. 1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(b) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Treas. Reg. Sec. 1.401(a)(9)-9, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

A-3.2. *Lifetime Required Minimum Distributions Continue Through Year of Participant's Death*. Required minimum distributions will be determined under this section A-3 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death

Section A-4. Required Minimum Distributions After Participant's Death.

A-4.1. *Death On or After Date Distributions Begin*.

(a) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:

(1) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant's surviving spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(3) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(b) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

A-4.2. *Death Before Date Distributions Begin*

(a) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in section A-4.1.

(b) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(c) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under section A-2.2(a), this section A-4.2 will apply as if the surviving spouse were the Participant.

Section A-5. Definitions.

A-5.1. *Designated beneficiary*. The individual who is designated as the beneficiary under Section 1.16 of the Plan and is the designated beneficiary under Code Section 401(a)(9). Treas. Reg. Sec. 1.401(a)(9)-1, Q&A-4.

A-5.2. *Distribution calendar year*. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under section A-2.2. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

A-5.3. *Life expectancy*. Life expectancy as computed by use of the Single Life Table in Treas. Reg. Sec. 1.401(a)(9)-9.

A-5.4. *Participant's account balance*. The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

A-5.5 *Required Beginning Date*. The date specified in Section 1.61 of the Plan.

The Sections marked below shall apply for purposes of this Appendix.

Section A-6. Election to Apply 5-Year Rule to Distributions to Designated Beneficiaries.

For all distributions, if the Participant dies before distributions begin and there is a designated beneficiary, distribution to the designated beneficiary is not required to begin by the date specified in section A- 2.2 of this Appendix, but the Participant's entire interest will be distributed to the designated beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to either the Participant or the surviving spouse begin, this election will apply as if the surviving spouse were the Participant.

Section A-7. Election to Allow Participants or Beneficiaries to Elect 5-Year Rule.

Participants or Beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in sections A-2.2 and A-4.2 of this Appendix applies to distributions after the death of a Participant who has a designated beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under section A-2.2 of this Appendix, or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, surviving spouse's) death. If neither the Participant nor Beneficiary makes an election under this paragraph, distributions will be made in accordance with sections A-2.2 and A-4.2 of this Appendix and, if applicable, the elections in section A-6 above.

Appendix B

CLAIMS PROCEDURE

Section B-1. Claims For Benefits

The Plan Administrator shall determine the Participants', Alternate Payees' and Beneficiaries' rights to benefits under the Plan. Except as to their own Accounts, claimants shall not have any legal right to inquire as to any payment under this Plan having been made or as to determining the amount of such payment.

Section B-2. Requirements For Notice Of Denial

If a claim is wholly or partially denied, the Plan Administrator shall provide the claimant with a notice of denial written in a manner calculated to be understood by the claimant, setting forth:

1. The specific reason for such denial;
2. Specific references to the pertinent Plan provisions on which the denial is based;
3. A description of any additional material or information necessary for the claimant to perfect the claim with an explanation of why such material or information is necessary; and
4. Appropriate information as to the steps (including time limits applicable to such steps) to be taken if the claimant wishes to submit his or her claim for review and a statement of the claimant's rights to bring a civil action under Section 502(a) of ERISA.

Section B-3. Timing Of Notification Of Denial

The notice of denial shall be given within a reasonable time period but no later than 60 days after the claim is filed, unless special circumstances require an extension of time for processing the claim. If such extension is required, written notice shall be furnished to the claimant within 90 days of the date the claim was filed stating the special circumstances requiring an extension of time and the date by which a decision on the claim can be expected, which shall be no more than 180 days from the date the claim was filed. If no notice of denial is provided as herein described, the claimant may appeal the claim as though the claim had been denied.

Section B-4. Claim For Appeal Must Be Submitted Within 60 Days

In the event of a dispute over benefits, a Participant, alternate payee, or Beneficiary may file a written claim for benefits with the Plan Administrator, provided such claim is filed within 60 days of the date the Participant, Beneficiary, or alternate payee receives notification of the Administrative decision. In connection with the claimant's appeal of the denial of the claim for benefits, the claimant (or his authorized representative) may review permanent documents and may submit issues and comments regarding the claim in writing.

Section B-5. Time Limit On Review Of Denied Claim

Upon receipt of a request for review, the Plan Administrator shall provide written notification of its decision to the claimant stating the specific reasons and referencing specific plan provisions on which its decision is based, within a reasonable time period but not later than 60 days after receiving the request, unless special circumstances require an extension for processing the review. If such an extension is required, the Plan Administrator shall notify the claimant in writing of such special circumstances and of the date, no later than 120 days after the original date the review was requested, on which the Plan Administrator will notify the claimant of its decision.

Section B-6. Claimant's Rights During Appeal

Claimant will have a reasonable opportunity for a full and fair review of a claim and adverse benefit determination, including the following:

1. Claimant has the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits;
2. Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. A document is "relevant" if such document (A) was relied upon in making the benefit determination; (B) was submitted, considered, or generated in the course of making the benefit determination, without regard to whether such document, record, or other information was relied upon in making the benefit determination; (C) demonstrates compliance with the administrative processes and safeguards designed to ensure and to verify that benefit claim determinations are made in accordance with governing plan documents and that, where appropriate, the Plan provisions have been applied consistently with respect to similarly situated claimants; or (D) constitutes a statement of policy or guidance with respect to the plan concerning the denied treatment option or benefit for the claimant's diagnosis, without regard to whether such advice or statement was relied upon in making the benefit determination; and
3. The claims procedure shall provide for a review that takes into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

If a claim is wholly or partially denied, the Plan Administrator shall provide the claimant with a notice of denial written in a manner calculated to be understood by the claimant, setting forth:

1. The specific reason for such denial;
2. Specific references to the pertinent Plan provisions on which the denial is based;

3. A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. A document, record, or other information is relevant to a claim for benefits if such document, record, or other information: (A) was relied upon in making the benefit determination; (B) was submitted, considered, or generated in the course of making the benefit determination, without regard to whether such document, record, or other information was relied upon in making the benefit determination; (C) demonstrates compliance with the administrative processes and safeguards designed to ensure and to verify that benefit claim determinations are made in accordance with governing Plan documents and that, where appropriate, the Plan provisions have been applied consistently with respect to similarly situated claimants; or (D) constitutes a statement of policy or guidance with respect to the Plan concerning the denied treatment option or benefit for the claimant's diagnosis, without regard to whether such advice or statement was relied upon in making the benefit determination; and

4. Appropriate information as to the steps (including time limits applicable to such steps) to be taken if the claimant wishes to submit his or her claim for review and a statement of the claimant's rights to bring a civil action under Section 502(a) of ERISA.

HOST HOTELS & RESORTS, INC.

Non-Employee Directors' Deferred Stock Compensation Plan

As Amended and Restated Effective as of January 1, 2008

TABLE OF CONTENTS

HOST HOTELS & RESORTS, INC.
Non-Employee Directors' Deferred Stock Compensation Plan

WHEREAS, Host Marriott Corporation sponsored the Host Marriott Corporation Non-Employee Directors' Deferred Stock Compensation Plan, as amended and restated January 1, 2005 (the "Plan"); and

WHEREAS, Host Marriott Corporation changed its name to Host Hotels & Resorts, Inc.; and

WHEREAS, pursuant to Section 14.3 of the Plan, the Board (as defined in Section 2.1) reserves the right to amend the Plan at any time; and

WHEREAS, the Board has determined to amend the Plan to reflect the final regulations issued under Section 409A of the Internal Revenue Code (as part of the American Jobs Creation Act of 2004); and

WHEREAS, Host Hotels & Resorts, Inc. intends to comply fully with the requirements of Section 409A of the Code, and Treasury regulations to be issued from time to time interpreting the statute;

NOW, THEREFORE, set forth herein are the terms of the Plan, as amended and restated effective as of January 1, 2008, for the benefit of certain non-employee directors.

ARTICLE I
PURPOSE AND EFFECTIVE DATE

1.1 <u>Purpose</u>. 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 shareholders 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 shareholders of Host Hotels & Resorts, Inc.

1.2 <u>Effective Date</u>. This amendment and restatement of the Plan shall become effective as of January 1, 2008.

ARTICLE II
DEFINITIONS

The following terms shall be defined as set forth below:

2.1 <u>Board</u>.

"Board" means the Board of Directors of the Company.

2.2 <u>Code</u>.

"Code" means the Internal Revenue Code of 1986, as amended and the regulations issued thereunder.

2.3 <u>Committee</u>.

"Committee" has the meaning set forth in Section 4.1.

2.4 <u>Company</u>.

"Company" means Host Hotels & Resorts, Inc., a Maryland corporation, or any successor thereto.

2.5 <u>Contribution Date</u>.

"Contribution Date" means the Contribution Date as defined in the Employee Benefits and Other Employment Matters Allocation Agreement between Host Hotels & Resorts, Inc., Host Hotels & Resorts, L.P. and Crestline Capital Corporation.

2.6 <u>Deferral Date</u>.

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

2.7 Deferral Election.

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

2.8 Director.

"Director" means any individual who is a member of the Board.

2.9 Director Stock Awards.

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

2.10 Distribution Election.

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

2.11 Exchange Act.

"Exchange Act" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act include rules thereunder and successor provisions and rules thereto.

2.12 Fair Market Value.

"Fair Market Value" means the average of the highest and lowest quoted selling prices for the Shares on the relevant date, or (if there were no sales on such date) the average so computed on the nearest day before and the nearest day after the relevant date, as reported in The Wall Street Journal or a similar publication selected by the Committee.

2.13 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.

2.14 Participant.

"Participant" means a Director who is not employed by the Company or its affiliates and who is approved by the Board to participate in this Plan.

2.15 Plan.

"Plan" has the meaning set forth in Section 1.1.

2.16 Secretary.

"Secretary" means the Corporate Secretary or any Assistant Corporate Secretary of the Company.

2.17 Separation from Service.

"Separation from Service" shall mean the termination of Participant's services to the Employer in accordance with Treas. Reg. §1.409A-1(h). A transfer within and among the Employer and any member of a controlled group, as provided in Code Section 409A(d)(6), shall not be deemed a Separation from Service.

2.18 Shares.

"Shares" means shares of the common stock of Company, par value $1.00 per share, for the period before the Contribution Date, and shares of common stock of the Company, par value $0.01 per share, for the period beginning on or after the Contribution Date.

2.19 Special One Time Director Stock Awards.

"Special One-Time Director Stock Awards" means the stock awards described in Article IX of this Plan.

2.20 Stock Units.

"Stock Units" means the credits to a Participant's Stock Unit Account under Article VI of this Plan, each of which represents the right to receive one Share upon settlement of the Stock Unit Account.

2.21 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

Subject to adjustment as provided in Article XII, the maximum number of Shares that may be distributed in settlement of Stock Unit Accounts under this Plan shall not exceed 500,000. Such Shares may include authorized but unissued Shares or treasury Shares.

