

HOST HOTELS & RESORTS, INC.

Form DEF 14A

April 21, 2006

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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 ☒

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)).

☒ 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):

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

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(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 21, 2006

**Dear Stockholder:**

It is my pleasure to invite you to attend the 2006 Annual Meeting of Stockholders of Host Hotels & Resorts, Inc., which will be held at 11:00 a.m. on Thursday, May 18, 2006, at the Hyatt Regency in Reston, Virginia. The following pages contain the Notice of the 2006 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 promptly vote and submit your proxy instructions by telephone, via the Internet, or by completing and returning your proxy card in the enclosed envelope. 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 2005 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 and support of Host Hotels & Resorts, Inc., 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**

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**NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD THURSDAY, MAY 18, 2006**

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**To Our Stockholders:**

The 2006 Annual Meeting of Stockholders of Host Hotels & Resorts, Inc., a Maryland corporation, will be held at 11:00 a.m. on Thursday, May 18, 2006, at the Hyatt Regency in Reston, Virginia. At the meeting, stockholders will be asked to consider and vote on the following matters described in the accompanying proxy statement:

Proposal 1: Election of directors;

Proposal 2: Ratification of the appointment of KPMG LLP as independent auditors of the Company to serve for 2006; and

Proposal 3: Consideration of a stockholder proposal on director election by a majority vote standard, if properly presented at the meeting.

Stockholders will also transact any other business that may properly come before the annual meeting or any adjournment or postponement thereof. You may vote if you were a holder of record of our common stock at the close of business on March 29, 2006. 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 21, 2006

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

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**2006 ANNUAL MEETING OF STOCKHOLDERS**

**OF HOST HOTELS & RESORTS, INC.**

The 2006 Annual Meeting of Stockholders of Host Hotels & Resorts, Inc. will be held in the Regency Ballroom on the 2nd floor of Hyatt Regency, located at 1800 Presidents Street, Reston, Virginia, on Thursday, May 18, 2006, at 11:00 a.m. local time. Doors to the meeting will open at 10:30 a.m.

A special Stockholder Annual Meeting rate is offered at the hotel for Wednesday, May 17, 2006, the night before the meeting. A limited number of rooms are available for this special rate of \$229, single or double occupancy. To receive this special rate, please call 703-709-1234 or 1-800-223-1234 and reference the Host Hotels & Resorts Stockholders block of rooms. All reservations should be received by the hotel no later than May 5, 2006. Applicable taxes and gratuities are additional, and reservations are required in advance. This discount may not be used in conjunction with any other discount, coupon or group rate.

**Hyatt Regency Reston**

**1800 Presidents Street**

**Reston, VA 20190**

**Telephone: (703) 709-1234**

**Transportation Aid:** If you require transportation assistance, please call the concierge desk at (703) 709-1234.

**Parking:** Overnight valet parking is \$20 per day. There is no charge for self-parking.

**Directions to the hotel:**

**From Downtown D.C.:** Take Constitution Avenue across Roosevelt Bridge to Route 66 West. Take Exit 67 to Route 267 West Dulles Toll Road. Stay in lanes marked Toll Road to local exits and take Exit 12 Reston Parkway. Turn Right at the end of the exit ramp. Turn Left at second light onto Bluemont Way. The hotel is on Presidents Street, immediately on the Right.

**From Ronald Reagan National Airport:** Take Route 110 North toward Rosslyn to Route 66 West. Take Exit 67 toward 267 West Dulles Toll Road. Stay in lanes marked Toll Road to local exits and take Exit 12 Reston Parkway. Turn Right at the end of the exit ramp. Turn Left at second light onto Bluemont Way. The hotel is on Presidents Street, immediately on Right.

**From Dulles International Airport:** Use Access road from Airport. Merge to outer lanes; follow signs for Herndon-Reston and onto 267 East Toll Road toward Washington. Take Exit 12 Reston Parkway. Turn Left at the end of the exit ramp. Turn Left at the third light onto Bluemont Way. The hotel is on Presidents Street, immediately on Right.

**From West Falls Church Metro Station:** Take Route 7 West Leesburg Pike. After approximately 4 miles take Exit 267 West - Dulles Toll Road. Take Exit 12 Reston Parkway. Turn Right at the end of the exit ramp. Turn Left at the second light onto Bluemont Way. The hotel is on Presidents Street, immediately on the Right.

**From Points North:** Take I-95 toward Washington. Exit onto 495 West toward Silver Spring/College Park. Continue on 495, follow signs to Northern Virginia, and cross the Cabin John/American Legion Bridge into Virginia. Take Exit 45A-Route 267 West Dulles Toll Road. Stay in local lanes and continue through toll to Exit 12 Reston Parkway. Turn Right at the end of the exit ramp. Turn Left at second light onto Bluemont Way. The hotel is on Presidents Street, immediately on the Right.

**From Points South:** Take I-95 North toward Washington. Take Exit 170 B onto 495 North toward Dulles Airport and Rockville. Take left side Exit 45 Route 267 West Dulles Toll Road. Stay in local lanes and continue through toll to Exit 12 Reston Parkway. Turn Right at the end of the exit ramp. Turn Left at the second light onto Bluemont Way. The hotel is on Presidents street, immediately on the Right.

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**PROXY STATEMENT**

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**Host Hotels & Resorts, Inc.**

**6903 Rockledge Drive, Suite 1500**

**Bethesda, Maryland 20817-1109**

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**PROXY STATEMENT**

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**ATTENDANCE AND VOTING MATTERS**

**Q: What is a proxy?**

A proxy 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. When you properly sign your proxy card, 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?**

We sent you this proxy statement and the enclosed proxy card because our Board of Directors is soliciting your proxy to vote your shares at the annual stockholders meeting. This proxy statement 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. If you hold shares in a stock brokerage account, you will receive a proxy card or information about other methods of voting from each broker, and you must return your voting instructions to your broker according to the broker's instructions.

**Q: What may I vote on?**

You may vote on the following proposals:

- (1) election of Robert M. Baylis, Terence C. Golden, Ann M. Korologos, Richard E. Marriott, Judith A. McHale, John B. Morse, Jr. and Christopher J. Nassetta as directors;
- (2) the ratification of the appointment of KPMG LLP as independent auditors of the Company for 2006; and
- (3) a stockholder proposal to elect directors by a majority vote standard, if properly presented at the meeting.

Stockholders will also transact any other business as may properly come before the meeting or any adjournment or postponement thereof.

**Q: Who is entitled to vote?**

Anyone who owned common stock of the Company at the close of business on Wednesday, March 29, 2006, the record date, is entitled to vote at the annual meeting. We are first sending the enclosed proxy card and this proxy statement on April 21, 2006 to all stockholders entitled to vote at the meeting.

**Q: What other information should I review before voting?**

For your review, our 2005 Annual Report is being mailed to stockholders with this proxy statement. Although our Annual Report is not part of the proxy solicitation material, we recommend that you review it prior to voting.



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

Our 2005 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 or by e-mail to [ir@hosthotels.com](mailto:ir@hosthotels.com). 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.

### **Q. How do I vote?**

**Voting in Person at the Meeting.** If you are a stockholder of record as of March 29, 2006 and attend the annual meeting, you may vote in person at the meeting. If your shares are held by a broker, bank or other nominee (i.e., in street name ) and you wish to vote in person at the meeting, you will need to obtain a proxy form from the broker, bank or other nominee that holds your shares of record.

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

**Vote by Telephone.** If you hold your shares in your own name as a holder of record, you may vote by telephone by calling the toll-free number listed on the accompanying proxy card. Telephone voting is available 24 hours per day until 11:59 p.m., Eastern Time, on Wednesday, May 17, 2006. 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 Wednesday, May 17, 2006. 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 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 2006;
- (3) FOR the stockholder proposal to elect directors by a majority vote standard; and

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- (4) 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. What if I vote and then change my mind?**

You have the right to 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

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- (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 43069, Providence, Rhode Island 02940.

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

At the close of business on March 29, 2006, there were 388,985,604 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?**

Directors are elected by a plurality of the votes cast at a stockholders meeting at which a quorum is present. In the event there are more nominees than directors to be elected, the top nominees in terms of for votes received will be elected directors. Shares not voted will not affect the election of the directors except to the extent that failure to vote for an individual results in another individual s receiving a larger proportion of votes.

The proposal to ratify the approval of KPMG LLC as independent auditors for 2006 will require approval by a majority of votes cast at the annual meeting.

The stockholder s proposal to elect directors by a majority vote standard will require approval by a majority of votes cast at the annual meeting.

### **Q. What is a quorum ?**

A quorum is the presence at the annual meeting, in person or by proxy, of a majority of the outstanding shares of our common stock. Since there were 388,985,604 shares of common stock outstanding at the close of business on March 29, 2006, the presence of holders of 194,492,803 shares is a quorum. We must have a quorum to conduct the meeting. If a quorum is not present or if we decide that more time is necessary for the solicitation of proxies, we may adjourn the annual meeting. We may do this with or without a stockholder vote. If there is a stockholder vote to adjourn, the named proxies will vote all shares of common stock for which they have voting authority in favor of the adjournment.

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

Shares of our common stock represented by proxies that are marked withhold authority (with respect to the election of the nominees for election as a director), or 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.

With respect to the election of directors, the proposal to ratify the appointment of auditors, and the stockholder proposal to elect directors by a majority vote standard, abstentions and broker non-votes will have no effect on the results of the vote.

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

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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 W. Edward Walter 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.

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**Q. Who will count the votes?**

Representatives of Computershare, 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 will bear the entire cost of this proxy solicitation. We have hired the firm of MacKenzie Partners, Inc., 105 Madison Avenue, 14<sup>th</sup> Floor, New York, New York 10016, to assist in the solicitation of proxies on behalf of our Board. MacKenzie Partners has agreed to perform these services for a fee of \$6,500, plus certain reimbursable expenses. In addition, we will, upon request, reimburse brokerage firms, banks and other nominees who hold our stock on behalf of other beneficial owners 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. Effective at last year's annual meeting, each director nominee will stand for election every year. The table below contains biographical information about the seven nominees for election as directors. 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.

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

**NOMINEES FOR DIRECTOR**

Robert M. Baylis

Director since 1996

Age: 67

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, Covance, Inc., PartnerRe Ltd., and is Chairman of the Board of Gildan Activewear, Inc. He is an overseer of the University of Pennsylvania Museum and a Trustee of the Rubin Museum of Art in New York City. Mr. Baylis is also a member of the Advisory Council of the Economics Department of Princeton University.

Terence C. Golden

Director since 1995

Age: 61

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 the DC Public Charter School Association, Stemmion, Inc., Pepco Holdings, Inc. and The Morris and Gwendolyn Cafritz Foundation. In past years, Mr. Golden served as Chief Financial Officer of The Oliver Carr Company, 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

Director since 1993

Age: 64

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), Fannie Mae, Kellogg Company, Microsoft Corporation, and Harman International Industries, Inc.

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Richard E. Marriott

*Chairman of the Board*

Director since 1979

Age: 67

Mr. Richard E. Marriott is our Chairman of the Board. He is also a Director of the Polynesian Cultural Center, Chairman of the Board of First Media Corporation and the J. Willard Marriott and Alice S. Marriott Foundation and a director of the Richard E. Marriott and Nancy P. Marriott Foundation. Mr. Marriott also serves on the Federal City Council, the Board of Associates for Gallaudet University 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.

Judith A. McHale

Director since 2002

Age: 59

Ms. McHale has been President and Chief Executive Officer of Discovery Communications, Inc., the parent company of cable television's Discovery Channel, since June 2004. 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.

Director since 2003

Age: 59

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.

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Christopher J. Nassetta

*President and Chief  
Executive Officer*

Director since 1999

Age: 43

Mr. Nassetta is our President and Chief Executive Officer. He also serves as a Director of CoStar Group, Inc., is Second Vice Chair and serves on the Board of Governors of National Association of Real Estate Investment Trusts, is a member and 2006 chairman-elect of The Real Estate Roundtable, and is a member of the McIntire School of Commerce Advisory Board for the University of Virginia. Mr. Nassetta joined our Company in 1995 as Executive Vice President and was elected our Chief Operating Officer in 1997. He became our President and Chief Executive Officer in May 2000. Prior to joining us, Mr. Nassetta served as President of Bailey Realty Corporation from 1991 until 1995, and had previously served as Chief Development Officer and in various other positions with The Oliver Carr Company.

### **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 2006. 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 unanimously recommends a vote FOR ratification of the appointment of KPMG LLP as independent auditors of the Company for 2006.**

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### **PROPOSAL THREE:**

#### **STOCKHOLDER PROPOSAL ON DIRECTOR ELECTION BY A MAJORITY VOTE STANDARD**

A stockholder, the Massachusetts State Carpenters Pension Fund, located at 350 Fordham Road, Wilmington, MA, 01887, has informed the Company that it intends to present the proposal set forth below at the annual meeting. As of December 6, 2005, the Massachusetts State Carpenters Pension Fund beneficially owned 7,600 shares of the Company's common stock. The Board of Directors of the Company is not responsible for the contents of the proposal or the accompanying supporting statement. As explained below, the Board of Directors recommends that you vote FOR this proposal. The proposal is as follows:

Resolved: That the shareholders of Host Marriott Corporation ( " Company " ) hereby request that the Board of Directors initiate the appropriate process to amend the Company's governance documents (charter or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders.

#### ***Stockholder's Supporting Statement***

In support of the resolution, the Massachusetts State Carpenters Pension Fund has submitted the following statement:

Our Company is incorporated in Maryland. Among other issues, Maryland corporate law addresses the issue of the level of voting support necessary for a specific action, such as the election of corporate directors. Maryland law provides that unless a company's charter or bylaws provide otherwise, a plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director. (Maryland Corporate Statutes, Section 2-404(d) Election and tenure of directors).



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Our Company presently uses the plurality vote standard to elect directors. This proposal requests that the Board initiate a change in the Company's director election vote standard to provide that nominees for the board of directors must receive a majority of the vote cast in order to be elected or re-elected to the Board.

We believe that a majority vote standard in director elections would give shareholders a meaningful role in the director election process. Under the Company's current standard, a nominee in a director election can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are withheld from that nominee. The majority vote standard would require that a director receive a majority of the vote cast in order to be elected to the Board.

The majority vote proposal received high levels of support last year, winning majority support at Advanced Micro Devices, Freeport McMoRan, Marathon Oil, Marsh & McLennan, Office Depot, Raytheon, and others. Leading proxy advisory firms recommended voting in favor of the proposal.

Some companies have adopted board governance policies requiring director nominees that fail to receive majority support from shareholders to tender their resignations to the board. We believe that these policies are inadequate for they are based on continued use of the plurality standard and would allow director nominees to be elected despite only minimal shareholder support. We contend that changing the legal standard to a majority vote is a superior solution that merits shareholder support.

Our proposal is not intended to limit the judgment of the Board in crafting the requested governance change. For instance, the Board should address the status of incumbent director nominees who fail to receive a majority vote under a majority vote standard and whether a plurality vote standard may be appropriate in director elections when the number of director nominees exceeds the available board seats.

We urge your support of this important director election reform.

### ***Board of Directors' Response***

The Board and the Nominating and Corporate Governance Committee have considered this proposal, which is identical to the proposal submitted by the same stockholder last year. Unlike last year, however, the Board now recommends a vote in favor of the proposal.

The proposal requests that the Company adopt a majority voting standard for uncontested director elections so that stockholders have a more meaningful role in the director election process. In the past year a number of companies have adopted this standard and the Board believes that this trend will continue. In addition, the Board notes that the proposal received considerable support from stockholders at last year's annual meeting as approximately 46% of the shares voted were voted in favor of the proposal.

Corporate governance experts believe that the majority vote standard will likely become the norm over the next few years. Substantial discussion and commentary over the past year also now provide valuable guidance on practical solutions to the numerous issues posed by implementation of a majority vote rule. These implementation concerns were a primary reason the Board recommended a vote against the proposal last year.

The Board is committed to good governance practices and has implemented a variety of measures in recent years, discussed elsewhere in this proxy statement, to strengthen the Company's governance processes. In 2004, we voted to declassify the Board of Directors and starting last year each and every director is subject to stockholder consideration on an annual basis. Based on the Board's continued evaluation of this proposal and further developments in favor of the majority vote standard, the Board believes that support for the proposal is now warranted.

**For these reasons, the Board unanimously recommends a vote FOR the stockholder proposal.**

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### **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 are elected on an annual basis. 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.

The Board has also adopted a code of business conduct and ethics that applies to all officers and employees 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 and directors.

Under our Corporate Governance Guidelines, non-management directors meet in executive session without management on a regular basis. In 2005, the Board met eight times, four regularly scheduled meetings and four additional meetings. Executive sessions were held after five of the eight meetings of the Board, including all regularly scheduled meetings. The purpose of the sessions is to promote open discussions among the non-management directors. Judith A. McHale, as chair of the Nominating and Corporate Governance Committee, served as the presiding director at executive sessions in 2005, and will do so again in 2006. The Company invites stockholders and other interested parties to communicate any concerns they may have about the Company directly and confidentially with any of: the full Board of Directors, the presiding director or the non-management directors as a group, by writing to the Board of Directors, the Presiding Director or the Non-Management Directors at Host Hotels & Resorts, Inc., 6903 Rockledge Drive, Bethesda, MD 20817, Attn: Secretary. The Secretary will review and forward all stockholder communications to the intended recipient except those unrelated to the duties and responsibilities of the Board, such as junk mail and mass mailings, resumes and other forms of job inquiries, surveys, new business suggestions, business solicitations or advertisements. In addition, material that is hostile, threatening, illegal or similarly unsuitable or outside the scope of Board matters or duplicative of other communications previously forwarded to the recipient will also be excluded. The Secretary shall retain copies of all stockholder communications and maintain a record of whether the communications were forwarded and, if not, the reason why.

#### **Board Meetings**

The Board met eight times in 2005. 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 2005.

#### **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. A director is not considered independent if, within the past three years: the director was employed by the Company (except on an interim basis), or an immediate family member of the director was an officer of the Company; the director or an immediate family member was

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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 of over \$1 million or 2% of that company's consolidated gross revenue over one fiscal year. In addition, the Board of Directors considers, among other factors, whether the director, or an organization with which the director is affiliated, has entered into any commercial, consulting, or similar contracts with the Company; whether the director receives any compensation or other fees from the Company, other than the director fees described below under "Compensation of Directors"; and whether the Company and/or any of its affiliates make substantial contributions to tax-exempt organizations with which the director, or the director's spouse, is affiliated.

Consistent with these considerations, the Board affirmatively determined that five of the Company's seven directors are independent. Messrs. Marriott and Nassetta 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. Committee assignments are generally made in May after the annual meeting of stockholders by the Board of Directors, 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.

### ***Audit Committee***

Members: John B. Morse, Jr. (Chair), Terence C. Golden and Robert M. Baylis. Each current member of the Audit Committee is, in the business judgment of the Board, independent, meets the qualifications and expertise requirements of the New York Stock Exchange, and is an audit committee financial expert within the meaning of SEC rules.

Number of Meetings held in 2005: seven

Functions:

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.

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Our independent and internal auditors have unrestricted access to the Audit Committee. The Report of the Audit Committee appears later in this proxy statement.

### ***Compensation Policy Committee***

Members: Ann McLaughlin Korologos (Chair), Robert M. Baylis and Judith McHale.

Number of Meetings held in 2005: five

Functions:

oversees compensation policies and plans for Company employees on an ongoing basis;

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 compensation of non-management directors;

reviews the Company's succession plans relating to the CEO and other senior management; and

reviews periodic reports from management on matters relating to the Company's personnel appointments and practices. The Compensation Policy Committee's Annual Report on Executive Compensation appears later in this proxy statement.

### ***Nominating and Corporate Governance Committee***

Members: Judith A. McHale (Chair), Ann McLaughlin Korologos and John B. Morse, Jr.

