HOST HOTELS & RESORTS, INC.
Form 424B2
June 27, 2018
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**Filed Pursuant to Rule 424(b)(2)**
**Registration No. 333-210809**

## CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Amount to be Registered(1) | Proposed Maximum Aggregate Offering Price Per Share | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee(2) |
|---|---|---|---|---|
| Common Stock, par value $0.01 per share | 18,064,506 | (3) | (3) | (3) |

(1) Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the Securities Act ), this registration statement shall be deemed to cover any additional number of shares of common stock as may be issued from time to time as a result of stock splits, stock dividends or similar transactions.

(2) Payment of the registration fee at the time of filing of the registrant s registration statement on Form S-3, filed with the Securities and Exchange Commission ( SEC ) on April 18, 2016 (File No. 333-210809), was deferred pursuant to Rules 456(b) and 457(r) under the Securities Act. This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in such registration statement.

(3) The securities registered hereby consist of 18,064,506 unsold shares of common stock previously registered pursuant to a prospectus supplement filed on April 18, 2016 (the Prior Prospectus Supplement ) to the registrant s registration statement on Form S-3 (Registration No. 333-210809) filed with the SEC by Host Hotels & Resorts, Inc. on April 18, 2016 (the Registration Statement ). This prospectus supplement is being filed to update the disclosure in the Prior Prospectus Supplement. Pursuant to Rule 415(a)(6) under the Securities Act, registration fees for the securities registered pursuant to the Registration Statement were covered by the registrant s prior registration statement on Form S-3 (Registration No. 333-188059) filed on April 22, 2013 (the First Prior Registration Statement ). Registration fees for the securities registered pursuant to the First Prior Registration Statement were covered by the registrant s prior registration statement on Form S-3, Registration number 333-178118 for 18,064,506 shares of common stock (the Second Prior Registration Statement ). Registration fees for the securities registered pursuant to the Second Prior Registration Statement were covered by the registrant s prior registration statements on Form S-3, Registration number 333-155690 for 17,684,400 shares of common stock (the Third Prior Registration Statement ) and Registration number 333-171606 for 380,106 shares of common stock (the Fourth Prior Registration Statement ). Pursuant to Rule 415(a)(6) under the Securities Act, the securities registered pursuant to the Third Prior Registration Statement consisted of (i) 16,859,003 shares of common stock previously registered on the registrant s registration statement on Form S-3 (Registration No. 333-93157) with respect to which the registrant previously paid a registration fee of $6,583.76, (ii) 213,385 shares of common stock previously registered on the registrant s registration statement on Form S-3 (Registration No. 333-31352) with respect to which the registrant previously paid a registration fee of $511.58, (iii) 585,777

shares of common stock previously registered on the registrant s registration statement on Form S-3 (Registration No. 333-40854) with respect to which the registrant previously paid a registration fee of $1,467.20 and (iv) 26,235 shares of common stock previously registered on the registrant s registration statement on Form S-3 (Registration No. 333-51946) with respect to which the registrant previously paid a registration fee of $82.00. The securities registered pursuant to the Fourth Prior Registration Statement consisted of 380,106 shares of common stock with respect to which the registrant paid a fee of $789.32. Pursuant to Rule 415(a)(6) under the Securities Act, all of the $9,433.85 registration fee previously paid by the registrant in connection with such unsold securities will continue to be applied to such unsold securities, and the offering of the unsold securities registered under the First Prior Registration Statement will be deemed terminated as of the date of the filing of this prospectus supplement.

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**Prospectus Supplement**

**(To Prospectus dated April 18, 2016)**

**Host Hotels & Resorts, Inc.**

**18,064,506 Shares of Common Stock**

This prospectus supplement relates to 18,064,506 shares of common stock that we may elect to issue to the holders of 17,684,400 units of limited partnership interest ( OP Units ), of Host Hotels & Resorts, L.P. ( Host L.P. ) upon tender of such OP Units for redemption, based on the current conversion ratio of 1.021494 shares of Host Hotels & Resorts, Inc. common stock for each OP Unit. Of the 17,684,400 OP Units:

- 16,859,003 OP Units were issued on December 30, 1998 in exchange for limited partnership interests in various limited partnerships which merged with subsidiaries of Host L.P. as part of the restructuring of our business operations so as to qualify as a real estate investment trust (a REIT );

- 213,385 OP Units were issued on March 1, 1999 to MM Times Square Investors as additional consideration for its contribution of assets to Host L.P. as part of the restructuring of our business so as to qualify as a REIT on January 1, 1999;

- 585,777 OP Units were issued on June 29, 1999, in exchange for limited partnership interests in Timewell Group, Ltd. and Timeport, Ltd.; and

- 26,235 OP Units were issued on December 23, 1999 in exchange for limited partnership interests in Hopewell Group, Ltd.

We are registering the issuance of the common stock so that we will have the option of acquiring OP Units tendered for redemption in exchange for our common stock. Alternatively, Host L.P. may elect to pay cash for the OP Units tendered rather than issue common stock. Although we will incur expenses in connection with the registration of the 18,064,506 shares of common stock covered by this prospectus supplement, we will not receive any cash proceeds upon their issuance.

To assist us in complying with U.S. federal income tax requirements applicable to REITs, among other purposes, our charter contains certain restrictions on the transfer and ownership of our common stock, including an ownership limit of 9.8% of our common stock. See Description of Capital Stock Restrictions on Transfer and Ownership beginning on page 8 of the accompanying prospectus.

Our common stock is traded on the New York Stock Exchange under the symbol HST . On June 25, 2018, the last reported sale price of our common stock was $21.04 per share.

**Investing in our common stock involves risks. See Risk Factors beginning on page S-2 of this prospectus supplement.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus supplement is June 27, 2018.**

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## EXPLANATORY NOTE

This prospectus supplement is being filed to update the Material Federal Income Tax Considerations and Certain Provisions of Maryland Law and of our Charter and Bylaws sections of the prospectus supplement, dated April 18, 2016, previously filed by Host Hotels & Resorts, Inc. ( Host Inc. ), which incorporated by reference the Material Federal Income Tax Considerations and Certain Provisions of Maryland Law and of our Charter and Bylaws sections of the registration statement on Form S-3 (File No. 333-210809) filed by Host Inc. with the SEC on April 18, 2016.

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**You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized any other person to provide you with additional or different information. If anyone provides you with additional or different information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where, or to any person to whom, it is unlawful to make such an offer or solicitation. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein is**

**accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.**

This prospectus supplement and the documents incorporated by reference herein contain registered trademarks, service marks and brand names that are the exclusive property of their respective owners, which are companies

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other than us, including Marriott®, Ritz-Carlton®, Hyatt®, Fairmont®, Hilton®, Westin®, Sheraton®, W®, The Luxury Collection®, St. Regis®, Swissôtel®, Le Méridien®, Novotel®, ibis®, Courtyard®, Curio® and Autograph Collection®. None of the owners of these trademarks, service marks or brand names, their affiliates or any of their respective officers, directors, agents or employees, is an issuer or underwriter of any of the securities to be issued pursuant to this prospectus supplement. In addition, none of such persons has or will have any responsibility or liability for any information contained in this prospectus supplement or the documents incorporated by reference herein.

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## ABOUT THIS PROSPECTUS SUPPLEMENT

You should read this prospectus supplement along with the accompanying prospectus, as well as the information incorporated by reference herein and therein, carefully. This prospectus supplement describes the shares of our common stock that we may issue from time to time.

The accompanying prospectus contains information about our securities generally, some of which does not apply to the common stock covered by this prospectus supplement. This prospectus supplement may add, update or change information contained in or incorporated by reference in the accompanying prospectus. If the information in this prospectus supplement is inconsistent with any information contained in or incorporated by reference in the accompanying prospectus, the information in this prospectus supplement will apply and will supersede the inconsistent information contained in or incorporated by reference in the accompanying prospectus.

Host Inc. is a Maryland corporation that operates as a self-managed and self-administered REIT. Host Inc. owns properties and conducts operations through Host L.P., of which Host Inc. is the sole general partner and of which it holds approximately 99% of the partnership interests as of March 31, 2018. Unless this prospectus supplement otherwise indicates or the context otherwise requires, all references in this prospectus supplement to Host Inc. mean Host Hotels & Resorts, Inc. and references to Host L.P. mean Host Hotels & Resorts, L.P. and its consolidated subsidiaries in cases where it is important to distinguish between Host Inc. and Host L.P. Host Inc. and Host L.P. file combined periodic reports with the SEC, which are incorporated by reference herein. We use the terms we, our or the company to refer to Host Inc. and Host L.P. together, unless the context indicates otherwise.

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## FORWARD-LOOKING STATEMENTS

Information included and incorporated by reference in this prospectus supplement and the accompanying prospectus contains forward-looking statements. These forward-looking statements are identified by their use of terms and phrases such as anticipate, believe, could, expect, may, intend, predict, project, plan, will, estim terms and phrases, including references to assumptions and forecasts of future results. Forward-looking statements are based on management s current expectations and assumptions and are not guarantees of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results to differ materially from those anticipated at the time the forward-looking statements are made.

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

- the effect on lodging demand of (i) changes in national and local economic and business conditions, including concerns about the duration and strength of U.S. economic growth, global economic prospects, consumer confidence and the value of the U.S. dollar, and (ii) factors that may shape public perception of travel to a particular location such as natural disasters, weather, pandemics, changes in the international political climate, and the occurrence or potential occurrence of terrorist attacks, all of which will affect occupancy rates at our hotels and the demand for hotel products and services;

- the impact of geopolitical developments outside the United States, such as the pace of the economic growth in Europe, the effects of the United Kingdom s referendum to withdraw from the European Union, the slowing of growth in markets such as China and Brazil, or unrest in the Middle East, all of which could affect the relative volatility of global credit markets generally, global travel and lodging demand;

- risks that proposed U.S. immigration policies and travel ban will suppress international travel to the United States generally;

- volatility in global financial and credit markets, and the impact of budget deficits and potential U.S. governmental action to address such deficits through reductions in spending and similar austerity measures, which could materially adversely affect U.S. and global economic conditions, business activity, credit availability, borrowing costs, and lodging demand;

- operating risks associated with the hotel business, including the effect of increasing operating or labor costs or changes in workplace rules that affect labor costs;

- the effect of rating agency downgrades of our debt securities on the cost and availability of new debt financings;

the reduction in our operating flexibility and the limitation on our ability to pay dividends and make distributions resulting from restrictive covenants in our debt agreements, which limit the amount of distributions from Host L.P. to Host Inc., and other risks associated with the amount of our indebtedness or related to restrictive covenants in our debt agreements, including the risk that a default could occur;

our ability to maintain our properties in a first-class manner, including meeting capital expenditures requirements, and the effect of renovations, including temporary closures, on our hotel occupancy and financial results;

the ability of our hotels to compete effectively against other lodging businesses in the highly competitive markets in which we operate in terms of access, location, quality of accommodations and room rate structures;

our ability to acquire or develop additional properties and the risk that potential acquisitions or developments may not perform in accordance with our expectations;

- relationships with property managers and joint venture partners and our ability to realize the expected benefits of our joint ventures and other strategic relationships;

- risks associated with a single manager, Marriott International, managing a significant portion of our properties;

- changes in the desirability of the geographic regions of the hotels in our portfolio or in the travel patterns of hotel customers;

- the ability of third-party internet and other travel intermediaries to attract and retain customers;

- our ability to recover fully under our existing insurance policies for terrorist acts and our ability to maintain adequate or full replacement cost all-risk property insurance policies on our properties on commercially reasonable terms;

- the effect of a data breach or significant disruption of hotel operator information technology networks as a result of cyber attacks;

- the effects of tax legislative action and other changes in laws and regulations, or the interpretation thereof, including the need for compliance with new environmental and safety requirements;

- the ability of Host Inc. and each of the REITs acquired, established or to be established by Host Inc. to continue to satisfy complex rules in order to qualify as REITs for U.S. federal income tax purposes and Host Inc. s and Host L.P. s ability and the ability of our subsidiaries, and similar entities to be acquired or established by us, to operate effectively within the limitations imposed by these rules; and

- risks associated with our ability to execute our dividend policy, including factors such as investment activity, operating results and the economic outlook, any or all of which may influence the decision of our board of directors as to whether to pay future dividends at levels previously disclosed or to use available cash to pay special dividends.