ARTICLE IV
ADMINISTRATION

4.1 Plan Administration. This Plan shall be administered by the Board's Compensation Policy Committee (the "Committee"), or such other committee which shall be composed of "Non-Employee Directors" within the meaning of Rule 16b-3 under the Exchange Act as may be designated by the Board. 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.

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 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 subsidiaries), but does not incur a Separation from Service, such Director shall (a) continue as a Participant with respect to Fees previously deferred and (b) cease eligibility with respect to all future Fees, if any, earned while an employee and with respect to any further 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

6.1 General Rule. Each Director may, in lieu of receipt of Fees, defer such Fees in accordance with this Article VI, provided that such Director is eligible under Article V of this Plan to defer such Fees at the date any such Fees are otherwise payable.

6.2 Timing of Elections.

(a) Deferral Elections. Each eligible Director who wishes to defer Fees under this Plan must make a written Deferral Election prior to the start of the calendar year for which the Fees would otherwise be earned, which Deferral Election shall be irrevocable as of the December 31 immediately preceding the calendar year in which the Fees 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), then 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 earned in that calendar year.

If a newly eligible Director fails to make a Deferral Election within 30 days of initial eligibility to participate, then such Director may make an initial Deferral Election (and Distribution Election, pursuant to Section 6.2(b) below) only with respect to Fees 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 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 would otherwise be earned or ceases to be a Participant. 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 shall file 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 be filed no later than December 31, 2008 and shall 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. 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.

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 are increased or decreased during any calendar year, a Participant's election in effect for such year will apply to the specified percentage of Fees 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 shall be credited to the Participant's Stock Unit Account as of the date the Fees would otherwise have been paid to the Participant (the "Deferral Date") and 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.

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 attributable to deferred Fees 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 <u>Qualification and Amount</u>. Participants will be entitled to receive, effective immediately following each annual meeting of Shareholders, an annual Director Stock Award equal to the number of Stock Units derived by dividing (a) the amount of the annual retainer fee to be paid to Participants for the year in question by (b) the Fair Market Value of a Share on the date immediately preceding the date of the annual meeting. 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. The Director Stock Award shall be automatically credited to the Participant's Stock Unit Account.

7.2 <u>Vesting</u>. A Participant's annual Director Stock Award will be fully vested and nonforfeitable when granted.

7.3 <u>Credit of Dividends and Dividend Equivalents</u>. 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 attributable to Director Stock Awards 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 VIII
SETTLEMENT OF STOCK UNITS AND DIRECTOR STOCK AWARDS

8.1 <u>Payment Options</u>. 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 (90th) day following the Participant's Separation from Service, in accordance with his Distribution Election. 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.

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 Sections 6.5 and 7.3.

8.4 In Kind Dividends. If any "in kind" dividends were credited to the Participant's Stock Unit Account under Sections 6.5 or 7.4, 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. Subject to Section 9.2, Participants who were Directors as of May 1, 1997, received a Special One-Time Director Stock Award as follows:

Name of Director	Special One-Time Director Stock Award
Robert M. Baylis	7,000 Shares
Ann Dore McLaughlin	7,000 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 Company will convert Special One-Time Director Stock Awards into Shares upon an eligible Participant's Separation from Service. The Company will distribute Special One-Time Director Stock Awards pursuant to the Participant's Distribution Election in accordance with Sections 81. and 8.2.

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 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 l6b-3 under the Exchange Act in the connection with the deferral of Fees 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 Shareholder Rights Conferred**. Except for dividend equivalents under Section 6.5 and Section 7.3, nothing contained in this Plan will confer upon any Participant any rights of a shareholder of the Company unless and until Shares are in fact converted, issued or transferred to such Participant in accordance with Articles VII or VIII.

14.3 **Change to the Plan**. The Board may amend, alter, suspend, discontinue or terminate the Plan without the consent of shareholders or Participants, except that any such action will be subject to the approval of the Company's shareholders at the next annual meeting of shareholders having a record date after the date such action was taken if such shareholder 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 shareholder approval.

To the extent applicable, this amended and restated Plan shall be interpreted in accordance with Internal Revenue 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 IRS 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 IRS 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 of 1933, as amended, 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-l(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 Delaware General Corporation Law, to the extent applicable, other laws (including those governing contracts) of the State of Maryland, without giving effect to principles of conflicts of laws, and applicable federal law.

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 no Shares remain available for delivery under the Plan and the Company has no further rights or obligations under the Plan.

CERTIFICATE OF SECRETARY

I, the undersigned, Elizabeth A. Abdoo, Executive Vice President, General Counsel and Secretary of Host Hotels & Resorts, Inc. (the "Corporation"), 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 January 1, 2008 (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 Corporation as of the 19th day of December, 2008.

/s/ ELIZABETH A. ABDOO

Exhibit 10.31

HOST HOTELS & RESORTS, INC.
SEVERANCE PLAN FOR EXECUTIVES

(As Amended and Restated, Effective as of January 1, 2008)

HOST HOTELS & RESORTS, INC.
SEVERANCE PLAN FOR EXECUTIVES

SECTION 1 — PURPOSE

The purpose of the Host Hotels & Resorts, Inc. Severance Plan for Executives ("Plan") is to provide severance pay and benefits to certain Executives of Host Hotels & Resorts, Inc. and its subsidiaries (collectively the "Company") whose employment is terminated by the Company or by the Executive. The severance pay and benefits available under this Plan vary depending upon the Participant's title and the circumstances of his or her termination of employment, and they are contingent upon the execution of a release in favor of the Company.

The Plan is intended to be an "employee welfare benefit plan" as that term is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended. Severance benefits for covered Executives shall be determined exclusively under this Plan. All of the corporate policies and practices regarding severance, or similar payments upon employment termination, with respect to Executives eligible to participate herein are hereby superseded by this Plan. Benefits under this Plan are in no way contingent upon retirement under any Company retirement plan. The severance pay and benefits available under this Plan do not represent the payment of income deferred for services performed during employment.

SECTION 2 — DEFINITIONS

The following capitalized terms shall have the meanings set forth in this Section 2 unless the context clearly indicates otherwise:

2.1 "Administrator" means the Company or its delegees.

2.2 "Average Bonus" means the sum of the Participant's actual paid bonus for the three years prior to the Severance Date divided by three.

2.2 "Base Salary" means the Participant's current annual base salary, excluding the Participant's annual bonus and all other forms of compensation and allowances.

2.3 "Company" means Host Hotels & Resorts, Inc. and its subsidiaries.

2.4 "Cause" means any conduct that in the reasonable judgment of the Board of Directors is detrimental to the interests of the Company. Such conduct shall include, without limitation:

(A) failing to perform assigned duties in a reasonable manner;

(B) failing to perform assigned duties as a result of incompetence or neglect;

(C) engaging in any act of dishonesty or bad faith with respect to the Company or the Company's affairs;

(D) committing any act or crime that reflects unfavorably on the Participant or the Company; or

(E) engaging in any other conduct that in the reasonable judgment of the Board justifies termination.

A determination of Cause by the Board of Directors shall be final and binding on the parties for all purposes; provided however that such determination may not be arbitrary or capricious.

2.5 "Change in Control" means the occurrence of a "change in the ownership," a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of the Company, as determined in accordance with this Section 2.5. In determining whether an event shall be considered a "change in the ownership," a "change in the effective control" or a "change in the ownership of a substantial portion of the assets" of an entity, the following provisions shall apply:

(A) A "change in the ownership" of the Company shall occur on the date on which any one person, or more than one person acting as a group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (a "Person")), acquires ownership of the equity securities of the Company that, together with the equity securities held by such Person, constitutes more than 50% of the total fair market value or total voting power of the Company, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(v). If a Person is considered either to own more than 50% of the total fair market value or total voting power of the equity securities of the Company, or to have effective control of the Company within the meaning of Section 2.5(B), and such Person acquires additional equity securities of the Company, the acquisition of additional equity securities by such Person shall not be considered to cause a "change in the ownership" of the Company.

(B) A "change in the effective control" of the Company shall occur on either of the following dates:

(i) The date on which any Person, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) ownership of equity securities of the Company possessing 30% or more of the total voting power of the Company's equity securities, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vi). If a Person is considered to possess 30% or more of the total voting power of the Company's equity securities, and such Person acquires additional equity securities of the Company, the acquisition of additional equity securities by such Person shall not be considered to cause a “change in the effective control” of the Company; or

(ii) The date on which a majority of the members of the Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors before the date of the appointment or election, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vi).

(C) A “change in the ownership of a substantial portion of the assets” of the Company shall occur on the date on which any one Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vii). A transfer of assets shall not be treated as a “change in the ownership of a substantial portion of the assets” when such transfer is made to an entity that is controlled by the holders of the Company’s equity securities, as determined in accordance with Treas. Reg. §1.409A-3(i)(5)(vii)(B).

(D) Notwithstanding the foregoing, the following acquisitions shall not constitute a Change in Control: (i) an acquisition by the Company or entity controlled by the Company, or (ii) an acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company.

2.6 “Disability” or “Disabled” means that the Participant either: (a) has been determined to be entitled to benefits under a disability insurance program that complies with the requirements of Treas. Reg. §1.409A-3(i)(4), or (b) if he is not a participant in such long-term disability insurance program, has been determined to be totally disabled by the Social Security Administration.

2.7 “Effective Date” means January 1, 2008.

2.8 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

2.9 “Executive” means any active, full-time Executive of the Company. These individuals shall include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Development Officer, and individuals with the title of Executive Vice President or Senior Vice President as determined in the sole and absolute discretion of the Company. For purposes of this Plan, “Executive” excludes any individual who has an individual employment or severance agreement with the Company.

2.10 “Good Reason” means the occurrence of any of the following:

(A) A material diminution in the Participant’s total overall compensation opportunity, which consists of the sum of the Participant’s Base Salary, cash bonus incentive opportunity and historic grant date value of any equity compensation, other than reductions applicable to executives of the Company in general;

(B) A material diminution in the Participant’s authority, duties or responsibilities;

(C) A material change in the geographic location at which the Participant is required to perform his duties for the Company; or

(D) Any other action or inaction that constitutes a material breach by the Company of the terms of Participant’s employment.

Notwithstanding the foregoing, (i) Good Reason shall not be deemed to exist unless notice of termination on account thereof (specifying a termination date no later than 30 days from the date of such notice) is given no later than 30 days after the time at which the event or condition purportedly giving rise to Good Reason first occurs or arises and (ii) if there exists (without regard to this clause (ii)) an event or condition that constitutes Good Reason, the Company shall have 30 days from the date notice of such a termination is given to cure such event or condition and, if the Company does so, such event or condition shall not constitute Good Reason hereunder.

2.11 “Participant” means an Executive who is notified by the Company in writing that he is listed on Exhibit B hereto.

2.12 “Plan” means the Host Hotels & Resorts, Inc. Severance Plan for Executives.

2.13 “Plan Year” means the calendar year.

2.14 “Pro Rata Bonus” means the amount equal to the Participant’s full target bonus for the current fiscal year of the Company, determined in accordance with the applicable incentive compensation plan, multiplied by a fraction the numerator of which is the number of days in the incentive plan year through the Severance Date and the denominator of which is 365.

