HOST HOTELS & RESORTS, INC.
Form DEF 14A
April 10, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

Host Hotels & Resorts, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

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

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

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(4) Proposed maximum aggregate value of the transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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April 10, 2008

Dear Stockholder:

It is my pleasure to invite you to attend the 2008 Annual Meeting of Stockholders of Host Hotels & Resorts, Inc., which will be held at 10:00 a.m. on Wednesday, May 14, 2008, at The Ritz-Carlton, Tysons Corner in McLean, Virginia. Doors will open at 9:30 a.m.

The following pages contain the Notice of the 2008 Annual Meeting and the Proxy Statement. Please review this material for information concerning the business to be conducted at the meeting and the nominees for election as directors. Our directors and management team will be available to answer questions. We hope that you will be able to attend the meeting.

Your vote is important. Whether you plan to attend the meeting or not, I urge you to vote promptly and submit your proxy instructions by telephone, via the Internet, or by completing and returning your proxy card in the enclosed envelope. Voting is quick and easy. If you attend the meeting, you may continue to have your shares voted as instructed in the proxy or you may withdraw your proxy at the meeting and vote your shares in person.

Host s 2007 Annual Report is also enclosed. We encourage you to read our Annual Report and hope you will find it interesting and useful. Thank you for your continued interest in Host Hotels & Resorts, and we look forward to seeing you at the meeting.

Sincerely,

Richard E. Marriott
Chairman of the Board

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6903 Rockledge Drive, Suite 1500

Bethesda, Maryland 20817-1109

NOTICE OF 2008 ANNUAL MEETING OF STOCKHOLDERS

Meeting Date:	Wednesday, May 14, 2008
Meeting Time:	10:00 a.m., Doors open at 9:30 a.m.
Location:	The Ritz-Carlton Hotel, Tysons Corner 1700 Tysons Boulevard, McLean, Virginia

Agenda

Election of 7 directors;

Ratification of the appointment of KPMG LLP as independent auditors of the Company to serve for 2008; and

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

Voting

You may vote if you were a holder of record of our common stock at the close of business on March 27, 2008. Whether or not you plan to attend the annual meeting, please vote in one of the following ways:

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

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

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

BY ORDER OF THE BOARD OF DIRECTORS

ELIZABETH A. ABDOO
Secretary

April 10, 2008

Please refer to the reverse side of this notice for information on accommodations and directions to the hotel.

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HOTEL INFORMATION

A special Stockholder Annual Meeting rate is offered at the hotel for Tuesday, May 13, 2008. A limited number of rooms are available at this special rate of $269, plus taxes and gratuities, single or double occupancy. To receive this special rate, please call 1-800-241-3333 and reference the Host Hotels & Resorts Stockholders block of rooms. All reservations should be received by the hotel no later than May 8, 2008. This discount may not be used in conjunction with any other discount, coupon or group rate.

Directions to the hotel:

From Ronald Reagan Washington National Airport (14 miles): Take Route 233 West and then Route 1 North. Take the left lane and switch over to Route 110 North. Travel two miles and take I-66 West eight miles to Exit 67 (I-495 North/Dulles Airport). Stay in the right lane (To All Local Exits). Take Exit 19A (Tysons Corner). At the fourth light, turn right onto Tysons Boulevard. Continue past the next light. The Ritz-Carlton is on the left at 1700 Tysons Boulevard, 1/4 mile past the first light.

From Dulles International Airport (12 miles): Take the Dulles Toll Road (route 267 East) toward Washington D.C. Take exit #18 (I-495 South, Richmond). Stay in the right lane and take exit #46A (Route 123 South Chain Bridge Road/Tysons Corner). Turn right onto Tysons Boulevard. The Ritz-Carlton is on the left at 1700 Tysons Boulevard.

West on I-66 from Downtown Washington, D.C.: Take I-66 West to Exit 67, I-495 North, Dulles Airport. Stay in the right lane (sign reads To All Local Exits). Take Exit 19-A (Tysons Corner). At the fourth light turn right onto Tysons Boulevard. The hotel is on the left, 1/4 mile at 1700 Tysons Boulevard.

From I-495 North or South: Coming from either North or South on I-495 (Capital Beltway), take exit 46A (Route 123/Chain Bridge Road/Tysons Corner). Turn right at the first light onto Tysons Boulevard. Continue through the next light and go 1/4 mile. The hotel is on the left at 1700 Tysons Boulevard.

From I-95 North (from Richmond): Approaching the Capital Beltway from the South on I-95 North, take I-495 West (Rockville/Tysons Corner). Continue to exit 46A (Route 123/Chain Bridge Road/Tysons Corner). Turn right at the first light onto Tysons Boulevard. Continue through the next light and go 1/4 mile. The hotel is on the left at 1700 Tysons Boulevard.

From I-95 South (from Baltimore): Approaching the Capital Beltway from the North on I-95 South at Exit 27, stay in the right lanes and switch over to I-495 West (Capital Beltway toward Silver Spring). Entering Northern Virginia, take exit 46A (Route 123/Chain Bridge Road/Tysons Corner). Turn right at the first light onto Tysons Boulevard. Continue through the next light and go 1/4 mile. The hotel is on the left at 1700 Tysons Boulevard.

From Washington, DC (via George Washington Parkway): From Constitution Avenue westbound after crossing the Potomac via the Roosevelt Bridge, exit Northwest onto George Washington Parkway. Travel West for approximately 8 miles to I-495 (Capital Beltway) South. Follow I-495 South for approximately three miles to exit 46A (Route 123/Chain Bridge Road/Tysons Corner). Turn right at the first light onto Tysons Boulevard. Continue through the next light and go 1/4 mile. The hotel is on the left at 1700 Tysons Boulevard.

You may also get directions from the hotel website:

(*http://www.ritzcarlton.com/en/Properties/TysonsCorner/Information/Directions/Default.htm*) or call the hotel at **(703) 506-4300.**

PROXY STATEMENT

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Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to be held on Wednesday, May 14, 2008.