Our success also depends upon economic trends generally, various market conditions and fluctuations and those other risk factors discussed under the heading Risk Factors herein and under the heading Risk Factors in our most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q and in our other filings with the SEC that are incorporated by reference in this prospectus supplement and in the accompanying prospectus. We caution you not to place undue reliance on forward-looking statements, which reflect our analysis only and speak as of the date of this prospectus supplement or the accompanying prospectus, as applicable, or as of the dates indicated in the statements. All of our forward-looking statements, including those included and incorporated by reference in this prospectus supplement and the accompanying prospectus, such as our outlook for 2018, are qualified in their entirety by this statement. We undertake no obligation to update any forward-looking statement to conform the statement to actual results or changes in our expectations.

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## THE COMPANY

Host Inc. is the largest lodging REIT and one of the largest owners of luxury and upper-upscale hotels and conducts its operations through Host L.P. Host Inc. has the exclusive and complete responsibility for Host L.P. s day-to-day management and control. As of June 26, 2018, our consolidated lodging portfolio consists of 95 primarily luxury and upper-upscale hotels containing approximately 53,000 rooms, with the majority located in the United States, and with six of the properties located outside of the U.S. in Brazil, Canada and Mexico. In addition, we own non-controlling interests in four domestic and two international joint ventures and a timeshare venture in Hawaii.

The address of our principal executive office is 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland 20817. Our phone number is (240) 744-1000. Our Internet website address is www.hosthotels.com. Information on our website does not constitute part of this prospectus supplement and does not constitute information incorporated by reference into this prospectus supplement.

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## RISK FACTORS

You should carefully consider the risk factors incorporated by reference herein from our most recent Annual Report on Form 10-K, any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K and other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, as the same may be updated from time to time by our future filings under the Securities Exchange Act of 1934, as amended (the Exchange Act ). For more information, see the section entitled Incorporation by Reference in this prospectus supplement.

## USE OF PROCEEDS

The shares of common stock covered by this prospectus may be issued upon the redemption of OP Units by the holders thereof. Although we will incur expenses in connection with the registration of the shares of common stock covered by this prospectus supplement, we will not receive any cash proceeds upon their issuance.

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## CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

The following description of certain provisions of Maryland law and of our charter and Bylaws is only a summary. For a complete description, we refer you to the Maryland General Corporation Law, our charter and our Bylaws. We have filed our charter and Bylaws as exhibits to the registration statement, of which this prospectus supplement forms a part.

### Election of the Board of Directors

Our charter provides that the number of our directors may be established by the Board of Directors but may not be fewer than three nor more than thirteen. Our Bylaws provide that each director shall be elected by a majority of the total votes cast for and against each director in an uncontested election. Directors are elected by a plurality vote in any contested elections.

### Removal of Directors; Vacancies

Our charter provides that, except for any directors who may be elected by holders of a class or series of shares other than common stock, a director may be removed only for cause and only by the affirmative vote of holders of at least two-thirds of the votes entitled to be cast in the election of directors. Vacancies on the Board of Directors may be filled, at any regular meeting or at any special meeting called for that purpose, by the affirmative vote of the remaining directors except that a vacancy resulting from an increase in the number of directors may be filled by a majority of the entire Board of Directors. Any vacancy resulting from the removal of a director by the stockholders may be filled by the affirmative vote of holders of at least two-thirds of the votes entitled to be cast in the election of directors. The affirmative vote of holders of at least two-thirds of all the votes entitled to be cast is required to amend, alter, change, repeal or adopt any provisions in our charter inconsistent with the foregoing director removal provisions. These provisions preclude stockholders from removing incumbent directors except for cause and by a substantial affirmative vote and, thus, may reduce the vulnerability of Host Inc. to an unsolicited takeover proposal which may not be in the best interest of the stockholders.

### Business Combinations

Under the Maryland General Corporation Law (the MGCL ), business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the MGCL, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns, directly or indirectly, ten percent or more of the voting power of the corporation s shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the MGCL if the board of directors approved in advance the transaction by which such person, otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

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two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation s common stockholders receive a minimum price, as defined under the MGCL, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The MGCL provides various exemptions from its provisions, including for business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder.

The Board of Directors has not opted out of the business combinations provisions of the Maryland General Corporation Law and Host Inc. is subject to the five-year prohibition and the super-majority voting requirements with respect to business combinations involving Host Inc.; however, as permitted under Maryland law, Host Inc. s Board of Directors may elect to opt out of these provisions in the future.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

**Control Share Acquisitions**

Maryland law provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by the affirmative vote of holders of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of any meeting of stockholders at which the voting rights of the shares are considered and not approved or, if no such meeting is held, as of the date of the last control share acquisition by the acquiror. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our Bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

**Amendment to the Charter and Bylaws**

Our charter may be amended by the affirmative vote of holders of not less than a majority of all of the votes entitled to be cast on the matter; provided, however, that any amendment to certain charter provisions specifically identified in the charter, including provisions on removal of directors and filling vacancies, restrictions on transfer and ownership of stock, the vote required for certain extraordinary transactions and indemnification, must be approved by the affirmative vote of holders of not less than two-thirds of all of the votes entitled to be cast on the matter.

Our charter provides that our Bylaws may be altered, amended or repealed, in whole or in part, and new Bylaws may be adopted by the Board of Directors or by affirmative vote of stockholders holding a majority of the votes entitled to be cast on the matter.

**Dissolution of the Company**

The dissolution of Host Inc. must be advised by a majority of the entire Board of Directors and approved by the affirmative vote of holders of not less than two-thirds of all of the votes entitled to be cast on the matter.

**Advance Notice of Director Nominations and New Business**

Our Bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to our notice of the meeting, (ii) by the Board of Directors or (iii) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the Bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the Board of Directors at a special meeting may be made only (i) by or at the direction of the Board of Directors, (ii) by a stockholder that has requested that a special meeting be called for the purpose of electing directors in connection with a proposal to remove directors, each in compliance with the Bylaws, and that has supplied the information required by the Bylaws about each individual whom the stockholder proposes to nominate for election or (iii) provided that the special meeting has been called in accordance with the Bylaws, by any stockholder who is a stockholder of record both at the time of giving notice and at the time of the special meeting, who is entitled to vote at the meeting and who has complied with the advance notice provisions of the Bylaws.

**Proxy Access Procedures for Qualifying Stockholders.**

Our Bylaws permit a stockholder, or a group of no more than 20 stockholders, that owns at least 3% or more of the shares of our common stock continuously for at least three years to nominate and include in our proxy materials candidates for election as directors of the Company, subject to certain terms and conditions. Such

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stockholder(s) or group(s) of stockholders may nominate director candidates constituting up to the greater of two individuals or 20% of our Board of Directors, provided that the stockholder(s) and the director nominee(s) satisfy the eligibility, notice and other requirements specified in the Bylaws.

**Subtitle 8**

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a majority requirement for the calling of a stockholder-requested special meeting of stockholders.

Through provisions in our charter and Bylaws unrelated to Subtitle 8, we already (a) require a two-thirds vote for the removal of any director from the Board of Directors and (b) vest in the Board of Directors the exclusive power to fix the number of directorships. Our Board of Directors has adopted a resolution prohibiting the Company from electing to be subject to the provision of Subtitle 8 which permits the board of directors to divide its directorships into classes. The Board of Directors may not repeal this prohibition unless the repeal is approved by the stockholders of the company by the affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote generally in the election of directors. Our charter requires that a stockholder-requested special meeting of stockholders be called by our secretary upon the written request of stockholders entitled to cast 25% of all the votes entitled to be cast. However, the stockholder-requested special meeting does not need to be called to consider any matter which is substantially the same as a matter voted on during the preceding 12 months unless requested by stockholders entitled to case a majority of the votes entitled to be cast.

**Anti-takeover Effect of Certain Provisions of Maryland Law and of the Charter and Bylaws**

The business combination provisions of the MGCL, the provisions of our charter on removal of directors, the stock transfer and ownership restrictions in the charter and the advance notice provisions of our Bylaws could delay, defer or prevent a transaction or a change in control of Host Inc. that might involve a premium price for holders of our common stock.

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## MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of the material U.S. federal income tax consequences and other material tax considerations relating to our company and to the holders of our common stock. The discussion set forth herein is not intended to be, and should not be construed as, tax advice. As used in this section only, references to the terms company, we, our, and us mean only Host Inc., and not its subsidiaries or other lower-tier entities, except as otherw indicated. We have not sought and will not seek an advance ruling from the Internal Revenue Service (the IRS ) regarding any matter discussed in this section. This discussion is based upon the Internal Revenue Code, the Treasury regulations, rulings and other administrative interpretations and practices of the IRS (including administrative interpretations and practices expressed in private letter rulings which are binding on the IRS only with respect to the particular taxpayers who requested and received those rulings), and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. This discussion also is based upon the assumption that we will operate our company and its subsidiaries and affiliated entities in accordance with their applicable organizational documents and in the manner that we have represented. This discussion does not address the actual material U.S. federal income tax consequences of the ownership and disposition of our common stock to any particular holder, which depend on that stockholder s particular tax circumstances. In addition, this discussion does not discuss any state, local or non-U.S. tax consequences, or any tax consequences arising under any federal tax other than the income tax, associated with the ownership or disposition of our common stock or our election to be taxed as a REIT.

The U.S. federal income tax treatment of holders of our common stock depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You are urged to consult your tax advisor regarding the tax consequences to you of:

- the acquisition, ownership and disposition of our common stock, including the federal, state, local, and non-U.S. income and other tax consequences;
- our election to be taxed as a REIT for U.S. federal income tax purposes; and
- potential changes in applicable tax laws.

**New Tax Reform Legislation Enacted December 22, 2017**

On December 22, 2017, the President signed into law H.R. 1. This legislation makes changes to the U.S. federal income tax laws that significantly impact the taxation of individuals, corporations (both regular C corporations as well as corporations that have elected to be taxed as REITs), and the taxation of taxpayers with foreign assets and operations. These changes generally are effective for taxable years beginning after December 31, 2017. A number of the changes that reduce the tax rates applicable to noncorporate taxpayers (including a new deduction under Section 199A of the Internal Revenue Code equal to 20% of qualified REIT dividends received that reduces the effective rate of regular income tax on such dividends) and limit the ability of such taxpayers to claim certain deductions, will expire for taxable years beginning after December 31, 2025 unless Congress acts to extend them.

These changes will impact us and holders of our common stock in various ways, some of which are adverse relative to prior law, and this summary discusses these changes where material. To date, the IRS has issued only limited guidance with respect to certain provisions of the new law. There are numerous interpretive issues and ambiguities that will require guidance and that are not clearly addressed in the Conference Report that accompanied H.R. 1. Technical corrections to the legislation likely will be needed to clarify certain of the new provisions and give proper effect to congressional intent. There can be no assurance, however, that technical clarifications or other legislative changes that may be needed to prevent unintended or unforeseen tax

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consequences will be enacted by Congress any time soon. Taxpayers should consult with their tax advisors regarding the effect of H.R. 1 on their particular circumstances (including the impact of other changes enacted as part of H.R. 1 that do not directly relate to REITs and that are not discussed herein).

**Tax Consequences of Redemption**

If you exercise your right to tender your OP Units for redemption, the Host L.P. partnership agreement provides that Host L.P. may redeem those OP Units for cash. Alternatively, we may elect to satisfy your redemption right by purchasing directly from you some or all of the OP Units submitted for redemption by the payment of cash or delivery of shares of our common stock. As explained below, the federal income tax consequences of your exercise of your right to tender your OP Units for redemption will depend, in part, on whether we purchase directly, or Host L.P. redeems, those OP Units for common stock or cash. Because the specific tax consequences to you will depend on your specific circumstances, you are strongly urged to consult your tax advisor regarding the specific federal, state and local tax consequences of tendering your OP Units for redemption.

*Tax Treatment of Redemption of OP Units*

If we purchase OP Units tendered by you for redemption, the partnership agreement provides that the purchase will be treated by us and you as a sale of the OP Units by you to us. In that event, such sale will be fully taxable to you, and you will be treated as realizing for tax purposes an amount equal to the sum of the cash or the value of the common stock received in connection with the sale plus the amount of Host L.P. liabilities allocable to your sold OP Units at the time of the sale. If Host L.P. instead decides to redeem OP Units submitted for redemption for cash that is funded or contributed by us, the redemption likely would be treated for tax purposes as a sale of such OP Units in a fully taxable transaction, although the matter is not free from doubt. In that event, you would be treated as realizing an amount equal to the sum of the cash plus the amount of any Host L.P. liabilities allocable to the redeemed OP Units at the time of the redemption. The determination of the amount of gain or loss in the event of sale treatment is discussed more fully below. See Tax Treatment of Disposition of OP Units Generally.