2.15 “Release Agreement” means the Severance Agreement and Release in the substantially form hereto as Exhibit A and as acceptable to the Company, which shall include a general release given by the Participant to the Company regarding employment-related claims, covenants against competition and the solicitation of employees and customers of the Company, and other matters as stated therein. The Release Agreement shall bind the Participant and the Company.

2.16 “Severance Date” means the termination of the Participant’s services to the Company and all Subsidiaries, whether voluntarily or involuntarily, in accordance with Treas. Reg. §1.409A-1(h).

2.17 “Successor” means any employer (whether or not the employer is affiliated with the Company) which acquires (through merger, consolidation, reorganization, transfer, sublease, assignment, or otherwise) all or substantially all of the business or assets of the Company, or of a division of the Company.

SECTION 3 — ELIGIBILITY AND PAYMENT

3.1 Subject to Sections 3.2, 3.3, and 3.4 of this Plan, an Executive shall become a Participant if, on or after the Effective Date, the Executive is notified by the Company in writing that he or she is a Participant.

3.2 A Participant shall be entitled to the severance pay set forth in Section 4 hereof, if:

(A) he or she returns and does not revoke a completed and executed Release Agreement to the Company within the time period specified in Section 3.4 after such person’s Severance Date; and

(B) he or she is not and does not become disqualified from receiving severance pay pursuant to Section 3.3 hereof at any time prior to such person’s Severance Date; provided, that a Participant shall be disqualified from receiving or retaining any severance pay hereunder if he or she breaches the Release Agreement.

3.3 A Participant shall not be entitled to receive or retain the severance pay set forth in Section 4 hereof, if the Participant:

(A) fails to return a properly signed Release Agreement to the Company in a timely manner as required by Section 3.4;

(B) revokes such Release Agreement within the time period specified in the Release Agreement;

(C) prior to his or her Severance Date, the Participant:

(i) terminates voluntarily his or her employment other than for Good Reason;

(ii) fails to show up and properly attend work; or

(iii) fails to adequately perform his or her employment duties as established by the Company in its reasonable judgment;

(D) rejects an offer or fails to accept an offer of another position from a Successor or from any affiliate of the Company on or before his or her Severance Date; provided, however, that a Participant may still receive his or her severance benefits despite rejecting such offer if the rejection or failure to accept is for Good Reason; or

(E) prior to the Severance Date, the Company terminates the employment of the Participant and:

(i) the termination is for Cause, as determined by the Company in its reasonable judgment; or

(ii) the Company determines after such termination that the Participant had engaged in conduct that would have constituted Cause had such conduct been known to the Company prior to such termination.

3.4 Prior to the Severance Date, such Participant will receive a Release Agreement, substantially in the form attached to this Plan as Exhibit A. Such Release Agreement must be timely and appropriately executed and effective on or before the 60th day following the Participant's Severance Date for such Participant to qualify for payments and benefits under Section 4.

SECTION 4 — AMOUNT AND PAYMENT OF SEVERANCE PAY

4.1 If the Participant's employment with the Company is terminated by the Company for Cause or Disability, or by reason of the Participant's death, or by the Participant without Good Reason, then Company shall pay the Participant all amounts earned or accrued through the Severance Date but not paid as of the Severance Date, including:

(A) Base Salary; and

(B) reimbursement for reasonable and necessary expenses incurred by the Participant on behalf of the Company during the period ending on the Severance Date; (collectively, "Accrued Compensation").

In addition to the foregoing, if the Participant's employment is terminated by the Company because of Disability or Death, the Company shall pay to the Participant or his beneficiaries an amount equal to the Participant's Pro Rata Bonus.

4.2 Except as otherwise provided in Section 4.3, if the Participant's employment with the Company is terminated by the Company without Cause, or by the Participant for Good Reason, the Participant shall be entitled to the following:

(A) the Company shall pay the Participant all Accrued Compensation;

(B) the Company shall pay the Participant as severance pay and in lieu of any further compensation for periods subsequent to the Severance Date an amount (the "Severance Amount") in cash equal to:

(i) if the Participant is the Chief Executive Officer of the Company on the Severance Date, two (2) times the sum of the Participant's Base Salary and the Participant's Average Bonus; or

(ii) if the Participant is not the Chief Executive Officer of the Company on the Severance Date, one (1) times the sum of the Participant's Base Salary and the Participant's Average Bonus.

4.3 If during the one year immediately following a Change in Control, the Participant's employment with the Company is terminated by the Company without Cause, or by the Participant for Good Reason, then no severance benefits shall be payable pursuant to Section 4.2, and the Participant shall be entitled to the following:

(A) the Company shall pay the Accrued Compensation; and

(B) the Company shall pay the Participant as severance pay and in lieu of any further compensation for periods subsequent to the Severance Date an amount (the "Severance Amount") in cash equal to:

(i) if the Participant is the Chief Executive Officer of the Company on the Severance Date, three (3) times the sum of the Participant's Base Salary and the Participant's Average Bonus; or

(ii) if the Participant is not the Chief Executive Officer of the Company on the Severance Date, two (2) times the sum of the Participant's Base Salary and the Participant's Average Bonus.

4.4 Participants shall have the right to continue medical and dental benefits under the continuation health coverage provisions of Title X of the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) after his or her Severance Date, if otherwise eligible. To the extent that the Participant is eligible for and elects COBRA coverage, the Company shall cover the premium cost of such coverage on a monthly basis for the lesser of (A) 18 months; or (B) until Participant no longer qualifies for COBRA continuance coverage. The Company's obligation to cover this premium cost is limited to Participants who are eligible to receive severance payments pursuant to Section 4.2 or Section 4.3 of the Plan, and will terminate when such a Participant becomes eligible to obtain any such benefits under a subsequent employer's benefit plans. At the end of the Participant's Company-paid COBRA coverage, the Participant may continue

COBRA coverage at the Participant's expense and to the extent eligible under the terms of such Plan. In no event shall any Participant be entitled to a cash payment in lieu of health coverage.

4.5 The severance pay provided for in this Section 4 shall be paid in a single lump sum as soon as practicable after the Participant's Severance Date. In no event will the severance payment be made later than two and one-half months after the Participant's Severance Date.

4.6 The severance pay and benefits provided for in this Section 4 shall be in lieu of any other severance pay to which the Participant may be entitled under any Company severance plan, program or arrangement.

4.7 Employment taxes and all other deductions required by law or by any other Company plan, program or policy, shall be withheld from all severance payments. In addition, any amount payable under this Section 4 shall be reduced (but not below zero) by any payment made as required by government-mandated programs that require payment of wages and fringe benefits in lieu of notice of closing, layoffs or termination of employment.

4.8 Participants shall be paid for normal termination vacation pay and any other earned pay (if any) pursuant to existing Company policy and applicable state law.

4.9 Benefits under any other employee benefit plans, including but not limited to, restricted stock grants, stock awards, tax-qualified retirement plans, retiree health care plans, fringe benefit plans, incentive compensation plans, stock option plans and nonqualified deferred compensation plans, and life insurance plans, policies or programs sponsored by the Company are governed solely by the terms of those plans, programs or policies. Participants may exercise stock options to the extent that such options are exercisable under their terms. This Plan does not change the eligibility, termination or other provisions for those benefits.

4.10 The Company may, in its sole and absolute discretion, offer additional benefits or programs which, if offered, shall be described in appendices to this Plan.

4.11 The Company reserves the right to offset the benefits payable under Section 4, by any advance, loan or other monies the Participant owes the Company.

SECTION 5 — DEATH BENEFITS

5.1 If a Participant dies before receiving his or her severance pay due under this Plan, such pay will be distributed in one lump sum cash payment to the Participant's executor or administrator, as applicable, as soon as practicable but in no event later than two and one-half months following the Participant's Severance Date.

5.2 The Administrator may require that any individual or entity purporting to represent a Participant's estate provide such proof of such status as the Administrator may deem appropriate, including but not limited to letters testamentary or letters of administration. The Administrator may also require that such individual, as a condition to receiving severance pay, agree in a provision to be incorporated in the Release Agreement, to indemnify and hold harmless the Administrator and such other persons deemed appropriate by the Administrator for any financial responsibility, liability or expense arising out of a claim by another party or parties asserting entitlement to all or part of the benefit payable hereunder. In addition, the Company reserves the right to offset the benefits payable under this Section 5 by any advance, loan or other monies the Participant, with respect to whom the severance pay is being paid, owes the Company.

SECTION 6 — BENEFIT LIMITATIONS

6.1 In the event that the Severance Amount and other benefits provided for in this Plan (i) would constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, then such severance benefits shall be either (i) delivered in full, or (ii) delivered as to the maximum extent which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by the Participant on an after-tax basis, of the greatest amount of severance benefits under this Plan, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

6.2 A determination as to whether a reduction of Severance Payments will be made pursuant to Section 6.1 shall be made by the Company or at the Company's expense by an accounting firm selected by the Company (the "Accounting Firm"). The Company shall provide its determination (the "Determination"), together with detailed supporting calculations and documentation to the Participant within five days of the Severance Date if applicable, or such other time as requested by the Company or by the Participant (provided the Participant reasonably believes that any of the Payments may be subject to the Excise Tax). For purposes of making the calculations required by this paragraph, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. Within ten days of the delivery of the Determination to the Participant, the Participant shall have the right to dispute the Determination (the "Dispute"), which shall be subject to the claims procedures in Section 8. If there is no Dispute, the Determination shall be binding, final and conclusive upon the Company and the Participant subject to the application of Section 6.3 below.

6.3 In the event the Company shall determine that payments pursuant to this Plan would constitute an "excess parachute payments" thereby necessitating that Severance Payments be reduced in part if consistent with Section 6.1, the Participant may consult with the Company in determining the priority in which any benefit payment shall be reduced. Any such joint determination must be made no later than seven (7) days prior to the next regular full-pay cycle, otherwise the Company's decision of which benefits shall be reduced or eliminated shall be final.

SECTION 7 — ADMINISTRATION

7.1 The Company shall have sole discretionary authority to interpret, apply and administer the terms of the Plan and to determine eligibility for and the amounts of benefits under the Plan, including interpretation of ambiguous Plan provisions, determination of disputed facts or application of Plan provisions to unanticipated circumstances. The Company's decision on any such matter shall be final and binding.

7.2 The Company shall be the administrator of the Plan for purposes of Section 3(16) of ERISA and shall have responsibility for complying with any ERISA reporting and disclosure rules applicable to the Plan for any Plan Year. The Administrator may at any time delegate to any other named person or body, or reassume therefrom, any of its fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA) or administrative duties with respect to this Plan.

7.3 The Administrator may contract with one or more persons to render advice or services with regard to any responsibility it has under this Plan.

7.4 Subject to the limitations of this Plan, the Administrator shall from time to time establish such rules for the administration of this Plan as the Administrator may deem desirable.