The Proxy Statement and Annual Report to Stockholders are available at

http://www.hosthotels.com/investorrelations.asp.

ATTENDANCE AND VOTING MATTERS

Q: What is a proxy?

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

Q: What is a proxy statement?

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

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

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

Q: What are my voting choices when voting for Director Nominees?

With respect to each nominee, stockholders may:

Vote in favor of the nominee;

Vote against the nominee; or

Abstain from voting for the nominee.

Q: What are my voting choices when voting on the ratification of the appointment of KPMG LLP as independent auditors?

Stockholders may:

Vote in favor of the ratification;

Vote against the ratification; or

Abstain from voting on the ratification.

Q: Who is entitled to vote?

Anyone who owned common stock of the Company at the close of business on Thursday, March 27, 2008, the record date, can vote at the annual meeting. We are first sending the enclosed proxy card and this proxy statement on April 10, 2008 to all stockholders entitled to vote at the meeting.

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

Our 2007 Annual Report has been mailed to stockholders with this Proxy Statement. If you share an address with any of our other stockholders, your household might receive only one copy of these documents. To request individual copies for each stockholder in your household, please contact our Investor Relations department at 240-744-1000, by e-mail to ir@hosthotels.com, or by mail to Host Hotels & Resorts, Inc., 6903 Rockledge Drive, Suite 1500, Bethesda, MD 20817, Attn: Investor Relations. To ask that only one set of the documents be mailed to your household, please contact your bank, broker or other nominee or, if you are a stockholder of record, please call our transfer agent, Computershare Trust Company, N.A. (Computershare) toll-free at 1-800-519-3111 or by mail at P.O. Box 43078, Providence, Rhode Island 02940.

Q. How do I vote?

Voting in Person at the Meeting. If you are a stockholder of record as of March 27, 2008 and attend the annual meeting, you may vote in person at the meeting. If your shares are held by a broker, bank or other nominee (i.e., in street name) and you wish to vote in person at the meeting, you will need to obtain a proxy form from the broker, bank or other nominee that holds your shares of record.

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

Vote by Telephone. If you hold your shares in your own name as a holder of record, you may vote by telephone by calling the toll-free number listed on the accompanying proxy card. Telephone voting is available 24 hours per day until 11:59 p.m., Eastern Time, on Tuesday, May 13, 2008. When you call, have your proxy card in hand and you will receive a series of voice instructions which will allow you to vote your shares of common stock. IF YOU VOTE BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.

Vote by Internet. You also have the option to vote via the Internet. The Website for Internet voting is printed on your proxy card. Internet voting is available 24 hours per day until 11:59 p.m., Eastern Time, on Tuesday, May 13, 2008. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. IF YOU VOTE VIA THE INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.

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

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

Q. Who is acting as my proxy?

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

(1) FOR each of the nominees for director;

(2) FOR the ratification of the appointment of KPMG LLP as independent auditors of the Company for 2008; and

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

Q. May I revoke my proxy?

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

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

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

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

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

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

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

At the close of business on March 27, 2008, there were 521,382,695 shares of our common stock issued and outstanding. Every stockholder is entitled to one vote for each share of common stock held.

Q. What vote is required to approve each proposal?

In the election of directors, each nominee must receive more For votes than Against in order to be elected as a director. The proposal to ratify the appointment of KPMG LLP as the Company s independent auditors for 2008 will require approval by a majority of votes cast at the annual meeting.

Q. What constitutes a quorum ?

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

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

Shares of our common stock represented by proxies that are marked abstain, or which constitute broker non-votes, will be counted as present at the meeting for the purpose of determining a quorum. Broker non-votes occur when a nominee holding shares of our common stock for a beneficial owner returns a properly executed proxy but has not received voting instructions from the beneficial owner and such nominee does not possess or does not choose to exercise discretionary authority with respect to such shares. Abstentions and broker non-votes will have no effect on the results of the vote on the election of directors or the proposal to ratify the appointment of KPMG LLP.

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

Although we do not know of any other business to be considered at the annual meeting other than the proposals described in this proxy statement, if any other business is properly presented at the annual meeting, your signed proxy card gives authority to Larry K. Harvey and Elizabeth A. Abdoo, or either of them, to vote on such matters in their discretion. Unless otherwise required by our Charter or Bylaws or by applicable Maryland law, any other matter properly presented for a vote at the meeting will require the affirmative vote of a majority of the votes cast.

Q. Who will count the votes?

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

Q. Who pays the cost of this proxy solicitation?

We bear all expenses incurred in connection with the solicitation of proxies. We have hired the firm of MacKenzie Partners, Inc. to assist in the solicitation of proxies for a fee of $6,500, plus expenses. We will reimburse brokers, fiduciaries and custodians for their reasonable expenses related to forwarding our proxy materials to those beneficial owners.

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

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

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PROPOSAL ONE: ELECTION OF DIRECTORS

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

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

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

NOMINEES FOR DIRECTOR

Robert M. Baylis, 69 — Director since 1996

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

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Terence C. Golden, 63 Director since 1995

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

Ann McLaughlin Korologos, 66 Director since 1993

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

Richard E. Marriott, 69 Director since 1979

Chairman of the Board

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

Judith A. McHale, 61 | Director since 2002

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

John B. Morse, Jr., 61 | Director since 2003

Mr. Morse has served since November 1989 as Vice President, Finance and Chief Financial Officer of The Washington Post Company. He also serves as President of Washington Post Telecommunications, Inc. and Washington Post Productions, Inc., both subsidiaries of The Washington Post Company. Prior to joining The Washington Post Company, Mr. Morse was a partner at PricewaterhouseCoopers. He also serves as Trustee of the College Foundation of the University of Virginia.