If Host L.P. chooses to redeem OP Units by paying cash that is not contributed by us, the tax consequences would be the same as described in the previous paragraph, except that if Host L.P. redeems less than all of the OP Units held by you, you would not be permitted to recognize any loss incurred on the transaction and would recognize taxable gain only to the extent that the cash received in connection with the redemption plus the amount of any Host L.P. liabilities allocable to the redeemed OP Units exceeds your adjusted tax basis in all of such OP Units immediately before the redemption.

*Tax Treatment of Disposition of OP Units Generally*

If an OP Unit is redeemed in a manner that is treated as a sale of the OP Units, or you otherwise dispose of an OP Unit (other than in a transaction that is treated as a redemption for tax purposes), the determination of gain or loss from such sale or other disposition will be based on the difference between the amount considered realized for tax purposes and the adjusted tax basis in such OP Unit. Upon the sale of OP Units, the amount realized will be measured by the sum of the cash and fair market value of other property received plus the amount of any Host L.P. liabilities allocable to the OP Units sold. Your adjusted tax basis also will include the amount of any Host L.P. liabilities allocable to the OP Units sold, as well as any amount paid or contributed by you for the OP Units sold, and has been increased by any income and gain, and reduced by any distributions and losses, previously made or allocated to you from time to time with respect to the OP Units. To the extent that the amount realized exceeds your adjusted tax basis in the OP Units sold, you will recognize gain. It is possible that the amount of gain recognized or even the tax liability resulting from such gain could exceed the amount of cash and the value of any other property received upon such disposition.

Except as described below, any gain recognized upon a sale or other disposition of OP Units will be treated as gain attributable to the sale or disposition of a capital asset. To the extent, however, that the amount realized upon the sale of OP Units that is attributable to your share of the unrealized receivables of Host L.P. (as defined in section 751 of the Code) exceeds the adjusted tax basis attributable to those assets, such excess will be treated as ordinary income. Unrealized receivables include, to the extent not previously included in Host L.P. s taxable income, your allocable share of any rights held by Host L.P. to payment for services rendered or to be rendered. Unrealized receivables also include amounts that would be subject to recapture as ordinary income if Host L.P. were to sell its assets at their fair market value at the time of the sale of OP Units. In addition, a portion of the capital gain recognized on a sale or other disposition of OP Units may be subject to tax at a maximum rate of 25% to the extent attributable to accumulated depreciation on our section 1250 property, or depreciable real property.

**U.S. Federal Income Taxation of the Company**

*General*

We are the sole general partner of Host L.P. and hold approximately 99% of its outstanding partnership interests as of March 31, 2018. We made an election to be treated as a REIT, effective for our taxable year beginning January 1, 1999. We believe that we have been organized and have operated in a manner that has permitted us to qualify as a REIT from the effective date of our REIT election. We own, through Host L.P., 100% of the outstanding common stock and 28.6% of the outstanding preferred stock of an entity that also has elected to be treated as a REIT. This entity is subject to the same REIT qualification requirements and other limitations described herein that apply to us.

The law firm of Hogan Lovells US LLP ( Hogan Lovells ) has acted as our REIT tax counsel in connection with our election to be treated as a REIT and with the filing of this prospectus supplement. In connection with the filing of this prospectus supplement, Hogan Lovells has rendered an opinion to us to the effect that we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT, effective for each of our taxable years ended December 31, 1999, through and including the immediately preceding calendar year, and that our current organization and current and intended method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Internal Revenue Code for the current taxable year and thereafter. It must be emphasized that the opinion of Hogan Lovells is based on various assumptions relating to our organization and operation, is conditioned upon factual representations and covenants made by our management regarding our organization, assets, income, the present and future conduct of our business operations, and other items regarding our ability to meet the various requirements for qualification as a REIT, and assumes that such representations and covenants are accurate and complete and that we will take no action inconsistent with our qualification as a REIT. While we intend to continue to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by Hogan Lovells or by us that we will qualify as a REIT for any particular year. The opinion of Hogan Lovells is expressed as of the date issued. Hogan Lovells has no obligation to advise us or our stockholders of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions. Hogan Lovells opinion does not foreclose the possibility that we may have to utilize one or more of the REIT savings provisions discussed below, which could require us to pay an excise or penalty tax (which tax could be significant in amount) in order for us to maintain our REIT qualification. Qualification and taxation as a REIT depend on our ability to meet, on a continuing basis, through actual operating results, distribution levels, and diversity of stock and asset ownership, various qualification requirements imposed upon REITs by the Internal Revenue Code, our compliance with which will not be reviewed by Hogan Lovells. In addition, our ability to qualify as a REIT may depend in part upon the operating results, organizational structure and entity classification for U.S. federal income tax purposes of certain entities in which we invest, which entities will not have been reviewed by Hogan Lovells. Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets that we own directly or indirectly. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT.

Provided that we qualify to be taxed as a REIT, generally we will be entitled to a deduction for dividends that we pay and therefore will not be subject to U.S. federal corporate income tax on our REIT taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the double taxation at the corporate and stockholder levels that generally results from an investment in a C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income, net of corporate income taxes paid, is distributed. In general, the income that we generate is taxed only at the stockholder level upon a distribution of dividends by us to holders of our common stock.

U.S. stockholders generally will be subject to taxation on dividends distributed by us (other than designated capital gain dividends and qualified dividend income ) at rates applicable to ordinary income, instead of at lower capital gain rates. For taxable years beginning after December 31, 2017 and before January 1, 2026, generally, U.S. stockholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. Capital gain dividends and qualified dividend income will continue to be subject to a maximum 23.8% rate (which rate takes into account the maximum capital gain rate of 20% and the 3.8% Medicare tax on net investment income, described below under Medicare Tax on Net Investment Income ). See U.S. Federal Income Taxation of Stockholders Taxation of Taxable U.S. Stockholders Distributions Generally.

Any net operating losses, foreign tax credits and other tax attributes generated or incurred by us generally do not pass through to our stockholders, subject to special rules for certain items such as the capital gain that we recognize. See U.S. Federal Income Taxation of Stockholders Taxation of Taxable U.S. Stockholders Distributions Generally.

Even if we qualify to be taxed as a REIT, we nonetheless will be subject to U.S. federal income tax in the following circumstances:

- We will be taxed at regular corporate tax rates on any undistributed REIT taxable income, including undistributed net capital gain, for any taxable year. REIT taxable income is the taxable income of the REIT, subject to specified adjustments, including a deduction for dividends paid.

- With respect to taxable years prior to 2018, we were subject to the alternative minimum tax on our items of tax preference, if any. The alternative minimum tax applicable to corporations was repealed pursuant to H.R. 1, effective for our 2018 taxable year and thereafter.

- If we have net income from prohibited transactions, which are, in general, sales or other dispositions of inventory or property held primarily for sale to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% tax. See Requirements for Qualification as a REIT Gross Income Tests Prohibited Transactions Tax below.

If we elect to treat property that we acquire in connection with certain leasehold terminations or a foreclosure of a mortgage loan as foreclosure property, we may thereby avoid (1) the 100% prohibited transactions tax on gain from a resale of that property (if the sale otherwise would constitute a prohibited transaction); and (2) the inclusion of any income from such property as non-qualifying income for purposes of the REIT gross income tests discussed below. Income from the sale or operation of the property may be subject to U.S. federal corporate income tax at the highest applicable rate (currently 21%). See Requirements for Qualification as a REIT Gross Income Tests Income from Foreclosure Property, below.

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If we fail to satisfy the 75% gross income test or the 95% gross income test, as discussed below, but our failure is due to reasonable cause and not due to willful neglect and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be subject to a 100% tax on an amount equal to (1) the greater of (a) the amount by which we fail the 75% gross income test, or (b) the amount by which we fail the 95% gross income test, as the case may be, multiplied by (2) a fraction intended to reflect our profitability.

If we violate the asset tests (other than a de minimis failure of the 5% or 10% asset test) or other requirements applicable to REITs, as described below, but our failure is due to reasonable cause and not due to willful neglect and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to at least $50,000 per failure, which, in the case of certain asset test failures, will be determined as the amount of net income generated by the assets in question multiplied by the highest corporate tax rate (currently 21%), if that amount exceeds $50,000 per failure.

If we fail to distribute during each calendar year at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT capital gain net income for such year, and (3) any undistributed taxable income from prior periods (collectively, the required distribution ), we will be subject to a non-deductible 4% excise tax on the excess of the required distribution over the sum of (a) the amounts that we actually distributed (taking into account excess distributions from prior years), plus (b) retained amounts upon which we paid income tax at the corporate level.

We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of our stockholders, as described below under Requirements for Qualification as a REIT.

We will be subject to a 100% penalty tax on amounts we receive from, on certain expenses deducted by, and on certain service income imputed to, a taxable REIT subsidiary ( TRS ) if certain arrangements between us and our TRSs are not comparable to similar arrangements among unrelated parties.

If we acquire appreciated assets from a corporation that is or has been a C corporation (or a partnership in which a C corporation is a partner) in a transaction in which our basis in the assets is determined by reference to the C corporation s (or such partnership s) basis in such assets, provided no election is made for the transaction to be taxable currently, we will be subject to tax on such appreciation at the highest corporate income tax rate then applicable if we subsequently recognize gain on a disposition of any such assets during the five-year period following the acquisition from the C corporation (or partnership).

We may elect to retain and pay income tax on our net long-term capital gain. See U.S. Federal Income Taxation of Our Stockholders.

The earnings of our subsidiaries that are C corporations, including our TRSs, are subject to federal corporate income tax.

In addition, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes and state, local and foreign income, property, gross receipts and other taxes on our assets and operations. We also could be subject to tax in other situations and on transactions not presently contemplated. Under the terms of its partnership agreement, Host L.P. is responsible for paying, or reimbursing us for the payment of, our tax liabilities (and any interest and penalties associated therewith), except for taxes imposed on us because of our failure to qualify as a REIT or to distribute to our stockholders an amount equal to our taxable income.

*Requirements for Qualification as a REIT*

The Internal Revenue Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable stock, or by transferable certificates of beneficial interest;

(3) that would be taxable as a domestic corporation but for Sections 856 through 860 of the Internal Revenue Code;

(4) that is neither a financial institution nor an insurance company subject to applicable provisions of the Internal Revenue Code;

(5) the beneficial ownership of which is held by 100 or more persons;

(6) during the last half of each taxable year not more than 50% in value of the outstanding stock of which is owned, directly or indirectly, by five or fewer  individuals  (as defined in the Internal Revenue Code to include certain entities and as determined by applying certain attribution rules);

(7) that makes an election to be taxable as a REIT, or has made this election for a previous taxable year which has not been revoked or terminated, and satisfies all of the relevant filing and other administrative requirements established by the IRS that must be met in order to elect and maintain REIT qualification;

(8) that uses a calendar year for U.S. federal income tax purposes;

(9) that meets other tests described below, including with respect to the nature of its income and assets and the amount of its distributions; and

(10) that has no earnings and profits from any non-REIT taxable year at the close of any taxable year.

The Internal Revenue Code provides that conditions (1) through (4) must be met during the entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. Conditions (5) and (6) need not be met during a corporation s initial tax year as a REIT. For purposes of condition (6), an  individual  generally includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes. However, a trust that is a qualified trust under Internal Revenue Code Section 401(a) generally is not considered an individual, and beneficiaries of a qualified trust are treated as holding stock of a REIT in proportion to their actual interests in the trust for purposes of condition (6) above.

To monitor compliance with the stock ownership requirements, we generally are required to maintain records regarding the actual ownership of our stock. To do so, we must demand written statements each year from the record holders of 5% or more of our stock pursuant to which the record holders must disclose the actual owners of the stock (*i.e.*, the persons required to include our dividends in their gross income). We must maintain a list of those persons failing or refusing to comply with this demand as part of our records. We could be subject to monetary penalties if we fail to comply with these record-keeping requirements. If such record holder fails or refuses to comply with the demands, such record holder will be required by Treasury regulations to submit a statement with such record holder s tax return disclosing such record holder s actual ownership of our stock and other information. We have complied, and currently intend to continue to comply, with these requirements.