Number of Meetings held in 2005: three

Functions:

considers candidates for election as directors;

makes recommendations with respect to corporate governance matters and is responsible for keeping abreast of corporate governance developments;

oversees the annual evaluation of the Board, its committees and management; and

fulfills an advisory function with respect to a range of matters affecting the Board and its committees, including making recommendations with respect to:  
qualifications of director candidates;

selection of committee chairs and committee assignments; and

implementation, compliance and enhancements to codes of conduct and the Company's Corporate Governance Guidelines.

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### **Board Nominations**

Each year the Nominating and Corporate Governance Committee reviews with the Board of Directors the composition of the Board as a whole and makes a recommendation whether to renominate directors and whether to consider any new persons to be added to the Board of Directors. In assessing qualifications for nominees, the committee expects candidates to meet the qualifications described in the committee's charter and the Company's Corporate Governance Guidelines, including integrity, mature and independent judgment, diverse business experience, familiarity with the issues affecting the Company's business and experience in running a major enterprise. 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, 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.

### **Compensation of Directors**

Directors are compensated partially in cash and partially in our common stock to align their interests with those of our stockholders. Directors who are also our employees receive no additional compensation for their service as directors.

*Annual Retainer and Attendance Fees.* In 2005, non-employee directors received an annual retainer fee of \$35,000, as well as an attendance fee of \$1,250 for attendance at any stockholders' meeting, meeting of the Board of Directors or meeting of a committee of the Board of Directors. If the director attended more than one meeting on a given day, an attendance fee is paid for each meeting. Effective January 1, 2006, non-employee directors will receive annual retainer fees of \$50,000. The \$1,250 fee for attending meetings of the Board, its Committees and the annual meeting of stockholders remains the same.

*Committee Chair Retainers.* In 2005, the chair of each Committee of the Board received a retainer fee of \$7,500. Effective January 1, 2006, the Board increased the annual chair retainer fee for the director serving as the chair of the Audit Committee to \$10,000 and retained the chair retainer fee of \$7,500 for directors serving as chairs of other committees.

*Annual Stock Awards.* Under the Non-Employee Directors' Deferred Stock Compensation Plan, directors who are not also our employees receive annual awards of common stock equivalents in addition to their annual retainer and attendance fees. The annual award of common stock equivalents in 2005 was equal in value to the \$35,000 annual retainer fee and was credited to the directors immediately following the annual meeting of stockholders. The number of common stock equivalents is based on the fair market value of our common stock on the date of the annual meeting. The common stock equivalents are converted into shares of common stock only after a director stops serving on our Board. In 2005, each such award was for 2,059 common stock equivalents. The plan also permits participants to be credited with dividend equivalents that are equal in value to the dividends paid on our common stock. Effective January 1, 2006, the amount of common stock equivalents received by non-employee directors was increased in value to \$50,000.

*Deferral of Payment.* Directors may elect to defer payment of all or any portion of their annual retainer and attendance fees under our Non-Employee Directors' Deferred Stock Compensation Plan. Fees that are deferred

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are credited as common stock equivalents, which are then converted into shares of our common stock only after a director stops serving on our Board. The common stock equivalents are credited with dividend equivalents, which are equal in value to the dividends paid on our common stock.

*Other Compensation.* Directors are reimbursed for travel expenses and other out-of-pocket costs incurred in attending meetings. In addition, to encourage our directors to visit and personally evaluate our properties and the manager of a majority of our properties, directors receive complimentary rooms, food and beverage and other hotel services when they stay at properties owned by us or managed by our major operators, and directors are reimbursed for taxes associated with the value of this benefit. The cost of these services for each independent director paid in 2005, including the reimbursement for tax liability, was as follows: Robert M. Baylis \$7,434; Terence C. Golden \$25,212; Ann McLaughlin Korologos \$14,591; Judith A. McHale \$39,851; and John B. Morse, Jr. \$26,277.

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



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**EXECUTIVE OFFICER COMPENSATION**

**Summary of Compensation**

The following table shows, for the last three fiscal years, a summary of the compensation paid to our Chief Executive Officer and our four other most highly compensated persons serving as executive officers at the end of 2005.

**Summary Compensation Table**