W. Edward Walter, 52 | Director since 2007

President and Chief Executive Officer

Mr. Walter is our President and Chief Executive Officer. He joined our company in 1996 as Senior Vice President for Acquisitions, and was elected Treasurer in 1998, Executive Vice President in 2000, Chief Operating Officer in 2001, Chief Financial Officer in 2003 and President and Chief Executive Officer in October 2007. Prior to joining our company, Mr. Walter was a partner with Trammell Crow Residential Company and the President of Bailey Capital Corporation. He is on the Board of Directors of Friendship Public Charter School, District of Columbia, and is the Immediate Past Chairman of National Kidney Foundation of the National Capital Area, Inc., where he has served on the Board of Directors since July 2003.

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PROPOSAL TWO:

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has unanimously approved and voted to recommend that the stockholders ratify the appointment of KPMG LLP as independent auditors of the Company for 2008. Representatives of KPMG LLP will be present at the annual meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to questions.

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

The Board of Directors unanimously recommends a vote FOR ratification of the appointment of KPMG LLP as independent auditors of the Company for 2008.

THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Corporate Governance

The Board of Directors continually reviews the Company s corporate governance practices. In recent years, the Board has implemented numerous corporate governance enhancements to further strengthen the Board s capacity to oversee the Company and to serve the long-term interests of all stockholders. In 2004 the Board recommended, and the stockholders approved, an amendment to the Company s charter declassifying the Board of Directors. Effective with the 2005 annual meeting, all directors have been elected on an annual basis. In 2006 the Board of Directors approved an amendment to the Company s Bylaws to change the voting standard for the election of directors from a plurality to a majority of all of the votes cast in uncontested elections. Effective with the 2007 annual meeting, all directors have been elected under this standard. The Company s Corporate Governance Guidelines, codes of conduct and other documents setting forth the Company s corporate governance practices can be accessed in the Investor Relations Corporate Governance section of the Company s website at *http://www.hosthotels.com*. Copies of these documents are also available in print to stockholders upon request.

Under our Corporate Governance Guidelines, non-management directors meet in executive session without management and did so in 2007. The purpose of the sessions is to promote open discussions among the non-management directors. The Chair of the Nominating and Corporate Governance Committee is responsible for convening and presiding over regular executive sessions of the non-management directors. The Company invites stockholders and other interested parties to communicate any concerns they may have about the Company directly and confidentially with any of: the full Board of Directors, the presiding director or the non-management directors as a group, by writing to the Board of Directors, the Presiding

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Director or the Non-Management Directors at Host Hotels & Resorts, Inc., 6903 Rockledge Drive, Bethesda, MD 20817, Attn: Secretary. The Secretary will review and forward all stockholder communications to the intended recipient except those unrelated to the duties and responsibilities of the Board, such as junk mail and mass mailings, resumes and other forms of job inquiries, surveys, new business suggestions, business solicitations or advertisements. In addition, material that is hostile, threatening, illegal or similarly unsuitable or outside the scope of Board matters or duplicative of other communications previously forwarded to the recipient will also be excluded. The Secretary shall retain for three years copies of all stockholder communications that are forwarded.

Code of Business Conduct and Ethics

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

Board Meetings

The Board met eight times in 2007. Each director attended at least 75% of the meetings of the Board and of the committees on which the director served. The Company expects directors to attend the annual meeting of stockholders. All directors attended the annual meeting in 2007.

Independence of Directors

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

- the director was employed by the Company (except on an interim basis);
- an immediate family member of the director was an officer of the Company;
- the director or an immediate family member was affiliated with or employed by the Company s internal or external auditors;
- the director or an immediate family member was employed by a company when a present officer of the Company sat on that company s compensation committee;

the director or an immediate family member received, during any 12-month period, more than $100,000 in compensation from the Company, other than director or committee fees or deferred compensation;

the director is an employee or an executive officer, or an immediate family member is an executive officer, of a company that makes payments to or receives payments from the Company which exceeds the greater of $1 million or 2% of that company s consolidated gross revenue over one fiscal year; or

the director or the director s spouse is affiliated with a tax exempt organization to which the Company has made contributions in an amount that, in any single year, exceeds the greater of $1 million or 2% of the tax exempt organization s consolidated gross revenues.

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

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

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

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

Committees of the Board

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

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Committee	2007 Members	Functions	2007 Meetings
Audit (1)	John B. Morse, Jr. (Chair) Terence C. Golden Judith A. McHale (2)	Responsible for appointing the independent auditors; Approves the scope of audits and other services to be performed by the independent and internal auditors; Reviews and approves in advance all non-audit services and related fees and assesses whether the performance of non-audit services could impair the independence of the independent auditors; Reviews the results of internal and external audits, the accounting principles applied in financial reporting, and financial and operational controls; Meets with the independent auditors, management representatives and internal auditors; Reviews interim financial statements each quarter before the Company files its Quarterly Report on Form 10-Q with the SEC; and Reviews audited financial statements each year before the Company files its Annual Report on Form 10-K with the SEC.	7

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

(2) Ms. McHale was appointed to the Committee in May 2007.

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Committee	2007 Members	Functions	2007 Meetings
Nominating and Corporate Governance	Robert M. Baylis (1) (Chair) Ann McLaughlin Korologos John B. Morse, Jr.	Identifies and considers candidates to be recommended to the Board for nomination as directors; Makes recommendations to the Board on corporate governance matters and is responsible for keeping abreast of corporate governance developments; Oversees the annual evaluation of the Board, its committees and management; Reviews periodically the compensation and benefits of non-employee directors and makes recommendations to the Compensation Policy Committee of any modifications; and Fulfills an advisory function with respect to a range of matters affecting the Board and its committees, including making recommendations with respect to: selection of committee chairs and committee assignments; and implementation, compliance and enhancements to codes of conduct and the Company s Corporate Governance Guidelines.	4

(1) Mr. Baylis was appointed to the Committee in May 2007.