We believe that we have been organized, have operated and have issued sufficient shares of stock with sufficient diversity of ownership to allow us to satisfy conditions (1) through (10). Our charter provides restrictions regarding the ownership and transfers of our stock, which are intended to assist us in satisfying the stock ownership requirements described in conditions (5) and (6) above. These restrictions, however, do not ensure that we previously have satisfied, and may not ensure that we will, in all cases, be able to continue to satisfy, such stock ownership requirements. If we fail to satisfy these requirements, except as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the demand and record-keeping requirements described in the previous paragraph and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6), we will be treated as having satisfied this requirement. See Failure to Qualify as a REIT.

*Effect of Subsidiary Entities*

Ownership of Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries

If we are a partner in an entity that is treated as a partnership for U.S. federal income tax purposes, Treasury regulations provide that we are deemed to own our proportionate share of the partnership s assets, and to earn our proportionate share of the partnership s income, for purposes of the asset and gross income tests applicable to REITs. Our proportionate share of a partnership s assets and income is based on our capital interest in the partnership (except that for purposes of the 10% value test, described below, our proportionate share of the partnership s assets is based on our proportionate interest in the equity and certain debt securities issued by the partnership). In addition, the assets and gross income of the partnership are deemed to retain the same character in our hands. Thus, our proportionate share of the assets and items of income of Host L.P. and any subsidiaries treated as partnerships for U.S. federal income tax purposes will be treated as our assets and items of income for purposes of applying the REIT requirements. A summary of the rules governing the U.S. federal income taxation of partnerships and their partners is provided below in Tax Aspects of Host L.P. and Our Other Subsidiary Partnerships. As the sole general partner of Host L.P., we have direct control over it and indirect control over the subsidiaries in which Host L.P. or a subsidiary has a controlling interest. We currently intend to operate these entities in a manner consistent with the requirements for our qualification as a REIT.

If we own a corporate subsidiary that is a qualified REIT subsidiary ( QRS ), that QRS generally is disregarded for U.S. federal income tax purposes, and its assets, liabilities and items of income, deduction and credit are treated as our assets, liabilities and items of income, deduction and credit, including for purposes of the gross income and asset tests applicable to REITs. A QRS is any corporation other than a TRS that is directly or indirectly wholly-owned by a REIT. Other entities that are wholly-owned by us, including single member limited liability companies that have not elected to be taxed as corporations for U.S. federal income tax purposes, also generally are disregarded as separate entities for U.S. federal income tax purposes, including for purposes of the REIT income and asset tests. Disregarded subsidiaries, along with any partnerships in which we hold an equity interest, are sometimes referred to herein as pass-through subsidiaries.

In the event that a disregarded subsidiary of ours ceases to be wholly-owned by us (for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of ours), the subsidiary s separate existence no longer would be disregarded for U.S. federal income tax purposes. Instead, the subsidiary would have multiple owners and would be treated either as a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the securities of another corporation unless it is a TRS, a QRS or another REIT. See Gross Income Tests and Asset Tests.

Ownership of Subsidiary REITs

We own one subsidiary REIT. We believe that this subsidiary REIT is organized and has operated and will continue to operate in a manner to permit it to qualify for taxation as a REIT for U.S. federal income tax purposes from and after the effective date of its REIT election. However, if this subsidiary REIT were to fail to qualify as a REIT, then (i) the subsidiary REIT would become subject to regular U.S. corporate income tax, as described herein, see Failure to Qualify as a REIT below, and (ii) our equity interest in such subsidiary REIT would cease to be a qualifying real estate asset for purposes of the 75% asset test and would become subject to the 5% asset test, the 10% voting stock asset test, and the 10% value asset test generally applicable to our ownership in corporations other than REITs, QRSs and TRSs. See  Asset Tests  below. If the subsidiary REIT were to fail to qualify as a REIT, it is possible that we would not meet the 10% voting stock asset test and the 10% value asset test with respect to our indirect interest in such entity, in which event we would fail to qualify as a REIT, unless we could avail ourselves of certain relief provisions. We made a  protective  TRS election with respect to the subsidiary REIT and may implement other protective arrangements intended to avoid such an outcome if the subsidiary REIT fails to qualify as a REIT, but there can be no assurance that such  protective  elections and other arrangements will be effective to avoid the resulting adverse consequences to us. Moreover, even if the  protective  TRS election with respect to the subsidiary REIT were to be effective in the event of the failure of the subsidiary REIT to qualify as a REIT, because of the significant value attributable to the subsidiary REIT, there could be no assurance that we would not fail to satisfy the requirement that not more than 20% of the value of our total assets may be represented by the securities of one or more TRSs. In this event, we would fail to qualify as a REIT unless we could avail ourselves or the subsidiary REIT could avail itself of certain relief provisions.

Ownership of Taxable REIT Subsidiaries

A TRS is an entity that is taxable as a corporation in which a REIT owns, directly or indirectly, an equity interest, including stock, and that elects with the REIT to be treated as a TRS under the Internal Revenue Code. If a TRS owns, directly or indirectly, securities representing more than 35% of the vote or value of a subsidiary corporation, that subsidiary also will be treated as a TRS. A TRS is a regular corporation subject to U.S. federal income tax at applicable corporate tax rates. The income and assets of our TRSs are not attributable to us for purposes of satisfying the REIT income and asset test requirements.

A TRS must not directly or indirectly operate or manage a lodging or health care facility or, generally, provide to another person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated. Although a TRS may not operate or manage a lodging facility, it may lease or own such a facility so long as the facility is a  qualified lodging facility  and such facility is operated on behalf of the TRS by an  eligible independent contractor.  A  qualified lodging facility  generally is a hotel at which no authorized gambling activities are conducted, and includes the customary amenities and facilities operated as part of, or associated with, the hotel.  Customary amenities  must be customary for other properties of a comparable size and class owned by other owners unrelated to the REIT. An  eligible independent contractor  is an independent contractor that, at the time a management agreement is entered into with a TRS to operate a  qualified lodging facility,  is actively engaged in the trade or business of operating  qualified lodging facilities  for a person or persons unrelated to either the TRS or any REITs with which the TRS is affiliated. A hotel management company that otherwise would qualify as an  eligible independent contractor  with regard to a TRS of a REIT will not so qualify if the hotel management company and/or one or more actual or constructive owners of 10% or more of the hotel management company actually or constructively own more than 35% of the REIT, or one or more actual or constructive owners of more than 35% of the hotel management company own 35% or more of the REIT (determined with respect to a REIT whose stock is regularly traded on an established securities market by taking into account only the stock held by persons owning, directly or indirectly, more than 5% of the outstanding stock of the REIT and, if the stock of the eligible independent contractor is publicly-traded, more than 5% of the publicly-traded stock of the eligible independent contractor). We believe, and currently intend to take all steps reasonably practicable to ensure, that none of our TRSs has engaged or will engage in  operating  or  managing  our hotels and that the hotel management companies engaged to operate and manage hotels leased to or owned by our TRSs have qualified and continue to qualify as  eligible independent contractors  with regard to those TRSs.

In addition to the restrictions discussed above, current restrictions imposed on TRSs are intended to ensure that such entities will be subject to appropriate levels of U.S. federal income taxation. First, in certain circumstances a TRS may not be able to deduct interest paid or accrued by it for U.S. federal income tax purposes. See New Interest Deduction Limitation Enacted by H.R. 1 below. Our TRSs make substantial interest payments to us, and there can be no assurance that the limitation on interest deductions applicable to TRSs will not apply to such interest payments, resulting in an increase in the corporate income tax liability of such TRSs. Second, the rules impose a 100% excise tax on transactions between a TRS and its parent REIT that are not conducted on an arm s-length basis. Our TRSs make substantial payments to us, including rental payments pursuant to the hotel leases and other payments. There can be no assurance that the IRS might not seek to impose the 100% excise tax on a portion of the rental and other payments received by us from, expenses deducted by, or service income imputed to, our TRSs. While we believe that our arrangements with our TRSs reflect arm s length terms, these determinations inherently are factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to reflect accurately their respective incomes.

Because of the restrictions applicable to the income, assets and activities of a REIT, we may need to conduct certain business activities in one or more TRSs. These business activities include alternative uses of real estate, such as the development and/or sale of timeshare or condominium units. As discussed below under Asset Tests, the aggregate value of all of our TRSs may not exceed 20% of the value of all of our assets.

*Gross Income Tests*

To qualify as a REIT, we must satisfy two gross income requirements on an annual basis. First, at least 75% of our gross income for each taxable year must be derived from investments relating to real property or mortgages on real property, including:

- rents from real property ;
- dividends or other distributions on, and gain from the sale of, stock in other REITs;
- gain from the sale of real property or mortgages on real property, in either case, not held for sale to customers;
- interest income derived from mortgage loans secured by real property or interests in real property; and
- income attributable to the temporary investment of new capital in stock and debt instruments during the one-year period following the receipt by us of new capital raised through equity offerings or the issuance of debt obligations with at least a five-year term.

Second, at least 95% of our gross income in each taxable year must be derived from some combination of income that qualifies under the 75% gross income test described above, as well as (1) other dividends, (2) interest and (3) gain from the sale or disposition of stock or securities in either case, not held for sale to customers.

For purposes of one or both of the 75% and 95% gross income tests, the following items of income are excluded from the computation of gross income: (1) gross income from prohibited transactions; (2) certain foreign currency gain; and (3) income and gain from certain hedging transactions. See Income from Hedging Transactions, Foreign Currency Gain, and Prohibited Transactions Tax, below.

Rents from Real Property

Currently, rents paid pursuant to the leases of our hotels to our TRSs, together with gain from the sale of hotels and dividends and interest received from the TRSs, constitute substantially all of our gross income. Rents received by us will qualify as rents from real property in satisfying the gross income requirements described above only if the following conditions are met:

First, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as rents from real property.

Second, the amount of rent must not be based in whole or in part on the income or profits of any person. Amounts received as rent, however, generally will not be excluded from rents from real property solely by reason of being based on fixed percentages of gross receipts or sales.

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Third, rents we receive from a related party tenant generally will not qualify as rents from real property. A tenant is a related party tenant if the REIT, or an actual or constructive owner of 10% or more of the REIT, actually or constructively owns 10% or more of the tenant. Two exceptions apply with respect to the lease of property by a REIT to a TRS. We may lease our hotels that qualify as qualified lodging facilities to our TRSs if the hotel is operated on behalf of the TRS by an eligible independent contractor. In addition, a REIT may lease any property to a TRS if at least 90% of the property is leased to unrelated tenants, and the rent paid by the TRS is substantially comparable to rent paid by the unrelated tenants for comparable space. Amounts attributable to certain rental increases charged to a controlled TRS can fail to qualify even if the above conditions are met.

Fourth, for rents to qualify as rents from real property for the purpose of satisfying the gross income tests, generally we must not operate or manage the property or furnish or render services to the tenants of such property, other than through an independent contractor who is adequately compensated and from whom we derive no revenue, or through a TRS. To the extent that impermissible services are provided by an independent contractor, the cost of the services generally must be borne by the independent contractor. A REIT is permitted to provide directly to tenants services that are usually or customarily rendered in connection with the rental of space for occupancy only and not otherwise considered to be provided for the tenants convenience. A REIT may provide a minimal amount of non-customary services to its tenants, other than through an independent contractor or a TRS, but if the income from these impermissible tenant services exceeds 1% of the total income from a property, then all of the income from that property will fail to qualify as rents from real property. If the total amount of the income from impermissible tenant services does not exceed 1% of the total income from the property, the services will not taint the other income from the property (that is, it will not cause the rent paid by tenants of that property to fail to qualify as rents from real property), but the impermissible tenant services income will not qualify as rents from real property. A REIT is deemed to have received income from the provision of impermissible services in an amount equal to at least 150% of the direct cost of providing the service.

Because we lease substantially all of our properties to our TRSs, we generally do not provide services to our tenants.

In order for the rent paid pursuant to the leases with our TRSs to constitute rents from real property, the leases must be respected as true leases for U.S. federal income tax purposes. Accordingly, the leases cannot be treated as service contracts, joint ventures or some other type of arrangement. The determination of whether the leases are true leases for U.S. federal income tax purposes depends upon an analysis of all the surrounding facts and circumstances. In making such a determination, courts have considered a variety of factors, including the following:

the intent of the parties;

the form of the agreement;

the degree of control over the property that is retained by the property owner (e.g., whether the lessee has substantial control over the operation of the property or whether the lessee is required simply to use its best efforts to perform its obligations under the agreement); and the extent to which the property owner retains the risk of loss with respect to the property (e.g., whether the lessee bears the risk of increases in operating expenses or the risk of damage to the property) or the potential for economic gain (e.g., appreciation) with respect to the property.