SECTION 8 — CLAIMS PROCEDURE

8.1 If a Participant believes he or she has not been provided with severance pay benefits due under the Plan, then the Participant may file a request for benefits under this Plan with the Human Resources Department or its delegate within ninety (90) days after the date the Participant believes he or she should have received such benefits. If a Participant makes such a request for benefits under the Plan and that claim is denied, in whole or in part, the Administrator shall notify the Participant of the adverse determination within ninety (90) calendar days unless the Administrator determines that special circumstances require an extension of time for processing. If the

Administrator determines that an extension of time is necessary, written notice shall be furnished to the claimant prior to the end of the initial ninety-day period and the extension shall not exceed ninety days from the original ninety-day period. The extension notice shall indicate the special circumstances requiring an extension and the date by which the Administrator expects to render a determination. The Administrator shall notify the Participant of the specific reasons for the denial with specific references to pertinent Plan provisions on which the denial is based and shall notify the Participant of any additional material or information that is needed to perfect the claim and explanation of why such material or information is necessary. At that time the Participant will be advised of his or her right to appeal that determination, and given an explanation of the Plan's review and appeal procedure including time limits, and a statement regarding the Participant's right to bring a civil action under ERISA section 502(a) following an adverse determination or appeal.

8.2 A Participant may appeal the determination or denial by submitting to the Administrator within sixty (60) calendar days after receiving a denial notice by: (a) requesting a review by the Administrator of the claim; (b) setting forth all of the grounds upon which the request for review is based and any facts in support thereof; and (c) setting forth any issues or comments which the Participant deems relevant to the claim. The Participant may submit written comments, documents, records and other information relating to his claim. Upon request, the Participant may obtain free of charge, copies of all documents and records relevant to his claim.

8.3 The Administrator shall act upon the appeal taking into account all comments, documents, records and other information submitted by the Participant without regard to whether such information was submitted or considered in the initial benefit determination and shall render a decision within sixty (60) days or one hundred twenty (120) days in special circumstances after its receipt of the appeal. If the Administrator determines that an extension of time is necessary, written notice of the extension shall be furnished to the Participant prior to the end of the initial sixty-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Administrator expects to render a determination. The Administrator shall review the claim and all written materials submitted by the Participant, and may require him or her to submit, within ten (10) days of its written notice, such additional facts, documents, or other evidence as the Administrator in its sole discretion deems necessary or advisable in making such a review. On the basis of its review, the Administrator shall make an independent determination of the Participant's eligibility for benefits and the amount of such benefits under the Plan. The decision of the Administrator on any claim shall be final and conclusive upon all persons if supported by substantial evidence. If the Administrator denies a claim on review in whole or in part, it shall give the Participant written notice of its decision setting forth the following: (a) the specific reasons for the denial and specific references to the pertinent Plan provisions on which its decision was based; (b) notice that the Participant may obtain free of charge, copies of all documents, records and other information relevant to the Participant's claim; and (c) a statement of the Participant's right to bring a civil action under section 502(a) of ERISA.

8.4 A Participant or his or her legal representative may appeal any final decision by filing an action in a federal court of competent jurisdiction, provided that such action is filed no later than 90 days after receipt of a final decision by the Participant or his or her legal representative.

SECTION 9 — GENERAL

9.1 The benefits and costs of this Plan shall be paid by the Company out of its general assets.

9.2 This Plan is intended to be an “employee welfare benefit plan”, as defined in Section 3(1), Subtitle A of Title 1 of ERISA. The Plan will be interpreted to effectuate this intent. Notwithstanding any other provision of this Plan, no Participant in the event of termination shall receive hereunder any payment exceeding three times that Officer’s annual compensation during the year immediately preceding the termination of his service, within the meaning of 29 C.F.R. Section 2510.3-2, as the same was in effect on the effective date of this Plan.

9.3 The Participant and the Company acknowledge that the employment of the Participant by the Company is “at will” and, prior to the Effective Date, may be terminated by either the Participant or the Company at any time. If prior to the Effective Date, the Participant’s employment with the Company terminates, the Participant shall have no rights under this Plan. Nothing in this Plan shall be construed to create for any Participant a right of continued employment with the Company.

SECTION 10 — AMENDMENT AND TERMINATION

The Company reserves the right to amend this Plan, in whole or in part, or discontinue or terminate the Plan; provided, however, that any such amendment, discontinuance or termination shall not affect any right of any Participant to claim benefits under the Plan or as in effect prior to such amendment, discontinuance or termination, for events occurring prior to the date of such amendment, discontinuance or termination. An amendment to this Plan, and/or resolution of discontinuance or termination, may be made by the Administrator, to the extent permitted by resolution of the Board of Directors.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Company has caused its officer, duly authorized by its Board of Directors to execute the Plan on this 19th day of December, 2008.

HOST HOTELS & RESORTS, INC.

By: /s/ ELIZABETH A. ABDOO
Name: Elizabeth A. Abdoo
Title: Executive Vice President, General Counsel and Corporate Secretary

<u>EXHIBIT A</u>

FORM OF
SEVERANCE AGREEMENT AND RELEASE

This is a Severance Agreement and Release (the “Agreement”) is required to be delivered by EMPLOYEE NAME (“Employee”) as a condition of Employee’s receipt of severance and other benefits under the Host Hotels & Resorts, Inc. Severance Plan for Executives (the “Severance Plan”).

1. Employee agrees that, in consideration of the severance and other benefits to which he/she is eligible under the terms of the Severance Plan, he/she will, and hereby does knowingly and voluntarily, forever and irrevocably release and discharge between Host Hotels & Resorts, L.P., a Delaware limited partnership (together with its parent, subsidiaries and affiliates, “Employer”), and each of its and their respective partners, officers, directors, employees, agents, predecessors, successors, purchasers, assigns, representatives and benefit plans (collectively with the Employer, the “Releasees”) of any and all actions, causes of action, grievances, demands, rights, claims for damages, indemnity, costs, interest, loss or injury whatsoever which he/she now has, has had, or may have, whether the same be at law, in equity, or mixed, in any way arising from or relating to Employee’s employment with Employer or the termination of that employment. **THIS IS A GENERAL RELEASE.** Employee expressly acknowledges that this release specifically includes, but is not limited to, Employee’s intent to release Employer from any claim of age, race, sex, religion, national origin or any other claim of employment discrimination under Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e et seq.), the Age Discrimination in Employment Act (29 U.S.C. § 621, et seq.), the Americans with Disabilities Act (42 U.S.C. § 12101, et seq.), the Family and Medical Leave Act (29 U.S.C. § 2601 et seq.), Worker Adjustment and Retraining Notification Act, Employee Retirement Income Security Act, Article 49B of the Maryland Code, and any other similar federal, state or local law regarding employment. Employee is not waiving rights or claims (i) that may arise after the date of this Agreement, (ii) for indemnification and/or advanced expenses under applicable law, any directors and officers liability insurance, the Employer’s partnership agreement, applicable articles of incorporation or by-laws, (iii) to enforce the Severance Plan, (iv) to exercise vested stock options or other equity awards determined as of the date hereof, (v) to employee benefits which have accrued and are payable pursuant to the Employer’s employee benefit plans, or (vi) which otherwise cannot be waived by law.

2. Employee agrees not to sue any Releasee or participate in any lawsuit against a Releasee concerning any claim released under Section 1 above, or to challenge the enforceability of this Agreement or the release given thereby.

3. Employee agrees to treat this Agreement as confidential and will not discuss or disclose the terms of this Agreement, other than to his/her immediate family members, attorneys and financial advisors, future employers regarding the provisions of Section 7, or as required by law.

4. Employee agrees that while he/she was employed by Employer he/she was exposed to certain confidential and proprietary information of Employer. Such information may include, but is not necessarily limited to, business plans, analyses, forecasts, predictions or projections, customer information, technical information, business models, pricing strategies, marketing ideas, sales data, sales projections, financing plans, valuations, capitalization, budgets and other financial information. It is specifically understood and agreed that Employee will maintain all such information in strict confidence and will not use such information for any purpose whatsoever.

5. Employee agrees that he/she has not removed any property of the Employer from the Employer's premises, except as authorized by the Employer in writing, or that Employee has returned or will return all of the Employer's property immediately upon execution of this Agreement. Such property includes, but is not limited to, the original and any copies of any confidential information or trade secrets, PDA's, keys, pass cards, customer lists, files, brochures, documents or computer disks or printouts, equipment and any other item relating to the Employer and its business. Further, Employee agrees that he/she has not taken, procured, or copied any property of the Employer.

6. Employee shall not, at any time following the date of this Agreement, make or publish any derogatory, unfavorable, negative, disparaging, false, damaging or deleterious written or oral statements or remarks (including without limitation, the repetition or distribution of derogatory rumors, allegations, or negative or unfavorable reports or comments) regarding any Releasee.

7. For a period of one year following the date of this Agreement, Employee will not directly or indirectly, as a director, officer, employee, manager, consultant, independent contractor, advisor or otherwise:

(a) employ or solicit for employment, or advise or recommend to any other person or entity that they employ or solicit for employment, any employee of Employer;

(b) solicit or encourage any employee of Employer to leave the employ of Employer, to do any act that is disloyal to Employer, is inconsistent with the interests of Employer or violates any provision of this Agreement or any agreement Employee has with Employer; or

(c) provide his/her services to any person, company, firm, organization or other entity engaged in the ownership and management of hotel properties.

For purposes of the foregoing an “employee of Employer” shall include any person who was an employee of the Employer at any time within six (6) months prior to Employee’s Severance Date (as defined in the Severance Plan).

8. Employee has read and fully reviewed the terms of this Agreement. Employee acknowledges that he/she has been advised to consult with an attorney if he/she chooses before signing this Agreement. Employee also expressly acknowledges that she has been given at least [21 or 45 *if a group layoff*] days to consider this Agreement and has 60 days from his/her Severance Date to return and not revoke an executed version of this Agreement before severance or other benefits under the Severance Plan are payable. For a period of 7 days following the execution of this Agreement, Employee may revoke the Agreement. The Agreement shall not become effective or be in force until the revocation period has expired.

9. In the event the Employee breaches any terms of this Agreement, the Employee shall forfeit all rights to benefits under the Severance Plan, and in addition to any and all other remedies available under law or equity to the Employer, the Employee shall be obligated to repay to the Employer, all amounts previously paid under the Severance Plan, as well as all reasonable attorneys’ fees, expenses and costs incurred by Releasees.

10. Employee expressly acknowledges and understands that this Agreement is not an admission of liability under any statute or otherwise by Employer, and it does not admit any violation of Employee’s legal rights.

11. The parties agree that this Agreement shall be binding upon and inure to the benefit of Employee’s assigns, heirs, executors and administrators as well as all Releasees.

12. This Agreement contains the entire agreement and understanding of the parties. There are no additional promises or terms among the parties other than those contained herein. This Agreement shall not be modified except in writing signed by both parties. This Agreement shall in all respects be interpreted, enforced and governed in accordance with the laws of Maryland, and furthermore, any dispute regarding this Agreement shall be subject to the exclusive jurisdiction of any court of competent jurisdiction located in Montgomery County or the United States District Court of Maryland, Southern Division.

13. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties. In the event that one or more provisions of this Agreement shall for any reason be held to be illegal or unenforceable, this Agreement shall be revised only to the extent necessary to make the Agreement or such provision(s) legal and enforceable.

14. [*Include if part of a group layoff:* Employee acknowledges that he/she has received a list of the ages and job descriptions of the individuals who are eligible to receive severance benefits under the Severance Plan as a condition of signing a similar Severance Agreement and Release.]

Employer:

Company Representative	Employee
Date	

Exhibit 10.33

[NAME OF EXECUTIVE]
RESTRICTED STOCK AGREEMENT

This Agreement is between ______________ (the "Executive") and Host Hotels & Resorts, Inc. ("Company"), a Maryland corporation, and governs an award made to the Executive pursuant to the 1997 Host Marriott Corporation and Host Marriott, L.P. Comprehensive Stock and Cash Incentive Plan, as amended (the "Plan"). The Company and the Executive agree as follows:

1. **Restricted Stock Award.** The Company has awarded the Executive __________ shares of Restricted Stock of which:

(i) ______ shares shall vest based on Executive's performance against his annual personal performance goals (the "Personal Performance Award");

(ii) ______ shares shall vest based on performance relating to Relative Total Shareholder Return (the "Relative NAREIT TSR Award"); and

(iii) ______ shares shall vest based on performance relating to Relative Total Shareholder Return (the "Relative Lodging TSR Award").

2. Personal Performance Award. The Personal Performance Award may vest based on Executive's satisfaction of his Personal Performance Goals for fiscal 2009 as follows:

If the level of Satisfaction of Personal Performance Goals is	Then the percentage of the Personal Performance Award which will vest will be
<Threshold	0%
Threshold	33%
Target	66%
High	100%

The Executive will vest in the Personal Performance Award provided that the Executive is employed by the Company on the date that the Compensation Policy Committee of the Board of Directors of the Company (the "Committee") determines the level of satisfaction on the Personal Performance Goals for the year January 1, 2009 through December 31, 2009 and such Executive's employment with the Company had not terminated during the prior twelve (12) month period preceding the vesting date, unless otherwise provided in Section 8 of this Agreement. For this purpose "Personal Performance Goals" shall mean the management performance objectives applicable to the Executive for determining Executive's annual bonus incentive award for 2009.

3. Relative NAREIT TSR Award. The Relative NAREIT TSR Award may vest based on satisfaction of the Relative NAREIT TSR for 2009 as follows:

If Relative NAREIT TSR is	Then the percentage of the Relative NAREIT TSR for the relevant period which will vest will be
<30^{th} percentile	0%
30^{th} percentile	25%
50^{th} percentile	50%
75^{th} percentile	100%

The Executive will vest in the Relative NAREIT TSR Award provided that the Executive is employed by the Company on the date that the Committee determines the Relative NAREIT TSR for 2009 and Executive's employment with the Company had not terminated during the prior twelve (12) month period preceding the vesting date, unless otherwise provided in Section 8 of this Agreement.

"Relative NAREIT TSR" shall mean the increase in the Starting Price over the Ending Price, plus dividends paid on the Company's common stock during fiscal 2009 as compared to the NAREIT Equity Index The "Starting Price" shall mean the average of the high and the low trading prices of the Company common stock on the trading days occurring on the last sixty (60) calendar days of 2008, which was $____. The "Ending Price" shall mean the average of the high and low trading prices of Company common stock on the trading days occurring on the last sixty (60) calendar days of 2009 (or for purposes of Section 5, the last sixty (60) calendar days of 2010 and 2011).

The calculation of the Relative NAREIT TSR and the number of shares vested under the Relative NAREIT TSR Award shall be carried out to the third decimal point. The actual number of shares of the Relative NAREIT TSR Award which shall vest shall be interpolated between the vesting percentages to the extent that the Relative NAREIT TSR is between the amounts set forth in the chart above.

Relative NAREIT TSR Shares that do not vest according to the schedule above may vest and be released based on satisfaction of Cumulative Performance, as described in Section 5 of this Agreement.

4. Relative Lodging TSR Award. The Relative Lodging TSR Awards may vest based on satisfaction of the Relative Lodging TSR for fiscal 2009 as follows:

If Relative Lodging TSR is	Then the percentage of the Relative Lodging TSR for the relevant period which will vest will be
<30th percentile	0%
30th percentile	25%
50th percentile	50%
75th percentile	100%

The Executive will vest in the Relative Lodging TSR Award provided that the Executive is employed by the Company on the date that the Committee determines the Relative Lodging TSR for fiscal 2009 and Executive's employment with the Company had not terminated during the prior twelve (12) month period preceding the vesting date, unless otherwise provided in Section 8 of this Agreement.

"Relative Lodging TSR" shall mean the increase in the Starting Price over the Ending Price, plus dividends paid on the Company's common stock during fiscal 2009 as compared to an index of lodging REITs and hotel management companies as established by the Committee (the "Lodging Index").

The calculation of the Relative Lodging TSR Award and the number of shares vested under the Relative Lodging TSR Award shall be carried out to the third decimal point. The actual number of shares of the Relative Lodging TSR Award which shall vest shall be interpolated between the vesting percentages to the extent that the Relative Lodging TSR is between the amounts set forth in the chart above.

Relative Lodging TSR Shares that do not vest according to the schedule above may vest and be released based on satisfaction of Cumulative Performance, as described in Section 4 of this Agreement.

5. Cumulative Performance.

(i) Any unvested portion of the Relative NAREIT TSR Award will vest if the cumulative Relative NAREIT TSR for the Company for the period January 1, 2009 through December 31, 2011 equals or exceeds the 75th percentile of the peer companies in the NAREIT Equity Index; provided that the Executive is employed by the Company on the date the Committee determines the cumulative Relative NAREIT TSR and such Executive's employment with the Company had not terminated during the period 2009-2011, unless otherwise provided in Section 8 of this Agreement. Any unvested portion of the Relative NAREIT TSR Award that does not vest in accordance with this Section 5 shall be forfeited on the date the Committee determines the cumulative Relative NAREIT TSR.

(ii) Any unvested portion of the Relative Lodging TSR Award will vest if the cumulative Relative Lodging TSR for the Company for the period January 1, 2009 through December 31, 2011 equals or exceeds the 75th percentile of the peer companies in the Lodging Index; provided that the Executive is employed by the Company on the date the Committee determines the cumulative Relative Lodging TSR and such Executive's employment with the Company had not terminated during the period 2009-2011, unless otherwise provided in Section 8 of this Agreement. Any unvested portion of the Relative Lodging TSR Award that does not vest in accordance with this Section 5 shall be forfeited on the date the Committee determines the cumulative Relative Lodging TSR.

6. Restricted Stock Account. The full number of shares of Restricted Stock have been deposited in restricted stock account or accounts for the Executive at the Company's transfer agent. The Company reserves the right at its sole discretion to change the financial institution in which the shares are deposited. These shares are nontransferable and otherwise subject to the Plan until the restrictions are removed based on achievement of the applicable conditions to removal of the restrictions or as otherwise permitted by the Committee. Shares of Restricted Stock shall be released from such account and all restrictions on transfer thereof shall be removed as soon as practicable after the shares have vested in accordance with Sections 2, 3, 4 or 5 above. All determinations of vesting in the Personal Performance Award, the Relative NAREIT TSR Award and Relative Lodging TSR Award shall be determined by the Committee in its sole discretion.

7. Voting Rights and Dividends. The Executive has the right to vote the Restricted Stock, except to the extent shares are forfeited. The Executive shall not receive any dividends with respect to the Restricted Stock unless and until the Executive vests in the relevant shares. At the time of vesting, the Executive shall receive a cash payment equal to the cumulative dividends (without interest) paid on the shares of Restricted Stock in which the Executive vests for the period beginning on the date of grant of those shares, and ending on the date of vesting. No dividends shall be paid to the Executive with respect to any shares represented by shares of Restricted Stock that are forfeited by the Executive.

In the event any or all of the shares of Restricted Stock are split, or combined, or in any other manner changed, modified or amended, or the Company is recapitalized, restructured, or reorganized, the Executive shall receive such number of new shares or equivalent equity interest and value so that the value of any remaining shares of Restricted Stock under this Agreement is not diminished or adversely impacted in any manner.

8. Termination Policy. This Agreement is not an employment contract. This Agreement is, however, a contract creating enforceable rights between the Company (and any successor) and the Executive regarding the Restricted Stock. This Agreement is subject to the "Host Hotels & Resorts, Inc. Severance Plan for Executives" (the "Severance Plan"), attached hereto as Exhibit A. If the Executive's employment with the Company is terminated for Cause (as defined in the Severance Plan) or by the Executive without Good Reason (as defined in the Severance Plan), then all unvested and unreleased shares of Restricted Stock shall be forfeited. If the Executive's employment with the Company is terminated without Cause or by the Executive with Good Reason not following a Change in Control while any Restricted Stock remains unvested and has not be previously forfeited, then 50% of the Personal Performance Award, 50% of the Relative NAREIT TSR Award, and 50% of the Relative Lodging TSR Award shall vest and all restrictions on each such award shall be removed. If the Executive's employment with the Company is terminated by (i) reason of the Executive's death, (ii) Disability, (iii) the Company without Cause following a Change in Control or (iv) the Executive with Good Reason following a Change in Control, and any Restricted Stock remains unvested and has not been previously forfeited, then all unvested shares of Restricted Stock shall vest and all restrictions thereon shall be removed. *For Mr. Risoleo and Mr. Walter, add the following sentence:* [The Executive agrees that in the event of his death, however, his named beneficiary will receive $______ (the "Proceeds") from that certain [define the Insurance Policy] dated as of ______. Executive agrees notwithstanding the foregoing that he shall forfeit that number of shares which of Restricted Stock have a Fair Market Value equal to the amount of the Proceeds and any remaining shares of Restricted Stock shall vest.]

9. Other Long-Term Incentive Awards. The Executive understands and agrees that the shares of Restricted Stock granted pursuant to this Agreement and stock options granted pursuant to a Stock Option Agreement dated February __, 2009, are in lieu of any other awards of long-term incentives or supplemental long-term incentives of stock options and deferred bonus stock awards for the period 2009 – 2011, and that the Executive is not entitled to receive any additional stock options award, deferred bonus stock awards or additional restricted stock award during that period (other than awards granted and still in effect prior to January 31, 2009). The Committee reserves the right to make additional long-term incentive awards to individuals in cases where it believes doing so is in the best interests of the Company and its shareholders.

10. The Plan. The Restricted Stock is granted in accordance with and subject to the Plan. The terms of this Agreement are intended to be in full accordance with the Plan. However, in the event of any potential conflict between any term of this Agreement and the Plan, this Agreement shall automatically be amended to comply with the terms of the Plan. All defined terms used in this Agreement which are otherwise not defined herein shall have the meaning set forth in the Plan.

11. Modifications to the Agreement. This Agreement represents the full and complete understanding between the Executive and the Company and this Agreement cannot be modified or changed by any prior or contemporaneous or future oral agreement of the parties. This Agreement shall only be modified by the express written agreement of the parties.