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Committee	2007 Members	Functions	2007 Meetings
Compensation Policy	Ann McLaughlin Korologos (Chair) Robert M. Baylis Judith M. McHale	Oversees compensation policies and plans for Company employees; Reflects the Company s compensation philosophy in structuring compensation programs; Approves the goals and objectives for compensation of senior officers of the Company; Advises our Board on the adoption of policies that govern the Company s annual compensation and stock ownership plans; Reviews and approves the Company s goals and objectives relevant to the compensation of the CEO and evaluates the CEO s performance in light of those goals and objectives; Reviews and advises the Company on the process used for gathering information on the compensation paid by other similar businesses; Reviews the Company s succession plans relating to the CEO and other senior management; and Reviews periodic reports from management on matters relating to the Company s personnel appointments and practices.	5

In 2005, the Compensation Policy Committee retained a compensation consultant, Towers Perrin, which assisted the Committee in the design, structure and implementation of the executive compensation program for 2006-2008. In addition, Towers Perrin advises on compensation issues at the request of the Committee. The Compensation Policy Committee may delegate any or all of its responsibilities to a subcommittee, but did not do so in 2007. The Compensation Policy Committee s Report on Executive Compensation appears later in this proxy statement.

Compensation Policy Committee Interlocks and Insider Participation

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

Board Nominations

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

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

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This section explains our executive compensation program for the following named executive officers :

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

The Company has three objectives for executive compensation:

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

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

Current Executive Compensation Program

This section describes the key elements of the 2006-2008 Plan. For a discussion of the Committee s actions and decisions on compensation in 2007, please see 2007 Compensation Actions.

Key Elements

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

and the individual performance of senior executives. We believe that this emphasis on incentive-based compensation is appropriate because senior executives are the persons most able to affect Company performance.

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

Annual Incentive Awards are available to all employees and provide cash awards based on the financial performance of the Company and the personal performance of each employee. The annual incentive awards represent between 14%-24% of the named executive officers total target compensation under the 2006-2008 Plan. The awards are intended to reward the achievement of the Company s financial objectives through the implementation of its annual business plan and the individual performance of executives in fulfilling each of his or her annual objectives. As described below, approximately 80% of the targeted annual award for the named executive officers depends on Company financial performance.

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

Personal performance is determined after the end of the fiscal year based on the actual performance of individuals against their pre-established personal objectives. These objectives are prepared by employees and reviewed by their managers. The Committee reviews and approves the individual performance measures for the most senior officers, which are typically tied to achievement of business plan objectives in their areas of responsibility.

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

salary, because the award is paid as a percentage of salary;

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whether the level of performance achieved by the Company on the Adjusted FFO measure is at, or between, threshold , target or high with no payment for performance below threshold;

whether personal performance is at, or between, threshold , target or high, with no payment for performance below threshold; and

the relative weighting between financial and personal performance measures. As employees attain more responsibility and a greater role, more of the annual award is weighted toward financial performance in recognition of an individual s growing ability to affect the financial performance of the Company. For example, the named executive officers are weighted (i) 80% on financial performance, and (ii) 20% on personal objectives. For senior vice presidents, the criteria are weighted (i) 50% on financial performance, and (ii) 50% on such employee s personal objectives.

As chief executive officer, Mr. Walter s threshold annual award is 50% of base salary, target is 100% of base salary and high is 200% of base salary. For the executive vice presidents, the threshold annual award is 37.5% of base salary, target is 75% of base salary and high is 150% of base salary. For senior vice presidents, the threshold annual award is 27.5% of base salary, target is 55% of base salary and high is 110% of base salary. To understand the breakdown between financial performance and personal performance, the chart below shows how the annual incentive award at the target level may be attributable to each measure for the CEO, any executive vice president and any senior vice president.

Level	Target Bonus (as a % of Annual Salary) %	Company Financial Performance %	Personal Performance %
CEO	100	80	20
EVP	75	60	15
SVP	55	27.5	27.5

Long-Term Incentive Compensation consists entirely of ***restricted stock*** because we believe that restricted stock creates an incentive for senior executives and other managers to operate the Company in a manner that creates significant long-term value for stockholders. We have not awarded stock options to any executives and stopped awarding stock options to other employees in 2002. Long term incentives comprise the largest component of senior management s total target compensation representing between 44%-67% of the named executive officers total target compensation under the 2006-2008 Plan.

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

Awards are made at the start of the three-year period (that is, in early 2006 for the 2006-2008 Plan) with one-third eligible to vest in each year, although the Committee has the discretion to modify awards to reflect additional responsibilities, promotions or superior performance. For a discussion of the Committee s actions, please see 2007 Compensation Actions ;

Cash dividends are accrued and paid only on shares that vest and are released;

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

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

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

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

Absolute TSR

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

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

Relative TSR

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

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

Other Benefits and Policies

While the key elements of executive compensation are base salary, annual incentive awards and long term incentives, the named executive officers are also eligible to participate

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in the Company s health and welfare programs, our tax-qualified Retirement and Savings Plan (401(k)), and other programs on the same basis as all other employees. This section describes additional benefits and policies that apply only to the named executive officers and other senior executives, which are (1) perquisites and other personal benefits, (2) the executive deferred compensation plan, (3) the severance plan, which also addresses a change in control, and (4) the stock ownership policy.

Perquisites and Other Personal Benefits for executive officers are (1) dining, complimentary rooms and other hotel services when on personal travel at hotels that we own or that are managed by our major operators and (2) tax preparation services. We also reimburse executives for taxes associated with these benefits. We are in the lodging industry and feel it is appropriate to encourage our executives to continually enhance their understanding of our properties and the operations of our key managers. In addition, we believe that offering the tax preparation services represents a minimal cost while ensuring that executives are in compliance with all tax filings.

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

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

Severance and Change in Control are addressed in a severance plan that was adopted and has been in effect since 2003. The named executive officers as well as other senior executives are covered by the plan. The Committee determined in 2003 that the level of benefits were consistent with levels in the market at the time. The Committee reviews the severance plan annually and believes it should be maintained in its current form. The Committee also reviews the level of severance pay and benefits an executive would receive at the time it determines compensation or considers adjustments, particularly long-term incentive awards which would accelerate and vest upon a change in control coupled with a triggering event. However, the severance plan did not have an impact on the Committee s determination of compensation levels under the 2006-2008 Plan or its 2007 compensation actions.

Severance pay and benefits vary depending on the participant s title and the circumstances of his or her termination of employment. All severance is contingent on the execution of a release in favor of the Company and a one year non-compete and non-solicitation agreement. The key elements of severance are as follows:

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

- an executive terminated without cause , an executive who voluntarily leaves because of a material adverse change in title, position or level of responsibility without cause or without such executive s written consent, or an executive who voluntarily leaves because of the failure of the Company to pay such executive any compensation or benefits to which he or she is entitled, receives a payment equal to a multiple of base salary and average bonus over the prior three year period. For example:

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

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

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

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

Change in Control is also addressed in the severance plan. The Committee and the Board believe that providing properly designed change in control benefits align the Company s interests with its stockholders by eliminating distractions that arise with the uncertainty of these transactions and avoiding the loss of key members of management. Significantly, the plan requires a double trigger for payment, that is, there must be both a change in control and one of the following events:

- A reduction in the executive s base pay;

The Company s failure to provide the executive with compensation and benefits in the aggregate at least equal to that in effect prior to the change in control;

A termination of the executive without cause ;

A material adverse change in title, position or level of responsibility of the executive without cause or without such executive s written consent; or

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A relocating of the executive s work location outside a 50 mile radius from that prior to the change in control. Under these circumstances, Mr. Walter would be entitled to three times his current base salary plus three times his average bonus determined over the prior three year period. All other members of senior management covered by the plan would be entitled to two times their current base salary plus two times their average annual incentive bonus over the prior three year period. In addition, all long-term incentive stock compensation would vest, and we would pay for benefits under our standard health and welfare benefit plans for 18 months or until the person is re-employed, whichever time period is shorter. Finally, the person would be entitled to receive any benefits that he or she would otherwise be entitled to receive upon termination under our Retirement and Savings Plan and Executive Deferred Compensation Plan, although those benefits are not increased or accelerated in any way. These provisions would remain in effect for a period of one year following a change in control.

We do not provide any consideration for excise taxes that a member of senior management might incur related to a change in control. The costs of any excise tax would be borne by such employee.

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

CEO five times annual salary rate;

Executive Vice Presidents three times annual salary rate; and

Senior Vice Presidents two times annual salary rate.

Only certain types of equity are used in determining whether the guidelines are met, including stock owned directly by an employee or as a result of vesting in restricted stock. There are no 10b5-1 selling plans in effect. The Committee reviews stock ownership levels, and reviews requests by members of senior management to sell stock in compliance with the guidelines. Each of the named executive officers owns stock in compliance with the guidelines.

Additional Information

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

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

We adopted the fair value provisions of SFAS 123 Share-Based Payment in 2002, which was revised effective January 1, 2006 (SFAS 123R). As required under this statement, we recognize costs resulting from our share-based payment transactions in our financial statements over their vesting periods. We classify share-based payment awards granted in exchange for employee services as either equity classified awards or liability classified awards. The classification of our restricted stock awards as either an equity award or a liability award is primarily based upon cash settlement options. Equity classified awards are measured based on the fair value on the date of grant. Liability classified awards are remeasured to fair value each reporting period. The value of all restricted stock awards, less estimated forfeitures, is recognized over the period during which an employee is required to provide service in exchange for the award the requisite service period (usually the vesting period). No compensation cost is recognized for awards for which employees do not render the requisite service. All restricted stock awards to senior executives have been classified as liability awards, primarily due to settlement features that allow the recipient to have a percentage of the restricted stock awards withheld to meet tax requirements in excess of the statutory minimum withholding.

2007 Compensation Actions

This section discusses the Committee s compensation actions in 2007, which included addressing the departure of our former chief executive officer, Mr. Nassetta, determining the compensation of Mr. Walter as President and Chief Executive Officer and Mr. Harvey as Executive Vice President, Chief Financial Officer and Treasurer, and determining the results for 2007 under the 2006-2008 Plan.

Departure of Mr. Nassetta. In October 2007, Mr. Nassetta announced his intention to resign and accept a position as chief executive officer at Hilton Hotels Corporation. Mr. Nassetta received his base salary through his departure date, amounts owed to him under benefit plans in which all employees participate, amounts he had contributed to the Retirement and Savings Plan, together with any Company contributions, and salary he had previously deferred under the Executive Deferred Compensation Plan, together with any Company contributions. Mr. Nassetta did not receive an annual incentive award or any long-term incentive compensation under the 2006-2008 Plan. He did receive 62,500 shares of stock that vested and were released in February 2007 under the 2005 Shareholder Value Award, which was an award of restricted stock made to senior executives under the 2003-2005 compensation program in recognition of the significant stockholder return over stated performance objectives achieved by the Company for the period 2003-2005. The awards vest 25% each February over four years (2006-2009) based on continued employment. In all, Mr. Nassetta forfeited 744,359 shares of unvested restricted stock. Mr. Nassetta did not receive severance because this was a voluntary departure for which there is no severance paid under the severance plan.