In addition, Section 7701(e) of the Internal Revenue Code provides that a contract that purports to be a service contract or a partnership agreement is treated instead as a lease of property if the contract properly is treated as such, taking into account all relevant factors. Since the determination of whether a service contract should be treated as a lease inherently is factual, the presence or absence of any single factor may not be dispositive in every case.

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Our leases have been structured with the intent to qualify as true leases for U.S. federal income tax purposes. However, this determination inherently is a question of fact, and we cannot assure you that the IRS will not assert successfully a contrary position. If the leases were recharacterized as service contracts or partnership agreements, rather than true leases, or disregarded altogether for tax purposes, all or part of the payments that we receive from the TRSs would not be considered rent or would not otherwise satisfy the various requirements for qualification as rents from real property. In that case, we likely would not be able to satisfy either the 75% or 95% gross income tests and, as a result, would lose our REIT status.

As indicated above, rents from real property must not be based in whole or in part on the income or profits of any person. Except with regard to the lease of the Harbor Beach Marriott and any other leases that we acknowledge will not qualify as producing rents from real property, each of our leases provides for periodic payments of a specified base rent plus, to the extent that it exceeds the base rent, additional rent which is calculated based upon the gross sales of the hotels subject to the lease, plus certain other amounts. Payments made pursuant to these leases should qualify as rents from real property since generally they are based on either fixed dollar amounts or on specified percentages of gross sales that are fixed at the time the leases are entered into. The foregoing assumes that the leases have not been and will not be renegotiated during their term in a manner that has the effect of basing either the percentage rent or the base rent on income or profits. The foregoing also assumes that the leases are not in reality used as a means of basing rent on income or profits. More generally, the rent payable under the leases will not qualify as rents from real property if, considering the leases and all of the surrounding circumstances, the arrangement does not conform with normal business practice. We have not renegotiated, and currently do not intend to renegotiate, the percentages used to determine the percentage rent during the terms of the leases in a manner that has had or will have the effect of basing rent on income or profits. In addition, we believe that the rental provisions and other terms of the leases conform with normal business practice and generally are not intended to be used as a means of basing rent on income or profits. Furthermore, currently we intend that, with respect to properties that we acquire in the future, we will not charge rent for any property that is based in whole or in part on the income or profits of any person, except by reason of being based on a fixed percentage of gross revenues, as described above.

As noted above, under the Internal Revenue Code, if a lease provides for the rental of both real and personal property and the portion of the rent attributable to personal property is 15% or less of the total rent due under the lease, then all rent paid pursuant to such lease qualifies as rents from real property. If, however, a lease provides for the rental of both real and personal property, and the portion of the rent attributable to personal property exceeds 15% of the total rent due under the lease, then no portion of the rent that is attributable to personal property will qualify as rents from real property. The amount of rent attributable to personal property is the amount which bears the same ratio to total rent for the taxable year as the average of the fair market value of the personal property at the beginning and end of the year bears to the average of the aggregate fair market value of both the real and personal property at the beginning and end of such year. We believe that, with respect to each of our leases that includes a lease of items of personal property, either the amount of rent attributable to personal property with respect to such lease will not exceed 15% of the total rent due under the lease (determined under the law in effect for the applicable period), or, with respect to leases where the rent attributable to personal property constitutes non-qualifying income, such amounts, when taken together with all other non-qualifying income, will not jeopardize our status as a REIT. Each such lease permits the lessor to take certain steps, including requiring the lessee to purchase certain furniture, fixtures and equipment or to lease such property from a third party, including a TRS, if necessary to ensure that all of the rent attributable to personal property with respect to such lease will qualify as rents from real property.

Interest Income

Interest generally will be non-qualifying income for purposes of the 75% or 95% gross income tests if it depends in whole or in part on the income or profits of any person. However, interest based on a fixed percentage or percentages of receipts or sales still may qualify under the gross income tests. We receive interest payments from our TRSs and from third parties, which will constitute qualifying income for purposes of the 95% gross income test, but not necessarily for purposes of the 75% gross income test. We do not expect that the interest income from these sources will affect our ability to qualify under the 75% gross income test.

Dividend Income

We receive distributions from our TRSs or other corporations that are not REITs or QRSs. These distributions generally are treated as dividend income to the extent of the earnings and profits of the distributing corporation. We also may recognize capital gain with respect to our investments in our TRSs or such other corporations. Such dividend income or capital gain will constitute qualifying income for purposes of the 95% gross income test, but not for purposes of the 75% gross income test. We do not expect that these amounts will affect our ability to qualify under the 75% gross income test. Any dividends that we receive from a REIT, or capital gain recognized in connection with an investment in a REIT, will be qualifying income for purposes of both the 95% and 75% gross income tests.

Income from Hedging Transactions

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Any such hedging transactions could take a variety of forms, including the use of derivative instruments such as interest rate swap or cap agreements, option agreements, and futures or forward contracts. Income of a REIT, including income from a pass-through subsidiary, arising from clearly identified hedging transactions that are entered into in order to manage the risk of interest rate or price changes with respect to borrowings, including gain from the disposition of such hedging transactions, to the extent the hedging transactions hedge indebtedness incurred, or to be incurred, by the REIT to acquire or carry real estate assets, will not be treated as gross income for purposes of either the 75% or the 95% gross income tests. Income of a REIT arising from hedging transactions that are entered into in order to manage the risk of currency fluctuations will not be treated as gross income for purposes of either the 75% gross income test or the 95% gross income test, provided that the transaction is clearly identified as specified in the Internal Revenue Code. Income from, and gain from the termination of, clearly identified hedges entered into in connection with the termination of a hedging transaction described in the two immediately preceding sentences, where the property or indebtedness that was the subject of the prior hedging transaction was extinguished or disposed of, also will be excluded from gross income for purposes of either the 75% gross income test or the 95% gross income test. To the extent that we hedge with other types of financial instruments or in other situations, the resultant income will be treated as income that does not qualify under the gross income tests unless the hedge meets certain requirements, and we elect to integrate it with a specified asset and to treat the integrated position as a synthetic debt instrument. We intend to structure any hedging transactions in a manner that does not jeopardize our qualification as a REIT, although this determination depends on an analysis of the facts and circumstances concerning each hedging transaction.

Foreign Currency Gain

Real estate foreign exchange gain is excluded from the calculation of the 75% gross income test and passive foreign exchange gain is excluded from the calculation of the 95% gross income test. Real estate foreign exchange gain means (i) foreign currency gain attributable (without duplication) to (A) an item of income or gain to which the 75% gross income test applies, (B) the acquisition or ownership of obligations secured by mortgages on real property or on interests in real property or (C) becoming or being the obligor under obligations secured by mortgages on real property or interests in real property or (ii) foreign currency gain attributable to a qualified business unit ( QBU ) of the REIT under Internal Revenue Code Section 987, provided the QBU itself satisfies both the 75% gross income test and the 75% asset test described below under Asset Tests. Passive foreign exchange gain is (without duplication) real estate foreign exchange gain, foreign currency gain attributable to an item of income or gain to which the 95% gross income test applies, foreign currency gain attributable to the acquisition or ownership of obligations secured by mortgages on real property or on interests in real property, or foreign currency gain attributable to becoming or being the obligor under obligations secured by mortgages on real property or on interests in real property.

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Prohibited Transactions Tax

Net income that we derive from a prohibited transaction is excluded from gross income solely for purposes of the gross income tests and is subject to a 100% tax. Any foreign currency gain (as defined in Section 988(b)(2) of the Internal Revenue Code) recognized in connection with a prohibited transaction will be taken into account in determining the amount of income subject to the 100% tax. The term prohibited transaction generally includes a sale or other disposition of property (other than foreclosure property, as discussed below) that we hold primarily for sale to customers in the ordinary course of a trade or business. Under existing law, whether property is held primarily for sale to customers in the ordinary course of a trade or business depends on the particular facts and circumstances. We currently intend that we will hold our hotels for investment with a view to long-term appreciation, engage in the business of acquiring and owning hotels, and make sales of hotels consistent with our investment objectives. No assurance can be given that any of the hotels or other property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. The 100% tax does not apply to gain from the sale of property that is owned by a TRS or by another taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate tax rates.

Income from Foreclosure Property

We generally will be subject to tax at the maximum corporate tax rate (currently 21%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property and any foreign currency gain, other than income that constitutes qualifying income for purposes of the 75% gross income test (other than by reason of such income being income or gain from foreclosure property). Foreclosure property is real property and any personal property incident to such real property (1) that we acquire as the result of having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after a default (or upon imminent default) on a lease of the property or a mortgage loan held by us and secured by the property, (2) for which we acquired the related loan or lease at a time when default was not imminent or anticipated and (3) with respect to which we made a proper election to treat the property as foreclosure property. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gain from prohibited transactions described above, even if the property otherwise would constitute inventory or dealer property. If an unrelated third party lessee defaults under a lease, we are permitted to lease the related hotel to a TRS, in which case the hotel would not become foreclosure property. To the extent that we receive any income from property described in clause (1) above that does not qualify for purposes of the 75% gross income test, we intend to make an election to treat the related property as foreclosure property if the election is available (which may not be the case with respect to acquired distressed loans ).

Failure to Satisfy the Gross Income Tests

We intend to continue to monitor our sources of income, including any non-qualifying income received by us, and manage the ownership of our assets so as to ensure our compliance with the gross income tests. If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we still may qualify as a REIT for such year if we are entitled to relief under applicable provisions of the Internal Revenue Code. These relief provisions generally will be available if (1) our failure to meet these tests was due to reasonable cause and not due to willful neglect and (2) following our identification of the failure to meet the 75% and/or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth a description of each item of our gross income that satisfies the gross income tests for such taxable year in accordance with Treasury regulations. It is not possible to state whether we would be entitled to the benefit of these relief provisions in all circumstances. As discussed above under General, even where these relief provisions apply, the Internal Revenue Code imposes a tax, which could be significant in amount, based upon the profit attributable to the amount by which we fail to satisfy the particular gross income test.

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*Asset Tests*

At the close of each calendar quarter, we must satisfy the following tests relating to the nature of our assets:

- at least 75% of the value of our total assets must be represented by some combination of real estate assets, cash, cash items (including shares of certain money market funds), U.S. government securities, and, under some circumstances, stock or debt instruments purchased with new capital. For this purpose, real estate assets include interests in real property, such as land, buildings and leasehold interests in real property, stock of other corporations that qualify as REITs, debt instruments issued by publicly offered REITs, interests in mortgages on interests in real property, personal property leased in connection with real property to the extent that rents attributable to such personal property are treated as rents from real property , and some types of mortgage-backed securities and mortgage loans. Assets that do not qualify for purposes of the 75% asset test are subject to the additional asset tests described below;

- not more than 25% of our total assets may be represented by securities other than those described in the first bullet above;

- except for securities described in the first bullet above and the last bullet below and securities in TRSs or QRSs, the value of any one issuer s securities owned by us may not exceed 5% of the value of our total assets;

- except for securities described in the first bullet above and the last bullet below and securities in TRSs or QRSs, we may not own more than 10% of any one issuer s outstanding voting securities;

- except for securities described in the first bullet above and the last bullet below, securities in TRSs or QRSs, and certain types of indebtedness that are not treated as securities for purposes of this test, as discussed below, we may not own more than 10% of the total value of the outstanding securities of any one issuer;

- not more than 20% of our total assets may be represented by securities of one or more TRSs; and

- not more than 25% of our total assets may be represented by debt instruments issued by publicly offered REITs that are nonqualified (e.g., not secured by real property or interests in real property).

For purposes of the asset tests, a REIT is not treated as owning the stock of a QRS or an equity interest in any entity treated as a partnership or disregarded for U.S. federal income tax purposes. Instead, a REIT is treated as owning its proportionate share of the assets held by such entity. Solely for purposes of the 10% value test, the determination of our interest in the assets of an entity treated as a partnership for U.S. federal income tax purposes in which we own an interest will be based on our proportionate interest in any securities issued by the partnership, excluding for this purpose certain securities described in the Internal Revenue Code.