12. Governing Law. This Agreement shall be governed by the law of the State of Maryland without regard to choice of law or conflict of law rules.

13. Designation of Beneficiary. The Executive may designate a beneficiary in the space provided at the end of this Agreement.

14. No Guarantee of Continued Service. BY SIGNING THIS AGREEMENT EXECUTIVE KNOWLEDGE AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THIS AGREEMENT IS EARNED ONLY BY CONTINUING AS AN ELIGIBLE INDIVIDUAL AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OR ACQUIRING SHARES HEREUNDER). EXECUTIVE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN ELIGIBLE INDIVIDUAL FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH HIS OR HER RIGHT OR THE COMPANY’S RIGHT TO TERMINATE THE RELATIONSHIP AS AN ELIGIBLE INDIVIDUAL AT ANY TIME, WITH OR WITHOUT CAUSE.

15. Taxation. The Executive understands that upon removal of restrictions on any of the shares represented by the Long-Term Incentive Award, a taxable event will occur and Executive will be responsible for payment of taxes due. The Committee may condition the delivery of any shares or any other benefits under this Agreement on the satisfaction of applicable withholding requirements. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Executive, through the surrender of shares of common stock of the Company that the Executive already owns, or through the surrender of shares of Restricted Stock to which the Executive would otherwise be entitled under this Agreement provided, however, that if the withholding obligation arises during a period in which the Executive is prohibited in trading in the Company’s equity securities by reason of the Federal securities laws, or any Company policy regarding insider trading, then the Company shall automatically withhold the number of shares with a Fair Market Value equal to the minimum amount required to be withheld from the Restricted Stock to which the Executive would otherwise be entitled under this Agreement.

16. Confidential Information. In consideration of the grant of Restricted Stock the Executive hereby agrees that the Company has made and will make available to the Executive, and the Executive will have access to, certain Confidential Information of the Company and its affiliates. The Executive acknowledges and agrees that any and all Confidential Information learned or obtained by the Executive during the course of the Executive's employment with the Company or otherwise, whether developed by the Executive alone or in conjunction with others or otherwise, shall be and is the property of the Company and its affiliates. Accordingly, the Executive shall at all times keep all Confidential Information confidential and will not use such Confidential Information other than in connection with the Executive's discharge of his/her employment with the Company, and will safeguard the Confidential Information from unauthorized disclosure. This covenant is not intended to, and does not limit in any way the Executive's duties and obligations to the Company under statutory and common law not to disclose or make personal use of the Confidential Information or trade secrets. For the purposes of this Agreement, "Confidential Information" shall mean all confidential and proprietary information of the Company, and its affiliates, including, without limitation, the Company's contractor, customer, supplier and vendor lists and information, marketing strategies, pricing policies or characteristics, product or product specifications, designs, software systems, leasing costs, cost of equipment, business or business prospects, plans, proposals, codes, marketing studies, research, reports, investigations, trade secrets or other information of similar character. For purposes of this Agreement, Confidential Information shall not include (i) information which is generally available to the public, (ii) information obtained by the Executive from third persons other than employees of the Company, its subsidiaries, and affiliates not under agreement to maintain the confidentiality of the same, and (iii) information which is required to be disclosed by law or legal process.

Accepted by the Executive:	**For the Company:**
______________________________	______________________________
[Name]	
Date: ______________________________	Date: ______________________________
Beneficiary: ______________________________	
Relationship: ______________________________	

Exhibit 10.34

[NAME OF EXECUTIVE]
STOCK OPTION AGREEMENT

This Agreement is between (the "Executive") and Host Hotels & Resorts, Inc. ("Company"), a Maryland corporation, and governs an award made to the Executive pursuant to the 1997 Host Marriott Corporation and Host Marriott, L.P. Comprehensive Stock and Cash Incentive Plan, as amended (the "Plan"). The Company and the Executive agree as follows:

1. Stock Option Award. On February , 2009 (the "Grant Date") the Company awarded the Executive the option to purchase shares of the Company's Common Stock (the "Option") at an exercise price equal to $ per share (the "Per Share Exercise Price"), which shall vest and become exercisable according to the terms and conditions of this Agreement. This Option is not intended to be an Incentive Stock Option.

2. Vesting. The Option will vest and may be exercised on and after December 31, 2009. Except as provided in Section 5, upon Executive's termination of employment with the Company ("Termination of Service") his or her right to vest in the Option shall terminate and any unvested portion of the Option shall be forfeited.

3. Exercise Period. The Option may not be exercised until vested. Once vested, the Option may be exercised in whole or any part, at any time, but may only be exercised for whole shares. However, the vested portion of the Option must be exercised, if at all, prior to the earlier of:

(a) one year following Executive's Termination of Service with the Company by reason of death or Disability;

(b) three months following Executive's Termination of Service for any reason other than death or Disability; and

(c) the tenth anniversary of the Grant Date;

and if not exercised prior thereto shall terminate and no longer be exercisable.

4. Exercise Terms. The Option will be deemed exercised upon Executive's completing the exercise procedures established by the Company and payment of the Per Share Exercise Price for each share of Common Stock being purchased upon exercise of the Option, plus any applicable tax withholding to the Company as provided in Section 6 below. Payment may be made in (a) cash; (b) with the consent of the Committee, shares of Common Stock having a Fair Market Value equal to the aggregate exercise price, or (c) broker assisted cashless exercise, as permitted by the Plan.

5. Termination Policy. This Agreement is not an employment contract. This Agreement is, however, a contract creating enforceable rights between the Company (and any successor) and the Executive regarding the Option. This Agreement is subject to the "Host Hotels & Resorts, Inc. Severance Plan for Executives" (the "Severance Plan"), attached hereto as Exhibit A. If the Executive's employment with the Company is terminated for Cause (as defined in the

Severance Plan) or by the Executive without Good Reason (as defined in the Severance Plan), then the unvested portion of the Option shall be forfeited and no longer exercisable. If the Executive's employment with the Company is terminated by (i) reason of the Executive's death, (ii) Disability, (iii) the Company without Cause or (iv) the Executive with Good Reason, then all shares subject to the Option shall vest and become exercisable.

6. Withholding. The Company has the authority to deduct or withhold, or require the Executive to remit to the Company, an amount sufficient to satisfy applicable federal, state, local and foreign taxes arising from exercise or vesting of the Option. Executive may satisfy such tax withholding obligation, in whole or in part, by either: (i) electing to have the Company withhold shares otherwise to be delivered with a Fair Market Value equal to the minimum amount of the tax withholding obligation; (iii) paying the withholding amount in cash to the Company; or (iii) with the consent of the Committee surrendering to the Company previously owned Common Stock with a Fair Market Value equal to the minimum amount of the tax withholding obligation.

7. Not Transferable. Except as otherwise permitted by the Plan, this option is not transferable except by will or the laws of descent and distribution.

8. Other Long-Term Incentive Awards. The Executive understands and agrees that the Option granted pursuant to this Agreement and the Restricted Shares granted under the Agreement dated February 5, 2009 are in lieu of any other awards of long-term incentives or supplemental long-term incentives of stock options and deferred bonus stock awards for the period 2009 – 2011, and that the Executive is not entitled to receive any additional stock options award, deferred bonus stock awards or additional restricted stock award during that period (other than awards granted and still in effect prior to January 31, 2009). The Committee reserves the right to make additional long-term incentive awards to individuals in cases where it believes doing so is in the best interests of the Company and its shareholders.

9. The Plan. The Option is granted in accordance with and subject to the Plan. The terms of this Agreement are intended to be in full accordance with the Plan. However, in the event of any potential conflict between any term of this Agreement and the Plan, this Agreement shall automatically be amended to comply with the terms of the Plan. All defined terms used in this Agreement which are otherwise not defined herein shall have the meaning set forth in the Plan.

10. Modifications to the Agreement. This Agreement represents the full and complete understanding between the Executive and the Company and this Agreement cannot be modified or changed by any prior or contemporaneous or future oral agreement of the parties. This Agreement shall only be modified by the express written agreement of the parties.

11. Governing Law. This Agreement shall be governed by the law of the State of Maryland without regard to choice of law or conflict of law rules.

12. Designation of Beneficiary. The Executive may designate a beneficiary in the space provided at the end of this Agreement.

13. No Guarantee of Continued Service. BY SIGNING THIS AGREEMENT EXECUTIVE KNOWLEDGE AND AGREES THAT THE VESTING OF THE OPTION PURSUANT TO THIS AGREEMENT IS EARNED ONLY BY CONTINUING AS AN ELIGIBLE INDIVIDUAL AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). EXECUTIVE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN ELIGIBLE INDIVIDUAL FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH HIS OR HER RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE RELATIONSHIP AS AN ELIGIBLE INDIVIDUAL AT ANY TIME, WITH OR WITHOUT CAUSE.

14. Confidential Information. In consideration of the grant of the Option the Executive hereby agrees that the Company has made and will make available to the Executive, and the Executive will have access to, certain Confidential Information of the Company and its affiliates. The Executive acknowledges and agrees that any and all Confidential Information learned or obtained by the Executive during the course of the Executive's employment with the Company or otherwise, whether developed by the Executive alone or in conjunction with others or otherwise, shall be and is the property of the Company and its affiliates. Accordingly, the Executive shall at all times keep all Confidential Information confidential and will not use such Confidential Information other than in connection with the Executive's discharge of his/her employment with the Company, and will safeguard the Confidential Information from unauthorized disclosure. This covenant is not intended to, and does not limit in any way the Executive's duties and obligations to the Company under statutory and common law not to disclose or make personal use of the Confidential Information or trade secrets. For the purposes of this Agreement, "Confidential Information" shall mean all confidential and proprietary information of the Company, and its affiliates, including, without limitation, the Company's contractor, customer, supplier and vendor lists and information, marketing strategies, pricing policies or characteristics, product or product specifications, designs, software systems, leasing costs, cost of equipment, business or business prospects, plans, proposals, codes, marketing studies, research, reports, investigations, trade secrets or other information of similar character. For purposes of this Agreement, Confidential Information shall not include (i) information which is generally available to the public, (ii) information obtained by the Executive from third persons other than employees of the Company, its subsidiaries, and affiliates not under agreement to maintain the confidentiality of the same, and (iii) information which is required to be disclosed by law or legal process.