Compensation of New Executives. The Board of Directors elected Mr. Walter as President and Chief Executive Officer on October 29, 2007, and Mr. Harvey Executive Vice President, Chief Financial Officer and Treasurer on November 1, 2007. In light of these promotions, the Committee requested that Towers Perrin gather updated market data for officer positions. Consistent with the Committee s approach in 2005, Towers Perrin aggregated compensation data from two peer groups. These were (1) 18 size-based real estate companies with a median total capitalization of $18 billion, and (2) Towers Perrin s general industry database of companies regressed to $5.5 billion of revenues (in excess of 800 companies). The two peer groups originally used in 2005 were adjusted to reflect the increase in capitalization and revenues in the Company since 2005. The size-based real estate group was chosen because it reflected current proxy data from the real estate industry, companies of comparable size, and in many instances, with a global portfolio. The general industry group was chosen because it presented information from a broader market than the real estate industry and is consistent with the Company s inclusion in the S&P 500 index in 2007. The size-based real estate group from which the data was aggregated included:

Simon Property Group, Inc.

General Growth Properties, Inc.

Vornado Realty Trust

Equity Residential

ProLogis

Brookfield Properties Corporation

Public Storage

Marriott International, Inc.

Boston Properties, Inc.

Starwood Hotels & Resorts Worldwide, Inc.

Kimco Realty Corporation

HCP Inc.

Apartment Investment and Management Company

Macerich Company

Avalon Bay Communities

Forest City Enterprise Inc.

Developers Diversified Realty Corporation

Duke Realty Corporation

The Committee reviewed aggregated compensation data in the 25^{th}, 50^{th}, and 75^{th} percentiles for each peer group. The Committee did not adhere to targeting overall compensation to a certain percentile, or a range of percentiles, in each peer group, which it has done previously. This is because each peer group presents key differences from the Company. The size-based real estate group does not reflect factors specific to the hospitality sector and data for positions, particularly the chief executive officer position, often reflect individual circumstances, such as a founder. The general industry group does not provide direct comparables for most REIT positions. Data from both groups do not reflect the experience of a person in a particular position. The Committee, instead, used the collective data, in consultation with Towers Perrin, to inform itself of the current levels of compensation in the

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market, and considered other factors, such as the credentials, length of service, experience and prior performance of each individual as well as internal equity considerations among the senior management team. Based on the foregoing, the Committee set Mr. Walter s base salary at $750,000 retroactive to his promotion, and authorized an increase, effective January 1, 2008, in restricted stock under his existing grant in the 2006-2008 Plan. The target value of the additional award was $875,000. With respect to Mr. Harvey, in addition to the considerations described above, the Committee sought input from Mr. Walter, the Senior Vice President of Human Resources, and Towers Perrin. The Committee increased Mr. Harvey s base salary to $350,000 retroactive to his promotion on November 1, 2007. In addition, the Committee authorized an increase effective January 1, 2008, in restricted stock to Mr. Harvey under his existing grant in the 2006-2008 Plan. The target value of the additional grant was $279,250.

Results for 2007 under the 2006-2008 Plan

Annual Incentive Award Program. As previously described, the annual incentive award for the named executive officers is based 80% on the financial performance of the Company as measured by Adjusted FFO and 20% on personal performance. Mr. Harvey, however, served as a senior vice president until his promotion in November and his annual award was measured 50% on the financial performance of the Company and 50% on his personal performance for most of the year.

The Adjusted FFO measure is derived from the Company s business plan and budget for 2007. The process for review and approval of the business plan began with Board discussions and meetings on the strategic plan for the Company. The business plan and budget were then reviewed and approved by the Board of Directors in February 2007. The target Adjusted FFO measure was the Company s approved budget objective for 2007. The threshold Adjusted FFO was set at 10% below target and high was set at 10% above target. In February 2007, the Committee approved the Adjusted FFO target measure of $1.84 per share and set a threshold level of $1.66 per share and a high level of $2.02 per share. At the Committee s meeting in February 2008, it reviewed the Company s performance for Adjusted FFO. This review was conducted in connection with the year-end review by the Board and the Audit Committee of management s implementation of the Company s 2007 business plan. The Company s Adjusted FFO results for 2007 were:

	Threshold	Target	High	2007 Results
Adjusted FFO (per share)	$1.66	$1.84	$2.02	**$1.99**
				Between Target and High

The 2007 results were between target and high.

The Committee also reviewed the results on personal performance measures for the named executive officers. Each executive and member of senior management had shared objectives tied to implementing Company values and driving organizational culture. Other objectives varied with each person s position, but were designed to be attainable since the objectives were part of each person s yearly departmental plan. Mr. Walter s objectives were tied to his former position as Chief Financial Officer, and related to implementing the Company s finance plan and supporting overseas expansion. Mr. Risoleo s annual incentive award was primarily based upon the achievement of two goals, implementing the acquisition and disposition strategy and leading the Company s efforts in international markets. Mr. Abji s main objectives related to improving the performance of our portfolio and maximizing the Company s benchmarking efforts. Ms. Abdoo s objectives were tied to enhancing legal support for the European joint venture and continuing her work on corporate governance and compliance matters. Mr. Harvey s personal objectives were tied to his former position as Chief Accounting Officer. His performance was reviewed by Mr. Walter. The results on personal performance for all named executive officers were between target and high.

For 2007, the total annual incentive awards for the named executive officers were:

Name	Financial Measure (Adjusted FFO) $	Personal Measure $	Total 2007 Annual Incentive Award $
Mr. Walter	641,910	113,795	755,704
Mr. Risoleo	495,000	81,900	576,900
Mr. Abji	429,000	67,275	496,275
Ms. Abdoo	385,000	69,580	454,580
Mr. Harvey	184,867	100,601	285,468

Long-Term Incentive Compensation. As previously described, one-third of the upfront grant of restricted stock under the 2006-2008 Plan was eligible to vest in 2007. Approximately 86% depended on the satisfaction of two measures, Absolute TSR and Relative TSR, with the remainder of shares vesting based on continued employment. The Committee assessed our performance on the Absolute TSR measure and Relative TSR measure at its February 2008 meeting. The starting price for the Absolute TSR was $24.37, based on the average of the high and low price of our common stock for the 60 day period ending December 31, 2006. The chart below shows the Absolute TSR measures at threshold, target and high, and the 2007 results:

Starting Price $24.37 Absolute TSR Measures	Threshold	Target	High	2007 Results
	7% return = $26.08	10% return = 26.81	15% return = $28.03	$19.61 Below Threshold

The ending price in 2007 was $19.61, which represented the average of the high and low price of our common stock for the 60-day period ending December 31, 2007 of $18.61 plus $1.00 of dividends paid in 2007. The price of $19.61 represented performance below threshold. As a result, no shares were released under the 2006-2008 Plan based on Absolute TSR.

