HOST HOTELS & RESORTS, INC.
Form DEF 14A
March 31, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Host Hotels & Resorts, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

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(2) Aggregate number of securities to which the transaction applies:

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(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of the transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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March 31, 2009

Dear Fellow Stockholder:

I am pleased to invite you to attend the 2009 Annual Meeting of Stockholders of Host Hotels & Resorts, Inc., which will be held at 11:00 a.m. on Thursday, May 14, 2009, at The Ritz-Carlton, Tysons Corner in McLean, Virginia. The doors will open at 10:30 a.m.

The following pages contain the Notice of 2009 Annual Meeting and the Proxy Statement. Please review this material for information concerning the business to be conducted at the meeting and the nominees for election as directors. Our directors and management team will be available to answer questions.

The attendance of stockholders at our annual meetings is helpful in maintaining communication and understanding. We hope you will be able to join us. Whether or not you plan to attend, it is important that your shares be represented and voted at the meeting. You can ensure that your shares are represented at the meeting by voting over the Internet, by telephone or by using a traditional proxy card. Instructions for these convenient ways to vote are set forth on the enclosed proxy card. If you attend the meeting, you may continue to have your shares voted as instructed in the proxy or you may withdraw your proxy at the meeting and vote your shares in person.

Our 2008 Annual Report (including our Annual Report on Form 10-K filed with the Securities and Exchange Commission) is also enclosed. We encourage you to read our Annual Report and hope you will find it interesting and useful. Thank you for your continued interest in Host Hotels & Resorts, and we look forward to seeing you at the meeting.

Sincerely,

Richard E. Marriott
Chairman of the Board

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6903 Rockledge Drive, Suite 1500

Bethesda, Maryland 20817-1109

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

Meeting Date:	Thursday, May 14, 2009
Meeting Time:	11:00 a.m., Doors open at 10:30 a.m.
Location:	The Ritz-Carlton Hotel, Tysons Corner 1700 Tysons Boulevard, McLean, Virginia

Agenda

Election of seven directors;

Ratification of the appointment of KPMG LLP as the Company s independent registered public accountants to serve for 2009;

Approval of the new Host Hotels & Resorts 2009 Comprehensive Stock and Cash Incentive Plan for the employees and directors of the Company;

Approval of an amendment to our Charter to increase our authorized capital stock; and

Transaction of any other business that may be properly brought before the annual meeting or any adjournment or postponement thereof.

Voting

You may vote if you were a holder of record of our common stock at the close of business on March 17, 2009. Whether or not you plan to attend the annual meeting, please vote in one of the following ways:

Use the toll-free number shown on your proxy card (this call is toll-free if made in the United States or Canada);

Go to the website address shown on your proxy card and vote via the Internet; or

Mark, sign, date and return the enclosed proxy card in the postage-paid envelope.

BY ORDER OF THE BOARD OF DIRECTORS

ELIZABETH A. ABDOO
Secretary

March 31, 2009

Please refer to the back page of the Proxy Statement for information on accommodations and directions to the hotel.

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PROXY STATEMENT

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Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be held on Thursday, May 14, 2009.

The Proxy Statement and Annual Report to Stockholders are available at http://www.hosthotels.com/investorrelations.asp

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ATTENDANCE AND VOTING MATTERS

Q. What is a proxy?

It is your legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card. This proxy is being solicited by the Board of Directors and we have designated Larry K. Harvey and Elizabeth A. Abdoo as proxies for this annual meeting. When you properly sign your proxy card or vote via telephone or the Internet, you are giving the persons named on the card your direction to vote your shares of common stock at the annual meeting as you designate.

Q. What is a proxy statement?

It is a document that summarizes information that we are required to provide you under the rules of the Securities and Exchange Commission, or SEC, when we ask you to vote your proxy. It is designed to assist you in voting.

Q. What does it mean if I get more than one proxy card?

You should vote by completing and signing each proxy card you receive. You will receive separate proxy cards for all of the shares you hold in different ways, such as jointly with another person, or in trust, or in different brokerage accounts.

Q. What are my voting choices when voting for Director nominees?

With respect to each nominee, stockholders may:

- Vote in favor of the nominee;
- Vote against the nominee; or
- Abstain from voting for the nominee.

Q. What are my voting choices when voting on the ratification of the appointment of KPMG LLP as independent registered public accountants?

Stockholders may:

Vote in favor of the ratification;

Vote against the ratification; or

Abstain from voting on the ratification.

Q. What are my voting choices when voting on the 2009 Comprehensive Stock and Cash Incentive Plan?
Stockholders may:

Vote in favor of the new plan;

Vote against the new plan; or

Abstain from voting on the new plan.

Q. What are my voting choices when voting on the amendment to the Charter to increase authorized capital stock?

Stockholders may:

- Vote in favor of the amendment;
- Vote against the amendment; or
- Abstain from voting on the amendment.

Q. Who is entitled to vote?

Anyone who owned common stock of the Company at the close of business on Tuesday, March 17, 2009, the record date, can vote at the annual meeting. We are first sending the enclosed proxy card and this proxy statement on March 31, 2009 to all stockholders entitled to vote at the meeting.

Q. How can I manage the number of Annual Reports I receive?

Our 2008 Annual Report, together with our Annual Report on Form 10-K filed with the SEC, has been mailed to stockholders with this Proxy Statement. If you share an address with any of our other stockholders, your household might receive only one copy of these documents. To request individual copies for each stockholder in your household, please contact our Investor Relations department at 240-744-1000, by e-mail to ir@hosthotels.com, or by mail to Host Hotels & Resorts, Inc., 6903 Rockledge Drive, Suite 1500, Bethesda, MD 20817, Attn: Investor Relations. To ask that only one set of the documents be mailed to your household, please contact your bank, broker or other nominee or, if you are a stockholder of record, please call our transfer agent, Computershare Trust Company, N.A. (Computershare) toll-free at 1-800-519-3111 or by mail at P.O. Box 43078, Providence, Rhode Island 02940.

Q. How do I vote?

Voting in Person at the Meeting. If you are a stockholder of record as of March 17, 2009 and attend the annual meeting, you may vote in person at the meeting. If your shares are held by a broker, bank or other nominee (i.e., in street name) and you wish to vote in person at the meeting, you will need to obtain a proxy form from the broker, bank or other nominee that holds your shares of record.

Voting by Proxy for Shares Registered Directly in the Name of the Stockholder. If you hold your shares in your own name as a holder of record, you may vote your shares as follows:

- Vote by Telephone. If you hold your shares in your own name as a holder of record, you may vote by telephone by calling the toll-free number listed on the accompanying proxy card. Telephone voting is available 24 hours per day until 11:59 p.m., Eastern Time, on Wednesday, May 13, 2009. When you call, have your proxy card in hand and you will receive a series of voice instructions, which will allow you to vote your shares of common stock. You will be given the opportunity to confirm that your instructions have been properly recorded. IF YOU VOTE BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.

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Vote by Internet. You also have the option to vote via the Internet. The website for Internet voting is printed on your proxy card. Internet voting is available 24 hours per day until 11:59 p.m., Eastern Time, on Wednesday, May 13, 2009. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. IF YOU VOTE VIA THE INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.

Vote by Mail. If you would like to vote by mail, mark your proxy card, sign and date it, and return it to Computershare in the postage-paid envelope provided.

Voting by Proxy for Shares Registered in Street Name. If your shares are held in street name, you will receive instructions from your broker, bank or other nominee which you must follow in order to have your shares of common stock voted.

Q. Who is acting as my proxy?

The individuals named on the enclosed proxy card are your proxies. They will vote your shares as you indicate. If you sign and return your proxy card but do not indicate how you wish to vote, all of your shares will be voted:

(1) FOR each of the nominees for director;

(2) FOR the ratification of the appointment of KPMG LLP as the Company s independent registered public accountants for 2009;

(3) FOR the approval of the 2009 Comprehensive Stock and Cash Incentive Plan;

(4) FOR the approval of the Charter amendment to increase the authorized capital stock; and

(5) In the discretion of your proxies on any other matters that may properly come before the annual meeting or any adjournment or postponement thereof.

Q. May I revoke my proxy?

You may revoke your proxy at any time before the annual meeting if you:

(1) File a written notice of revocation dated after the date of your proxy with Computershare; or

(2) Send Computershare by mail a later-dated proxy for the same shares of common stock; or

(3) Submit a new vote by telephone or the Internet. The date of your last vote, by either of these methods or by mail, will be the one that is counted; or

(4) Attend the annual meeting AND vote there in person.

The mailing address for Computershare is P.O. Box 43078, Providence, Rhode Island 02940. The overnight delivery address for Computershare is: 250 Royall Street, Canton, Massachusetts 02021.

Q. How many shares of common stock may vote at the annual meeting?

At the close of business on March 17, 2009, there were 528,157,584 shares of our common stock issued and outstanding. Every stockholder is entitled to one vote for each share of common stock held.

Q. What vote is required to approve each proposal?

In the election of directors, each nominee must receive more For votes than Against in order to be elected as a director. The proposal to ratify the appointment of KPMG LLP as the Company s independent registered public accountants for 2009 requires approval by the affirmative vote of a majority of votes cast on the proposal. The proposal to approve the 2009 Comprehensive Stock and Cash Incentive Plan requires approval by the affirmative vote of a majority of the votes cast, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal. The proposal to amend the Charter requires approval by the affirmative vote of a majority of votes entitled to be cast on the proposal.

Q. What constitutes a quorum ?

A majority of the outstanding shares entitled to vote, present in person or by proxy, constitutes a quorum. We must have a quorum to conduct the meeting. If a quorum is not present or if we decide that more time is necessary for the solicitation of proxies, we may adjourn the annual meeting. We may do this with or without a stockholder vote. If there is a stockholder vote to adjourn, the named proxies will vote all shares of common stock for which they have voting authority in favor of the adjournment.

Q. How are abstentions and broker non-votes treated?

Shares of our common stock represented by proxies that are marked abstain, or which constitute broker non-votes, will be counted as present at the meeting for the purpose of determining a quorum. Broker non-votes occur when a nominee holding shares of our common stock for a beneficial owner returns a properly executed proxy but has not received voting instructions from the beneficial owner and such nominee does not possess or does not choose to exercise discretionary authority with respect to such shares.

Abstentions and broker non-votes will have no effect on the results of the vote on the election of directors;

Abstentions and broker non-votes will have no effect on the results of the vote to ratify the appointment of KPMG LLP;

Abstentions and broker non-votes will have the same effect as votes against the proposal to amend the Charter; and

Abstentions will have the same effect as votes against the proposal to approve the 2009 Comprehensive Stock and Cash Incentive Plan, and broker non-votes will have the same effect as votes against the proposal, unless holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, in which event broker non-votes will not have any effect on the result of the vote.

Q. How will voting on any other business be conducted?

Although we do not know of any other business to be considered at the annual meeting other than the proposals described in this proxy statement, if any other business is properly presented at the annual meeting, your signed proxy card gives authority to

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Larry K. Harvey and Elizabeth A. Abdoo, or either of them, to vote on such matters in their discretion. Unless otherwise required by our Charter or Bylaws or by applicable Maryland law, any other matter properly presented for a vote at the meeting will require the affirmative vote of a majority of the votes cast.

Q. Who will count the votes?

Computershare Trust Company, our transfer agent, will act as the inspectors of election and will tabulate the votes.

Q. Who pays the cost of this proxy solicitation?

We bear all expenses incurred in connection with the solicitation of proxies. We have hired the firm of MacKenzie Partners, Inc. to assist in the solicitation of proxies for a fee of $7,500, plus expenses. We will reimburse brokers, fiduciaries and custodians for their reasonable expenses related to forwarding our proxy materials to those beneficial owners.

Q. Is this proxy statement the only way that proxies are being solicited?

No. In addition to mailing these proxy solicitation materials, our officers and employees may solicit proxies by further mailings or personal conversations, or by telephone, facsimile or other electronic means.

Q. How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in our quarterly report on Form 10-Q for our second quarter ending June 19, 2009, which will be filed with the SEC by July 29, 2009.

Q. How can I obtain copies of documents referenced in this proxy statement?

Copies of the Company s Corporate Governance Guidelines, codes of conduct and other documents referenced in this proxy statement can be accessed in the Investor Relations Corporate Governance section of the Company s website at *http://www.hosthotels.com*. Copies of these documents are also available in print to stockholders upon request by writing to:

Host Hotels & Resorts, Inc.

6903 Rockledge Drive, Suite 1500

Bethesda, Maryland 20817

Attention: Investor Relations

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THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Corporate Governance

Our Board of Directors oversees the management of the Company and its business for the benefit of our stockholders in order to enhance stockholder value over the long-term. The Board adopted Corporate Governance Guidelines in 2002. These Guidelines are reviewed annually and periodically amended as the Board enhances the Company s corporate governance practices. The Company s Corporate Governance Guidelines, codes of conduct and other documents describing the Company s corporate governance practices can be accessed in the Investor Relations Corporate Governance section of the Company s website at *http://www.hosthotels.com*. Copies of these documents are also available in print to stockholders upon request.

In recent years, the Board has implemented numerous corporate governance enhancements to further strengthen the Board s capacity to oversee the Company and to serve the long-term interests of all stockholders. For example, in 2006 the Board of Directors approved an amendment to the Company s Bylaws to change the voting standard for the election of directors from a plurality to a majority of all of the votes cast in uncontested elections. Effective with the 2007 annual meeting, all directors have been elected under this standard. In 2004 the Board recommended, and the stockholders approved, an amendment to the Company s Charter declassifying the Board of Directors. Effective with the 2005 annual meeting, all directors have been elected on an annual basis. In addition, the Board determined in November 2008 to allow the expiration of the Company s Stockholder Rights Plan.

The Company invites stockholders and other interested parties to communicate any concerns they may have about the Company directly and confidentially with any of the full Board of Directors, the presiding director or the non-management directors as a group, by writing to the Board of Directors, the Presiding Director or the Non-Management Directors at Host Hotels & Resorts, Inc., 6903 Rockledge Drive, Bethesda, MD 20817, Attn: Secretary. The Secretary will review and forward all stockholder communications to the intended recipient except those unrelated to the duties and responsibilities of the Board, such as junk mail and mass mailings, resumes and other forms of job inquiries, surveys, new business suggestions, business solicitations or advertisements. In addition, material that is hostile, threatening, illegal or similarly unsuitable or outside the scope of Board matters or duplicative of other communications previously forwarded to the recipient will also be excluded. The Secretary shall retain for three years copies of all stockholder communications that are forwarded.