The 10% value test does not apply to certain straight debt and other excluded securities, as described in the Internal Revenue Code, including (1) loans to individuals or estates, (2) obligations to pay rents from real property, (3) rental agreements described in Section 467 of the Internal Revenue Code (generally, obligations related to deferred rental payments, other than with respect to transactions with related party tenants), (4) securities issued by other REITs, (5) certain securities issued by a state, the District of Columbia, a foreign government, or a political subdivision of any of the foregoing, or the Commonwealth of Puerto Rico and (6) any other arrangement as determined by the IRS. In addition, (1) a REIT s interest as a partner in a partnership is not considered a security for purposes of the 10% value test; (2) any debt instrument issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by the partnership if at least 75% of the partnership s gross income is derived from sources that would qualify for the 75% REIT gross income test; and (3) any debt instrument issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by a partnership to the extent of the REIT s interest as a partner in the partnership.

For purposes of the 10% value test, straight debt means a written unconditional promise to pay on demand on a specified date a sum certain in money if (1) the debt is not convertible, directly or indirectly, into stock, (2) the

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interest rate and interest payment dates are not contingent on profits, the borrower s discretion, or similar factors, other than certain contingencies relating to the timing and amount of principal and interest payments, as described in the Internal Revenue Code and (3) in the case of an issuer which is a corporation or a partnership, securities that otherwise would be considered straight debt will not be so considered if we, and any of our controlled TRSs (as defined in the Internal Revenue Code), hold securities of the corporate or partnership issuer which (a) are not straight debt or other excluded securities (prior to the application of this rule) and (b) have an aggregate value greater than 1% of the issuer s outstanding securities (including, for purposes of a partnership issuer, our interest as a partner in the partnership).

We intend to continue to maintain adequate records of the value of our assets in order to ensure compliance with the asset tests and to take any available actions within 30 days after the close of any quarter as may be required to cure any non-compliance with the asset tests. See Failure to Satisfy the Asset Tests. We may not obtain independent appraisals to support our conclusions concerning the values of some or all of our assets. We do not intend to seek an IRS ruling as to the classification of our properties for purposes of the REIT asset tests. Accordingly, there can be no assurance that the IRS will not contend that our assets or our interest in other securities will not cause a violation of the REIT asset test requirements.

Failure to Satisfy the Asset Tests

The asset tests must be satisfied not only on the last day of the calendar quarter in which we, directly or through pass-through subsidiaries, acquire securities in the applicable issuer, but also on the last day of the calendar quarter in which we increase our ownership of securities in such issuer, including as a result of increasing our interest in pass-through subsidiaries. An example of such an acquisition would be an increase in our interest in Host L.P. as a result of the exercise of a limited partner s redemption right relating to units in Host L.P. or an additional capital contribution to Host L.P. of proceeds from an offering of stock by us. After initially meeting the asset tests at the close of any quarter, we will not lose our qualification as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes of asset values (including a failure caused solely by a change in the foreign currency exchange rate used to value a foreign asset). If we fail to satisfy the asset tests because we acquire assets during a quarter, we can cure this failure by disposing of sufficient non-qualifying assets or acquiring sufficient qualifying assets within 30 days after the close of such quarter. We intend to continue to maintain adequate records of the value of our assets to ensure compliance with the asset tests and to take any available action within 30 days after the close of any quarter as may be required to cure any non-compliance with the asset tests. Although we plan to take steps to ensure that we satisfy such tests for any quarter with respect to which testing is done, there can be no assurance that such steps always will be successful. If we fail to timely cure any non-compliance with the asset tests, we would cease to qualify as a REIT, unless we satisfy certain relief provisions.

The failure to satisfy the 5% asset test, or the 10% vote or value asset tests, can be remedied even after the 30-day cure period under certain circumstances. Specifically, if we fail these asset tests at the end of any quarter and such failure is not cured within 30 days thereafter, we may dispose of sufficient assets (generally within six months after the last day of the quarter in which our identification of the failure to satisfy these asset tests occurred) in order to cure such a violation that does not exceed the lesser of 1% of the value of our assets at the end of the relevant quarter or $10 million. If we fail any of the other asset tests or our failure of the 5% and 10% asset tests results in a violation in excess of the de minimis amount described above, as long as such failure was due to reasonable cause and not willful neglect, we are permitted to avoid disqualification as a REIT, after the 30-day cure period, by taking steps, including disposing of sufficient assets to meet the asset test (generally within six months after the last day of the quarter in which our identification of the failure to satisfy the REIT asset test occurred), paying a tax equal to the greater of $50,000 or the highest corporate income tax rate (currently 21%) multiplied by the net income generated by the non-qualifying assets during the period in which we failed to satisfy the asset test, and filing, in accordance with applicable Treasury regulations, a schedule with the IRS that describes the assets that caused us to fail to satisfy the asset test(s). We intend to take advantage of any and all relief provisions that are available to us in order to cure any violation of the asset tests applicable to

REITs. In certain circumstances, utilization of such provisions could result in us being required to pay an excise or penalty tax, which tax could be significant in amount.

*Annual Distribution Requirements*

In order to qualify as a REIT, we are required to pay dividends, other than capital gain dividends, to our stockholders in an amount at least equal to:

- the sum of: (1) 90% of our REIT taxable income, computed without regard to our net capital gain and the deduction for dividends paid, and (2) 90% of our net income, after tax, if any, from foreclosure property; minus

- the excess of the sum of specified items of non-cash income over 5% of our REIT taxable income, computed without regard to our net capital gain and the deduction for dividends paid.

For purposes of this test, non-cash income means income attributable to (1) leveled stepped rents, (2) original issue discount included in our taxable income without the receipt of a corresponding payment, (3) cancellation of indebtedness or (4) a like-kind exchange that later is determined to be taxable.

We generally must make dividend payments in the taxable year to which they relate. Dividend payments may be made in the following year in two circumstances. First, we may declare a dividend in October, November or December of any year with a record date in one of such months if we pay the dividend on or before January 31 of the following year. Such dividends are treated both as paid by us and received by our stockholders on December 31 of the year in which they are declared. Second, dividend payments for the current year may be made in the following year if they are declared before we timely file our tax return for the current year and if they are made with or before the first regular dividend payment after such declaration. These dividends are taxable to our stockholders in the year in which paid, even though they relate to our prior taxable year for purposes of the 90% distribution requirement.

In order for distributions to be counted as satisfying the annual distribution requirement for REITs, and to provide REITs with a REIT-level dividends paid deduction, the distributions must not be preferential dividends. A distribution is not a preferential dividend if the distribution is (1) pro rata among all outstanding shares of stock within a particular class and (2) in accordance with the preferences among different classes of stock as set forth in the REIT s organizational documents. This requirement does not apply to publicly offered REITs, including us, with respect to distributions made in tax years beginning after 2014, but will continue to apply to our subsidiary REIT.

To the extent that we distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be subject to tax at ordinary corporate tax rates on the retained portion. We may elect to retain, rather than distribute, some or all of our net long-term capital gain and pay tax on such gain. In this case, we could elect for our stockholders to include their proportionate share of such undistributed long-term capital gain in their taxable income, and for them to receive a corresponding credit for their share of the tax that we paid. Our stockholders would then increase the adjusted basis of their stock by the difference between (1) the amount of capital gain dividends that we designated and that they included in their taxable income, and (2) the tax that we paid on their behalf with respect to that income.

To the extent that in the future we may have available net operating losses carried forward from prior tax years, such losses may reduce the amount of dividends that we must pay in order to comply with the REIT distribution requirements. Such losses, however, (1) generally will not affect the character, in the hands of our stockholders, of any dividends that actually are made as ordinary dividends or capital gain; and (2) cannot be passed through or used by our stockholders. See U.S. Federal Income Taxation of Our Stockholders Taxation of Taxable U.S. Stockholders Distributions Generally. Under amendments made by H.R. 1 to Section 172 of the Internal Revenue Code, our deduction for any net operating loss carryforwards arising from losses we incur in taxable years beginning after December 31, 2017 is limited to 80% of our annual REIT taxable income (determined without regard to the deduction for dividends paid), and any unused portion of such losses may not be carried back, but may be carried forward indefinitely.

If we fail to distribute during each calendar year at least the sum of (1) 85% of our ordinary income for such year, (2) 95% of our capital gain net income for such year and (3) any undistributed net taxable income from prior periods, we will be subject to a nondeductible 4% excise tax on the excess of such required distribution over the sum of (a) the amount actually distributed and (b) the amount of income we retained and on which we paid corporate income tax.

We currently intend to make timely dividends sufficient to satisfy the annual distribution requirements. Host L.P. s partnership agreement authorizes us, as general partner, to take such steps as may be necessary to cause Host L.P. to distribute to its partners an amount sufficient to permit us to meet these distribution requirements. Our subsidiary REIT intends to use consent dividends, in addition to cash dividends, in order to satisfy all or a portion of its distribution requirements.

The calculation of REIT taxable income includes deductions for noncash charges, such as depreciation. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of cash and the actual payment of deductible expenses, and the inclusion of income and deduction of expenses for purposes of determining our annual taxable income. Further, under amendments to Section 451 of the Internal Revenue Code made by H.R. 1, subject to certain exceptions, we must accrue income for U.S. federal income tax purposes no later than the time at which such income is taken into account in our financial statements, which could create additional differences between REIT taxable income and the receipt of cash attributable to such income. In addition, we may decide to retain our cash, rather than distribute it, to repay debt, acquire assets, or for other reasons. If these timing differences occur, we may borrow funds to pay dividends or pay dividends through the distribution of other property (including shares of our stock) in order to meet the distribution requirements, while preserving our cash. Alternatively, subject to certain conditions and limitations, we may declare a taxable dividend payable in cash or stock at the election of each stockholder, where the aggregate amount of cash to be distributed with respect to such dividend may be subject to limitation. In such case, for U.S. federal income tax purposes, taxable stockholders receiving such dividends will be required to include the full amount (both the cash and stock component) of the dividend as ordinary taxable income to the extent of our current and accumulated earnings and profits.

We may be able to rectify a failure to meet the distribution requirements for a particular tax year by paying deficiency dividends to stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. In this case, we may be able to avoid losing REIT qualification or being taxed on amounts distributed as deficiency dividends. We will be required to pay interest to the IRS based on the amount of any deduction taken for deficiency dividends.

We calculate our REIT taxable income based upon the conclusion that the lessor is the owner of the hotels for U.S. federal income tax purposes. As a result, we expect that the depreciation deductions with respect to the hotels owned by the lessors will reduce our REIT taxable income. This conclusion is consistent with the conclusion above that the TRS leases for our hotels have been and will continue to be treated as true leases for U.S. federal income tax purposes. If, however, the IRS were to challenge successfully this position, in addition to failing in all likelihood the 75% and 95% gross income tests described above, we also might be deemed retroactively to have failed to meet the REIT distribution requirements and would have to rely on the payment of a deficiency dividend in order to retain REIT status.

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*New Interest Deduction Limitation Enacted by H.R. 1*

Commencing in taxable years beginning after December 31, 2017, Section 163(j) of the Internal Revenue Code, as amended by H.R. 1, limits the deductibility of net interest expense paid or accrued on debt properly allocable to a trade or business to 30% of adjusted taxable income, subject to certain exceptions. Any amount paid or accrued in excess of the limitation is carried forward and may be deducted in a subsequent year, again subject to the 30% limitation. Adjusted taxable income is determined without regard to certain deductions, including those for net interest expense, net operating loss carryforwards and, for taxable years beginning before January 1, 2022, depreciation, amortization and depletion. Provided the taxpayer makes a timely election (which is irrevocable), the 30% limitation does not apply to a trade or business involving real property development, redevelopment, construction, reconstruction, rental, operation, acquisition, conversion, disposition, management, leasing or brokerage, within the meaning of Section 469(c)(7)(C) of the Internal Revenue Code. If this election is made, depreciable real property (including certain improvements) held by the relevant trade or business must be depreciated under the alternative depreciation system under the Internal Revenue Code, which generally is less favorable than the generally applicable system of depreciation under the Internal Revenue Code. In general, while there is limited authority that specifically addresses hotels, we believe that our leasing of such hotels to our TRS lessees should constitute a real property trade or business, and we may elect not to have the interest deduction limitation apply to that trade or business. If we do not make the election or if the election is determined not to be available with respect to all or certain of our business activities, the new interest deduction limitation could result in us having more REIT taxable income and thus increase the amount of distributions we must make in order to comply with the REIT requirements and avoid incurring corporate level income tax. The activities conducted by our TRSs will constitute a real property trade or business and the election to avoid the application of the 30% limitation will be available to such entities.