The Committee also reviewed the results on the Relative TSR measure, which was prepared by its consultant, Towers Perrin. As previously explained, Relative TSR represents a

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cumulative return for one year (from year-end 2006 to year end 2007) reflecting price appreciation and dividend payments and is measured against the NAREIT Equity Index, with threshold equal to the 40th percentile, target equal to the 60th percentile and high equal to the 80th percentile. The Company ranked 81st out of 115 companies in the NAREIT Equity Index for a percentile rank of 29.792%. The Relative TSR measure represented performance below threshold. As a result, no shares were released under the 2006-2008 Plan based on Relative TSR.

The named executive officers did receive those shares of restricted stock which were time-based for 2007. The chart below shows all of shares that were eligible for release in 2007 under the 2006-2008 Plan and shows the actual amount released to the named executive officers.

Name	Eligible 2007 Absolute TSR Shares	Eligible 2007 Relative TSR Shares	Eligible 2007 Time-Based Shares	Total 2007 Shares Eligible for Release	Total Shares Released in 2007
Mr. Walter	**76,552**	76,552	**25,517**	178,621	**25,517**
Mr. Risoleo	**55,054**	55,054	**18,352**	128,460	**18,352**
Mr. Abji	**25,902**	25,902	**8,634**	60,438	**8,634**
Ms. Abdoo	**20,449**	20,449	**6,816**	47,714	**6,816**
Mr. Harvey	**10,833**	10,833	**3,611**	25,277	**3,611**

In addition to the 2006-2008 Plan, the named executive officers also received 25% of the restricted stock under the 2005 Shareholder Value Award, which were vested and released on February 9, 2007. The shares released were as follows: Mr. Walter, 25,000 shares; Mr. Risoleo, 18,750 shares; Mr. Abji, 12,500 shares; Ms. Abdoo, 12,500 shares; and Mr. Harvey, 9,375 shares.

The named executive officers had a considerable reduction in overall compensation in 2007 compared to 2006 because the majority of the long-term incentive compensation did not vest, which the Committee attributes to the general market decline rather than Company performance. The Committee recognized, however, that the design of the 2006-2008 Plan did reward the named executive officers for their strong individual contributions and the implementation of the Company s business plan which drove financial performance even in a difficult economic year. In addition, the Committee was proud of the annual comprehensive succession planning between management and the board which created sufficient bench strength to address organizational needs during the recent leadership transition.

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EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Summary Compensation Table for Fiscal Year End 2007

Name	Year	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation (3)	All Other Compensation (4)	Total
Richard E. Marriott (5)	2007	$ 350,000	0	$ 437,500	$ 48,510	$ 836,010
Chairman of the Board	2006	350,000	0	458,500	34,570	843,070
W. Edward Walter	2007	541,781	667,848	755,704	133,390	2,098,723
President and Chief Executive Officer since October 29, 2007	2006	500,000	5,700,324	700,000	146,468	7,046,792
James F. Risoleo	2007	450,000	496,728	576,900	125,426	1,649,054
Executive Vice President, Chief Investment Officer	2006	450,000	4,131,806	625,500	101,510	5,308,816
Minaz B. Abji	2007	390,000	312,060	496,275	83,369	1,281,704
Executive Vice President, Asset Management	2006	390,000	2,097,890	541,125	62,428	3,091,443
Elizabeth A. Abdoo	2007	350,000	302,418	454,580	50,086	1,157,084
Executive Vice President, General Counsel & Secretary	2006	350,000	1,766,405	484,750	30,970	2,632,125
Larry K. Harvey	2007	297,534	218,859	285,468	35,291	837,152
Executive Vice President, Chief Financial Officer and Treasurer since November 1, 2007	2006	283,397	1,051,022	278,901	28,436	1,641,756
Christopher J. Nassetta	2007	777,808	0	0	133,246	911,054
	2006	850,000	10,521,383	1,569,610	178,637	13,119,630
Former Chief Executive Officer						

(1) Salary is established at an annual rate, determined on the basis of a 52-week year, and is paid bi-weekly. The amount listed in the salary column includes amounts deferred at the election of the named executive officer under our Executive Deferred Compensation Plan in any such year. Mr. Walter s salary was increased from $500,000 to $750,000 effective with his promotion to President and Chief Executive Officer on October 29, 2007. Mr. Harvey s salary was increased from $295,000 to $350,000 effective with his promotion to Executive Vice President, Chief Financial Officer and Treasurer on November 1, 2007.

(2) These amounts reflect the restricted stock expense recorded by the Company in its financial statements for each named executive officer. Our 2006-2008 executive restricted stock awards are considered liability awards and, therefore, we re-evaluate the fair value of the awards on a quarterly basis. Accordingly, for those shares granted under the 2006-2008 Plan, the stock award compensation represents the fair value of the restricted stock awards that vested during 2007 as of December 31, 2007. Additionally, in accordance with SFAS 123R, we have included compensation for a portion of the fair value of the stock awards granted but not vested for all periods in the 2006-2008 Plan in the above amount. We have also included compensation for the fair value of shares granted under the 2005 Shareholder Value Award,

which was an award of restricted stock made to senior executives, Mr. Walter, Mr. Risoleo, Mr. Abji, Ms. Abdoo,

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Mr. Nassetta and Mr. Harvey, under the 2003-2005 compensation program in recognition of the significant stockholder return over stated performance objectives achieved by the Company for the period 2003-2005. The awards are time vested over four years (2006-2009) based on continued employment. The compensation includes the fair value of shares vested in 2007 under the 2005 Shareholder Value Award, as well as a portion of the shares which vested in February 2008. For 2007, the per share fair value of the 2006-2008 Plan awards that vested was $17.04, which represents our closing stock price at December 31, 2007. For the 2005 Shareholder Value Award that vested in 2007, the per share fair value of the stock was equal to our share price on the date of issuance, or $20.00.

For the shares that vest solely on continued employment, we recognize compensation expense over the requisite period based on the market price at the balance sheet date. For shares that vest based on market performance, we recognize compensation expense over the requisite service period based on the fair value of the shares at the balance sheet date, which is estimated using a simulation or Monte Carlo method. For the purpose of the simulation, we assumed a volatility of 24.8%, which is calculated based on the volatility of our stock price over the last three years, a risk-free interest rate of 3.07%, which reflects the yield on a 3-year Treasury bond, and a stock beta of 0.987 compared to the REIT composite index based on three years of historical price data. The number of shares issued is adjusted for forfeitures.

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

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

- Matching contributions of $6,750 made under the Retirement and Savings Plan to each of Mr. Marriott, Mr. Walter, Mr. Risoleo, Mr. Abji, Ms. Abdoo, Mr. Harvey, and Mr. Nassetta.

- A Company discretionary contribution of $6,750 made under the Retirement and Savings Plan, which is paid in 2008, to each of Mr. Marriott, Mr. Walter, Mr. Risoleo, Mr. Abji, Ms. Abdoo, and Mr. Harvey.

- Matching contributions made under the Executive Deferred Compensation Plan as follows: Mr. Marriott, $17,505; Mr. Walter, $30,404; Mr. Risoleo, $25,515; Mr. Abji, $21,184, Ms. Abdoo, $18,293, Mr. Harvey, $ 10,494 and Mr. Nassetta, $67,309.

- A Company discretionary contribution made under the Executive Deferred Compensation Plan, which is paid in 2008, as follows: Mr. Marriott, $17,505; Mr. Walter, $30,404; Mr. Risoleo, $25,515; Mr. Abji, $21,184; Ms. Abdoo, $18,293; and Mr. Harvey, $10,494.

- Premiums associated with life insurance policies for Messrs. Nassetta, Walter, and Risoleo. In connection with the long-term stock awards granted under the executive compensation program, Messrs. Nassetta, Walter and Risoleo each agreed to purchase life insurance polices and to accept proceeds under these policies which would offset long-term incentive stock compensation that would vest and would be payable in the event of the executive s death. The Company annually reimburses each executive for the cost of each policy and the taxes payable as a result of this reimbursement. In 2007, the total amounts reimbursed, excluding taxes, were: Mr. Nassetta, $7,525; Mr. Walter, $12,161; and Mr. Risoleo, $7,395.

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Total cost of perquisites that executive officers are eligible to receive. In 2007, these perquisites consisted of tax preparation services, dining, complimentary rooms and other hotel services when on personal travel at hotels owned by us or managed by our major operators. The cost of each of these benefits is as follows:

	Mr. Marriott	Mr. Walter	Mr. Risoleo	Mr. Abji	Mr. Nassetta	Ms. Abdoo	Mr. Harvey
Tax preparation	$ 0	$ 2,000	$ 0	$ 600	$ 2,651	$ 0	$ 0
Dining, rooms & hotel services	0	19,988	27,803	14,264	24,034	0	464

Tax reimbursements to each of the named executive officers associated with the perquisites, and with respect to Messrs, Nassetta, Walter and Risoleo, tax reimbursements associated with the cost of the life insurance policies: Mr. Walter, $24,933; Mr. Risoleo, $25,698; Mr. Abji, $12,637; Mr. Harvey, $339; and Mr. Nassetta, $24,977.

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

Grants of Plan-Based Awards in Fiscal Year End 2007

There were no plan-based awards granted in 2007 to the named executive officers.

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Outstanding Equity Awards at Fiscal Year End 2007

The following table summarizes all the equity awards made to the named executive officers that are outstanding as of December 31, 2007.

	Stock Awards			
Name	# of Shares or Units of Stock that Have not Vested (1)	Market Value of Shares or Units of Stock that Have not Vested (2)	Equity Incentive Plan Awards: # of Unearned Shares, Units or Other Rights that Have not Vested (3)	Equity Incentive Awards: Market or Payout Value ($) of Unearned Shares, Units or Other Rights that Have not Vested (2)
W. Edward Walter	75,517	$ 1,286,810	38,276	$ 652,223
James F. Risoleo	55,852	951,718	27,528	496,605
Minaz B. Abji	33,633	573,106	12,951	246,587
Elizabeth A. Abdoo	31,816	542,145	10,225	204,909
Larry K. Harvey	22,361	381,031	5,417	113,974
Christopher J. Nassetta	0	0	0	0

(1) Reflects the portion of the 2005 Shareholder Value Award that would vest based on continued employment with the Company in 2008 through 2009, and the remaining portion of the 2006-2008 Plan which would vest based on continued employment with the Company in 2008. Mr. Nassetta s unvested shares under the 2005 Shareholder Value Award and 2006-2008 Plan were forfeited upon his departure.

The total award granted to each officer under the 2005 Shareholder Value Award is as follows: Mr. Walter, 100,000 shares; Mr. Risoleo, 75,000 shares; Mr. Abji, 50,000 shares; Ms. Abdoo, 50,000 shares and Mr. Harvey 37,500 shares. Shares would vest in the event of an executive s death or disability or upon a change in control of the Company. Cash dividends are accrued and paid on shares that vest. The chart below shows the vesting of each of 2005 Shareholder Value Award and the time-based awards remaining under the 2006-2008 Plan.

		Shares Vesting				
Award	Vest Date	Mr. Walter	Mr. Risoleo	Mr. Abji	Ms. Abdoo	Mr. Harvey