Code of Business Conduct and Ethics

The Board has also adopted a code of business conduct and ethics that applies to all officers and employees of the Company and a code of business conduct and ethics and conflict of interest policy that applies to the Board of Directors. The purpose of these codes of conduct is to promote honest and ethical conduct; to promote full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by the Company; and to promote compliance with all applicable rules and regulations that apply to the Company and its officers, employees and directors.

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Independence of Directors

It is the Board s policy that a majority of the directors of the Company be independent. To be considered independent, a director must not have a material relationship with the Company that could interfere with a director s independent judgment. To be considered independent, directors must also be independent within the meaning of the New York Stock Exchange s requirements. To assist the Board in determining whether a director is independent, the Board has adopted standards for independence set forth in the Company s Corporate Governance Guidelines.

Under these standards, a director is not considered independent if, within the past three years:

- the director was employed by the Company (except on an interim basis);
- an immediate family member of the director was an executive officer of the Company;
- the director or an immediate family member was a partner at the Company s internal or external auditors;
- the director or an immediate family member was a partner or employee of the Company s internal or external auditors and worked on the Company s audit;
- the director or an immediate family member is employed as an executive officer of another company when a present officer of the Company sat on that company s compensation committee;
- the director or an immediate family member received, during any 12-month period, more than $120,000 in compensation from the Company, other than director or committee fees or deferred compensation (provided such compensation is not contingent in any way on continued service);
- the director or an immediate family member is an employee of a company that makes payments to or receives payments from the Company for property or services in excess of the greater of $1 million or 2% of that company s consolidated gross revenue over one fiscal year; or
- the director or an immediate family member is an executive officer, director, or trustee of a tax exempt organization to which the Company makes contributions in an amount that, in any single fiscal year, exceeds the greater of $1 million or 2% of the tax exempt organization s consolidated gross revenues.

In addition, the Board of Directors also considers the following factors, among others, in making its independence determinations:

whether the director, or an organization with which the director is affiliated, has entered into any commercial, consulting, or similar contracts with the Company; and

whether the director receives any compensation or other fees from the Company, other than the fees described under Director Compensation .

Consistent with these considerations, the Board affirmatively determined that five of the Company s seven directors are independent. Messrs. Marriott and Walter are not independent because they are Company employees.

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Meetings and Committees of the Board

The Board met five times in 2008. Each director attended at least 75% of the meetings of the Board and of the committees on which the director served. The Company expects directors to attend the annual meeting of stockholders. All directors attended the annual meeting in 2008.

Under our Corporate Governance Guidelines, non-management directors meet in executive session without management and did so regularly in 2008. The purpose of these sessions is to promote open discussions among the non-management directors. The Chair of the Nominating and Corporate Governance Committee is responsible for convening and presiding over regular executive sessions of the non-management directors.

The Board has established three standing committees to assist it in carrying out its responsibilities: the Audit Committee, the Compensation Policy Committee and the Nominating and Corporate Governance Committee. The Board has adopted a written charter for each committee, all of which are available on the Company s website (*http://www.hosthotels.com*). Copies of these charters are also available in print to stockholders upon request. Each committee consists entirely of independent directors in accordance with New York Stock Exchange rules. The Board generally makes committee assignments in May after the annual meeting of stockholders, upon recommendation of the Nominating and Corporate Governance Committee. The Board may from time to time appoint other committees as circumstances warrant. Any new committees will have authority and responsibility as delegated by the Board of Directors.

Committee	Current Members	Number of Meetings Held in 2008 and Committee Functions
Audit (1)	John B. Morse, Jr. (Chair) Robert M. Baylis Judith A. McHale	Number of meetings: Seven Appoints and oversees the independent auditors; Approves the scope of audits and other services to be performed by the independent and internal auditors; Reviews and approves in advance the engagement fees of the outside auditor and all non-audit services and related fees, and assesses whether the performance of non-audit services could impair the independence of the independent auditors; Reviews the results of internal and external audits, the accounting principles applied in financial reporting, and financial and operational controls; Meets with the independent auditors, management representatives and internal auditors;

Reviews interim financial statements each quarter before the Company files its Quarterly Report on Form 10-Q with the SEC;

Reviews audited financial statements each year before the Company files its Annual Report on Form 10-K with the SEC; and

Reviews risk exposures and management policies.

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(1) Each member of the Audit Committee, in the business judgment of the Board, meets the qualifications and expertise requirements of the New York Stock Exchange. In addition, John Morse and Robert Baylis are audit committee financial experts within the meaning of SEC rules. Our independent and internal auditors have unrestricted access to the Audit Committee. The Report of the Audit Committee appears later in this proxy statement.

Committee	Current Members	Number of Meetings Held in 2008 and Committee Functions
Nominating and Corporate Governance	Robert M. Baylis (Chair) Ann McLaughlin Korologos John B. Morse, Jr.	Number of meetings: Four Makes recommendations to the Board on corporate governance matters and is responsible for keeping abreast of corporate governance developments; Oversees the annual evaluation of the Board, its committees and management; Reviews periodically the compensation and benefits of non-employee directors and makes recommendations to the Board of Directors or the Compensation Policy Committee of any modifications; and Fulfills an advisory function with respect to a range of matters affecting the Board and its committees, including making recommendations with respect to: selection of committee chairs and committee assignments; and implementation, compliance and enhancements to codes of conduct and the Company s Corporate Governance Guidelines.

In addition, the Chair of the Nominating and Corporate Governance Committee presides at all executive sessions of independent directors, determines the agenda for such discussions, and serves as liaison between the independent directors and the Chairman and the Chief Executive Officer.

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Committee	Current Members	Number of Meetings Held in 2008 and Committee Functions
Compensation Policy	Ann McLaughlin Korologos (Chair) Robert M. Baylis Judith A. McHale	Number of meetings: Four Oversees compensation policies and plans for the Company s employees; Reflects the Company s compensation philosophy in structuring compensation programs; Approves the goals and objectives for compensation of all executive officers of the Company and other members of senior management; Advises our Board on the adoption of policies that govern the Company s annual compensation and stock ownership plans; Reviews and approves the Company s goals and objectives relevant to the compensation of the CEO and evaluates the CEO s performance in light of those goals and objectives; Reviews and advises the Company on the process used for gathering information on the compensation paid by other similar businesses; Reviews the Company s succession plans relating to the CEO and other senior management; and Reviews periodic reports from management on matters relating to the Company s personnel appointments and practices.

The Compensation Policy Committee retained a compensation consultant, Towers Perrin in 2005. Towers Perrin assisted the Committee in the design, structure and implementation of the executive compensation program for 2006-2008, advises the Committee on compensation issues and, when requested, attends meetings of the Committee. The Compensation Policy Committee approves any other work that Towers Perrin may do for the Company and its affiliates. In 2008, Towers Perrin performed work for the European joint venture, in which the Company has a 32% interest and acts as general partner. The work related to due diligence on international benefit plans in connection with potential acquisitions and assistance with the valuation of pension obligations for financial reporting purposes in Italy, the Netherlands and Spain. Fees associated with this work were approximately $288,000. The Compensation Policy Committee may delegate any or all of its responsibilities to a subcommittee, but did not do so in 2008. The Compensation Policy Committee s Report on Executive Compensation appears later in this proxy statement.

Compensation Policy Committee Interlocks and Insider Participation

None of the members of the Compensation Policy Committee is or has been an officer or employee of the Company or had any relationship that is required to be disclosed as a transaction with a related person.

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Board Nominations

Each year the Nominating and Corporate Governance Committee reviews with the Board of Directors the composition of the Board as a whole and makes a recommendation whether to renominate directors and whether to consider any new persons to be added to the Board of Directors. In assessing qualifications for nominees, the committee expects candidates to meet the qualifications described in the committee s charter and the Company s Corporate Governance Guidelines, including integrity, mature and independent judgment, diverse business experience, familiarity with the issues affecting the Company s business, experience in running a major enterprise and the nominee s stated intent to comply with the Company s Corporate Governance Guidelines. In addition, when considering new Board members, the committee considers whether the candidate would qualify as an independent director under New York Stock Exchange and other applicable regulations.

The Nominating and Corporate Governance Committee will consider any written suggestions of stockholders for director nominees. The recommendation must include the name and address of the candidate, a brief biographical description and a description of the person s qualifications. Recommendations should be mailed to Host Hotels & Resorts, Inc., 6903 Rockledge Drive, Suite 1500, Bethesda, MD 20817, Attn: Secretary. The Nominating and Corporate Governance Committee will evaluate in the same manner candidates suggested in accordance with this policy and those recommended by other sources. The Committee has full discretion in considering all nominations to the Board of Directors. Alternatively, stockholders who would like to nominate a candidate for director (in lieu of making a recommendation to the Nominating and Corporate Governance Committee) must comply with the requirements described in this proxy statement and the Company s Bylaws. See Stockholder Proposals for our Next Annual Meeting.

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DIRECTOR COMPENSATION

2008 Director Fees

Directors who are employees receive no additional compensation for serving on the Board or its committees. In 2008, we provided the following annual compensation to directors who are not employees.

Name (1)	Fees Earned or Paid in Cash $ (2)	Stock Awards $ (3)	All Other Compensation $ (4)	Total $
Robert M. Baylis	88,500	65,000	42,682	196,182
Terence C. Golden	77,000	65,000	54,270	196,270
Ann McLaughlin Korologos	88,500	65,000	42,513	196,013
Judith A. McHale	81,500	65,000	17,345	163,845
John B. Morse, Jr.	98,000	65,000	13,984	176,984

(1) Mr. Marriott, Chairman of the Board, and Mr. Walter, President and CEO, are not included in this table because they are employees of the Company and thus receive no compensation for services as directors. The compensation received by Mr. Marriott and Mr. Walter as employees is shown in Executive Officer Compensation.

(2) Amount reflects an annual retainer of $65,000 for Board service, attendance fees at committee meetings and the annual stockholders meeting and retainers for committee chairs, as described below.

(3) Amount reflects annual stock awards under the Non-Employee Directors Deferred Stock Compensation Plan in value equal to the annual retainer of $65,000.

(4) Amount reflects:

Complimentary rooms, food and beverage and other hotel services for directors when they stay at properties owned by us or managed by our major operators as follows: Mr. Baylis, $25,204; Mr. Golden, $29,333; Ms. Korologos, $22,979; Ms. McHale, $9,635; and Mr. Morse, $8,083.

Reimbursement for taxes associated with the value of the above benefit as follows: Mr. Baylis, $17,479; Mr. Golden, $24,937; Ms. Korologos, $19,535; Ms. McHale, $7,710; and Mr. Morse, $5,901.

Compensation Philosophy

Directors are compensated partially in cash and partially in stock to align their interests with those of our stockholders. The components of director compensation are discussed below.

Cash Compensation

The Company provides non-employee directors the following cash compensation in addition to reimbursement of customary and usual travel expenses.

retainer of $65,000 per year (payable monthly);

$1,500 for each committee meeting attended;

$1,500 for attendance at the annual meeting of stockholders;

$10,000 per year to the committee chair of the Compensation Policy Committee (Ms. Korologos) and the committee chair of the Nominating and Corporate Governance Committee (Mr. Baylis); and,

$15,000 per year to the committee chair of the Audit Committee (Mr. Morse).

There are no fees paid for attendance at regularly scheduled Board meetings, however, non-employee directors would receive $1,500 for attendance at any special meeting, of which there were none in 2008.

Stock Compensation Annual Stock Award

Stock compensation consists of an annual award of common stock equaling the annual retainer fee ($65,000) in value and credited to each director s deferred stock unit account under the Non-Employee Directors Deferred Stock Compensation Plan. The annual award is granted under the plan to each director immediately following the annual meeting of stockholders. The number of stock units is calculated by dividing the annual retainer fee by the average of the high and low prices of our common stock on the date of the annual meeting. In 2008, the average of the high and low price of our common stock on May 14, 2008 was $18.39 and each director was credited with 3,534 stock units.

Directors are also credited with dividend equivalents that are equal in value to the dividends paid on our common stock. The Company will convert the stock units to common stock upon a director s termination of service from the Board, as more fully described below.

Stock Ownership Policy

The Compensation Policy Committee has adopted stock ownership guidelines for non-employee directors that require all forms of equity compensation received from the Company, including the annual stock awards, to be retained by the non-employee director until termination of their service from the Board. Mr. Marriott and Mr. Walter, as employees, are subject to separate stock ownership guidelines applicable to corporate officers.

Perquisites

To encourage our directors to visit and personally evaluate our properties and the managers of our properties, directors receive complimentary rooms, food and beverage and other hotel services when they stay at properties owned by us or managed by our major operators. In addition, directors are reimbursed for taxes associated with the value of this benefit.

Non-Employee Directors Deferred Stock Compensation Plan

The Non-Employee Directors Deferred Stock Compensation Plan allows directors to defer receipt of all or part of their annual retainer, meeting fees, and committee chair fees until after their service on the Board has ended. Under this plan, the Company has established a stock unit account for each non-employee director and all deferred fees are credited to this account as of the date the fee would have been paid. Deferred fees are converted into stock units based on the fair market value of the Company s common stock on the date the fee otherwise would have been paid. Dividends are reinvested in additional stock units and credited to the account in stock units based on the market price of the stock on the date dividends are paid.

The annual stock award made to non-employee directors after the annual meeting is also credited to each director s stock unit account. Dividends on the award are also credited to the account and converted into stock units.

Upon termination of service from the Board, a director s stock unit account is settled by delivering Host common stock equal to the number of stock units. Directors have the option to receive the Host shares as a lump sum or in substantially equal annual installments over a 10 year period.

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PROPOSAL ONE

ELECTION OF DIRECTORS

Our Board of Directors currently consists of seven members. Each director nominee stands for election every year. Biographical information about the nominees is set forth below. Each nominee has consented to serve if elected, but should any director nominee be unavailable to serve (an event which our Board does not now anticipate), the proxies named on your proxy card will vote for a substitute nominee recommended by the Board of Directors, or the Board, on the recommendation of the Nominating and Corporate Governance Committee, may decide to reduce the size of the Board and the number of nominees.

Except in a contested election, each director will be elected only if they receive more votes For than votes Against the director nominee. As set forth in the Company s Corporate Governance Guidelines, any director nominee who is not elected by the vote required and who is an incumbent director must immediately tender his or her resignation to the Board for consideration. The Nominating and Corporate Governance Committee will then make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action is recommended. The Board will act on the tendered resignation within 90 days and will promptly disclose its decision and rationale as to whether to accept the resignation or the reasons for rejecting the resignation. If a director s resignation is accepted by the Board, or if a nominee for director is not elected and is not an incumbent director, the Board may fill the resulting vacancy or decrease the size of the Board.