*Like-Kind Exchanges*

We may dispose of hotels in transactions intended to qualify as like-kind exchanges under the Internal Revenue Code. Such like-kind exchanges are intended to result in the deferral of gain for U.S. federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could require us to pay U.S. federal income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances of the particular transaction. Under H.R. 1, effective for exchanges completed after December 31, 2017 (subject to certain transitional rules), the preferential tax treatment applicable to like-kind exchanges is limited to exchanges of real property not held primarily for sale. Previously, the like-kind exchange provisions also applied to personal property not held primarily for sale. Accordingly, for exchanges completed after December 31, 2017, gain from exchanges of personal property and intangible property will not qualify for deferral under Section 1031 of the Internal Revenue Code.

*Record-Keeping Requirements*

We are required to maintain records and request on an annual basis information from specified stockholders. These requirements are designed to assist us in determining the actual ownership of our outstanding stock and in maintaining our qualification as a REIT. Failure to comply therewith could result in monetary fines.

*Failure to Qualify as a REIT*

If we fail to satisfy one or more requirements for REIT qualification other than the gross income or asset tests, we could avoid disqualification if our failure is due to reasonable cause and not to willful neglect and we pay a penalty of $50,000 for each such failure. Relief provisions are available for failures of the gross income tests and asset tests, as described above in Gross Income Tests and Asset Tests.

If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions described above do not apply, we would be subject to tax, including any applicable alternative minimum tax (for taxable years ending prior to January 1, 2018), on our taxable income at regular corporate tax rates. We cannot deduct distributions to our stockholders in any year in which we are not a REIT, nor would we be required to make distributions in such a year. As a result, we anticipate that our failure to qualify as a REIT would reduce the funds available for distribution by us to our stockholders. In addition, if we fail to qualify as a REIT, all distributions to our common stockholders will be taxable to such stockholders as regular corporate dividends to the extent of our current and accumulated earnings and profits (as determined for U.S. federal income tax purposes). Such dividends paid to U.S. holders of our common stock that are individuals, trusts and estates may be taxable at the preferential income tax rates (i.e., the 23.8% maximum U.S. federal rate for capital gain, which rate takes into account the maximum capital gain rate of 20% and the 3.8% Medicare tax on net investment income, described below under Medicare Tax on Net Investment Income ) for qualified dividends. Such dividends, however, would not be eligible for the 20% deduction on qualified REIT dividends allowed by Section 199A of the Internal Revenue Code generally available to U.S. holders of our common stock that are individuals, trusts or estates for taxable years beginning after December 31, 2017 and before January 1, 2026. In addition, subject to the limitations of the Internal Revenue Code, corporate distributees may be eligible for the dividends received deduction. Unless we are entitled to relief under specific statutory provisions, we also will be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year during which we lose our qualification. It is not possible to state whether, in all circumstances, we will be entitled to this statutory relief.

**Tax Aspects of Host L.P. and Our Other Subsidiary Partnerships**

*General*

Substantially all of our assets are owned indirectly through Host L.P., which owns hotels either directly or through certain subsidiaries (including through the subsidiary REIT). This discussion focuses on the tax aspects of our ownership of hotel properties through partnerships and entities, such as limited liability companies, that are treated as partnerships for U.S. federal income tax purposes. In general, partnerships are pass-through entities that are not subject to U.S. federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and potentially are subject to tax thereon, without regard to whether the partners receive a distribution from the partnership. We include in our gross income our proportionate share of partnership items for purposes of the gross income tests and in the computation of our REIT taxable income. Moreover, for purposes of the REIT asset tests, we include our proportionate share of assets held through Host L.P. and those of its subsidiaries that either are disregarded as separate entities or treated as partnerships for U.S. federal income tax purposes. See Effect of Subsidiary Entities Ownership of Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries above.

*Entity Classification*

If Host L.P. or any non-corporate subsidiary were treated as an association, the entity would be taxable as a corporation and, therefore, would be subject to U.S. federal income tax on its taxable income. In such a situation, the character of our assets and items of gross income would change and could preclude us from qualifying as a REIT (see Asset Tests and Gross Income Tests above).

We assume for purposes of this discussion that Host L.P. and all of its subsidiaries (other than our TRSs and the subsidiary REIT) are classified as partnerships or disregarded as separate entities for U.S. federal income tax purposes. Pursuant to Treasury regulations under Section 7701 of the Internal Revenue Code, a partnership will be treated as a partnership for U.S. federal income tax purposes unless it elects to be treated as a corporation or would be treated as a corporation because it is a publicly traded partnership.

Neither Host L.P. nor any of its non-corporate subsidiaries that is not a TRS has elected or will elect to be treated as a corporation. Therefore, subject to the disclosure below, Host L.P. and each such subsidiary will be treated as a partnership for U.S. federal income tax purposes (or, if such an entity only has one partner or member, a disregarded entity for U.S. federal income tax purposes).

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Pursuant to Section 7704 of the Internal Revenue Code, a partnership that does not elect to be treated as a corporation nevertheless will be treated as a corporation for U.S. federal income tax purposes if it is a publicly traded partnership and it does not derive at least 90% of its gross income from certain specified sources of qualifying income within the meaning of that section. A publicly traded partnership is any partnership (i) the interests of which are traded on an established securities market, or (ii) the interests of which are readily tradable on a secondary market or the substantial equivalent thereof. Host L.P. units currently are not and in the future will not be traded on an established securities market. There is a significant risk, however, that the Host L.P. units could be considered readily tradable on the substantial equivalent of a secondary market. In that event, Host L.P. could be treated as a publicly traded partnership, but even then it only would be taxable as a corporation if less than 90% of its gross income were to constitute qualifying income. Treasury regulations under Section 7704 of the Internal Revenue Code set forth certain safe harbors under which interests will not be treated as readily tradable on a secondary market (or the substantial equivalent thereof) within the meaning of Section 7704 of the Internal Revenue Code (the Safe Harbors ).

Qualifying income, for purposes of the qualifying income exception, generally is real property rents and other types of passive income. We believe that Host L.P. has had and will continue to have sufficient qualifying gross income so that it would be taxed as a partnership even if it were considered a publicly traded partnership. The gross income requirements applicable to us in order for us to qualify as a REIT under the Internal Revenue Code and the definition of qualifying income under the publicly traded partnership rules are very similar. Although differences exist between these two income tests, we do not believe that these differences would cause Host L.P. not to satisfy the 90% gross income test applicable to publicly traded partnerships.

If Host L.P. were taxable as a corporation, most, if not all, of the tax consequences described herein would be inapplicable. In particular, we would not qualify as a REIT because the value of our ownership interest in Host L.P. would exceed 5% of our assets and we would be considered to hold more than 10% of the voting securities (and more than 10% of the value of the outstanding securities) of another corporation (see Asset Tests above). In this event, the value of our stock could be materially adversely affected (see Failure to Qualify as a REIT above).

Except with regard to the exercise of the right to redeem Host L.P. units and certain permitted transfers (generally among related individuals or entities) under Host L.P. s partnership agreement, no limited partner may transfer Host L.P. units without our prior written consent, as general partner of Host L.P., which consent may be withheld in our sole discretion. Host L.P. s partnership agreement provides that we shall take such actions, if any, that are reasonably necessary or appropriate to prevent Host L.P. from being classified as a publicly traded partnership and, except as provided otherwise in the partnership agreement, to permit Host L.P. to insure that at least one of the Safe Harbors is met. We may exercise our authority, as general partner, under the partnership agreement to impose limitations on the right to redeem Host L.P. units only to the extent that outside tax counsel provides to us an opinion to the effect that, in the absence of such limitation or restriction, there is a significant risk that Host L.P. will be treated as a publicly traded partnership and, by reason thereof, taxable as a corporation. These limitations, if imposed, could adversely affect the interests of holders of Host L.P. units.

*Partnership Tax Allocations*

A partnership agreement generally will determine the allocation of income and loss among partners. However, such allocations will be disregarded for U.S. federal income tax purposes if they do not comply with the provisions of Section 704(b) of the Internal Revenue Code and the regulations promulgated thereunder. Generally, Section 704(b) of the Internal Revenue Code and the regulations promulgated thereunder require that partnership allocations respect the economic arrangement of the partners.

If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. The allocations of taxable income and loss provided for in Host L.P. s partnership agreement and the partnership agreements and operating agreements of the non-corporate subsidiaries are intended to comply with the requirements of Section 704(b) of the Internal Revenue Code and the regulations promulgated thereunder.

*Tax Allocations with Respect to the Hotels*

Pursuant to Section 704(c) of the Internal Revenue Code, income, gain, loss and deduction attributable to appreciated or depreciated property, such as the hotels, that is contributed to a partnership in exchange for an interest therein must be allocated in a manner such that the contributing partner is charged with, or benefits from, the difference between the adjusted tax basis and the fair market value of such property at the time of contribution. This difference is known as built-in gain or built-in loss. Host L.P. s partnership agreement requires that such allocations be made in a manner consistent with Section 704(c) of the Internal Revenue Code. In general, the partners of Host L.P., including us, who contributed appreciated assets with built-in gain are allocated depreciation deductions for U.S. federal income tax purposes that are lower than such deductions would be if determined on a pro rata basis. Thus, the carryover basis of the contributed assets in the hands of Host L.P. may cause us to be allocated lower depreciation and other deductions, and therefore effectively to be allocated more income, which might adversely affect our ability to comply with the REIT distribution requirements and/or cause a higher proportion of our distributions to our stockholders to be taxed as dividends. See Annual Distribution Requirements above.

In addition, in the event of the disposition of any of the contributed assets with built-in gain, all income attributable to the built-in gain generally will be allocated to the contributing partners, even though the proceeds of such sale would be distributed proportionately among all the partners and could be retained by us rather than distributed to our stockholders. Thus, if Host L.P. were to sell a hotel with built-in gain that was contributed to Host L.P. by our predecessors or us, we generally would be allocated all of the income attributable to the built-in gain, which amount could exceed the economic, or book, income allocated to us as a result of such sale. Such an allocation might cause us to recognize taxable income in excess of cash proceeds, which might adversely affect our ability to comply with the REIT distribution requirements. It should be noted that, as the general partner of Host L.P., we will determine whether or not to sell a hotel that we contributed to Host L.P.

We and Host L.P. generally use the traditional method (with a provision for a curative allocation of gain on sale to the extent prior allocations of depreciation with respect to a specific hotel were limited by the ceiling rule applicable under the traditional method) to account for built-in gain with respect to the hotels contributed to Host L.P. in connection with our conversion from a C corporation to a REIT. This method generally is a more favorable method for accounting for built-in gain from the perspective of those partners, including us, who received Host L.P. units in exchange for property with a low adjusted tax basis relative to its fair market value at the time of the REIT conversion and is a less favorable method from the perspective of those partners who contributed cash or high basis assets to Host L.P., including us to the extent we contribute cash to Host L.P.

Any property purchased by Host L.P. initially will have an adjusted tax basis equal to its fair market value, and Section 704(c) of the Internal Revenue Code will not apply in that case.

*IRS Audits of Partnership Entities*

Under the Bipartisan Budget Act of 2015, Congress revised the rules applicable to U.S. federal income tax audits of partnerships (such as Host L.P. and our subsidiary partnerships) and the collection of any tax resulting from any such audits or other tax proceedings, generally for taxable years beginning after December 31, 2017. Among other procedural changes, the new rules impose liability on the partnership (rather than its partners) for adjustments to reported partnership taxable income. The liability can include an imputed underpayment of tax, calculated by using the highest marginal U.S. federal income tax rate, as well as interest and penalties on such imputed underpayment of tax. Further, the rules do not allow netting of underpayments and overpayments between partners as a result of changes to the allocations of partnership taxable income. There are proposed rules

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that would permit partnerships to transfer these liabilities to their partners. In the event any adjustments are imposed by the IRS on the taxable income reported by Host L.P. or any of our subsidiary partnerships, we intend to utilize the rules to the extent possible to allow us to transfer any liability with respect to such adjustments to the partners of Host L.P. and our subsidiary partnerships who should properly bear such liability. However, there is no assurance that we will qualify under those rules, when fully developed, or that we will have the authority to use those rules under the operating agreements for our subsidiary partnerships.