Accepted by the Executive:		**For the Company:**	
____________________		____________________	
[Name]			
Date:	____________________	Date:	____________________
Beneficiary:	____________________		
Relationship:	____________________		

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

	2008	2007	2006	2005	2004
Income (loss) from operations before income taxes	$399	$ 549	$296	$136	$(101)
Add (deduct):					
Fixed charges	413	493	526	525	574
Capitalized interest	(10)	(10)	(5)	(5)	(3)
Amortization of capitalized interest	6	6	6	6	6
Minority interest in consolidated affiliates	21	32	41	16	4
Net (earnings)/losses related to certain 50% or less owned affiliates	10	(11)	6	1	16
Distributions from equity investments	3	4	3	2	6
Dividends on preferred stock	(9)	(9)	(14)	(27)	(37)
Issuance costs of redeemed preferred stock	—	—	(6)	(4)	(4)
Adjusted earnings	$833	$1,054	$853	$650	$ 461
Fixed charges:					
Interest on indebtedness and amortization of deferred financing costs	$341	$ 422	$450	$443	$ 483
Capitalized interest	10	10	5	5	3
Dividends on preferred stock	9	9	14	27	37
Issuance costs of redeemed preferred stock	—	—	6	4	4
Portion of rents representative of the interest factor	53	52	51	46	47
Total fixed charges and preferred stock dividends	$413	$ 493	$526	$525	$ 574
Ratio of earnings to fixed charges and preferred stock dividends	2.0	2.1	1.6	1.2	—
Deficiency of earnings to fixed charges and preferred stock dividends	$—	$ —	$—	$—	$(113)

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES

	Company Name	Place of Incorporation
1)	Airport Hotels LLC	Delaware
2)	Ameliatel, a Florida GP	Florida
3)	Atlanta II Limited Partnership	Delaware
4)	Beachfront Properties, Inc.	Virgin Islands
5)	Benjamin Franklin Hotel, Inc.	Washington
6)	BRE/Swiss L.L.C.	Delaware
7)	Calgary Charlotte Holdings Company	Nova Scotia
8)	Calgary Charlotte Partnership	Alberta, CN
9)	CB Realty Sales, Inc.	Delaware
10)	CCES Chicago LLC	Delaware
11)	CCFH Maui LLC	Delaware
12)	CCFS Atlanta LLC	Delaware
13)	CCFS Philadelphia LLC	Delaware
14)	CCHH Atlanta LLC	Delaware
15)	CCHH Burlingame LLC	Delaware
16)	CCHH Cambridge LLC	Delaware
17)	CCHH Host Capitol Hill LLC	Delaware
18)	CCHH Maui LLC	Delaware
19)	CCHH Reston LLC	Delaware
20)	CCHI Singer Island LLC	Delaware
21)	CCMH Atlanta Marquis LLC	Delaware
22)	CCMH Atlanta Suites LLC	Delaware
23)	CCMH Chicago CY LLC	Delaware
24)	CCMH Copley LLC	Delaware
25)	CCMH Coronado LLC	Delaware
26)	CCMH Costa Mesa Suites LLC	Delaware
27)	CCMH DC LLC	Delaware
28)	CCMH Denver SE LLC	Delaware
29)	CCMH Denver Tech LLC	Delaware
30)	CCMH Denver West LLC	Delaware
31)	CCMH Diversified LLC	Delaware
32)	CCMH Downer’s Grove Suites LLC	Delaware
33)	CCMH Dulles AP LLC	Delaware
34)	CCMH Dulles Suites LLC	Delaware
35)	CCMH Fin Center LLC	Delaware
36)	CCMH Fisherman’s Wharf LLC	Delaware
37)	CCMH Gaithersburg LLC	Delaware
38)	CCMH Hanover LLC	Delaware
39)	CCMH Houston AP LLC	Delaware
40)	CCMH Houston Galleria LLC	Delaware
41)	CCMH IHP LLC	Delaware
42)	CCMH Kansas City AP LLC	Delaware
43)	CCMH Key Bridge LLC	Delaware
44)	CCMH Lenox LLC	Delaware
45)	CCMH Manhattan Beach LLC	Delaware
46)	CCMH Marina LLC	Delaware
47)	CCMH McDowell LLC	Delaware

HOST HOTELS & RESORTS, INC.
SUBSIDIARIES—(Continued)

	Company Name	Place of Incorporation
48)	CCMH Memphis LLC	Delaware
49)	CCMH Metro Center LLC	Delaware
50)	CCMH Minneapolis LLC	Delaware
51)	CCMH Moscone LLC	Delaware
52)	CCMH Nashua LLC	Delaware
53)	CCMH Newark LLC	Delaware
54)	CCMH Newport Beach LLC	Delaware
55)	CCMH Newport Beach Suites LLC	Delaware
56)	CCMH Newton LLC	Delaware
57)	CCMH O’Hare AP LLC	Delaware
58)	CCMH O’Hare Suites LLC	Delaware
59)	CCMH Orlando LLC	Delaware
60)	CCMH Palm Desert LLC	Delaware
61)	CCMH Park Ridge LLC	Delaware
62)	CCMH Pentagon RI LLC	Delaware
63)	CCMH Perimeter LLC	Delaware
64)	CCMH Philadelphia AP LLC	Delaware
65)	CCMH Philadelphia Mkt. LLC	Delaware
66)	CCMH Portland LLC	Delaware
67)	CCMH Potomac LLC	Delaware
68)	CCMH Properties II LLC	Delaware
69)	CCMH Quorum LLC	Delaware
70)	CCMH Riverwalk LLC	Delaware
71)	CCMH Rocky Hill LLC	Delaware
72)	CCMH San Diego LLC	Delaware
73)	CCMH San Fran AP LLC	Delaware
74)	CCMH Santa Clara LLC	Delaware
75)	CCMH Scottsdale Suites LLC	Delaware
76)	CCMH South Bend LLC	Delaware
77)	CCMH Tampa AP LLC	Delaware
78)	CCMH Tampa Waterside LLC	Delaware
79)	CCMH Times Square LLC	Delaware
80)	CCMH Westfields LLC	Delaware
81)	CCRC Amelia Island LLC	Delaware
82)	CCRC Buckhead/Naples LLC	Delaware
83)	CCRC Dearborn LLC	Delaware
84)	CCRC Marina LLC	Delaware
85)	CCRC Naples Golf LLC	Delaware
86)	CCRC Phoenix LLC	Delaware
87)	CCRC San Francisco LLC	Delaware
88)	CCRC Tysons LLC	Delaware
89)	CCSH Atlanta LLC	Delaware
90)	CCSH Boston LLC	Delaware
91)	CCSH Chicago LLC	Delaware
92)	Chesapeake Hotel Limited Partnership	Delaware
93)	Cincinnati Plaza LLC	Delaware
94)	City Center Hotel Limited Partnership	Minnesota
95)	CLDH Meadowvale, Inc.	Ontario

	Company Name	Place of Incorporation
96)	CLMH Airport, Inc.	Ontario
97)	CLMH Calgary, Inc.	Ontario
98)	CLMH Eaton Centre, Inc.	Ontario
99)	Davis Realty LLC	Delaware
100)	DS Hotel LLC	Delaware
101)	Durbin LLC	Delaware
102)	East Side Hotel Associates, L.P.	Delaware
103)	Elcrisa S.A. de C.V.	Mexico
104)	Euro JV Manager LLC	Delaware
105)	Euro JV Manager B.V.	Netherlands
106)	Farrell’s Ice Cream Parlour Restaurants LLC	Delaware
107)	Fernwood Atlanta Corporation	Delaware
108)	GLIC, LLC	Hawaii
109)	Lauderdale Beach Association	Florida
110)	Harbor-Cal S.D. Partnership	California
111)	Hanover Hotel Acquisition Corp.	Delaware
112)	HHR Newport Beach LLC	Delaware
113)	HHR Harbor Beach LLC	Delaware
114)	HHR Lauderdale Beach Limited Partnership	Delaware
115)	HHR Naples LLC	Delaware
116)	HMA Realty Limited Partnership	Delaware
117)	HMA-GP LLC	Delaware
118)	HMC Airport, Inc.	Delaware
119)	HMC Amelia I LLC	Delaware
120)	HMC Amelia II LLC	Delaware
121)	HMC AP Canada Company	Nova Scotia
122)	HMC AP GP LLC	Delaware
123)	HMC AP LP	Delaware
124)	HMC Atlanta LLC	Delaware
125)	HMC BCR Holdings LLC	Delaware
126)	HMC BN Corporation	Delaware
127)	HMC Burlingame Hotel LLC	Delaware
128)	HMC Burlingame II LLC	Delaware
129)	HMC Burlingame LLC	Delaware
130)	HMC Cambridge LLC	Delaware
131)	HMC Capital Resources LLC	Delaware
132)	HMC Charlotte (Calgary) Company	Nova Scotia
133)	HMC Charlotte GP LLC	Delaware
134)	HMC Charlotte LP	Delaware
135)	HMC Chicago Lakefront LLC	Delaware
136)	HMC Chicago LLC	Delaware
137)	HMC Copley LLC	Delaware
138)	HMC Desert LLC	Delaware
139)	HMC Diversified American Hotels, L.P.	Delaware
140)	HMC Diversified LLC	Delaware
141)	HMC DSM LLC	Delaware
142)	HMC East Side II LLC	Delaware
143)	HMC East Side LLC	Delaware

	Company Name	Place of Incorporation
144)	HMC Gateway LLC	Delaware
145)	HMC Gateway, Inc.	Delaware
146)	HMC Georgia LLC	Delaware
147)	HMC Grace (Calgary) Company	Nova Scotia
148)	HMC Grand LLC	Delaware
149)	HMC Hanover LLC	Delaware
150)	HMC Hartford LLC	Delaware
151)	HMC Headhouse Funding LLC	Delaware
152)	HMC Host Atlanta, Inc.	Delaware
153)	HMC Host Restaurants LLC	Delaware
154)	HMC Hotel Development LLC	Delaware
155)	HMC Hotel Properties II Limited Partnership	Delaware
156)	HMC Hotel Properties Limited Partnership	Delaware
157)	HMC HT LLC	Delaware
158)	HMC JWDC GP LLC	Delaware
159)	HMC Kea Lani LLC	Delaware
160)	HMC Lenox LLC	Delaware
161)	HMC Manhattan Beach LLC	Delaware
162)	HMC MDAH One Corporation	Delaware
163)	HMC Market Street LLC	Delaware
164)	HMC Maui LLC	Delaware
165)	HMC McDowell LLC	Delaware
166)	HMC McDowell Mountains LLC	Delaware
167)	HMC Mexpark LLC	Delaware
168)	HMC MHP II LLC	Delaware
169)	HMC MHP II, Inc.	Delaware
170)	HMC Naples Golf, Inc.	Delaware
171)	HMC NGL LLC	Delaware
172)	HMC O’Hare Suites Ground LLC	Delaware
173)	HMC OLS I LLC	Delaware
174)	HMC OLS I LP	Delaware
175)	HMC OLS II LP	Delaware
176)	HMC OP BN LLC	Delaware
177)	HMC Pacific Gateway LLC	Delaware
178)	HMC Palm Desert LLC	Delaware
179)	HMC Partnership Properties LLC	Delaware
180)	HMC PLP LLC	Delaware
181)	HMC Polanco LLC	Delaware
182)	HMC Potomac LLC	Delaware
183)	HMC Properties I LLC	Delaware
184)	HMC Property Leasing LLC	Delaware
185)	HMC Reston LLC	Delaware
186)	HMC Retirement Properties, L.P.	Delaware
187)	HMC SBM Two LLC	Delaware
188)	HMC Seattle LLC	Delaware
189)	HMC SFO LLC	Delaware
190)	HMC Suites Limited Partnership	Delaware
191)	HMC Suites LLC	Delaware

	Company Name	Place of Incorporation
192)	HMC Swiss Holdings LLC	Delaware
193)	HMC Times Square Hotel LLC	Delaware
194)	HMC Times Square Partner LLC	Delaware
195)	HMC Toronto Air Company	Nova Scotia
196)	HMC Toronto Airport GP LLC	Delaware
197)	HMC Toronto Airport LP	Delaware
198)	HMC Toronto EC Company	Nova Scotia
199)	HMC Toronto EC GP LLC	Delaware
200)	HMC Toronto EC LP	Delaware
201)	HMC/Interstate Manhattan Beach, L.P.	Delaware
202)	HMC/RGI Hartford, L.P.	Delaware
203)	HMH General Partner Holdings LLC	Delaware
204)	HMH HPT CBM LLC	Delaware
205)	HMH HPT RIBM LLC	Delaware
206)	HMH Marina LLC	Delaware
207)	HMH Pentagon LLC	Delaware
208)	HMH Restaurants LLC	Delaware
209)	HMH Rivers L.P.	Delaware
210)	HMH Rivers LLC	Delaware
211)	HMH WTC LLC	Delaware
212)	HMT Lessee Sub (Atlanta) LLC	Delaware
213)	HMT Lessee Sub (Palm Desert) LLC	Delaware
214)	HMT Lessee Sub (SDM Hotel) LLC	Delaware
215)	HMT Lessee Sub I LLC	Delaware
216)	HMT Lessee Sub II LLC	Delaware
217)	HMT Lessee Sub III LLC	Delaware
218)	HMT Lessee Sub IV LLC	Delaware
219)	HMT SPE (Atlanta) Corporation	Delaware
220)	HMT SPE (Palm Desert) Corporation	Delaware
221)	Hopewell Associates, L.P.	Georgia
222)	Host Atlanta Perimeter Ground LLC	Delaware
223)	Host SH Boston Corporation	Massachusetts
224)	Host CAD Business Trust	Maryland
225)	Host CLP Business Trust	Maryland
226)	Host CLP LLC	Delaware
227)	Host California Corporation	Delaware
228)	Host Capitol Hill LLC	Delaware
229)	Host Cincinnati Hotel LLC	Delaware
230)	Host Cincinnati II LLC	Delaware
231)	Host DSM Limited Partnership	Delaware
232)	Host Dallas Quorum Ground LLC	Delaware
233)	Host Denver Hotel Company	Delaware
234)	Host Denver LLC	Delaware
235)	Host FJD Business Trust	Maryland
236)	Host Financing LLC	Delaware
237)	Host Fourth Avenue LLC	Delaware
238)	Host Hanover Hotel Corporation	Delaware
239)	Host Hanover Limited Partnership	Delaware

	Company Name	Place of Incorporation
240)	Host Harbor Island Corporation	Delaware
241)	Host Hotels & Resorts, L.P.	Delaware
242)	Host Hotels Limited	United Kingdom
243)	Host Houston Briar Oaks, L.P.	Delaware
244)	Host Indianapolis Hotel LLC	Delaware
245)	Host Indianapolis Hotel Member LLC	Delaware
246)	Host Indianapolis I LLC	Delaware
247)	Host Indianapolis LLC	Indiana
248)	Host Kierland LLC	Delaware
249)	Host La Jolla LLC	Delaware
250)	Host Los Angeles LLC	Delaware
251)	Host MHP Two Corporation	Delaware
252)	Host Maui Vacation Ownership LLC	Delaware
253)	Host Mission Hills Hotel LLC	Delaware
254)	Host Mission Hills II LLC	Delaware
255)	Host Mission Hills LLC	Delaware
256)	Host Needham LLC	Delaware
257)	Host Needham II LLC	Delaware
258)	Host Needham Hotel LLC	Delaware
259)	Host of Boston, Ltd.	Massachusetts
260)	Host of Houston 1979	Texas
261)	Host of Houston Ltd.	Texas
262)	Host Park Ridge LLC	Delaware
263)	Host PLN Business Trust	Maryland
264)	Host Properties, Inc.	Delaware
265)	Hotel Properties Management, Inc.	Delaware
266)	Host Realty LLC	Delaware
267)	Host Realty Company LLC	Delaware
268)	Host Realty Hotel LLC	Delaware
269)	Host Realty Partnership, L.P.	Delaware
270)	Host San Diego LLC	Delaware
271)	Host San Diego Hotel LLC	Delaware
272)	Host Tucson LLC	Delaware
273)	Host UK Business Trust	Maryland
274)	Host Waltham LLC	Delaware
275)	Host Waltham II LLC	Delaware
276)	Host Waltham Hotel LLC	Delaware
277)	HST Chicago Ground LLC	Delaware
278)	HST Asia/Australia TRS LLC	Delaware
279)	HST Asia/Australia LLC	Delaware
280)	HST Asia/Australia Asset Manager LLC	Delaware
281)	HST GP LAX LLC	Delaware
282)	HST GP Mission Hills LLC	Delaware
283)	HST GP San Diego LLC	Delaware
284)	HST GP SR Houston LLC	Delaware
285)	HST GP South Coast LLC	Delaware
286)	HST I LLC	Delaware
287)	HST II LLC	Delaware

	Company Name	Place of Incorporation
288)	HST III LLC	Delaware
289)	HST Kierland LLC	Delaware
290)	HST Lessee Boston LLC	Delaware
291)	HST Lessee Cincinnati LLC	Delaware
292)	HST Lessee CMBS LLC	Delaware
293)	HST Lessee Denver LLC	Delaware
294)	HST Lessee Indianapolis LLC	Delaware
295)	HST Lessee Keystone LLC	Delaware
296)	HST Lessee LAX LP	Delaware
297)	HST Lessee Mission Hills LP	Delaware
298)	HST Lessee Needham LLC	Delaware
299)	HST Lessee San Diego LP	Delaware
300)	HST Lessee SLT LLC	Delaware
301)	HST Lessee SNYT LLC	Delaware
302)	HST Lessee South Coast LP	Delaware
303)	HST Lessee SR Houston LLC	Delaware
304)	HST Lessee Tucson LLC	Delaware
305)	HST Lessee Waltham LLC	Delaware
306)	HST Lessee West Seattle LLC	Delaware
307)	HST Lessee WNY LLC	Delaware
308)	HST Lessee W Seattle LLC	Delaware
309)	HST LT LLC	Delaware
310)	HST RHP LLC	Delaware
311)	HST Sub-Owner LLC	Delaware
312)	HTKG Development Associates Management Corporation	California
313)	IHP Holdings Partnership LP	Pennsylvania
314)	Ivy Street Hopewell LLC	Delaware
315)	Ivy Street Hotel Limited Partnership	Georgia
316)	Ivy Street LLC	Delaware
317)	JWDC Limited Partnership	Delaware
318)	Market Street Host LLC	Delaware
319)	MFI Liquidating Agent LLC	Delaware
320)	MHP Acquisition Corp.	Delaware
321)	MHP II Acquisition Corp.	Delaware
322)	MOHS Corporation	Delaware
323)	Marriott Mexico City Partnership, G.P.	Delaware
324)	MDSM Finance LLC	Delaware
325)	Mutual Benefit Chicago Suite Hotel Partners, L.P.	Delaware
326)	New Market Street LP	Delaware
327)	Pacific Gateway, Ltd.	California
328)	Philadelphia Airport Hotel Limited Partnership	Pennsylvania
329)	Philadelphia Airport Hotel Corporation	Pennsylvania
330)	Philadelphia Airport Hotel LLC	Delaware
331)	Philadelphia Market Street Hotel Corporation	Pennsylvania
332)	Philadelphia Market Street HMC Hotel Limited Partnership	Delaware
333)	Philadelphia Market Street Marriott Hotel II Limited Partnership	Delaware
334)	PM Financial LLC	Delaware

	Company Name	Place of Incorporation
335)	PM Financial LP	Delaware
336)	Potomac Hotel Limited Partnership	Delaware
337)	RHP Foreign Lessee LLC	Delaware
338)	Rockledge CBM Investor II LLC	Delaware
339)	Rockledge CBM One Corporation	Delaware
340)	Rockledge Hanover LLC	Delaware
341)	Rockledge HMC BN LLC	Delaware
342)	Rockledge HMT LLC	Delaware
343)	Rockledge Hotel LLC	Delaware
344)	Rockledge Hotel Properties, Inc.	Delaware
345)	Rockledge Insurance Company (Cayman) Ltd.	Cayman Islands
346)	Rockledge Manhattan Beach LLC	Delaware
347)	Rockledge Minnesota LLC	Delaware
348)	Rockledge NY Times Square LLC	Delaware
349)	Rockledge Potomac LLC	Delaware
350)	Rockledge Riverwalk LLC	Delaware
351)	Rockledge Square 254 LLC	Delaware
352)	S.D. Hotels LLC	Delaware
353)	S.D. Hotels, Inc.	Delaware
354)	Santa Clara Host Hotel Limited Partnership	Delaware
355)	Seattle Host Hotel Company LLC	Delaware
356)	Host Holding Business Trust	Maryland
357)	SNYT LLC	Delaware
358)	South Coast Host Hotel LLC	Delaware
359)	Starlex LLC	Delaware
360)	Timeport, L.P.	Georgia
361)	Times Square GP LLC	Delaware
362)	Times Square HMC Hotel, L.P.	New York
363)	Times Square LLC	Delaware
364)	Timewell Group, L.P.	Georgia
365)	W&S Realty Corporation of Delaware	Delaware
366)	Wellsford-Park Ridge HMC Hotel Limited Partnership	Delaware
367)	YBG Associates LLC	Delaware

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Host Hotels & Resorts, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-78091, 333-98207, 333-155689, 333-155690, 333-144195, 333-150159 and 333-117229) on Form S-3 and (Nos. 333-75055, 333-28683, 333-75057, 333-75059 and 033-66622) on Form S-8 of Host Hotels & Resorts, Inc. of our reports dated February 27, 2009, with respect to the consolidated balance sheets of Host Hotels & Resorts, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2008 and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2008, which reports appear in the December 31, 2008 annual report on Form 10-K of Host Hotels & Resorts, Inc.

Our report with respect to the consolidated financial statements and schedule of real estate and accumulated depreciation makes reference to the Company changing its method of accounting for contingencies related to income taxes in 2007 due to the adoption of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

/s/ KPMG LLP

McLean, Virginia
February 27, 2009

EXHIBIT 31.1

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 annual report on Form 10-K of Host Hotels & Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by 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 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: February 27, 2009

/s/ W. EDWARD WALTER

W. Edward Walter
President, Chief Executive Officer

EXHIBIT 31.2

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 annual report on Form 10-K of Host Hotels & Resorts, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by 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 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: February 27, 2009

/S/ LARRY K. HARVEY

Larry K. Harvey
Executive Vice President, 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, adopted 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 Annual Report on Form 10-K of the Company for the year ended December 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) 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: February 27, 2009

/s/ W. EDWARD WALTER

W. Edward Walter
Chief Executive Officer

/s/ LARRY K. HARVEY

Larry K. Harvey
Chief Financial Officer