The Board of Directors unanimously recommends that you vote FOR each of the nominees for director.

NOMINEES FOR DIRECTOR

Robert M. Baylis, 70	Director since 1996
	Mr. Baylis is the retired Vice Chairman of CS First Boston. Prior to his retirement, he was Chairman and Chief Executive Officer of CS First Boston Pacific, Inc. Mr. Baylis is also a Director of New York Life Insurance Company and PartnerRe Ltd., and is Chairman of the Board of Gildan Activewear, Inc. He is an Overseer of the University of Pennsylvania Museum, a Trustee and the Chairman of the Executive Committee of the Rubin Museum of Art in New York City and the Chairman of the Audit Committee of the Woods Hole Oceanographic Institution. Mr. Baylis is also a member of the Advisory Council of the Economics Department of Princeton University.

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Terence C. Golden, 64 — Director since 1995

Mr. Golden served as our President and Chief Executive Officer from 1995 until his retirement in May 2000. He is the Chairman of Bailey Capital Corporation and the Federal City Council in Washington, D.C. In addition, Mr. Golden is a Director of Pepco Holdings, Inc., Stemnion, Inc., The Morris and Gwendolyn Cafritz Foundation and the Chairman of the Kipp Academy. He is also a Trustee of the Washington Real Estate Investment Trust. In past years, Mr. Golden served as Chief Financial Officer of The Oliver Carr Company, a Director of Cousins Properties, Inc., as a member of the G2 Satellite Solutions Advisory Committee and was also co-founder and national managing partner of Trammell Crow Residential Companies. He served as Administrator of the General Services Administration from 1985 to 1988 and was Assistant Secretary of the Treasury from 1984 to 1985.

Ann McLaughlin Korologos, 67 — Director since 1993

Ms. Korologos is Chair of the RAND Corporation Board of Trustees, an international public policy research organization. From October 1996 to December 2005 she served as Senior Advisor to Benedetto, Gartland & Company, Inc., a private investment banking firm in New York. She formerly served as President of the Federal City Council from 1990 until 1995 and as Chairman of the Aspen Institute from 1996 until August 2000. Ms. Korologos has served in several United States Administrations in such positions as Secretary of Labor and Under Secretary of the Department of the Interior. She also serves as a Director of AMR Corporation (and its subsidiary, American Airlines), Kellogg Company, Harman International Industries, Inc., and Vulcan Materials Company.

Richard E. Marriott, 70 — Director since 1979

Chairman of the Board

Mr. Marriott is our Chairman of the Board. He is Chairman of the Board of First Media Corporation and of the J. Willard Marriott and Alice S. Marriott Foundation, and is a Director of the Richard E. and Nancy P. Marriott Foundation and the Polynesian Cultural Center. Mr. Marriott also serves on the Federal City Council and the National Advisory Council of Brigham Young University. He is a past President of the National Restaurant Association. In addition, Mr. Marriott is the President and a Trustee of the Marriott Foundation for People with Disabilities and a Trustee of the Boys & Girls Clubs of America.

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Judith A. McHale, 62 | Director since 2002

Ms. McHale is the Managing Partner of the GEF/Africa Growth Fund, a private equity investment fund in formation, focused on making investments in the consumer goods and services sector in Africa. Prior to launching the fund, Ms. McHale served as President and Chief Executive Officer of Discovery Communications, Inc., the parent company of cable television s Discovery Channel, from June 2004 through November 2006. She previously served as President and Chief Operating Officer of Discovery Communications from 1995 until June 2004 and served as Executive Vice President and General Counsel from 1989 to 1995. Ms. McHale is a Director of Polo/Ralph Lauren Corporation and DigitalGlobe. Ms. McHale also serves on the boards of Vital Voices Global Partnership and the Africa Society.

John B. Morse, Jr., 62 | Director since 2003

Mr. Morse served as Vice President, Finance and Chief Financial Officer of The Washington Post Company from November 1989 until his retirement in December 2008. He also served as President of Washington Post Telecommunications, Inc. and Washington Post Productions Inc., both subsidiaries of The Washington Post Company. Prior to joining The Washington Post Company, Mr. Morse was a partner at PricewaterhouseCoopers. Mr. Morse is a Director of AES Corporation, where he is on the financial audit committee, and HSN, Inc. where he is a member of the audit committee and chair of the compensation and human resources committee. He is also a Trustee of the College Foundation of the University of Virginia.

W. Edward Walter, 53 | Director since 2007

President and Chief Executive Officer

Mr. Walter is our President and Chief Executive Officer. He 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 and Chief Financial Officer in 2003. He became our President and Chief Executive Officer in October 2007. Prior to joining our Company, Mr. Walter was a partner with Trammell Crow Residential Company and the President of Bailey Capital Corporation. He is on the Board of Directors of AvalonBay Communities, Inc., Friendship Public Charter School, the largest charter school system in the District of Columbia, and the National Kidney Foundation.

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PROPOSAL TWO

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee has unanimously approved and voted to recommend that the stockholders ratify the appointment of KPMG LLP as independent registered public accountants of the Company for 2009. Representatives of KPMG LLP will be present at the annual meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to questions.

The Board of Directors is asking stockholders to ratify the selection of KPMG LLP as our independent registered public accountants. Although ratification is not required by our Bylaws, the Board is submitting the selection of KPMG LLP to our stockholders for ratification as a matter of good corporate practice. If the selection is not ratified, the Audit Committee will consider whether it is appropriate to select another registered public accounting firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our stockholders.

The Board of Directors unanimously recommends a vote FOR ratification of the appointment of KPMG LLP as independent registered public accountants of the Company for 2009.

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REPORT OF THE AUDIT COMMITTEE

To Our Stockholders:

The Audit Committee serves as the representative of the Board of Directors of Host Hotels & Resorts, Inc. (the Company) for general oversight of the Company s financial accounting and reporting, systems of internal control and audit processes. Management of the Company has responsibility for preparing the Company s financial statements, as well as for the Company s financial reporting process and internal controls. KPMG LLP, acting as independent registered public accountants, is responsible for performing an independent audit of the Company s financial statements and internal control over financial reporting and for expressing an opinion on the conformity of the Company s financial statements with accounting principles generally accepted in the United States and the effectiveness of the Company s internal control over financial reporting. The Audit Committee is responsible for monitoring and overseeing these processes. The Audit Committee members are not professional accountants or auditors, and the Committee s functions are not intended to duplicate or certify the activities of management and the independent registered public accountants. In this context, the Audit Committee has:

reviewed and discussed with management the audited financial statements for the year ended December 31, 2008, including discussions of the quality, not merely the acceptability, of the Company s accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosure in the Company s financial statements;

discussed with the Company s internal and independent registered public accountants the overall scope for their respective audits and the results of their examinations, the evaluations of the Company s internal controls and financial reporting, and the overall quality of the Company s financial reporting;

discussed with the independent registered public accountants the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees;

received the written disclosures and the letter from the independent registered public accountants required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence; and

discussed with KPMG LLP their independence from the Company and its management.

In reliance on the reviews, reports and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited financial statements be included in the Company s Annual Report for the year ended December 31, 2008. The Annual Report on Form 10-K was filed with the Securities and Exchange Commission on February 27, 2009.

The Audit Committee

John B. Morse, Jr., Chair

Robert M. Baylis

Judith A. McHale

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AUDITOR FEES

Principal Accountant Fees and Services

The Company was billed the following amounts for professional services by KPMG LLP, its independent registered public accountants, for 2008 and 2007:

	2008	2007
Audit fees (annual financial statements, review of quarterly financial statements and audit of internal controls over financial reporting)	$ 2,036,949	$ 2,420,228
Audit-related fees (1)	125,654	504,698
Tax fees (2)	25,234	
All other fees		
Total Fees	$ 2,187,837	$ 2,924,926

(1) Audit-related fees consisted principally of fees for compliance audits, acquisition and disposition proration audits, audits of financial statements of our employee benefit plan, and consultation on accounting issues.

(2) Tax fees were incurred for services related to our European joint venture, including preparation of corporate income tax returns.

The Audit Committee concluded that the provision of these audit-related and tax services is compatible with maintaining the independence of KPMG LLP.

Pre-Approval Policy for Services of Independent Registered Public Accountants

All services performed by KPMG LLP were pre-approved by the Audit Committee in accordance with its 2008 pre-approval policy. The policy describes the audit, audit-related, tax and other services permitted to be performed by the independent registered public accountants, subject to the Audit Committee s prior approval of the services and fees. On an annual basis, the Audit Committee will review and provide pre-approval for certain types of services that may be provided by the independent registered public accountants without obtaining specific pre-approval from the Audit Committee. The Audit Committee has pre-approved certain services (and corresponding cost levels) in conjunction with Committee meetings, typically conducted in February of each year. If a type of service to be provided has not received pre-approval during this annual process, it will require specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require separate pre-approval by the Committee.

The Audit Committee has designated the Senior Vice President, Controller to monitor the performance of all services provided by the independent registered public accountants and to determine whether such services are in compliance with the pre-approval policy.

Policy for Hiring Members of the Audit Engagement Team

The Audit Committee adopted a policy regarding the hiring of audit engagement team members to address the potential for impairment of auditor independence when partners and other members of the audit engagement team accept employment with the Company. Under

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the policy, the Company may not hire into a financial oversight role any individuals who were members of the Company s audit engagement team for the prior year. Individuals not subject to the one-year cooling off period include, among others, persons who provided less than 10 hours of audit services and individuals whose employment resulted from an emergency or other unusual situation. In all such cases, the Audit Committee must determine that the relationship is in the best interests of stockholders. In addition, the Company may not appoint a director who is affiliated with or employed by a present or former auditor of the Company until three years after the affiliation or auditing relationship has ended.

Other Company Accountants and Auditors

The Company has engaged Ernst & Young LLP for tax consultation and tax compliance services and PricewaterhouseCoopers LLP as its internal auditors. The purpose of the internal audit program is to provide the Audit Committee and Company management with ongoing assessments of the Company s risk management processes and to review the effectiveness and design of internal controls at our properties and the Company s corporate office.

PROPOSAL THREE

APPROVAL OF HOST HOTELS & RESORTS 2009

COMPREHENSIVE STOCK AND CASH INCENTIVE PLAN

The Board is submitting for stockholder approval the Host Hotels & Resorts 2009 Comprehensive Stock and Cash Incentive Plan (the Plan). The Plan was adopted as a means of providing equity compensation to employees and directors in order to maintain competitive compensation practices and to align the interests of our employees and directors with our stockholders. On March 6, 2009, the Compensation Committee (the Committee) approved and adopted the Plan, subject to approval by the Board of Directors and our stockholders. On March 12, 2009, the Board of Directors approved and adopted the Plan, subject to approval by our stockholders. The Plan is intended to replace our 1997 Comprehensive Stock and Cash Incentive Plan (the 1997 Plan), which, as of March 1, 2009, has only 2,420,005 shares (plus any shares returned due to forfeitures) available for future awards. Therefore, unless the Plan is approved we will not be able to continue making equity compensation grants to our employees or directors.

The principal features of the Plan are summarized below, but the summary is qualified in its entirety by reference to the Plan itself, which is included as Appendix A.

The Plan provides for the grant of incentive stock options (ISOs), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code), nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights (SARs), cash dividend equivalent rights, profits interests in Host Hotels & Resorts, L.P. (partnership units), performance awards and stock payments (collectively referred to as Awards) to our employees and directors.

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If approved by our stockholders, a total of 25 million shares of our common stock will be initially reserved for issuance under the Plan, which represents approximately 4.7% of the Company s outstanding shares as of March 1, 2009. As of March 1, 2009, the Company had 670,550 shares underlying outstanding stock options, with a weighted average exercise price of $8.21 and a weighted average remaining contractual term of 8.9 years and 2,567,241 shares of outstanding restricted stock.

If the Plan is approved, we will also amend our Non-Employee Director s Deferred Stock Compensation Plan and the 1997 Plan to provide that no future grants will be made under such plans. However, pursuant to the terms of the Non-Employee Director s Deferred Stock Compensation Plan, our five non-employee directors are entitled to receive a grant of restricted stock units after the annual meeting equal in value to their annual cash retainer of $65,000, with the number of shares to be based on the average of the high and low closing price of the Company s common stock on the New York Stock Exchange on the date of the annual meeting. We intend to make this grant under the 1997 Plan.

Accordingly, we are recommending approval of the Plan in order to continue providing equity-based compensation to our employees and directors.

Shares Subject to the Plan

Under the Plan, the aggregate number of shares of common stock that may be issued is 25,000,000. The Plan provides that to the extent grants are intended to be performance based compensation exempt from the deduction limits of Section 162(m) of the Code, then no more than 2,500,000 shares may be granted as Awards to any one individual during any fiscal year and the maximum dollar value of a cash based performance award determined at the date of grant will not exceed $10,000,000.

The shares subject to the Plan, the limitations on the number of shares that may be awarded under the Plan, and shares and option prices subject to Awards outstanding under the Plan, will be adjusted as the Plan administrator deems appropriate to reflect stock dividends, stock splits, combinations or exchanges of shares, or merger, consolidation, spin-off, recapitalization or other similar transactions.

Shares subject to Awards that have expired, been forfeited or settled in cash, or otherwise terminated without having been exercised may be subject to new Awards. Shares which are used to pay the exercise price for an Award and shares withheld to pay taxes will count against the number of shares available under the Plan and will not be added back to the number of shares available for grant under the Plan. Shares issued under the Plan may be previously authorized but unissued shares, or reacquired shares bought on the open market or otherwise. Each share subject to a stock appreciation right which is exercised shall be counted as one share issued under the Plan for purposes of counting the number of shares available for grant under the Plan.

On March 23, 2009, the closing price of a share of common stock on the New York Stock Exchange was $4.80.

Administration

Generally, the Committee will administer the Plan. The Committee will consist of at least two members of the Board who are non-employee directors for purposes of Section 16-b of the Securities Exchange Act of 1934, as amended (the Exchange Act), and independent directors under the rules of the New York Stock Exchange. The Committee has the authority to:

- select the individuals who will receive Awards;
- determine the type or types of Awards to be granted;
- determine the number of Awards to be granted and the number of shares to which the Award relates;
- determine the terms and conditions of any Award, including the exercise price and vesting;
- determine the terms of settlement of any Award;
- prescribe the form of Award agreement;
- establish, adopt or revise rules for administration of the Plan;
- interpret the terms of the Plan and any Award, and any matters arising under the Plan; and
- make all other decisions and determinations as may be necessary or advisable to administer the Plan.

The Committee may delegate its authority to grant or amend Awards with respect to participants other than senior executive officers, employees covered by Section 162(m) of the Code or the officers to whom the authority to grant or amend Awards has been delegated. In addition, the full Board, acting by majority, will conduct the general administration of the Plan with respect to Awards granted to directors.

The Committee, with the approval of the Board, may also amend the Plan. Amendments to the Plan, however, which (i) increase the number of shares available for issuance under the Plan, (ii) reprice an outstanding option or SAR, (iii) cancel or surrender an option or SAR in exchange for an option or SAR having a lower per share exercise price, (iv) exchange an option or SAR for cash or another Award if the price per share of such option or SAR exceeds the fair market value of our common stock, or (v) otherwise materially change eligibility requirements require approval of the stockholders of the Company.

The Board may exercise the rights and duties of the Committee, except with respect to matters which are required to be determined in the sole discretion of the Committee under Rule 16b-3 of the Exchange Act or Section 162(m) of the

Code.

Eligibility

Awards under the Plan may be granted to individuals who are our employees, employees of Host Hotels & Resorts, L.P., our operating partnership, or employees of our subsidiaries and our directors. However, options which are intended to qualify as ISOs may only be granted to employees of the Company and not to employees of the operating partnership. During 2009, we estimate that approximately 215 employees and five directors will be eligible for grants under the Plan.

Awards

The following will briefly describe the principal features of the various Awards that may be granted under the Plan.

Options. Options provide for the right to purchase common stock at a specified price, and usually will become exercisable in the discretion of the Committee in one or more installments after the grant date, but generally not earlier than one year from the grant date. The option exercise price may be paid in cash, by check, with shares of common stock which have been held by the option holder for such period of time as may be required by the Committee to avoid adverse accounting consequences, using other property with value equal to the exercise price, through a broker assisted cash-less exercise, or using such other methods as the Committee may approve from time to time. The Committee may at anytime substitute SARs for options granted under the Plan.

Options may be granted for any term specified by the Committee, but such term shall not exceed ten years. Options may not be granted at an exercise price that is less than the fair market value of our common stock on the date of grant. For purposes of the Plan, fair market value is defined as the closing price for our common stock on the New York Stock Exchange on the grant date (or if no sale occurred on such date, then on the first immediately preceding date during which a sale occurred), as reported in the *Wall Street Journal* (or another similar reliable source). Additionally, the Committee may not, without stockholder approval, reprice any options, including the cancellation of options in exchange for options with a lower exercise price.

Options may take two forms, nonstatutory options (NSOs) and ISOs.

ISOs will be designed to comply with the provisions of the Code and will be subject to certain restrictions contained in the Code in order to qualify as ISOs. Among such restrictions, ISOs must:

- have an exercise price not less than the fair market value of common stock on the date of grant, or if granted to certain individuals who own or are deemed to own at least 10% of the total combined voting power of all of our classes of stock (10% shareholders), then such exercise price may not be less than 110% of the fair market value of common stock on the date of grant;

- be granted only to employees of the Company and employees of our subsidiary corporations (ISOs can not be granted to employees of Host Hotels & Resorts, L.P., our operating partnership);

- expire within a specified time following the option holder s termination of employment;

- be exercised within ten years after the date of grant, or with respect to 10% shareholders, no more than five years after the date of grant; and

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not be first exercisable for more than $100,000 worth of value, determined based on the exercise price.
If an Award purported to be an ISO fails to meet the requirements of the Code, then the Award will instead by considered to be a NSO. No ISO may be granted under the Plan after ten years from the date the Plan was originally adopted by the Board.

Restricted Stock. A restricted stock award is the grant of shares of common stock at a price determined by the Committee (which price may be zero), is nontransferable and unless otherwise determined by the Committee at the time of award, may be forfeited upon termination of employment or service during a restricted period. The Committee also determines in the Award agreement whether the participant will be entitled to vote the shares of restricted stock and or receive dividends on such shares.

Stock Appreciation Rights. SARs provide for the payment to the holder based upon increases in the price of common stock over a set base price. Payment for SARs may be made in cash, common stock or any combination of the two. Similar to options, SARs may not be granted with a base price less than the fair market value of our common stock on the date of grant. Additionally, the Committee may not, without stockholder approval, reprice any SARs, including by the cancellation of SARs in exchange for options or SARs with a lower exercise price. SARs may be granted for any term specified by the Committee, but such term shall not exceed ten years.

Restricted Stock Units. Restricted stock units represent the right to receive shares of common stock at a specified date in the future, subject to forfeiture of such right. If the restricted stock unit has not been forfeited, then on the date specified in the restricted stock we shall deliver to the holder of the restricted stock unit, unrestricted shares of common stock which will be freely transferable. The Committee will specify the purchase price, if any, to be paid by the grantee for the common stock.

Dividend Equivalents. Dividend equivalents represent the value of the dividends per share of common stock paid by the Company, calculated with reference to the number of shares covered by an Award (other than a dividend equivalent award) held by the participant. Dividend Equivalents will not be granted on options or stock appreciation rights. In addition, no dividend equivalent will be paid unless and until the Award on which the dividend equivalent is granted vests.

Performance Share Awards. Performance share awards are denominated in shares of common stock and are linked to satisfaction of performance criteria established by the Committee. If the Committee determines that the Award is intended to meet the requirements of qualified performance based compensation and therefore be deductible under Section 162(m) of the Code, then the performance criteria on which the Award will be based shall be with reference to any one or more of the following: net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added, sales or revenue, net income (either before or after taxes), operating earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), return on capital, return on assets (gross or net), return on stockholders equity, return on sales, gross or net profit margin, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings per share, price per share of common stock, market share, earnings as a percentage of average capital, earnings as a multiple of interest expense, business unit economic earnings, total capital invested in assets, funds from operations, total shareholder return, any of which may be measured either in absolute terms, by comparison to comparable performance in an earlier period or periods, or as compared to results of a peer group, industry index, or other company or companies or business units (which we collectively refer to as the Performance Criteria).

Performance Stock Units. Performance stock units are denominated in units equivalent to shares of common stock or units of value, including dollar value of shares of common stock, and are linked to satisfaction of performance criteria established by the Committee, including the Performance Criteria, on a specified date or dates over any period or periods.

Stock Payments. Stock payments are payments to participants of bonuses or other compensation and may be made under the Plan in the form of common stock. The number of shares will be determined by the Committee, and may be based upon performance criteria, including the Performance Criteria.

Performance Awards. Performance awards are payable in cash and are linked to the satisfaction of performance criteria, including the Performance Criteria, provided that no Performance Award may pay compensation in excess of $10,000,000 for any fiscal year. The Committee has the authority to reduce the amount otherwise payable under a Performance Award upon attainment of the Performance Criteria.

Profits Interest Units. Profit interest units are interests in our operating partnership, Host Hotels & Resorts, L.P., which entitle the participant to any profits earned by the operating partnership after the date of grant, and which may be converted into our common stock under the terms of the partnership agreement.

Adjustments Upon Certain Events

The number and kind of securities subject to an Award, terms and conditions (including performance targets or criteria) and the exercise price or base price of outstanding Awards will be proportionately adjusted as the Committee deems appropriate, in its discretion, to reflect any stock dividends, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to stockholders, or other similar changes affecting the shares other than an equity restructuring. In the event of any other change in the capitalization of the Company, including an equity restructuring, the Committee will make proportionate and equitable adjustments in the number and class of shares and the per share grant or exercise price for outstanding Awards as the Committee deems appropriate in its discretion to prevent dilution or enlargement of rights. In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares or share price of common stock, including an equity restructuring, the Company may in its sole discretion refuse to permit the exercise of any Award for a period of 30 days prior to the consummation of any such transaction.

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Awards Not Transferable

Generally, the Awards may not be pledged, assigned or otherwise transferred other than by will or by laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Committee. The Committee may allow Awards other than ISOs to be transferred for estate or tax planning purposes to members of the holder s family, charitable institutions or trusts for the benefit of family members.

Miscellaneous

As a condition to the issuance or delivery of stock or payment of other compensation pursuant to the exercise or lapse of restrictions on any Award, the Company requires participants to discharge all applicable withholding tax obligations. Shares held by or to be issued to a participant may also be used to discharge tax withholding obligations, subject to the discretion of the Committee to disapprove of such use.

The Plan will expire and no further Awards may be granted after the tenth anniversary of its approval by shareholders. The Plan must be approved by the shareholders within twelve months of the date of its adoption by the Board.

Certain U.S. Federal Income Tax Consequences

The U.S. Federal income tax consequences of the Plan under current income tax law are summarized in the following discussion which deals with the general tax principles applicable to the Plan, and is intended for general information only. In addition, the tax consequences described below may be subject to the limitations of Code Section 162(m), as discussed in further detail below. Alternative minimum tax and other Federal taxes and foreign, state and local income taxes are not discussed, and may vary depending on individual circumstances and from locality to locality.

Nonqualified Stock Options. For Federal income tax purposes, the recipient of NSOs granted under the Plan will not have taxable income upon the grant of the option, nor will the Company then be entitled to any deduction. Generally, upon exercise of NSOs the optionee will realize ordinary income, and the Company will be entitled to a deduction, in an amount equal to the difference between the option exercise price and the fair market value of the stock at the date of exercise.

Incentive Stock Options. An optionee generally will not recognize taxable income upon either the grant or exercise of an ISO. However, the amount by which the fair market value of the shares at the time of exercise exceeds the exercise price will be an item of tax preference for the optionee. Generally, upon the sale or other taxable disposition of the shares of common stock acquired upon exercise of an ISO, the optionee will recognize income taxable as capital gains in an amount equal to the excess, if any, of the amount realized in such disposition over the option exercise price, provided that no disposition of the shares has taken place within either (a) two years from the date of grant of the ISO or (b) one year from the date of exercise. If the shares of common stock are sold or otherwise disposed of before the end of the one-year and two-year periods specified above, the difference between the Award exercise price and the fair market value of the shares on the date of exercise generally will be taxable as ordinary income; the balance of the amount realized from such disposition, if any, generally will be taxed as capital gain. If the shares of common stock are disposed of before the expiration of the one-year and two-year periods and the amount realized is less than the fair market value of the shares at the date of exercise, the optionee s ordinary income generally is limited to the excess, if any, of the amount realized in such disposition over the option exercise price paid. The Company (or other employer corporation) generally will be entitled to a tax deduction only to the extent the optionee has ordinary income upon sale or other disposition of the shares of common stock.

Restricted Stock. Generally, a participant will not be taxed upon the grant or purchase of restricted stock that is subject to a substantial risk of forfeiture, within the meaning of Section 83 of the Code, until such time as the restricted stock is no longer subject to the substantial risk of forfeiture. At that time, the participant will be taxed on the difference between the fair market value of the common stock and the amount the participant paid, if any, for such restricted stock.

Stock Appreciation Rights. No taxable income is generally recognized upon the receipt of a SAR. Upon exercise of a SAR, the cash or the fair market value of the shares received generally will be taxable as ordinary income in the year of such exercise. The Company generally will be entitled to a compensation deduction for the same amount which the recipient recognizes as ordinary income.

Restricted Stock Units. A participant will generally not recognize taxable income upon grant of a restricted stock unit. However, when the shares are delivered to the participant, then the value of such shares at that time will be taxable to the participant as ordinary income. Generally the Company will be entitled to a deduction for an amount equal to the amount of ordinary income recognized by the participant.

Dividend Equivalents. A participant will recognize taxable ordinary income on dividend equivalents as they are paid and the Company generally will be entitled a corresponding deduction.

Performance Share Awards and Performance Stock Units. A participant will recognize taxable ordinary income on the fair market value of the shares or the cash paid on performance share awards and performance stock units when such Awards are delivered or paid and generally the Company will be entitled to a corresponding deduction.

Stock Payments. A participant will recognize taxable ordinary income on the fair market value of the stock delivered as payment of bonuses or other compensation under the Plan and generally the Company will be entitled to a corresponding deduction.

Performance Awards. A participant will recognize taxable ordinary income on the amount of cash paid under the Performance Award and generally the Company will be entitled to a corresponding deduction.

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Profits Interest Units. Generally, a participant will not recognize any taxable income on the grant of a profits interest unit as long as the profits interest units only grant the participant the right to profits accruing after the date of grant and do not provide an interest in any capital of the partnership. The holder of the profits interests unit will be treated as a partner in the operating partnership and will be allocated income and losses each fiscal year.

Code Section 409A. Certain Awards under the Plan, depending in part on particular Award terms and conditions, may be considered non-qualified deferred compensation subject to the requirements of Code Section 409A. If the terms of such Awards do not meet the requirements of Code Section 409A, then the violation may result in an additional 20% tax obligation, plus penalties and interest for such participant.

Section 162(m)

Under Code Section 162(m), in general, income tax deductions of publicly-traded companies may be limited to the extent total compensation (including base salary, annual bonus, stock option exercises) for certain executive officers exceeds $1 million in any one taxable year. Our executives, and all other employees, are employed by Host Hotels & Resorts, L.P., our operating partnership, and not by Host Hotels & Resorts, Inc. As a result, we believe that none of our employees are subject to the $1 million compensation deduction limit under Section 162(m). We have not, however, requested a ruling from the IRS or an opinion of counsel regarding this issue. This discussion will neither bind the IRS nor preclude the IRS from taking a contrary position.

However, in the event that some portion of executive compensation would be subject to Section 162(m) we are requesting shareholder approval of the Plan (including the Performance Criteria) in order that Awards granted under the Plan may meet the requirements for performance-based compensation and be exempt from the limitations of Code Section 162(m), if applicable.

Tax Treatment of Awards Outside the United States

The grant and exercise of options and awards under the Plan to recipients outside the United States may be taxed on a different basis. To the extent necessary to avoid adverse tax consequences to employees located outside of the United States or to comply with local law, the Committee may pay Awards in cash or may adopt rules applicable to employees in such foreign jurisdictions to the extent not inconsistent with the Plan.

Plan Benefits

The number of Awards that an employee or director may receive under the Plan is in the discretion of the Committee. However, the Committee intends, upon stockholder approval of the Plan, to grant the Awards listed below under the Plan which would vest in 2010, 2011 and 2012, subject to satisfying vesting conditions. For the executives and the executive group listed below, the awards represent a two-year up-front grant. In keeping with the Company s practice, these are a forward-looking variable pay component. The final number of shares that

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would vest depends on the satisfaction of personal performance objectives and Company financial performance measures, and continued employment with the Company.

Name and Position	Number of Options	Number of Restricted Shares
W. Edward Walter *President and Chief Executive Officer*	245,869	1,250,000
James F. Risoleo *Executive Vice President, Chief Investment Officer*	174,157	885,417
Minaz B. Abji *Executive Vice President, Asset Management*	94,045	478,125
Elizabeth A. Abdoo *Executive Vice President, General Counsel and Secretary*	67,358	342,448
Larry K. Harvey *Executive Vice President, Chief Financial Officer and Treasurer*	80,932	411,458
Executive Group	780,317	3,967,136
Non-Executive Director Group		
Non-Executive Employee Group	321,741	1,371,458

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes information as of December 31, 2008 relating to equity compensation plans of the Company pursuant to which grants of restricted stock, options, restricted stock units or other rights to acquire shares may be granted from time to time.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the 1st column)
Equity compensation plans approved by stockholders (1)	233,709	$ 8.04	4,306,571
Equity compensation plans not approved by stockholders			
TOTAL	233,709	$ 8.04	4,306,571

(1) Shares indicated are the aggregate of those issuable under the Company s 1997 Comprehensive Stock and Cash Incentive Plan, as amended, whereby we may award to officers and key employees: (i) options to purchase our common stock, (ii) deferred shares of our common stock, and (iii) restricted shares of our common stock.

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Conclusion and Recommendation; Vote Required

The affirmative vote of a majority of the votes cast on the proposal is required for approval of the Plan, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal.

The Board of Directors believes that the Plan is advisable and in our best interests and unanimously recommends a vote FOR approval of the Plan.

PROPOSAL FOUR

APPROVAL OF AMENDMENT TO OUR CHARTER TO INCREASE AUTHORIZED CAPITAL STOCK

The Board of Directors deems advisable and has proposed for stockholder approval an amendment to our Charter to increase our authorized capital stock (as defined in our Charter) from 800,000,000 shares to 1,100,000,000 shares.

General Information

Our authorized capital stock currently consists of 800,000,000 shares, of which 750,000,000 shares are classified as common stock and 50,000,000 shares are classified as preferred stock, both classes with $0.01 par value per share. On March 12, 2009, the Board of Directors adopted a resolution declaring it advisable that our Charter be amended to increase our authorized capital stock from 800,000,000 shares to 1,100,000,000 shares. The full text of the proposed Charter amendment is set forth as Appendix B to this proxy statement.

Assuming stockholder approval of the amendment to our Charter, the aggregate number of shares of capital stock that we will have the authority to issue, at our discretion, is 1,100,000,000, consisting initially of 50,000,000 shares of preferred stock and 1,050,000,000 shares of common stock. As of March 1, 2009, 527,846,554 shares of common stock were outstanding, 59,351,200 shares of common stock were reserved for future issuance upon exchange of the $1,000,000,000 aggregate principal amount of two series of exchangeable senior debentures of Host Hotels & Resorts, L.P., 14,262,693 shares were reserved for issuance upon redemption of redeemable limited partnership units of Host Hotels & Resorts, L.P., and 6,983,891 shares were available for grant or reserved for issuance upon the vesting of outstanding grants under our existing equity compensation plans. In addition, 25,000,000 shares were contemplated to be reserved pursuant to the 2009 Comprehensive Stock and Cash Incentive Plan, which has been submitted for stockholders approval at this annual meeting. There are currently 4,034,400 shares of preferred stock outstanding.

Reasons for Increasing Our Authorized Share Capital

The authorization of additional shares of our common stock will enable us, as the need may arise, to take advantage of market conditions and favorable opportunities involving the issuance of our common stock without the delay and expense associated with the holding of a special meeting of our stockholders. Having such additional shares authorized and available

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for issuance or reservation would provide flexibility to use stock for business and financial purposes in the future. The additional shares may be used for various purposes, including:

- expanding our business through acquisitions;
- raising capital;
- paying dividends in stock or effecting stock splits;
- providing equity incentives to employees, officers and directors; and
- other general corporate purposes.

Other than as set forth above, we do not currently have specific agreements or plans that would involve the issuance of the additional shares that would be authorized by the amendment to our Charter, although we intend to continue to consider transactions from time to time that could result in such issuances. Acquisitions involving stock issuances above certain thresholds would require stockholder approval under applicable rules of The New York Stock Exchange and in some circumstances Maryland law.

Potential Effects of Increasing Our Authorized Capital Stock

The Board of Directors approval and recommendation of the proposed amendment has been prompted by business and financial considerations. Enabling the Company to issue more shares than are currently authorized by the Charter will not affect materially any substantive rights, powers or privileges of stockholders. Stockholders are entitled to one vote per share on all matters submitted to stockholders and do not have cumulative voting rights or preemptive rights for the purchase of additional shares of any class of capital stock. The additional shares for which authorization is sought are identical to the shares now authorized.

However, the issuance of additional shares of common stock may, among other things, have a dilutive effect on the earnings per share and on the equity and voting power of existing stockholders and may adversely affect the market price for our common stock. Although we have no present intention of issuing additional shares of common stock for such purposes, the proposed increase in the number of authorized shares of capital stock could enable the Board of Directors to render more difficult or discourage an attempt by another person or entity to obtain control of the Company. However, the amendment is not being advanced as a result of any known effort by any party to accumulate shares of common stock or to obtain control of us and is not part of a plan by the Company to adopt amendments having an anti-takeover effect.

Conclusion and Recommendation; Vote Required

The Board of Directors is submitting and recommending the amendment to the Charter to increase the authorized number of shares of capital stock from 800,000,000 shares to 1,100,000,000 shares.

The approval of the amendment to the Charter requires the affirmative vote of holders of a majority of all the votes entitled to be cast on the proposal at the annual meeting.

The Board of Directors believes that the proposal is advisable and in our best interests and unanimously recommends a vote FOR approval of the amendment to the Charter to increase the number of authorized shares of capital stock from 800,000,000 to 1,100,000,000 shares.

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COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Philosophy and Programs

Our named executive officers for 2008 were:

W. Edward Walter	President and Chief Executive Officer
James F. Risoleo	Executive Vice President, Chief Investment Officer
Minaz B. Abji	Executive Vice President, Asset Management
Elizabeth A. Abdoo	Executive Vice President, General Counsel
Larry K. Harvey	Executive Vice President, Chief Financial Officer and Treasurer

The Company has three objectives for executive compensation:

- to foster a strong relationship between stockholder value and executive compensation;
- to provide annual and long-term incentives that emphasize performance-based compensation; and
- to provide overall levels of compensation that attract and retain talented executives.

To achieve these objectives, our executive compensation program consists of ***a mix of cash, annual incentive awards and long-term equity***. The Compensation Policy Committee, which consists entirely of independent members of the Board, approves all our compensation policies and programs. The Committee, with the assistance of Towers Perrin, structured the 2006-2008 executive compensation plan (the 2006-2008 Plan) in 2005, and it was approved by the Board of Directors in 2006. Like previous programs, the 2006-2008 Plan was structured based on a three year period, with performance targets for each year established annually. Towers Perrin is retained by, and reports to, the Committee.

Current Executive Compensation Program

This section gives an overview of the key elements of the 2006-2008 Plan. For a discussion of the Committee s actions and decisions with respect to 2008 compensation, please see 2008 Compensation Actions below.

Key Elements

The three significant elements of the 2006-2008 Plan are ***base salary, annual incentive awards*** and ***long-term incentive compensation***. Base salary and annual incentive awards are cash-based, while long term incentives consist of restricted stock awards. The Committee does not use a specific formula in determining the mix of compensation, but as an executive s level of responsibility and position increases, a greater portion of his or her total compensation is based less on fixed compensation (salary) and more on variable pay (incentive awards and equity). Only base salary is assured so the majority of overall target compensation is at risk for senior executives. Actual amounts paid depend on the financial performance of the Company,

its relative performance to companies in the NAREIT Index, stockholder return and the individual performance of senior executives. We believe that this emphasis on incentive-based compensation is appropriate because senior executives are the persons most able to affect Company performance. Our executive compensation program is designed to reward the named executive officers and other members of senior management for reaching or exceeding financial and operational goals approved by the Committee. Aligning rewards with appropriate decision-making (that is, ensuring that excessive risks that might be detrimental to the Company or its stockholders are not being taken) is part of the discussion of the Committee in its February meeting when it reviews Company and individual performance results for the previous year and reviews and approves prospective goals. We believe that our total rewards, performance measures and stock ownership guidelines do not create an incentive for management to engage in unnecessary and excessive risk taking.

Base Salary is set at an annual rate, based on the level of the position within the Company and the individual s performance. Salary is the only component of cash compensation that is assured. Base salaries are typically reviewed by the Committee each year. Adjustments, if any, take into account an individual s performance, responsibilities, experience, internal equity and external market data. Base salary represents between 17%-30% of the named executive officers total target compensation under the 2006-2008 Plan.

Annual Incentive Awards are available to all employees and provide cash awards based on the financial performance of the Company and the personal performance of each employee. The annual incentive awards represent between 15%-24% of the named executive officers total target compensation under the 2006-2008 Plan. The awards are intended to reward the achievement of the Company s financial objectives through the implementation of its annual business plan and the performance of each executive in fulfilling his or her annual objectives. As described below, 80% of the targeted annual award for the named executive officers depends on Company financial performance.

Financial performance is measured by funds from operations per diluted share, as adjusted for certain items (Adjusted FFO). The Company uses funds from operations per diluted share in accordance with NAREIT guidelines as a supplemental measure of operating performance in its earnings releases and financial presentations. Adjusted FFO takes into account adjustments reflecting (i) items that are unusual in nature (for example, the income from a large settlement and significant acquisition costs) and (ii) items that are in the long-term interest of the Company but would reduce funds from operations per diluted share in the performance period (such as costs associated with senior notes redemptions, debt prepayments, and preferred stock redemptions) which, if included, would not reflect the recurring funds from operations of the Company. The adjustments are explained in the Company s earnings releases and Forms 10-Q and 10-K in the Schedule of Significant Transactions Affecting Earnings per Share and Funds from Operations per Diluted Share and are reviewed by the Audit Committee.

Personal performance is determined after the end of the fiscal year based on the actual performance of individuals against their pre-established personal objectives. These

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objectives are prepared by employees and reviewed by their managers. The Committee reviews and approves the individual performance measures for the most senior officers, which are typically tied to achievement of business plan objectives in their areas of responsibility. These goals may include operational, growth and leadership goals for the departments they manage.

The actual amount of the annual incentive award depends on four things:

- salary, because the award is paid as a percentage of salary;
- whether the level of performance achieved by the Company on the Adjusted FFO measure is at, or between, threshold , target or high , with no payment for performance below threshold;
- whether personal performance is at, or between, threshold , target or high, with no payment for performance below threshold; and
- the relative weighting between financial and personal performance measures. As employees attain more responsibility and a greater role, more of the annual award is weighted toward financial performance in recognition of an individual s growing ability to affect the financial performance of the Company. For example, the named executive officers are weighted (i) 80% on financial performance and (ii) 20% on personal objectives. For senior vice presidents, the criteria are weighted (i) 50% on financial performance and (ii) 50% on such employee s personal objectives.

The chart below shows the performance and total annual bonus that may be earned under the program for the Chief Executive Officer, executive vice presidents and senior vice presidents. No bonus is earned for performance below threshold, and results are interpolated between the levels of threshold, target and high.

Performance and Total Eligible Payout

(as a % of Salary)

CEO		EVP		SVP	
Performance Level	**Total Eligible Payout (% of Salary)**	**Performance Level**	**Total Eligible Payout (% of Salary)**	**Performance Level**	**Total Eligible Payout (% of Salary)**
< Threshold	0	< Threshold	0	< Threshold	0
Threshold	50	Threshold	37.5	Threshold	27.5
Target	100	Target	75	Target	55
High	200	High	150	High	110

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The total amount that may be earned annually under the Annual Incentive Awards would be determined as follows:

Measure	**Named Executive Officers**	**Senior Vice Presidents**
Financial	a = salary x weighting (80%) x payout level achieved on Adjusted FFO measure	c = salary x weighting (50%) x payout level achieved on Adjusted FFO measure
Personal	b = salary x weighting (20%) x performance level achieved	d = salary x weighting (50%) x performance level achieved
Total Potential Annual Incentive	Sum of a+ b	Sum of c + d

Long-Term Incentive Compensation consists of ***restricted stock.*** We believe that restricted stock creates an incentive for senior executives and other managers to operate the Company in a manner that creates significant long-term value for stockholders. Long term incentives comprise the largest component of senior management s total target compensation, representing between 44%-65% of the named executive officers total target compensation under the 2006-2008 Plan.

Awards of restricted stock are evidenced by a ***restricted stock agreement*** between the Company and the executive, a form of which is on file with the SEC. Some key aspects of the awards are:

Awards were made at the start of the three-year period (that is, in early 2006 for the 2006-2008 Plan) with one-third eligible to vest in each year, although the Committee has the discretion to modify awards to reflect additional responsibilities, promotions or superior performance. For a discussion of the Committee s actions, please see 2008 Compensation Actions ;

Cash dividends are accrued on unvested awards and paid only when the restrictions on the awards lapse, that is, the shares vest and are released;

Approximately 14% of the total three-year award is time-based, that is, it will vest if the executive continues employment until year end;

Approximately 86% of the total three-year award is performance-based, that is, vesting depends on satisfying two measures, ***Absolute TSR*** and ***Relative TSR***, which are discussed below;

For those shares that did not vest, there is an opportunity for the unvested shares to be earned and vest at the end of the three-year period based the Company achieving a high cumulative total stockholder return or a high cumulative relative stockholder return, in each case over the three-year period. The price to measure the cumulative stockholder return for the three year period 2006-2008 is $17.88 per share, based on the average of the high and low price of the Company s common stock for the 60 days prior to December 31, 2005;

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Absolute TSR means an absolute total stockholder return, which is measured by our share price growth plus dividends paid on our common stock for the applicable year. It is set at three levels threshold, target, and high. Shares vest depending on the return achieved and are interpolated between the vesting percentages, as follows:

Absolute TSR

Return	**Shares Vesting**
Less than 7%	0
Threshold = 7%	25%
Target = 10%	50%
High = 15%	100%

Relative TSR is a relative stockholder return, which is measured by our total stockholder return relative to companies in the NAREIT Equity Index. It is set at three levels threshold, target and high. Shares vest based on the percentile achieved and are interpolated between the vesting percentages, as follows;

Relative TSR

Percentile	**Shares Vesting**
Less than 40th percentile	0
Threshold = 40th percentile	25%
Target = 60th percentile	50%
High = 80th percentile	100%

Shares also vest in the event of an executive s death or disability or, under certain circumstances, under the severance plan. Please see the discussion under Severance and Change in Control . As described under Perquisites and Other Personal Benefits, Messrs. Walter and Risoleo agreed to accept proceeds under life insurance policies to offset long-term incentive compensation that would vest in the event of such executive s death.

Other Benefits and Policies

While the key elements of executive compensation are base salary, annual incentive awards and long term incentives, the named executive officers are also eligible to participate in the Company s health and welfare programs, our tax-qualified Retirement and Savings Plan (401(k)), and other programs on the same basis as all other employees. This section describes additional benefits and policies that apply only to the named executive officers and other senior executives, which are

perquisites and other personal benefits,

the executive deferred compensation plan,

- the severance plan, which also addresses a change in control, and

- the stock ownership policy.

Perquisites and Other Personal Benefits for executive officers are very limited and primarily based on our business. These are (1) dining, complimentary rooms and other hotel services when on personal travel at hotels that we own or that are managed by our major operators, (2) financial planning and tax services, and (3) reimbursement for taxes associated with these benefits. We are in the lodging industry, and believe that it is appropriate to encourage our executives to continually enhance their understanding of our properties, the operations of our key managers at our properties and other hotels in the same class as our portfolio. This assists in portfolio development and improvements. In addition, we believe that offering financial planning and tax services represents a minimal cost while ensuring that executives are in compliance with tax requirements. Since we encourage our executives to use these perquisites, we feel that it is appropriate to reimburse them for the taxes incurred upon such benefits.

In connection with long term incentive stock awards under the 2006-2008 Plan, Messrs. Walter and Risoleo each agreed at the Company s request to purchase life insurance policies and to accept the proceeds under these policies, to offset some or all of the long-term incentive stock compensation that would vest and be payable in the event of the executive s death. The proceeds from the life insurance policies would mitigate the effect on the Company s financial statements of the accelerated vesting of large restricted stock awards, which would occur upon an executive s death. The Company reimburses each of the executives for the cost of each policy and the taxes payable as a result of the reimbursement.

The Executive Deferred Compensation Plan allows participants to save for retirement in excess of the limits applicable under our Retirement and Savings Plan. It is not a tax qualified plan. Eligible employees, including the named executive officers, may defer up to 100% of their compensation (including salary and cash bonuses) in excess of the amounts first deferred into the Retirement and Savings Plan. We provide a match of $.50 for each $1.00 deferred under the plan, up to a maximum of 6% of the participant s compensation less the amount credited to the Retirement and Savings Plan. In addition, we may make a discretionary matching contribution of up to $.50 on each $1.00 up to 6% of the participant s compensation. This is the only non-qualified retirement plan we offer to senior executives. We do not have a pension plan. We do not have a supplemental executive retirement program.

Severance and Change in Control are addressed in a severance plan that was adopted and has been in effect since 2003. The named executive officers as well as other senior executives are covered by the plan, and there are no other agreements or arrangements in place for executives in the U.S.

The Committee and the Board continue to believe that providing properly designed severance benefits promotes stability and continuity of senior management. In addition, the provision of severance upon a change in control aligns the Company s interests with its stockholders by eliminating distractions that arise with the uncertainty of these transactions and avoiding the loss of key members of management. The severance plan requires a double trigger for payment in the context of a change in control, that is, there must be both a change in control and a termination by the Company without cause or by the executive for good reason in the one year period following a change in control. Significantly, the severance plan does not provide for tax gross-ups on any payments made in connection with a termination or a change in control. The cost of any excise tax that a member of senior management might incur related to a payment under the plan would be borne by the individual.

The Committee reviewed the severance plan in 2008 in connection with reviewing and approving amendments to comply with the documentary requirements of Section 409A of the Internal Revenue Code. The Committee also reviewed the level of severance pay and benefits an executive receives in determining compensation and considering adjustments, particularly when considering long-term incentive awards which would accelerate and vest in the event of a termination without cause, or upon a change in control coupled with a triggering event. The severance plan, however, did not have an impact on the Committee s determination of compensation in 2008.

For additional information regarding the severance plan, including an estimate of payments the named executive officers would have been entitled to receive on December 31, 2008 upon various termination events, see ***Potential Severance, Change in Control Payments***.

The Stock Ownership Policy ensures that senior executives have a meaningful economic stake in the Company, while allowing for appropriate portfolio diversification. The guidelines provide that, within five years of joining the Company or being promoted to a position in senior management, members of senior management should own stock equal to the following respective multiple of their annual salary rate:

CEO five times annual salary rate;

Executive Vice Presidents three times annual salary rate; and

Senior Vice Presidents two times annual salary rate.

Only certain types of equity are used in determining whether the guidelines are met, including stock owned directly by an employee or as a result of vesting in restricted stock. There are no 10b5-1 selling plans in effect. The Committee reviews stock ownership levels and, at the beginning of 2008, all executives were in compliance with the guidelines. Although no executives sold stock during 2008, ownership levels are currently below the guidelines due to the decline in the Company s stock price.

Additional Information

Tax and Accounting Section 162(m) of the Internal Revenue Code precludes a public corporation from taking a deduction for compensation in excess of $1 million for its chief executive officer or any of its four other highest paid executive officers, unless such compensation is performance based and certain specific and detailed criteria are satisfied. Our executives, and all other employees, are employed by Host Hotels & Resorts, L.P., our operating partnership, and its subsidiaries, and not by the Company. As a result, we believe that none of our employees are subject to the $1 million compensation deduction limit under Section 162(m).

However, in the event that some portion of employee compensation is subject to Section 162(m) but fails to be deductible, our taxable income would increase to the extent of

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the disallowed deduction and we could be required to make additional dividend distributions to our stockholders or to pay tax on the undistributed income provided we have distributed at least 90% of our adjusted taxable income. In such event, the Committee may consider the anticipated tax treatment to the Company and the executive officers in its review and establishment of compensation programs and payments. However, the deductibility of some types of compensation payments can depend upon the timing of an executive s vesting or exercise of previously granted rights. Interpretations of, and changes in, applicable tax laws and regulations as well as other factors beyond the Committee s control also may affect deductibility of compensation. Accordingly, the Committee may determine that it is appropriate to structure compensation packages in a manner that may not be deductible under Section 162(m).

The Company recognizes costs resulting from the equity share-based payment transactions in the financial statements over their vesting periods in accordance with SFAS 123R Share Based Payment (SFAS 123R). All restricted stock awards to senior executives 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. The Committee makes its assessments on the appropriate value of equity awards for target compensation based on the fair market value of the common stock on the date of grant or a 60 day calendar average of high and low stock price of the Company s common stock on the New York Stock Exchange. These values would not be reflected in the ***Summary Compensation Table*** because, in accordance with SFAS 123R, liability awards are remeasured to fair value each reporting period and all the restricted stock awarded that had vesting tied to financial performance objectives had a fair value of $0 at December 31, 2008. 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.

2008 Compensation Actions

This section discusses the Committee s compensation actions in 2008, which included changes to the compensation of the named executive officers, reviewing the results for 2008 under the 2006-2008 Plan, and overall compensation.

Compensation of Executives. The Board of Directors elected Mr. Walter as President and Chief Executive Officer on October 29, 2007, and Mr. Harvey as Executive Vice President, Chief Financial Officer and Treasurer on November 1, 2007. As discussed in last year s proxy, in light of the changes in the senior management of the Company, the Committee requested that its consultant, Towers Perrin, gather updated market data for officer positions. Last year, we discussed the process and decisions by the Committee in determining the compensation of each of Mr. Walter and Mr. Harvey, effective as of the date each assumed his new position in 2007. In January 2008, the Committee reviewed and made adjustments to the compensation of other senior officers, including Mr. Risoleo, Mr. Abji and Ms. Abdoo.

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Consistent with the Committee s approach in 2005, Towers Perrin aggregated compensation data from two peer groups. These were (1) 18 size-based real estate companies with a median total capitalization of $18 billion, and (2) Towers Perrin s general industry database of companies regressed to $5.5 billion of revenues (in excess of 800 companies). The two peer groups originally used in 2005 were adjusted to reflect the increase in capitalization and revenues in the Company since 2005. The size-based real estate group was chosen because it reflected current proxy data from the real estate industry, companies of comparable size, and in many instances, with a global portfolio. It also reflected executive compensation practices against which the Company competes directly for talent and investment capital. The general industry group was chosen because it presented information from a broader market than the real estate industry and was consistent with the Company s inclusion in the S&P 500 index in 2007. The size-based real estate group from which the data was aggregated included:

Simon Property Group, Inc.	Starwood Hotels & Resorts Worldwide, Inc.
General Growth Properties, Inc.	Kimco Realty Corporation
Vornado Realty Trust	HCP Inc.
Equity Residential	Apartment Investment and Management Company
ProLogis	Macerich Company
Brookfield Properties Corporation	AvalonBay Communities
Public Storage	Forest City Enterprise Inc.
Marriott International, Inc.	Developers Diversified Realty Corporation
Boston Properties, Inc.	
Duke Realty Corporation	

The Committee reviewed aggregated compensation data in the 25th, 50th, and 75th percentiles for each peer group. The Committee did not adhere to targeting overall compensation to a certain percentile, or a range of percentiles, in each peer group, which it has done previously. This was because each peer group presented key differences from the Company. The size-based real estate group did not reflect factors specific to the hospitality sector, and had data only on proxy-named positions. The general industry group did not provide direct comparables for most REIT positions. Data from both groups did not reflect the experience of a person in a particular position. The Committee, instead, used the collective data, in consultation with Towers Perrin, to inform itself of the current levels of compensation in the market, and considered other factors, such as the credentials, length of service, experience and prior performance of each individual as well as internal equity considerations among the senior management team. The Committee also sought Mr. Walter s input on these factors.

Based on the foregoing, the Committee increased, effective as of January 1, 2008, Mr. Risoleo s base salary from $450,000 to $500,000; Mr. Abji s salary from $390,000 to $430,000; and Ms. Abdoo s salary from $350,000 to $387,500. In addition, the Committee increased the award of restricted stock under the existing grants made under the 2006-2008 Plan for Mr. Risoleo and Mr. Abji. These additional shares would vest subject to the conditions described previously under Long-Term Incentive Compensation . The target values of the additional awards were $150,000 for Mr. Risoleo and $100,000 for Mr. Abji with the number of shares determined based on the average of the high and low price of the Company s common stock for the sixty calendar day prior to January 1, 2008.

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In addition, the Committee approved new grants of restricted stock on January 1, 2008 to the senior executive team, including Messrs. Risoleo, Abji and Harvey, and Ms. Abdoo, to reflect the increased responsibility among the senior executive team as a result of the transition in leadership and to enhance the stability of the team during the transition. The grants vested on January 2, 2009, based on continued employment with the Company. At the time of the grant, the shares were valued at $18.61, which was the average of the high and low of the Company s common stock for the sixty calendar days prior to January 1, 2008. Upon vesting, the value of the shares was $7.69.

Name	Total Shares	Value based on 60 day average
Mr. Risoleo	8,059	$ 150,000
Mr. Abji	5,373	100,000
Ms. Abdoo	5,373	100,000
Mr. Harvey	5,373	100,000

Results for 2008 under the 2006-2008 Plan. In addition to setting compensation, the Committee reviewed the results on the objectives established for receiving a cash bonus under the Annual Incentive Award Program and the release of restricted stock under the Long-Term Compensation Program.

Annual Incentive Award Program. As previously described, the annual incentive award for the named executive officers is based 80% on the financial performance of the Company, which is measured by Adjusted FFO, and 20% on personal performance on objectives approved by the Committee.

Adjusted FFO. The Adjusted FFO measure for 2008 was derived from the Company s business plan and budget for 2008. The process for review and approval of the business plan began with Board discussions and meetings on the Company s strategic plan in November 2007. The business plan and budget were then reviewed and approved by the Board of Directors in February 2008. The target Adjusted FFO measure of $1.92 was the Company s approved budget objective for 2008. The threshold Adjusted FFO was set at 10% below target, or $1.73, and high was set at 10% above target, or $2.11. At its meeting in February 2009, the Committee reviewed the Company s results. The results were finalized at a joint meeting of the Board and the Audit Committee which reviewed management s implementation of the Company s 2008 business plan and approved the year-end financial results for 2008. The Company s Adjusted FFO results for 2008 were as follows:

	Threshold	Target	High	2008 Actual Results
Adjusted FFO per share	$1.73	$1.92	$2.11	$1.74 (between Threshold and Target)

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The named executive officers, as well as all employees of the Company, received a cash bonus based on these results. The chart below shows the target bonus that each executive was eligible to receive and the actual amount received on this portion of the annual incentive award.

Name	Eligible Target Award on Financial Measure	2008 Actual Award on Financial Measure
Mr. Walter	$ 600,000	$ 315,750
Mr. Risoleo	300,000	157,900
Mr. Abji	258,000	135,794
Ms. Abdoo	232,500	122,373
Mr. Harvey	210,000	110,530

Personal Performance. The Committee also reviewed the results on personal performance measures for the named executive officers, which accounts for 20% of the annual incentive award at the target level. These measures are weighted and are designed to be attainable at the target level of performance. Each executive and member of senior management shared two objectives, which were tied to building stronger departmental and organizational teams and working to develop and implement enhanced succession plans. Other objectives varied with the position but were tied to each department s business plan. Mr. Walter s objectives primarily involved implementing the 2008 business plan and enhancing relationships with joint venture partners and communications with the Company stockholders. Mr. Risoleo s objectives were to implement the Company s joint venture plans in Asia and Europe, implement the acquisition and disposition program and lead the effort to expand the portfolio in emerging markets. Mr. Abji s objectives related to improving RevPAR and margin performance, assisting the brand reinvention efforts and maximizing food and beverage revenues at the hotels. Ms. Abdoo s objectives were tied to supporting the international growth efforts, enhancing corporate governance and compliance. Mr. Harvey s personal objectives were to implement the finance plan, support the joint venture expansion and formalize the reporting and tracking of the international businesses. The results on personal performance objectives for each of the named executive officers were above target. The chart below shows the target bonus that each executive was eligible to receive and the actual amount received on this portion of the annual incentive award.

Name	Eligible Target Award on Personal Measure	Actual Award on Personal Measure
Mr. Walter	$ 150,000	$ 151,875
Mr. Risoleo	75,000	92,250
Mr. Abji	64,500	67,725
Ms. Abdoo	58,125	71,203
Mr. Harvey	52,500	63,000

Long-Term Incentive Compensation. As previously described, the final one-third of the upfront grant of restricted stock under the 2006-2008 Plan was eligible to vest in 2008. Vesting depended on the level of performance on two financial measures, Absolute TSR and Relative TSR, and on continued employment.

Absolute TSR. The Committee assessed the performance on the Absolute TSR measure and Relative TSR measure at its February 2009 meeting. The starting price for the Absolute TSR was $18.61, based on the average of the high and low price of our common stock for the 60 day period ending December 31, 2007. The chart below shows the Absolute TSR measures at threshold, target and high, and the 2008 results:

Starting Price $18.61	**Threshold**	**Target**	**High**	**2008 Results**
Absolute TSR Measures	7% return = $19.91	10% return = 20.47	15% return = $21.40	**$8.09** **Below Threshold**

The ending price in 2008 was $8.09, which represented the average of the high and low price of our common stock for the 60-day period ending December 31, 2008 of $7.44 plus $0.65 of dividends paid in 2008. The price of $8.09 represented performance below threshold. As a result, no shares were released under the 2006-2008 Plan based on Absolute TSR. The chart below shows the shares eligible for release in 2008 based on the Absolute TSR measure and the forfeitures in 2008.

Name	**Eligible 2008 Absolute TSR Shares**	**2008 Absolute TSR Shares Released**	**Total Absolute TSR Shares Forfeited 2008**
Mr. Walter	111,804	0	111,804
Mr. Risoleo	61,098	0	61,098
Mr. Abji	29,931	0	29,931
Ms. Abdoo	20,449	0	20,449
Mr. Harvey	22,083	0	22,083

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Relative TSR. The Committee also reviewed the results on the Relative TSR measure, which were prepared by its consultant, Towers Perrin. As previously explained, Relative TSR represents a cumulative return for one year (from year-end 2007 to year end 2008) reflecting price appreciation and dividend payments and is measured against the NAREIT Equity Index, with threshold equal to the 40th percentile, target equal to the 60th percentile and high equal to the 80th percentile. The Company ranked 82nd out of 114 companies in the NAREIT Equity Index for a percentile rank of 28%. The Relative TSR measure represented performance below threshold. As a result, no shares were released under the 2006-2008 Plan based on Relative TSR. The chart below shows the shares eligible for release in 2008 based on the Relative TSR measure and the forfeitures in 2008.

Name	Eligible 2008 Relative TSR Shares	2008 Relative TSR Shares Released	Total Relative TSR Shares Forfeited 2008
Mr. Walter	111,804	0	111,804
Mr. Risoleo	61,098	0	61,098
Mr. Abji	29,931	0	29,931
Ms. Abdoo	20,449	0	20,449
Mr. Harvey	22,083	0	22,083

Continued Employment. The named executive officers did receive those shares of restricted stock under the 2006-2008 Plan which were time-based. These shares vested on December 31, 2008 based on continued employment with the Company and were released on February 5, 2009. The chart below shows the shares that were released.

Name	Eligible 2008 Time Based Share	Total 2008 Time Based Shares Released
Mr. Walter	37,282	37,282
Mr. Risoleo	20,369	20,369
Mr. Abji	9,978	9,978
Ms. Abdoo	6,816	6,816
Mr. Harvey	7,366	7,366

Other Arrangements. The named executive officers also received 25% of the restricted stock under the 2005 Shareholder Value Award, which was an award of restricted stock made to senior executives, including Mr. Walter, Mr. Risoleo, Mr. Abji, Ms. Abdoo and Mr. Harvey, under the 2003-2005 compensation program in recognition of the significant stockholder return over stated performance objectives achieved by the Company for the period 2003-2005. These shares vested on February 9, 2008 based on continued employment with the Company and were released on February 11, 2008. The shares released were as follows: Mr. Walter, 25,000 shares; Mr. Risoleo, 18,750 shares; Mr. Abji, 12,500 shares; Ms. Abdoo, 12,500 shares; and Mr. Harvey, 9,375 shares.

Summary. Year-end 2008 marked the end of the three-year compensation program. Through the term of the program, compensation for each of the named executive officers declined. This is primarily due to the structure and design of the program, which had the largest component of executives compensation in restricted stock awards with vesting conditions tied to achievement of financial measures. As economic conditions deteriorated in 2008, the measures established earlier in the year were not attainable. As a result, in 2008, as in 2007, executives vested in approximately 14% of the eligible shares. These were the portion of the 2006-2008 awards that vested based on continued employment with the Company. All shares under the award that were tied to financial performance measures were forfeited. The chart below shows the shares eligible to vest in 2008, the amount vested and the total forfeited:

2008 Restricted Stock

Name	Eligible 2008 Absolute TSR Shares	Eligible 2008 Relative TSR Shares	Eligible 2008 Time-Based Shares	Total 2008 Shares Eligible for Release	Total Shares Released in 2008	Total Shares Forfeited 2008
Mr. Walter	**111,804**	111,804	**37,282**	260,890	**37,282**	223,608
Mr. Risoleo	**61,098**	61,098	**20,369**	142,565	**20,369**	122,196
Mr. Abji	**29,931**	29,931	**9,978**	69,840	**9,978**	59,862
Ms. Abdoo	**20,449**	20,449	**6,816**	47,714	**6,816**	40,898
Mr. Harvey	**22,083**	22,083	**7,366**	51,532	**7,366**	44,166

In addition, the annual incentive award for executives declined significantly in 2008 from the prior two years as a result of the program design. Approximately 80% of the target award is tied to meeting an Adjusted FFO measure, and while members of senior management implemented the Company s business plan, the global economic downturn presented a very difficult operating environment resulting in threshold performance. The chart below shows the annual cash award received as compared to the target award opportunity for 2008.

Still, the emphasis on the business plan and achievement of individual objectives tied to that plan positioned the Company to navigate the current economic challenges through the development of a more diversified global platform and an emphasis on financial discipline with a reduction in overall leverage and strengthened balance sheet.

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EXECUTIVE OFFICER COMPENSATION

Summary Compensation Table for Fiscal Year End 2008

Name	Year	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation (3)	All Other Compensation (4)	Total
Richard E. Marriott (5)	2008	$ 350,000	$ 0	$ 163,030	$ 34,426	$ 547,456
Chairman of the Board	2007	350,000	0	437,500	48,510	836,010
	2006	350,000	0	458,500	34,570	843,070
W. Edward Walter	2008	750,000	335,003	467,625	129,921	1,682,549
President and Chief Executive Officer	2007	541,781	667,848	755,704	133,390	2,098,723
	2006	500,000	5,700,324	700,000	146,468	7,046,792
James F. Risoleo	2008	500,000	259,416	250,150	107,409	1,116,975
Executive Vice President, Chief Investment Officer	2007	450,000	496,728	576,900	125,426	1,649,054
	2006	450,000	4,131,806	625,500	101,510	5,308,816
Minaz B. Abji	2008	430,000	166,872	203,519	45,057	845,448
Executive Vice President, Asset Management	2007	390,000	312,060	496,275	83,369	1,281,704
	2006	390,000	2,097,890	541,125	62,428	3,091,443
Elizabeth A. Abdoo	2008	387,500	153,636	193,576	25,236	759,948
Executive Vice President, General Counsel & Secretary	2007	350,000	302,418	454,580	50,086	1,157,084
	2006	350,000	1,766,405	484,750	30,970	2,632,125
Larry K. Harvey	2008	350,000	151,293	173,530	22,872	697,695
Executive Vice President, Chief Financial Officer and Treasurer	2007	297,534	218,859	285,468	35,291	837,152
	2006	283,397	1,051,022	278,901	28,436	1,641,756

(1) Salary is established at an annual rate, determined on the basis of a 52-week year, and is paid bi-weekly. The amount listed in the salary column includes amounts deferred at the election of the named executive officer under our Executive Deferred Compensation Plan in any such year. Mr. Walter was promoted to President and Chief Executive Officer on October 29, 2007. Mr. Harvey was promoted to Executive Vice President, Chief Financial Officer and Treasurer on November 1, 2007.

(2) These amounts reflect the restricted stock expense recorded by the Company in its financial statements for each named executive officer. All our restricted stock awards are considered liability awards. The amounts include the following:

Shares granted under our 2006-2008 Plan for which the stock award compensation represents the fair value of the restricted stock awards that vested as of December 31, 2008. For 2008, the per share fair value of the 2006-2008 Plan awards that vested was $7.57, which represents our closing stock price at December 31, 2008.

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We have also included compensation for the fair value of shares granted under the 2005 Shareholder Value Award, which was an award of restricted stock made to senior executives, including Mr. Walter, Mr. Risoleo, Mr. Abji, Ms. Abdoo and Mr. Harvey, under the 2003-2005 compensation program in recognition of the significant stockholder return over stated performance objectives achieved by the Company for the period 2003-2005. The awards were time vested over four years (2006-2009) based on continued employment. During 2008, the compensation includes the recognized expense for the shares that vested on February 9, 2008 but were released on February 11, 2008 (as February 9, 2008 fell on a Saturday) for the period from January 1 through February 11, 2008. The expense was based on the closing price of the shares on February 11, 2008 of $16.53. The compensation also includes a portion of the shares that vest between February 10, 2008 and February 9, 2009. The amount includes the expense recognized from February 10, 2008 through December 31, 2008, and is based on a fair value of $7.57, which represents our closing stock price at December 31, 2008.

We have also included compensation expense for the fair value of shares under the market adjustment award that was made to Messrs. Risoleo, Abji and Harvey and Ms. Abdoo on January 1, 2008 and which vested on January 2, 2009. For 2008, the per share fair value of the awards that vested was $7.57, which represents our closing stock price at December 31, 2008.

(3) These amounts reflect the annual incentive awards paid to each named executive officer, or deferred under the Executive Deferred Compensation Plan.

(4) All Other Compensation consists of Company contributions to the Retirement and Savings Plan and the Executive Deferred Compensation Plan, perquisites and other personal benefits and tax reimbursements as follows:

Matching contributions of $6,900 made under the Retirement and Savings Plan to each of Mr. Marriott, Mr. Walter, Mr. Risoleo, Mr. Abji, Ms. Abdoo and Mr. Harvey.

Matching contributions made under the Executive Deferred Compensation Plan as follows: Mr. Marriott, $16,725; Mr. Walter, $38,271; Mr. Risoleo, $25,373; Mr. Abji, $20,860, Ms. Abdoo, $18,336 and Mr. Harvey, $12,165.

Premiums associated with life insurance policies for Messrs. Walter and Risoleo. In connection with the long-term stock awards granted under the 2006-2008 executive compensation program, Messrs. Walter and Risoleo each agreed to purchase life insurance polices and to accept proceeds under these policies which would offset long-term incentive stock compensation that would vest and would be payable in the event of the executive s death. The Company annually reimburses each executive for the cost of each policy and the taxes payable as a result of this reimbursement. In 2008, the total amounts reimbursed, excluding taxes, were: Mr. Walter, $12,161; and Mr. Risoleo, $7,395.

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Total cost of perquisites that executive officers are eligible to receive. In 2008, these perquisites consisted of financial planning and tax services, dining, complimentary rooms and other hotel services when on personal travel at hotels owned by us or managed by our major operators. Company approved spousal travel and expenses to attend a business event are shown under Miscellaneous. The cost of each of these benefits is as follows:

	Mr. Marriott	Mr. Walter	Mr. Risoleo	Mr. Abji	Ms. Abdoo	Mr. Harvey
Financial and Tax Planning	$ 6,000	$ 2,000	$ 3,738	$ 800	$ 0	$ 0
Dining, rooms & hotel services	0	33,829	31,706	8,687	0	2,201
Miscellaneous	0	1,722	900	0	0	0

Tax reimbursements to each of the named executive officers associated with the perquisites, and with respect to Messrs. Walter and Risoleo, tax reimbursements associated with the cost of the life insurance policies: Mr. Marriott, $4,801; Mr. Walter, $35,038; Mr. Risoleo $31,397; Mr. Abji, $7,810; and Mr. Harvey, $ 1,606.

(5) Mr. Marriott is not a named executive officer under the SEC rules, but summary compensation information is provided in the interest of full disclosure.

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Grants of Plan-Based Awards in Fiscal Year End 2008

The following table shows the plan-based awards that were granted in 2008 to the named executive officers.

Name	Grant Date	Approval Date	Estimated Possible Payments Under Non-Equity Incentive Plan Awards (1) Threshold $	Target $	Maximum $	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold #	Target #	Maximum #	All Other Stock Awards (3) #	Full Grant Date Fair Value (4) $
Richard E. Marriott	7-Feb-08		131,250	262,500	525,000					
W. Edward Walter	7-Feb-08		375,000	750,000	1,500,000					
	1-Jan-08	18-Dec-07				17,626	35,252	70,504	11,764	679,889
James F. Risoleo	7-Feb-08		187,500	375,000	750,000					
	1-Jan-08	18-Dec-07				3,022	6,043	12,086	10,076	255,814
Minaz B. Abji	7-Feb-08		161,250	322,500	645,000					
	1-Jan-08	18-Dec-07				2,015	4,029	8,058	6,717	170,542
Elizabeth A. Abdoo	7-Feb-08		145,313	290,625	581,250					
	1-Jan-08	18-Dec-07							5,373	92,845
Larry K. Harvey	7-Feb-08		131,250	262,500	525,000					
	1-Jan-08	18-Dec-07				5,625	11,250	22,500	9,128	309,832

(1) As described under Annual Incentive Awards in the Compensation Discussion and Analysis (CD&A), these are amounts that may be earned in 2008 based on the financial performance of the Company, which is measured by Adjusted FFO, and on the personal performance by each executive on objectives approved by the Committee. The actual amounts earned by the named executive officers in 2008 are reflected in the Summary Compensation Table under the column Non-Equity Incentive Plan Compensation and are described in the CD&A under Results for 2008 under the 2006-2008 Plan Annual Incentive Award Program.

(2) At Threshold, Target and Maximum, reflects the additional shares awarded for 2008 under the 2006-2008 Plan to Messrs. Walter and Harvey in connection with Mr. Walter s promotion to President and Chief Executive Officer and Mr. Harvey s promotion to Executive Vice President, Chief Financial Officer and Treasurer, and to Mr. Risoleo and Mr. Abji in connection with a review of compensation for senior management. As described in the CD&A under Long-Term Incentive Compensation these shares, which were made under the terms of the previous 2006-2008 awards to each executive, would vest based on the Company s performance in 2008 on an Absolute TSR measure and Relative TSR measure. These additional shares were granted on January 1, 2008, based on the average of the high and low price of the Company s common stock for the 60 calendar days preceding January 1, 2008, which was $18.61. At Threshold performance, a total of twenty-five percent (25%) of shares granted would be earned; at Target performance, a total of fifty percent (50%) of shares granted would be earned; and at Maximum performance, one hundred percent (100%) of shares granted would be earned. Dividends accrued on invested share, but are not paid unless the shares vest and are released. As described in the CD&A under Results for 2008 under the 2006-2008

Plan Long-Term Incentive Compensation , performance in 2008 on both Absolute TSR and Relative TSR was below Threshold. Therefore, the additional shares, as well as previously awarded performance shares under the 2006-2008 Plan, did not vest and were forfeited. All dividends were forfeited as well.

(3) This column show for Messrs. Walter, Risoleo, Abji and Harvey, the additional shares awarded in 2008 under the 2006-2008 Plan that would vest based on continued employment with the

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Company through December 31, 2008. These additional shares were part of the grant described above, and were awarded as follows: Mr. Walter, 11,764; Mr. Risoleo, 2,017; Mr. Abji, 1,344; and Mr. Harvey, 3,755. In addition, this column shows the market adjustment award made on January 1, 2008 to Messrs. Risoleo, Abji, Harvey and Ms. Abdoo. The shares were granted on January 1, 2008 based on the average of the high and low price of the Company s common stock for the 60 calendar days preceding January 1, 2008, which was $18.61 and would vest on January 2, 2009 based on continued employment. The shares awarded were as follows: Mr. Risoleo, 8,059; Mr. Abji, 5,373; Mr. Harvey, 5,373; and Ms. Abdoo, 5,373. As described in the CD&A, the grants were made to reflect the increased responsibility among the senior executive team as a result of the transition in leadership and to enhance the stability of the team during the transition in leadership of the Company.

(4) This column shows the fair value of restricted stock awards under the 2006-2008 Plan at the grant date, January 1, 2008, and the market adjustment award at the grant date, January 1, 2008. For the shares that vest based on market performance under the 2006-2008 Plan, the fair value on the grant date was calculated using a simulation or Monte Carlo method. These shares are considered liability awards under SFAS 123R, therefore, they are revalued quarterly based on the fair value on the balance sheet date. For the purposes of the simulation, we assumed a volatility of 24.8%, which was calculated based on the volatility of our stock price over the three years ended January 1, 2008, a risk-free interest rate of 3.07%, which reflects the January 1, 2008 yield on a 3-year Treasury bond, and a stock beta of 0.987 compared to the REIT composite index based on three years of historical price data for the period ended January 1, 2008. The weighted average fair value of the shares that vest based on the Absolute TSR measure was $5.73 at January 1, 2008, and the weighted average value of the shares that would vest based on Relative TSR performance was $7.79 on January 1, 2008. None of these shares were earned during 2008 and, therefore, we did not record any compensation expense related to these shares during 2008.

Fair value for the additional shares granted under the 2006-2008 Plan that would vest based on continued employment, as well as the market adjustment award, which vested based on continued employment, was $17.28 on January 2, 2008. The fair value of these shares on December 31, 2008 was $7.57, which was used to calculate the related expense for 2008.

Outstanding Equity Awards at Fiscal Year End 2008

The following table summarizes all the equity awards made to the named executive officers that were outstanding as of December 31, 2008.

	Stock Awards			
Name	# of Shares or Units of Stock that Have not Vested (1)	Market Value of Shares or Units of Stock that Have not Vested (2) ($)	Equity Incentive Plan Awards: # of Unearned Shares, Units or Other Rights that Have not Vested	Equity Incentive Awards: Market or Payout Value ($) of Unearned Shares, Units or Other Rights that Have not Vested (2)
W. Edward Walter	25,000	189,250		189,250
James F. Risoleo	26,809	202,944		202,944
Minaz B. Abji	17,873	135,299		135,299
Elizabeth A. Abdoo	17,873	135,299		135,299
Larry K. Harvey	14,748	111,642		111,642

(1) Reflects (i) the remaining 25% of the 2005 Shareholder Value Award that vested based on continued employment with the Company on February 9, 2009 and (ii) the one-year grant made on January 1, 2008, to Messrs. Risoleo, Abji and Harvey and Ms. Abdoo which vested on January 2, 2009.

The chart below shows the vesting of each of such award.

		Shares Vesting				
Award	Vest Date	Mr. Walter	Mr. Risoleo	Mr. Abji	Ms. Abdoo	Mr. Harvey
2005 Shareholder Value Award	2-9-09	25,000	18,750	12,500	12,500	9,375
Market Adjustment Award	1-2-09	0	8,059	5,373	5,373	5,373

(2) Based on the closing market price of our stock on December 31, 2008 of $7.57.

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Stock Vested at Fiscal Year End 2008

The following table shows information about the vesting of restricted stock awards during fiscal year 2008.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (1)	Value Realized on Vesting (2)
W. Edward Walter	62,282	$ 603,015
James F. Risoleo	39,119	413,616
Minaz B. Abji	22,478	257,413
Elizabeth A. Abdoo	19,316	241,318
Larry K. Harvey	16,741	192,462

(1) Represents the February 11, 2008 release of 25% of the 2005 Shareholder Value Award, which vested on February 9, 2008, and the February 5, 2009 release of the time-based shares under the 2006-2008 Plan, which vested on December 31, 2008 based on continued employment.

	Shares Released 2/11/08 at Stock Price $16.53		Shares Released 2/5/09 at Stock Price $5.09	
Name	Shares Vested	Share Value	Shares Vested	Share Value
W. Edward Walter	25,000	$ 413,250	37,282	$ 189,765
James F. Risoleo	18,750	309,938	20,369	103,678
Minaz B. Abji	12,500	206,625	9,978	50,788
Elizabeth A. Abdoo	12,500	206,625	6,816	34,693
Larry K. Harvey	9,375	154,969	7,366	37,493

(2) As shown in the chart above, the values are based on the closing market price of the Company s common stock on the date of release as follows: $16.53 on February 11, 2008 for shares released under the 2005 Shareholder Value Award, which vested on February 9, 2008 and $5.09 on February 5, 2009 for time-based shares under the 2006-2008 Plan, which vested on December 31, 2008 based on continued employment.

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Nonqualified Deferred Compensation

The following table summarizes the named executive officers compensation under the Executive Deferred Compensation Plan. The aggregate balance shown includes amounts earned prior to 2008 and voluntarily deferred. This is the only non-qualified retirement plan offered to senior executives. The Company does not have a pension plan and does not have a supplemental executive retirement program.

Name	Executive Contributions in Last Fiscal Year	Company Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year-End (1)
W. Edward Walter	$ 74,842	$ 38,271	$ (83,623)	$ 0	$ 938,825
James F. Risoleo	72,121	25,373	(529,898)	0	1,286,523
Minaz B. Abji	40,021	20,860	(65,248)	0	258,822
Elizabeth A. Abdoo.	53,156	18,336	(59,487)	0	214,287
Larry K. Harvey	22,628	12,165	4,440	0	169,556

(1) Amounts reflect vested Executive Deferred Compensation Plan values as of December 31, 2008.

Under the Executive Deferred Compensation Plan, participants may defer any portion of their base salary or any amounts awarded under the annual incentive award. The Company matches $.50 of each $1.00 deferred, up to a maximum of 6% of the participant s compensation less the amount credited to the Retirement and Savings Plan. The Company may provide a discretionary matching contribution of up to $.50 on each $1.00 deferred up to 6% of the participant s compensation. The Company did not make a discretionary matching contribution in 2008.

Participants fully vest in Company contributions after five years of continued employment. The vesting schedule is 25% vesting after two years; 50% vesting after three years; 75% vesting after four years and 100% vesting after five years or more. Company contributions are fully vested (100%) for distributions related to normal retirement, death, disability and change of control.

The plan offers automatic lump sum distributions upon death or disability. The participant may elect to receive lump sum or installment distributions upon separation from service, or with respect to his or her deferrals only (no Company contributions) on such other dates certain that a participant may elect. Such elections are made at the time the participant elects to defer compensation for a year. However, key employee distributions payable upon separation from service will be delayed for six months. Participants may also elect to receive a lump sum distribution of their account in the event of change of control. Plan assets are held in a rabbi trust.

Potential Severance, Change in Control Payments

Severance

The Company does not have any employment agreements with U.S. based employees. The Company has, however, had a severance plan for senior executives in effect since 2003, which provides for benefits in the event of a senior executive s death or disability, or where a senior executive leaves the Company under the following circumstances:

- As a result of a termination without cause . Cause is defined broadly to include failure to perform assigned duties in a reasonable manner, or as a result of incompetence or neglect; engaging in any act of dishonesty or bad faith with respect to the Company or its affairs; committing any act that reflects unfavorably on the executive or the Company; or engaging in any other conduct that in the reasonable judgment of the Board justifies termination;

- Through a voluntary termination because of a material diminution in authority, duties or responsibilities;

- Through a voluntary termination because of a material diminution in an executive s overall compensation opportunity; or

- Through a voluntary termination because of a material change in the geographic location at which an executive is required to perform his duties for the Company.

The key elements of severance are as follows:

- Upon death or disability, an executive would receive a prorated annual incentive bonus at the target level through the month of death or disability and all long-term incentive stock compensation vests. In addition, the executive would be entitled to benefits under our life insurance and disability plans that are applicable to all employees.

- An executive terminated for the reasons explained, would receive a payment equal to a multiple of base salary and average bonus over the prior three year period. For example:

  - Mr. Walter, as president and chief executive officer, would be entitled to receive a payment equal to 2x his current base salary and 2x his average annual incentive bonus over the prior three year period.

  - All other executives covered by the plan would be entitled to receive a payment equal to 1x his or her current base salary and 1x his or her average annual incentive bonus over the prior three year period.

In addition, one year of the executive s long-term incentive stock award would accelerate and vest at the target level, and we would pay for the continuation of the executive s health and welfare benefits for 18 months or until the executive is re-employed, whichever period is shorter.

An executive terminated for cause is not entitled to any benefits under the severance plan.

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The table below quantifies the compensation that would become payable to a senior executive under these circumstances, assuming that such executive terminated employment with the Company on December 31, 2008. The compensation and benefits are in addition to benefits available generally to all employees, such as distributions under the Company s Retirement and Savings Plan and accrued vacation pay. All severance is contingent on the execution of a release in favor of the Company and a one year non-compete and non-solicitation agreement.

	Mr. Walter	Mr. Risoleo	Mr. Abji	Ms. Abdoo	Mr. Harvey
Termination payment (1)	$ 2,782,219	$ 984,183	$ 843,640	$ 765,135	$ 595,966
Restricted Stock (2)					
Unvested shares under 2006-2008 Plan	1,128,581	616,705	302,111	206,396	222,929
Unvested shares under 2005 Shareholder Value Award	189,250	141,938	94,625	94,625	70,969
Market Adjustment Award		61,007	40,674	40,674	40,674
Cost of benefit continuation (3)	24,446	16,435	24,446	7,393	24,446
Deferred compensation balance	938,825	1,286,523	258,822	214,827	169,556
Total	**$ 5,063,321**	**$ 3,106,791**	**$ 1,564,318**	**$ 1,329,050**	**$ 1,124,540**

(1) Amounts reflected are a multiple of base salary and average annual incentive award. Mr. Walter would receive two times his base salary and two times the average of his annual incentive award for 2006-2008. All other executives would receive one times his or her base salary and one times the average of his or her annual incentive award for 2006-2008.

(2) Based on the closing market price of our stock on December 31, 2008 of $7.57. Under the severance plan, one year of all time based awards would vest and one year of performance based awards would vest at the target level. The share amounts are as follows:

	One Year of Shares Vesting Under Severance Plan				
Award	**Mr. Walter**	**Mr. Risoleo**	**Mr. Abji**	**Ms. Abdoo**	**Mr. Harvey**
2005 Shareholder Value Award	25,000	18,750	12,500	12,500	9,375
2006-2008 Plan at Target	149,086	81,467	39,909	27,265	29,449
Market Adjustment Award	0	8,059	5,373	5,373	5,373
Total Shares	**174,086**	**108,276**	**57,782**	**45,138**	**44,197**

(3) Amounts reflect the costs associated with continuation of coverage for group medical, vision and dental benefits for 18 months based on current COBRA rates.

Change-In-Control

The severance plan also provides for certain payments in the event that there is both a change in control of the Company *and* the occurrence of any of the following events in the year immediately following the change in control:

A termination of the executive without cause , as defined above;

A voluntary termination because of a material diminution in authority, duties or responsibilities;

A voluntary termination because of a material diminution in an executive s overall compensation opportunity; or

A voluntary termination because of a material change in the geographic location at which an executive is required to perform his duties for the Company.

The table below quantifies the compensation that would become payable to a senior executive under these circumstances assuming that a change in control occurred and such executive terminated employment with the Company on December 31, 2008. The compensation and benefits are in addition to benefits available generally to all employees, such as distributions under the Company s Retirement and Savings Plan and accrued vacation pay. The Company does not provide any consideration for excise taxes that the named executive officers might incur as a result of these payments. The cost of any tax would be borne by the executive.

	Mr. Walter	Mr. Risoleo	Mr. Abji	Ms. Abdoo	Mr. Harvey
Termination payment (1)	$ 4,173,329	$ 1,968,367	$ 1,687,279	$ 1,530,271	$ 1,191,933
Restricted Stock (2)					
Unvested shares under 2006-2008 Plan	2,907,576	1,798,715	864,214	634,116	506,251
Unvested shares under 2005 Shareholder Value Award	189,250	141,938	94,625	94,625	70,969
Market Adjustment Award		61,007	40,674	40,674	40,674
Cost of benefit continuation (3)	24,446	16,435	24,446	7,393	24,446
Deferred compensation balance	938,825	1,286,523	258,822	214,827	169,556
Total	**$ 8,233,426**	**$ 5,272,985**	**$ 2,970,060**	**$ 2,521,906**	**$ 2,003,829**

(1) Amounts reflected are a multiple of base salary and average annual incentive award. Mr. Walter would receive three times his base salary and three times the average of his annual incentive award for 2006-2008. All other executives would receive two times his or her base salary and two times the average of his or her annual incentive award for 2006-2008.

(2) Based on the closing market price of our stock on December 31, 2008 of $7.57. Under the severance plan, all unves