**U.S. Federal Income Taxation of Our Stockholders**

The following discussion describes the material U.S. federal income tax consequences to you of owning and disposing of our common stock. This summary does not address state, local or non-U.S. tax consequences.

This discussion assumes that you hold shares of our common stock as capital assets (generally, property held for investment within the meaning of Section 1221 of the Internal Revenue Code). This discussion is not intended to constitute, and should not be construed as, tax advice and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular investor in light of its investment or tax circumstances, or to investors subject to special tax rules, including:

- tax-exempt organizations, except to the extent discussed below in Taxation of Tax-Exempt U.S. Stockholders ;
- broker-dealers;
- traders in securities that elect to mark them to market;
- trusts, estates, regulated investment companies, real estate investment trusts, financial institutions, insurance companies or S corporations;
- investors subject to the alternative minimum tax;
- investors that hold their common stock as part of a hedge, straddle, conversion transaction, synthetic securi or other integrated investment;
- investors that hold their common stock through a partnership or similar pass-through entity;
- holders who receive our common stock through the exercise of employee stock options or otherwise as compensation;

- persons holding 10% or more (by vote or value) of our outstanding common stock, except to the extent discussed below;

- non-U.S. stockholders (as defined below), except to the extent discussed below in U.S. Federal Income Taxation of Our Stockholders Taxation of Non-U.S. Stockholders ;

- foreign (non-U.S.) governments;

- a person with a functional currency other than the U.S. dollar;

- a U.S. expatriate; or

- investors who otherwise are subject to special tax treatment under the Internal Revenue Code.

For purposes of this discussion, a U.S. stockholder is a beneficial owner of our common stock that for U.S. federal income tax purposes is:

- a citizen or resident of the United States;

- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of a political subdivision thereof (including the District of Columbia);

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an estate whose income is subject to U.S. federal income taxation regardless of its source; or

any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding our common stock should consult its own tax advisor regarding the U.S. federal income tax consequences to the partner of the acquisition, ownership and disposition of our common stock by the partnership.

If you hold shares of our common stock and are not a U.S. stockholder or an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes, you are a non-U.S. stockholder.

*Taxation of Taxable U.S. Stockholders*

This section summarizes the U.S. federal income taxation of U.S. stockholders that are not tax-exempt organizations.

Distributions Generally

The dividends that we pay to our taxable U.S. stockholders out of current or accumulated earnings and profits that we do not designate as capital gain dividends or as qualified dividend income will be taken into account by stockholders as ordinary income when actually or constructively received. As long as we qualify as a REIT, these dividends will not be eligible for the dividends-received deduction for U.S. stockholders that are corporations. In determining the extent to which a distribution with respect to our common stock constitutes a dividend for U.S. federal income tax purposes, our earnings and profits will be allocated first to distributions with respect to our preferred stock, if any, and then to our common stock. Except for dividends that we designate as qualified dividend income, dividends received from REITs are not eligible to be taxed at the preferential qualified dividend income tax rates currently available to individual U.S. stockholders who receive dividends from taxable C corporations. However, under Section 199A of the Internal Revenue Code, as added by H.R. 1, for taxable years beginning after December 31, 2017 and prior to January 1, 2026, U.S. stockholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations.

Distributions from us in excess of our current and accumulated earnings and profits will not be taxable to a U.S. stockholder to the extent that they do not exceed the adjusted basis of the U.S. stockholder s shares of stock in respect of which the distributions were made. Rather, the distribution will reduce the adjusted tax basis of these shares. To the extent that such distributions exceed the adjusted tax basis of a U.S. stockholder s shares of stock, the U.S. stockholder generally must include such distributions in income as long-term capital gain, or short-term capital gain if the stock has been held for one year or less. In addition, any dividend that we declare in October, November or December of any year and that is payable to a stockholder of record on a specified date in any such month will be treated as both paid by us and received by the stockholder on December 31 of such year, provided that we actually pay the dividend before the end of January of the following calendar year.

To the extent that we have available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that we must make in order to comply with the REIT distribution requirements. See U.S. Federal Income Taxation of the Company Annual Distribution Requirements. Such losses, however, are not passed through to U.S. stockholders and may not be used to offset income of U.S. stockholders from other sources on their income tax returns. Such losses would not affect the character of any distributions that we make, which generally are subject to tax in the hands of U.S. stockholders to the extent that we have current or accumulated earnings and profits.

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Capital Gain Dividends

We may elect to designate distributions of our net capital gain as capital gain dividends. Distributions that we designate as capital gain dividends generally will be taxed to U.S. stockholders as long-term capital gain, without regard to the period during which the U.S. stockholder that receives such distribution has held its stock, to the extent that such gain does not exceed our actual net capital gain for the taxable year. Designations made by us only will be effective to the extent that they comply with Revenue Ruling 89-81, which requires that distributions made to different classes of stock be composed proportionately of dividends of a particular type. If we designate any portion of a dividend as a capital gain dividend, a U.S. stockholder will receive an IRS Form 1099-DIV indicating the amount that will be taxable to the U.S. stockholder as capital gain. Corporate U.S. stockholders may be required to treat up to 20% of some capital gain dividends as ordinary income. Recipients of capital gain dividends from us that are taxed at corporate income tax rates will be taxed at the normal corporate income tax rates on these dividends.

We may elect to retain and pay taxes on some or all of our net long term capital gain, in which case U.S. stockholders will be treated as having received, solely for U.S. federal income tax purposes, our undistributed capital gain, as well as a corresponding credit or refund, as the case may be, for taxes that we paid on such undistributed capital gain. The U.S. stockholder will increase the basis of its stock by the difference between the amount of capital gain included in its income and the amount of tax it is deemed to have paid. Our earnings and profits, and the earnings and profits of U.S. stockholders that are corporations, will be adjusted for the undistributed capital gain in accordance with Treasury regulations to be prescribed by the IRS. See Annual Distribution Requirements.

We will classify portions of any designated capital gain dividend or undistributed capital gain either as:

- a long-term capital gain distribution, which would be taxable to non-corporate U.S. stockholders at a maximum rate of up to 23.8% (which rate takes into account the maximum capital gain rate of 20% and the 3.8% Medicare tax on net investment income, described below under Medicare Tax on Net Investment Income ), and taxable to U.S. stockholders that are corporations at a maximum rate of 21%; or

- an unrecaptured Section 1250 gain distribution, which would be taxable to non-corporate U.S. stockholders at a maximum rate of 25%, to the extent of previously claimed real property depreciation deductions.

The maximum amount of dividends that we may designate as capital gain and as qualified dividend income (discussed below) with respect to any taxable year may not exceed the dividends actually paid by us with respect to such year, including dividends paid by us in the succeeding tax year that relate back to the prior tax year for purposes of determining our dividends paid deduction.

Qualified Dividend Income

With respect to U.S. stockholders who are taxed at the rates applicable to individuals, we may designate a portion of our distributions paid to such U.S. stockholders as qualified dividend income. A portion of a distribution that is properly designated as qualified dividend income is taxable to non-corporate U.S. stockholders as capital gain, provided that the U.S. stockholder has held the common stock with respect to which the distribution is made for more than 61 days during the 121-day period beginning on the date that is 60 days before the date on which such common stock became ex-dividend with respect to the relevant distribution. The maximum amount of our distributions eligible to be designated as qualified dividend income for a taxable year is equal to the sum of:

the qualified dividend income received by us during such taxable year from non-REIT corporations (including any TRS in which we own an interest);

- the excess of any undistributed REIT taxable income recognized during the immediately preceding year over the U.S. federal income tax paid by us with respect to such undistributed REIT taxable income; and

- the excess of any income recognized during the immediately preceding year attributable to the sale of a built-in-gain asset that was acquired in a carry-over basis transaction from a non-REIT C corporation over the U.S. federal income tax paid by us with respect to such built-in gain.

Generally, dividends that we receive will be treated as qualified dividend income for purposes of the first bullet above if (1) the dividends are received from (a) a U.S. corporation (other than a REIT or a regulated investment company under Section 851(a) of the Internal Revenue Code), (b) any TRS we may form or (c) a qualifying foreign corporation, and (2) specified holding period requirements and other requirements are met. If we designate any portion of a dividend as qualified dividend income, a U.S. stockholder will receive an IRS Form 1099-DIV indicating the amount that will be taxable to the holder as qualified dividend income.

Passive Activity Losses and Investment Interest Limitations

Distributions made by us and gain arising from the sale or exchange by a U.S. stockholder of our common stock will not be treated as passive activity income. As a result, U.S. stockholders will not be able to apply any passive losses against income or gain relating to our common stock. Distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation. A U.S. stockholder that elects to treat capital gain dividends, capital gain from the disposition of stock or qualified dividend income as investment income for purposes of the investment interest limitation will be taxed at ordinary income rates on such amounts. We intend to notify U.S. stockholders regarding the portions of distributions for each year that constitute ordinary income, return of capital and capital gain in compliance with the applicable IRS guidance.

Dispositions of Our Common Stock

In general, a U.S. stockholder will realize gain or loss upon the sale, redemption or other taxable disposition of our common stock in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. stockholder s adjusted tax basis in the common stock at the time of the disposition. In general, a U.S. stockholder s adjusted tax basis will equal the U.S. stockholder s acquisition cost, increased by the net capital gain deemed distributed to the U.S. stockholder (discussed above), less the tax deemed paid thereon and return of capital distributions.

In general, capital gain recognized by individuals, trusts or estates upon the sale or disposition of our common stock will be subject to a maximum U.S. federal income tax rate of up to 23.8% (which rate takes into account the maximum capital gain rate of 20% and the 3.8% Medicare tax on net investment income, described below) if the stock is held for more than one year, and will be taxed at ordinary income rates (of up to 40.8% for taxable years beginning after December 31, 2017 and before January 1, 2026, which rate takes into account the maximum ordinary income tax rate of 37% and the 3.8% Medicare tax on net investment income, described below) if the stock is held for one year or less. Gain recognized by stockholders that are corporations is subject to U.S. federal income tax at a maximum rate of 21%, effective for taxable years beginning after December 31, 2017, whether or not such gain is classified as long-term capital gain. The IRS has the authority to prescribe, but has not yet prescribed, Treasury regulations that would apply a capital gain tax rate of 25% (which is higher than the long-term capital gain tax rate for non-corporate U.S. stockholders) to all or a portion of capital gain realized by a non-corporate U.S. stockholder on the sale of shares of our common stock that would correspond to a stockholder s share of our unrecaptured Section 1250 gain. U.S. stockholders should consult with their tax advisors with respect to their capital gain tax liability.

A capital loss recognized by a U.S. stockholder upon the disposition of our common stock that has been held for more than one year at the time of disposition will be considered a long-term capital loss, which generally is available only to offset capital gain of the stockholder, but not ordinary income (except in the case of individuals, who may offset up to $3,000 of ordinary income each year with such long-term capital loss). In addition, any loss upon a sale or exchange of our common stock by a U.S. stockholder who has held the stock for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions that we make that are required to be treated by the U.S. stockholder as long-term capital gain.

Medicare Tax on Net Investment Income

Certain U.S. stockholders that are individuals, estates or trusts are required to pay an additional 3.8% tax on net investment income (or, in the case of an estate or trust, on undistributed net investment income ) which includes, among other things, dividends on, and gain from the sale or other disposition of, shares of REIT stock. In the case of an individual, the tax will be 3.8% of the lesser of the individual s net investment income or the excess of the individual s modified adjusted gross income over an amount equal to (1) $250,000, in the case of a married individual filing a joint return or a surviving spouse, (2) $125,000, in the case of a married individual filing a separate return or (3) $200,000 in the case of a single individual. The temporary 20% deduction allowed by Section 199A of the Internal Revenue Code, as added by H.R. 1, with respect to ordinary REIT dividends received by non-corporate taxpayers is allowed only for purposes of Chapter 1 of the Internal Revenue Code and, thus, apparently is not allowed as a deduction allocable to such dividends for purposes of determining the amount of net investment income subject to the 3.8% Medicare tax, which is imposed under Chapter 2A of the Internal Revenue Code. U.S. stockholders should consult their tax advisors regarding this tax on net investment income.

Information Reporting Requirements and Backup Withholding

We will report to our stockholders and to the IRS the amount of dividends we pay during each calendar year and the amount of tax we withhold therefrom, if any. Generally, dividend payments are not subject to withholding; however, they may be subject to backup withholding. A stockholder may be subject to backup withholding at a rate of 24% with respect to dividends, unless the holder: