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Prospectus

Offer to Exchange all Outstanding

6 3/4% Series P Senior Notes due 2016

for

6 3/4% Series Q Senior Notes due 2016

of

HOST HOTELS & RESORTS, L.P.

We are offering to exchange all of our outstanding 6 3/4% Series P senior notes for our 6 3/4% Series Q senior notes. The terms of the Series
to the terms of the Series P senior notes except that the Series Q senior notes are registered under the Securities Act of 1933, as amended, a
Series P senior notes were issued on April 4, 2006 and, as of the date of this prospectus, an aggregate principal amount of $800 million is o

Please consider the following:

- Our offer to exchange the notes expires at 5:00 p.m., New York City time, on August 15, 2006 unless extended.
- You should carefully review the procedures for tendering the Series P senior notes. If you do not follow those procedures, we r
notes for Series Q senior notes.
- We will not receive any proceeds from the exchange offer.
- If you fail to tender your Series P senior notes, you will continue to hold unregistered securities and your ability to transfer the
- There is currently no public market for the Series Q senior notes. We do not intend to list the Series Q senior notes on any secu
anticipate that an active public market for these notes will develop.

Information about the Series Q senior notes:

- The notes will mature on June 1, 2016. We will pay interest on the notes semi-annually in cash in arrears at the rate of 6 3/4% p
1, commencing December 1, 2006.

- The notes are equal in right of payment with all of our unsubordinated indebtedness and senior to all of our subordinated oblig
forth in the section entitled "Description of Series Q Senior Notes." For further information on ranking, see also the section en

- The Series Q senior notes will be guaranteed by certain of our subsidiaries, comprising all of our subsidiaries that have also gu
indebtedness.

- As security for the notes, we have pledged the common equity interests of those of our direct and indirect subsidiaries which a
our credit facility and approximately $2.9 billion of our other outstanding existing senior notes (excluding our Series P senior n

Broker-dealers receiving Series Q senior notes in exchange for Series P senior notes acquired for their own account through market-making
prospectus in any resale of the Series Q senior notes.

Investing in the Series Q senior notes involves risks. See " Risk Factors" beginning on page 10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or de
complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is July 17, 2006.

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Each broker-dealer that receives the Series Q senior notes for its own account pursuant to the exchange offer must acknowledge that it will any resale of such Series Q senior notes. The letter of transmittal delivered with this prospectus states that by so acknowledging and by deli not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933. This prospectus, as it may be amended be used by a broker-dealer in connection with resales of Series Q senior notes received in exchange for Series P senior notes where such Se broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period ending on the earlier to oc senior notes held by a broker-dealer have been sold and (2) 180 days after consummation of the exchange offer, we will make this prospect in connection with any such resale. See "Plan of Distribution."

We have not authorized any dealer, salesman or other person to give any information or to make any representation other than tho must not rely upon any information or representation not contained in this prospectus as if we had authorized it. This prospectus d solicitation of an offer to buy any securities other than the registered securities to which it relates, nor does this prospectus constitu offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction

This prospectus contains registered trademarks that are the exclusive property of their respective owners, which are companies other than u Hyatt®, Four Seasons®, Fairmont®, Hilton®, Westin®, Sheraton®, W Hotels®, The Luxury Collection® and St. Regis®. None of the owners c of their respective officers, directors, agents or employees, is an issuer or underwriter of the Series Q Senior Notes being offered. In additio any responsibility or liability for any information contained in this prospectus.

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SUMMARY

This summary contains a general summary of the information contained in this prospectus. The summary may not contain all of the inform qualified in its entirety by the more detailed information and financial statements, including the notes to those financial statements, that are should carefully consider the information contained in this entire prospectus including the information set forth in the section entitled "Risk prospectus. In this prospectus we use the terms "operating partnership" or "Host LP" to refer to Host Hotels & Resorts, L.P. and its conso to Host Hotels & Resorts, Inc., a Maryland Corporation in cases where it is important to distinguish between Host and Host LP. The terms together, unless the context indicates otherwise.

Host Hotels & Resorts, L.P.

Host LP is a Delaware limited partnership operating through an umbrella partnership structure with Host as the sole general partner. Togeth managed and self-administered real estate investment trust, or REIT. In addition to being the sole general partner, Host holds approximately

As of June 1, 2006, our lodging portfolio consisted of 129 full-service hotel properties containing approximately 67,000 rooms. Our portfol most of the major metropolitan areas in 28 states, Washington, D.C., Toronto and Calgary, Canada, Mexico City, Mexico and Santiago, Ch districts of major cities, near airports and resort/convention locations. Our hotels are operated under such brand names as Marriott, Ritz-Car Hilton, Westin, Sheraton, W Hotels and St. Regis.

The address of our principal executive office is 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland, 20817. Our phone number is (240) address is www.hosthotels.com.

The Starwood Transactions

Starwood Acquisition

On April 10, 2006, we acquired 25 domestic hotels and three foreign hotels from Starwood Hotels & Resorts Worldwide, Inc., or Starwood including the merger of Starwood Hotels & Resorts, a Maryland real estate investment trust, or Starwood Trust, with and into a subsidiary o of Sheraton Holding Corporation and the acquisition of four domestic hotels in a purchase structured to allow Host's subsidiaries to comple federal income tax purposes. These transactions were completed pursuant to the Master Agreement and Plan of Merger, dated as of Novem March 24, 2006 (the "Master Agreement"), among Host, Host LP, Starwood, Starwood Trust and certain of their respective affiliates. A joi 32.1% general and limited partner interest, acquired four European hotels on May 3, 2006 and one European hotel on June 13, 2006 from S we acquired from Starwood, the Sheraton Warsaw Hotel & Towers, Warsaw, Poland, to the joint venture. See the below discussion of the E refer to these transactions throughout this prospectus as the Starwood Transactions. On July 5, 2006, Starwood and Host agreed that Starwo that were originally under contract as part of the Master Agreement. The purchase price of these assets totaled $129 million, including $31

For the 28 hotels included in the initial closing, the total consideration paid by Host to Starwood and its shareholders included the issuance shares of Host common stock) to

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Starwood stockholders, the assumption of $77 million in debt and the payment of approximately $1.0 billion in cash ($728 million, net of c
cash portion of the consideration in the initial closing was funded in part through the issuance of our 6 3/4% Series P senior notes due 2016.
stock of $16.97 per share was calculated based on guidance set forth in Emerging Issues Task Force Issue No. 99-12, as the average of the c
during the range of trading days from two days before and after the November 14, 2005 announcement date. For each share of Host commo
issued an equivalent OP unit to Host.

At the closing of the Starwood Transactions, Host and Starwood entered into certain agreements to govern their relationship going forward.
their respective subsidiaries, entered into operating agreements (pursuant to which Starwood provides management services for the hotels a
(which address rights to use service marks, logos, symbols and trademarks, such as Westin®, Sheraton® and W®). The combined terms of th
Starwood are structured to be generally comparable to Host's established management agreements with its other third-party managers (such
Hilton).

Under each operating agreement, Starwood provides comprehensive management services for the hotels for an initial term of 20 years each
at Starwood's option and subject to certain conditions. Starwood will receive compensation in the form of a base fee of 1% of annual gross
annual gross operating profit, after Host has received a priority return of 10.75% on its purchase price and other investments in the hotels. I
require Host to provide funding up to 5% of the gross operating revenue of each hotel for any required capital expenditures (including repla
equipment) and building capital improvements.

In addition to rights relating to the subject brand, the license agreement addresses matters relating to compliance with certain standards and
system program and centralized services. The license agreements have an initial term of 20 years each, with two renewal terms of 10 years
certain conditions. Starwood will receive compensation in the form of a license fee of 5% of gross operating revenue attributable to room sa
attributable to food and beverage sales. In addition, the license agreements limit Host's ability to sell, lease or otherwise transfer any hotel b
related operating agreement and meet other specified conditions.

European Joint Venture

In conjunction with the Starwood Transactions, we entered into an Agreement of Limited Partnership, forming a joint venture in The Nethe
the Dutch pension fund ("ABP"), and Jasmine Hotels Pte Ltd, a subsidiary of GIC Real Estate Pte Ltd ("GIC RE"), the real estate investme
Singapore Investment Corporation Pte Ltd (GIC). The initial purpose of the joint venture is the acquisition and ownership of six European h

The aggregate size of the joint venture is initially expected to be approximately $640 million, including total capital contributions of approx
approximately $71 million was contributed by us in the form of cash and through the contribution of the Sheraton Warsaw Hotel & Towers
Through newly-formed Dutch BVs (private companies with limited liability), we will be a limited partner in the joint venture (together with
Partners") and also will serve as the general partner for the joint venture. The percentage interest of the parties in the joint venture will be 1
32.1% for Host LP (including our limited and general partner interests).

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On May 3, 2006, the joint venture acquired from Starwood the following four hotels: the Sheraton Roma Hotel & Conference Center, Rome Spain; the Sheraton Skyline Hotel & Conference Centre, Hayes, United Kingdom; and The Westin Palace, Milan, Italy. In addition, we con Towers, Warsaw, Poland to the joint venture. The Westin Europa & Regina, Venice, Italy was acquired by the joint venture on June 13, 200

The partners are contemplating entering into an expanded joint venture, which would be subject to antitrust clearance. In the event that such into the expanded joint venture, then in exchange for providing certain additional approval rights to the Limited Partners and subject to cert would increase the aggregate size of the joint venture to approximately €533 million of equity (of which a total of approximately €171 mil and, after giving effect to indebtedness the joint venture would be expected to incur, aggregate funds that the joint venture would have avai approximately €1.5 billion. The focus of the expanded joint venture would be on the acquisition, ownership and potential disposition of ful Europe (with properties in particular in the United Kingdom, France, Germany, Italy and Spain). In connection with the expanded joint ven subject to certain exceptions, investments that are consistent with the joint venture's investment parameters would be made through the joir years in the case of Host LP) or earlier in the event that at least 90% of the joint venture's committed capital is called or reserved for use pr

Pursuant to the agreements, distributions to partners will be made on a pro-rata basis (based on their limited partnership interests) until cert thresholds are met, our general partnership interest will receive an increasing percentage of the distributions. An affiliate of Host LP has en with the joint venture to provide asset management services in return for an annual asset management fee. Host LP or its affiliates will be re related to asset management, including all salaries and employee benefits of employees and related overhead, including rent, utilities, office clerical functions and other similar overhead expenses. The initial term of the joint venture is ten years subject to two one-year extensions v minority ownership interest and due to certain rights given to ABP and GIC RE, the joint venture will not be consolidated.

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THE EXCHANGE OFFER

Securities to be exchanged	On April 4, 2006, we sold $800 million in aggregate principal amount of exempt from the registration requirements of the Securities Act of 1933, Series P senior notes and the Series Q senior notes are substantially identi Series Q senior notes will be freely transferable by the holders thereof exc prospectus.
The exchange offer	We are offering to exchange $800 million principal amount of Series P se Series Q senior notes. Series P senior notes may be exchanged only in mu
Registration rights agreement	We sold the Series P senior notes on April 4, 2006 in a private placement Securities Act. The Series P senior notes were immediately resold by thei Securities Act Rule 144A. In connection with the sale, we entered into a r initial purchasers requiring us to make this exchange offer. Under the regi to cause the registration statement, of which this prospectus forms a part, day following the date on which we issued the Series P senior notes, and v exchange offer on or before the 260th day following the issuance of the S
Expiration date	Our exchange offer will expire at 5:00 p.m., New York City time, August which we may extend it.
Withdrawal	You may withdraw a tender of Series P senior notes pursuant to our excha New York City time, on August 15, 2006, or such later date and time to w any Series P senior notes that we do not accept for exchange for any reaso expiration or termination of our exchange offer.
Interest on the Series Q senior notes and Series P senior notes	Interest on the Series Q senior notes will accrue from the date of the origi from the date of the last payment of interest on the Series P senior notes, v on Series P senior notes tendered and accepted for exchange.
Conditions to our exchange offer	Our exchange offer is subject to customary conditions, which are discusse Offer." As described in that section, we have the right to waive some of th

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Procedures for tendering Series P senior notes

We will accept for exchange any and all Series P senior notes that are pro
exchange offer prior to 5:00 p.m., New York City time, on August 15, 20
pursuant to our exchange offer will be delivered promptly following the e

If you wish to accept our exchange offer, you must complete, sign and
accordance with the instructions contained in this prospectus and there
of transmittal, or the copy, together with the Series P senior notes and
exchange agent at the address set forth in this prospectus. If you are a
through the Depository Trust Company, or DTC, and wish to accept o
pursuant to the DTC's Automated Tender Offer Program, or ATOP, b
letter of transmittal. By executing or agreeing to be bound by the lette
that, among other things:

- the Series Q senior notes that you acquire pursuant to the exchange offer are be of your business, whether or not you are the registered holder of the Series Q se
- you are not engaging in and do not intend to engage in a distribu
- you do not have an arrangement or understanding with any person to participate i and
- you are not our "affiliate," as defined under Securities Act Rule

Under the registration rights agreement we may be required to file a "
continuous offering pursuant to Rule 415 under the Securities Act in r

- we determine that we are not permitted to effect the exchange offer as contempla change in law or Securities and Exchange Commission policy; or
- we have commenced and not consummated the exchange offer within 260 days f Series P senior notes.

Exchange agent

The Bank of New York is serving as exchange agent in connection with t

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Federal income tax considerations	We believe the exchange of Series P senior notes for Series Q senior note constitute a sale or an exchange for Federal income tax purposes. For furt "Certain United States Federal Tax Consequences."
Effect of not tendering	If you do not tender your Series P senior notes or if you do tender them bu P senior notes will continue to be subject to the existing restrictions upon shelf registration statement under the circumstances described above, we for the registration under the Securities Act of Series P senior notes.
Use of Proceeds	We will not receive any cash proceeds from the issuance of the Series Q s

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THE SERIES Q SENIOR NOTES

The summary below describes the principal terms of the Series Q senior notes. Certain of the terms and conditions described below are sub exceptions. For a more detailed description of the terms and conditions of the Series Q senior notes, see the section entitled "Description o

Issuer	Host Hotels & Resorts, L.P.
Securities Offered	$800,000,000 aggregate principal amount of 6 3/4% Series Q senior notes
Maturity	June 1, 2016.
Interest	Interest on the Series Q senior notes will accrue at an annual rate of 6 3/4% arrears on June 1 and December 1 of each year, beginning on December 1
Ranking	The Series Q senior notes are senior to all of our subordinated obligations credit facility, our outstanding series of senior notes issued pursuant to ou August 5, 1998, as supplemented (which we refer to as our "existing senio

- $242 million 9 1/4% Series G senior notes due October 2007;
- $450 million 9 1/2% Series I senior notes due January 2007;
- $725 million 7 1/8% Series K senior notes due November 2013;
- $350 million 7% Series M senior notes due August 2012;
- $650 million 6 3/8% Series O senior notes due March 2015; and
- $500 million 3.25% Exchangeable Senior Debentures due April

The Series Q senior notes are also senior to our other unsubordinated and the existing senior notes effectively will be subordinated to all sec under the indenture, to the extent of the value of the collateral securing information on ranking, see "Risk Factors—The Series Q senior notes effectively will be junior in right of payment to some other liabilities" —General."

As of March 24, 2006, as adjusted to give effect to the Starwood Tran senior notes and certain other debt transactions that have occurred sinc

restricted subsidiaries would have had approximately $5.9 billion of to
billion would have been secured by mortgage liens on various of our h
and our restricted subsidiaries. See “Capitalization.”

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Guarantors	The Series Q senior notes are guaranteed by certain of our direct and indi subsidiaries that have also guaranteed our credit facility, our existing seni indebtedness. The guarantees may be released under certain circumstance future subsidiaries to become guarantors unless they secure our credit faci our other indebtedness.
Security	The Series Q senior notes will be secured by a pledge of the common equ indirect subsidiaries, which common equity interests also secure, on an eq and approximately $2.9 billion of our outstanding senior notes and will se indebtedness ranking equal in right of payment with the Series Q senior n our existing senior notes, we may not be permitted to incur certain indebte notes remain outstanding. See "Description of Series Q Senior Notes—Ra existing senior notes effectively will be subordinated to all secured indebt indenture, to the extent of the value of the collateral securing such indebte For more detail, see the section entitled "Risk Factors—The Series Q right of payment to some other liabilities."
Optional Redemption	At any time prior to June 1, 2011, the Series Q senior notes will be redeer part, for 100% of their principal amount, plus the make-whole premium d and unpaid interest to the applicable redemption date. For more details, se Series Q Senior Notes—Optional Redemption." Beginning June 1, 2011, we may redeem, in whole or in part, the Serie set forth in the section entitled "Description of Series Q Senior Notes- In addition, prior to June 1, 2009, we may redeem up to 35% of the ag senior notes at the price set forth in the section entitled "Description o Redemption" together with any accrued and unpaid interest to the app proceeds of certain sales of our or Host's equity securities.
Mandatory Offer to Repurchase	If we sell certain assets or undergo certain kinds of changes of control, we senior notes as described in the section entitled "Description of Series Q S Option of the Holder upon a Change of Control Triggering Event."

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Basic Covenants of the Indenture	The indenture governing the Series Q senior notes, among other things, re restricted subsidiaries to: • incur additional indebtedness; • pay dividends on, redeem or repurchase our equity interests; • make investments; • permit payment or dividend restrictions on certain of our subsidi • sell assets; • in the case of our restricted subsidiaries, guarantee indebtedness; • create certain liens; and • sell certain assets or merge with or into other companies. The covenants and restrictions under the indenture that are applicable with more flexibility in a number of important ways. For a summary o Series Q senior notes differ from those applicable to our Existing Seni "Description of Other Indebtedness—Senior Notes and Debentures." I to us, so long as any of our Existing Senior Notes remain outstanding, additional flexibility is likely to be limited. All of these limitations are subject to important exceptions and qualifi "Description of Series Q Senior Notes—Covenants."
Risk Factors	Investment in the Series Q senior notes involves risks. You should carefull section entitled "Risk Factors" and all other information included in this p senior notes.

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RISK FACTORS

You should carefully consider the following risk factors, in addition to the other information contained in this prospectus, before deciding t exchange offer.

Risks Relating to this Offering

We have substantial leverage.

We have significant indebtedness and we will continue to have significant indebtedness after the exchange of the Series P senior notes. As subsidiaries had total indebtedness of approximately $5.1 billion. As adjusted to give effect to the Starwood Transactions, the issuance of S proceeds therefrom, and certain other debt transactions that have occurred since March 24, 2006, we would have had total indebtedness of a approximately $3.7 billion would have consisted of senior notes, approximately $2.1 billion would have been secured by mortgage liens on assets, and the balance would have consisted of other debt).

Our substantial indebtedness has important consequences. It currently requires us to dedicate a substantial portion of our cash flow from op interest on our indebtedness, which reduces the availability of our cash flow to fund working capital, capital expenditures, expansion efforts general purposes. Additionally, it could:

- make it more difficult for us to satisfy our obligations with respect to the Series Q senior notes offered hereby;
- limit our ability in the future to undertake refinancings of our debt or obtain financing for expenditures, acquisitions, developm terms and conditions acceptable to us, if at all; or
- affect adversely our ability to compete effectively or operate successfully under adverse economic conditions.

Because Host must distribute most of its taxable income in order to maintain its qualification as a REIT, we depend upon external sources c flow and working capital were not sufficient to fund our expenditures or service our indebtedness, we would have to raise additional funds t

- sales of operating partnership common units, or OP units;
- the incurrence of additional permitted indebtedness by us; or
- the sale of our assets.

We cannot assure you that any of these sources of funds would be available to us or, if available, would be on terms that we would find acc meet our obligations or fulfill our business plan.

The Series Q senior notes and the related subsidiary guarantees effectively will be junior in right of payment to some other liabiliti

Only our subsidiaries that have guaranteed or will be required to guarantee payment of certain of our indebtedness ranking equal in priority
credit facility, the existing senior notes and future indebtedness that is similarly guaranteed, have guaranteed, and are required to guarantee,
notes. Although the indenture governing the terms of the Series Q senior notes places limits on the overall level of indebtedness that non-gu
Q senior notes effectively will be junior in right of payment to liabilities of our non-guarantor subsidiaries

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and to any debt of ours or our subsidiaries that is secured by assets other than the equity interests in our subsidiaries securing the Series Q s such assets. Since only those subsidiaries that guarantee the credit facility, the existing senior notes or certain of our other indebtedness are notes, there can be no assurance as to the number of subsidiaries that will be guarantors of the Series Q senior notes at any point in time or significance of their operations.

Under the terms of the indenture applicable to the Series Q senior notes, subject to satisfaction of certain other requirements, we, the subsid restricted subsidiaries may incur debt secured by our respective assets (other than the equity interests of our subsidiaries securing the credit Series Q senior notes). For a discussion of our ability to incur such secured debt, see “Description of Series Q Senior Notes—Limitation on of Disqualified Stock.” Currently, we and such subsidiaries have debt secured by mortgages on 28 of our full-service hotels and related ass the related subsidiary guarantees thereof will be secured by those assets and the Series Q senior notes and such subsidiary guarantees effect this secured debt to the extent of the value of the assets securing such debt. As of March 24, 2006, after giving effect to the Starwood Trans notes and the application of proceeds therefrom, and certain other debt transactions that have occurred since the balance sheet date, we and approximately $2.1 billion of debt secured by mortgages on these hotels and related assets and certain hotels and related assets acquired in t

In addition, under the indenture covenants that are applicable to the Series K, Series M and Series O senior notes, and that will be applicabl subsidiary guarantors may also incur up to $300 million ($400 million in the case of these Series Q senior notes) of secured indebtedness, e EBITDA-to-interest expense “coverage” ratio of at least 2.0 to 1.0, which would otherwise limit the incurrence of this new secured debt, so and permanently reduce indebtedness outstanding under our credit facility. Under the indenture covenants applicable to our outstanding Ser not be permitted to incur this indebtedness while any of such existing senior notes remain outstanding. See “Description of Series Q Senior notes will be subordinated to this and to all other secured indebtedness that may be incurred under the indenture governing the Series Q sen collateral securing such secured indebtedness.

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

The documents governing the terms of the Series Q senior notes, our existing senior notes and our credit facility contain covenants that plac These covenants restrict, among other things, our ability and the ability of our subsidiaries to:

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

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- make distributions without satisfying certain financial metrics; and
- conduct transactions with affiliates other than on an arms length basis and, in certain instances, without obtaining opinions as t

In addition, certain covenants in the credit facility require us and our subsidiaries to meet financial performance tests. The restrictive coven credit facility and the documents governing our other debt (including our mortgage debt) will reduce our flexibility in conducting our opera in activities that may be in our long-term best interest. Our failure to comply with these restrictive covenants could result in an event of def result in the acceleration of all or a substantial portion of our debt. For a detailed description of the covenants and restrictions imposed by t see "Description of Our Other Indebtedness."

We will be permitted to make distributions to Host under certain conditions even when we cannot otherwise make restricted payme facility.

Under the indenture terms governing the Series Q senior notes and our existing senior notes, we are only allowed to make restricted payme restricted payment, we are able to incur at least $1.00 of indebtedness under the "Limitation on Incurrences of Indebtedness and Issuance o covenant requires us to meet certain conditions in order to incur additional debt, including that we have a consolidated EBITDA-to-interest 1.0 in order to make a restricted payment; except that, in the case of a preferred stock distribution, the covenant applicable to the Series Q s Series M and Series O senior notes provides that we are only required to have a consolidated coverage ratio of at least 1.7 to 1.0. For a mor payment and debt incurrence covenants of the indenture applicable to the Series Q senior notes, see the following sections of this Offering Senior Notes—Limitation on Restriction Payments"; and "Description of Series Q Senior Notes—Limitation on Incurrences of Indebtedne

Even when we are unable to make restricted payments during a period in which we are unable to incur $1.00 of indebtedness, the indenture and our outstanding Series K, Series M and Series O senior notes permit us, so long as Host believes in good faith after reasonable diligenc Internal Revenue Code of 1986, as amended, or the Code, to make permitted REIT distributions, which are any distributions (1) to Host equ estimated by Host in good faith after reasonable diligence to be necessary to permit Host to distribute to its shareholders with respect to any year or after the end thereof) 100% of the "real estate investment trust taxable income" of Host within the meaning of Section 857(b)(2) of deductions for dividends paid and the exclusions set forth in Code Sections 857(b)(2)(C), (D), (E) and (F) but including all net capital gains the meaning of Treasury Regulations 1.337(d)-6 (whether or not such gains might otherwise be excluded or excludable therefrom); or (b) th good faith after reasonable diligence to be necessary either to maintain Host's status as a REIT under the Code for any calendar year or to e tax for any calendar year that could be avoided by reason of a distribution by Host to its shareholders, with such distributions to be made as during or after the end of the relevant calendar year; in either the case of (a) or (b) above if: (x) the aggregate principal amount of all our ou restricted subsidiaries, on a consolidated basis, at such time is less than 80% of our Adjusted Total Assets (as defined in the indenture) and defined in the indenture) shall have occurred and be continuing, and (2) to certain other holders of our partnership units where such distribu condition to, the payment of distributions to Host.

The indenture terms governing our Series G and Series I senior notes permit us to make permitted REIT distributions, which are defined the are necessary to maintain Host's status as a REIT under the Code or to satisfy the distributions required to be made by reason of Host's ma

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the election provided for in Notice 88-19 (or Treasury regulations issued pursuant thereto) if the aggregate principal amount of all of our ou
restricted subsidiaries, on a consolidated basis, at such time is less than 80% of Adjusted Total Assets (as defined in the indenture) and (2) t
units where such distribution is required as a result of, or a condition to, the payment of distributions to Host. We refer to the distribution th
summarized in this and the previous paragraph as "permitted REIT distributions."

We intend, during any future period in which we are unable to make restricted payments under the indenture, and under similar restrictions
practice of distributing quarterly, based on our estimates of taxable income for any year, an amount of our available cash sufficient to enabl
preferred and common stock in an amount necessary to satisfy the requirements applicable to REITs under the Code. In the event that we m
excess of those necessary for Host to maintain its status as a REIT, we will be in default under the indenture terms governing our Series G a
any series of our existing senior notes could lead to a default under the Series Q senior notes and the Series K, Series M and Series O senior
Senior Notes—Events of Default."

We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture.

Upon the occurrence of certain change of control events, we will be required to offer to repurchase all outstanding series of existing senior
hereby. However, it is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase o
credit facility will not allow us to make such repurchases. See "Description of Series Q Senior Notes—Repurchase of Notes at the Option o
Triggering Event."

Our failure to repurchase any of the Series Q senior notes would be a default under the indenture for all series of senior notes issued thereun

The Series Q senior notes or a guarantee thereof may be deemed a fraudulent transfer.

Under the Federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, a guarantee of the Series Q senior notes cou
the Series Q senior notes could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurr
guarantee:

(1) received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee; and

(2) either:

   (a) was insolvent or rendered insolvent by reason of such incurrence;

   (b) was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small

   (c) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

If such circumstances were found to exist, or if a court were to find that the guarantee were issued with actual intent to hinder, delay or defr
payment by that guarantor pursuant to its guarantee to be voided and returned to the guarantor, or to a fund for the benefit of the creditors o

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In addition, our obligations under the Series Q senior notes may be subject to review under the same laws in the event of our bankruptcy or a court were to find that when we issued the Series Q senior notes the factors in clauses (1) and (2) above applied to us, or that the Series Q intent to hinder, delay or defraud creditors, the court could void our obligations under the Series Q senior notes, or direct the return of any a for the benefit of our creditors.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to de occurred. Generally, however, the operating partnership or a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all of its assets; or
- the present fair value of its assets were less than the amount that would be required to pay its probable liability on its existing c they become absolute and mature; or
- it could not pay its debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that we and each of our guarantors, af Series Q senior notes, will be solvent, will have a reasonable amount of capital for the business in which we or it is engaged and will not ha to pay such debts as they mature. We can offer no assurance, however, as to what standard a court would apply in making such determinati conclusions in this regard.

An active trading market may not develop for the notes.

The Series P senior notes are not listed on any securities exchange. Since their issuance, there has been a limited trading market for such no notes are tendered and accepted in the exchange offer, the trading market for untendered and tendered but unaccepted Series P senior notes assure you that this market will provide liquidity for you if you want to sell your Series P senior notes.

We will not list the Series Q senior notes on any securities exchange. These notes are new securities for which there is currently no market. discount from their initial offering price, depending upon prevailing interest rates, the market for similar securities, our performance and oth initial purchasers of the Series P senior notes that they intend to make a market in the Series Q senior notes, as well as the Series P senior no regulations. However, they are not obligated to do so and their market making activities may be discontinued at any time without notice. In may be limited during our exchange offer. Therefore, we cannot assure you that an active market for Series Q senior notes will develop.

Financial Risks and Risks of Operation

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

Unlike corporations, our ability to reduce our debt and finance our growth largely must be funded by external sources of capital because Ho stockholders at least 90% of its taxable income (other than net capital gains) in order to qualify as a REIT, including taxable income it recog with regard to which it does not receive corresponding cash. Our ability to access the external capital we require could be hampered by a nu outside of our control, including declining general market conditions, unfavorable market perception of our growth potential, decreases in c excessive cash distributions or decreases in the

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market price of Host's common stock. In addition, our ability to access additional capital may also be limited by the terms of our existing in
restricts our incurrence of debt and the payment of distributions. The occurrence of any of these above-mentioned factors, individually or in
being able to obtain the external capital we require on terms that are acceptable to us or at all and the failure to obtain necessary external ca
on our ability to finance our future growth.

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

The lodging industry experienced a down-turn from 2001 to 2003, and operations generally declined during this period. The decline was att
weak economy, the effect of terrorist attacks, terror alerts in the United States and the war in Iraq, all of which changed the travel patterns o
While our operations improved in 2004 and 2005, we cannot provide assurance that changes in travel patterns of both business and leisure t
they will continue to evolve creating new opportunities or difficulties for the industry. Any forecast we make regarding our results of opera
based on the following risks:

- changes in the national, regional and local economic climate;
- changes in business and leisure travel patterns;
- local market conditions such as an oversupply of hotel rooms or a reduction in lodging demand;
- the attractiveness of our hotels to consumers relative to our competition;
- the performance of the managers of our hotels;
- changes in room rates and increases in operating costs due to inflation and other factors; and
- unionization of the labor force at our hotels.

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

Previous terrorist attacks in the United States and subsequent terrorist alerts have adversely affected the travel and hospitality industries ove
terrorist attacks in the United States or elsewhere could have on our business in particular and the U.S. economy, the global economy and g
indeterminable. It is possible that such attacks or the threat of such attacks could have a material adverse effect on our business, our ability
insure our properties and/or our results of operations and financial condition as a whole.

Our expenses may not decrease if our revenue drops.

Many of the expenses associated with owning and operating hotels, such as debt payments, property taxes, insurance, utilities, and employe
inflexible and do not necessarily decrease in tandem with a reduction in revenue at the hotels. Our expenses will also be affected by inflatio
costs, such as wages, benefits and insurance, may exceed the rate of inflation in any given period. Our managers may be unable to offset an

room rates. Any of our efforts to reduce operating costs or failure to make scheduled capital expenditures could adversely affect the growth
properties.

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

As of June 1, 2006, 39 of our hotels are subject to third-party ground leases (encumbering all or a portion of the hotel). These ground leases
payments every five years. Our ability to service our debt could be adversely affected to the extent that our revenues do not increase at the s
rental payments under the ground leases. In addition, if we were to sell a hotel encumbered by a ground lease, the buyer would have to assu
a lower sales price.

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

Because federal income tax laws restrict REITs and their subsidiaries from operating a hotel, we do not manage our hotels. Instead, we leas subsidiaries which qualify as "taxable REIT subsidiaries" under applicable REIT laws, and our taxable REIT subsidiaries retain third-party to management agreements. Our cash flow from the hotels may be adversely affected if our managers fail to provide quality services and ar maintain a quality brand name. While our taxable REIT subsidiaries monitor the hotel managers' performance, we have limited specific rec if we believe that the hotel managers are not performing adequately. In addition, from time to time, we have had, and continue to have, diff over their performance and compliance with the terms of our management agreements. We generally resolve issues with our managers thro However, if we are unable to reach satisfactory results through discussions and negotiations, we may choose to litigate the dispute or submi resolution. Failure by our hotel managers to fully perform the duties agreed to in our management agreements could adversely affect our re managers or their affiliates manage, and in some cases own or have invested in, hotels that compete with our hotels, which may result in co managers have in the past made and may in the future make decisions regarding competing lodging facilities that are not or would not be in

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

We have entered into management agreements with third-party managers to operate our hotel properties. Our third-party managers are resp labor force at each of our hotels. Although we generally do not directly employ or manage the labor force at our hotels, we are subject to m associated with the hotel labor force, particularly those hotels with unionized labor. From time to time, hotels operations may be disrupted t demonstrations or other negative actions and publicity. We may also incur increased legal costs and indirect labor costs as a result of contra hotels where our managers have collective bargaining agreements with employees (approximately 18% of our current portfolio, by revenue activities than others. In addition, the resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, either changes in work rules that raise hotel operating costs. Because collective bargaining agreements are negotiated between the managers of ou the ability to control the outcome of these negotiations.

Foreclosure on our mortgage debt could adversely affect our business.

As of March 24, 2006, after giving effect to the Starwood Transactions, issuance of the Series P senior notes, and certain other debt transac 2006, certain of our hotels and related assets would have been subject to various mortgages in an aggregate amount of approximately $2.1 b recourse to us, if these hotels do not produce adequate cash flow to service the debt secured by such mortgages, the mortgage lenders could allow such foreclosure rather than make the necessary mortgage payments with funds from other sources. However, our senior notes indent default provisions, which, depending upon the amount of secured debt defaulted on, could cause a cross default under these agreements. Ou restrictive cross default provision as compared to our senior notes indenture, provides that it is a credit facility default in the event we defau in excess of 1% of our total assets (using undepreciated real estate values) or default on other indebtedness in excess of $50 million. For thi foreclosure could adversely affect our long-term business prospects.

Our mortgage debt contains provisions that may reduce our liquidity.

Certain of our mortgage debt requires that, to the extent cash flow from the hotels which secure such debt drops below stated levels, we esc service until operations improve above

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the stated levels. In some cases, the escrowed amount may be applied to the outstanding balance of the mortgage debt. When such provisio
that the affected properties will achieve the minimum cash flow levels required to trigger a release of any escrowed funds. The amounts req
may negatively affect our liquidity by limiting our access to cash flow after debt service from these mortgaged properties.

Rating agency downgrades may increase our cost of capital.

Both our senior notes and Host's preferred stock are rated by Moody's Investors' Service and Standard & Poor's. These independent rating
ratings on our senior notes and Host's preferred stock at any time. Such downgrades may negatively affect our access to the capital markets

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

Under the terms of our management agreements, we generally may not sell, lease or otherwise transfer the hotels unless the transferee is no
transferee assumes the related management agreements and meets specified other conditions. Our ability to finance or sell our properties, d
transactions, may require the manager's consent. If, in these circumstances, the manager does not consent, we may be precluded from takin
breaching the applicable management agreement.

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

For reasons relating to federal and state income tax considerations of the former and current owners of five hotels, we have agreed to restric
refinancing the mortgage debt for varying periods depending on the hotel. We have also agreed not to sell more than 50% of the original all
10 additional hotels, or to take other actions that would result in the recognition and allocation of gain to the former owners of such hotels f
prior to January 1, 2009. As a result, even if it were in our best interests to sell these hotels or repay or otherwise reduce the level of the mo
difficult or costly to do so during their respective lock-out periods. We anticipate that, in specified circumstances, it may agree to similar re
acquisitions.

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

Real estate investments generally cannot be sold quickly. We may not be able to vary our portfolio promptly in response to economic or oth
promptly to changes in the performance of our investments could adversely affect our financial condition and our ability to service our debt
the federal income tax laws applicable to REITs that may limit our ability to recognize the full economic benefit from a sale of our assets.

Applicable REIT laws may restrict certain business activities.

As a REIT, Host is subject to various restrictions on its income, assets and activities. Business activities that could be impacted by applicab
to, activities such as developing alternative uses of real estate, including the development and/or sale of timeshare or condominium units.

Due to these restrictions, certain business activities, including those mentioned above, may need to occur in one or more of Host's taxable R
subsidiaries are taxable as regular C corporations and are subject to federal, state, and, if applicable, local and foreign taxation on their taxa
tax rates. In addition, under REIT laws, the aggregate value of all of a REIT's taxable REIT subsidiaries may not exceed 20% of the value o

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We depend on our key personnel.

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

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

We are involved in various legal proceedings in the normal course of business. We are vigorously defending each of these claims. Currentl granted, would have a significant effect on our financial condition or results of operations. As a publicly traded owner of hotel properties, h claims by the operators of our hotels, individuals or companies who use our hotels, our investors, or regulating entities, which could have a condition and performance.

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

As part of our business strategy, we seek to acquire luxury and upper-upscale hotel properties. The recent acquisition of the Starwood portf strategy. We may acquire properties through various structures, including transactions involving portfolios, single assets, joint ventures and the securities or assets of other REITs or similar real estate entities. We anticipate that our acquisitions will be financed through a combinat Host equity offerings, issuance of OP Units, advances under our credit facility, and the incurrence or assumption of indebtedness. We may, identifying, analyzing and negotiating possible acquisition transactions and we expect to continue to do so in the future. We cannot assure y consummating future acquisitions on favorable terms or that we will realize the benefits that we anticipate from the Starwood Transactions Our inability to consummate one or more acquisitions on such terms, or our failure to realize the intended benefits from one or more acquis effect on our business, liquidity, financial position and/or results of operations, including as a result of our incurrence of additional indebte assumption of unforeseen contingent liabilities.

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

Instead of purchasing hotel properties directly, we may, from time to time, invest as a co-venturer in entities holding hotel properties. We f purchase price for the Starwood Transactions and potentially may fund future investments with proceeds from the joint venture related to t

Co-venturers often share control over the operation of a joint venture. Actions by a co-venturer could subject the assets to additional risk, i

- our co-venturer in an investment might have economic or business interests or goals that are inconsistent with our, or the joint
- our co-venturer may be in a position to take action contrary to our instructions or requests or contrary to our policies or objecti
- our co-venturer could go bankrupt, leaving us liable for such co-venturer’s share of joint venture liabilities.

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Although we generally will seek to maintain sufficient control of any joint venture to permit our objectives to be achieved, we might not be
of our joint venture partners. Because, as described above, we have entered into a joint venture with third parties in connection with certain
particularly relevant to the Starwood Transactions.

Environmental problems are possible and can be costly.

We believe that our properties are in compliance in all material respects with applicable environmental laws. Unidentified environmental li
have a material adverse effect on our financial condition and performance. Federal, state and local laws and regulations relating to the prote
current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases
may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by the parties
These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the pre
than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible
addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating
govern the presence, maintenance and removal of asbestos. These laws require that owners or operators of buildings containing asbestos pr
that they notify and train those who may come into contact with asbestos and that they undertake special precautions, including removal or
disturbed during renovation or demolition of a building. These laws may impose fines and penalties on building owners or operators who fa
may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Compliance with other government regulations can be costly.

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

Some potential losses are not covered by insurance.

We carry comprehensive insurance coverage for general liability, property, business interruption and other risks with respect to all of our h
offer coverage features and insured limits that we believe are customary for similar type properties. Generally, our “all-risk” property polici
per occurrence basis and that, for each occurrence, has an overall limit, as well as various sub-limits, on the amount of insurance proceeds
types of claims such as service interruption, abatement, earthquakes, expediting costs or landscaping replacement, and the dollar amounts o
than the dollar amounts of the overall coverage limit. Our property policies also provide that all of the claims from each of our properties re
must be combined together for purposes of evaluating whether the aggregate limits and sub-limits contained in our policies have been exce
where the manager provides this coverage, any such claims will also be combined with the claims of other owners participating in the mana
Therefore, if an insurable event occurs that affects more than one of our hotels, or, in the case of hotels where coverage is provided by the m
owned by others, the claims from each affected hotel will be added together to determine whether the aggregate limit or sub-limits, dependi
reached and each affected hotel may only receive a proportional share of the amount of insurance proceeds provided for under the policy if

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exceeds the aggregate limits available. We may incur losses in excess of insured limits and, as a result, we may be even less likely to receiv
multiple properties such as earthquakes or certain types of terrorism.

In addition, there are other risks such as war, certain forms of terrorism such as nuclear, biological, chemical, or radiological (NBCR) terror
may be deemed to fall completely outside the general coverage limits of our policies or may be uninsurable or may be too expensive to just
wholly-owned captive insurance company which provides coverage to the company for losses due to NBCR attacks. The Terrorism Risk In
our captive insurer to apply to the U.S. Treasury for reimbursement of the claims. This does not ensure that we will be able to recover any c

We may also encounter challenges with an insurance provider regarding whether it will pay a particular claim that we believe to be covered
of insured limits or an uninsured loss occur or should we be unsuccessful in obtaining coverage from an insurance carrier, we could lose all
invested in a property, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for an
obligations related to the property.

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

We obtain terrorism insurance as part of our all-risk property insurance program, as well as our general liability and directors' and officers'
all-risk policies have limitations such as per occurrence limits and sublimits which might have to be shared proportionally across participati
Also, all-risk insurers only have to provide terrorism coverage to the extent mandated by the TRIEA for "certified" acts of terrorism—name
of non-United States persons or interests. Furthermore, we do not have full replacement coverage at all of our properties for acts of terrorism
persons or interests ("noncertified" events) as our coverage for such incidents is subject to sublimits and/or annual aggregate limits. In addi
to nuclear, biological and chemical incidents is excluded under our policies. While TRIEA will reimburse insurers for losses resulting from
TRIEA does not require insurers to offer coverage for these perils and, to date, insurers are not willing to provide this coverage, even with g
a wholly-owned captive insurance company that provides a policy of NBCR coverage to us, and has the same ability to apply to the US Tre
in TRIA (now TRIEA), which is subject to the same deductibles and co-insurance obligations as other insurance companies. This applies to
general liability or Directors and Officers insurance. TRIEA terminates on December 31, 2007, and there is no guarantee that the terrorism
available or affordable thereafter. As a result of the above, there remains considerable uncertainty regarding the extent and adequacy of terr
protect our interests in the event of future terrorist attacks that impact our properties.

Risks Relating to the Starwood Transactions

**We expect to incur significant costs and expenses in connection with the integration of the assets acquired from Starwood, which co
all of the anticipated benefits of the Starwood Transactions.**

We expect to incur costs related to the integration of the assets acquired from Starwood. While we have assumed that a certain level of expe
number of factors beyond our control that could affect the total amount or the timing of all of the expected integration expenses. There can

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that we will not incur additional unanticipated costs and expenses related to integration after the completion of the Starwood Transactions, i
pursuant to which Starwood will operate certain of the acquired European hotels.

We may fail to realize the revenue enhancements and other benefits expected from the Starwood Transactions, which could affect o condition following consummation of the Starwood Transactions.

Achieving the benefits of the Starwood Transactions will depend in part upon meeting the challenges inherent in successfully integrating th possible diversion of management attention for an extended period of time. There can be no assurance that such challenges will be met and impact operations following the consummation of the Starwood Transactions.

Delays encountered in this transition process could have a material adverse effect on our operating results and financial condition following expect significant benefits to result from the Starwood Transactions, there can be no assurance that we will realize any of these anticipated

We may be subject to unknown or contingent liabilities related to the business to be acquired from Starwood.

Assets that we have acquired from Starwood in the Starwood Transactions may be subject to unknown or contingent liabilities for which w recourse, against Starwood. In general, the representations and warranties provided by Starwood under the master agreement did not surviv Transactions. While Starwood is required to indemnify us with respect to breaches of certain representations and warranties that did survive limited and subject to various materiality thresholds, a significant deductible and an aggregate cap on losses. As a result, there is no guarant respect to losses due to breaches by Starwood of its representations and warranties. The total amount of costs and expenses that may be incu with acquired hotels and entities may exceed our expectations, plus we may experience other unanticipated adverse effects, all of which ma operating results and financial condition.

Finally, the indemnification agreement provides that Starwood will retain certain specified liabilities relating to the assets and entities acqui liabilities related to pre-closing taxes, six pending litigation matters involving various unrelated claims and liabilities associated with a merg Transactions and certain post-closing consequences thereof. While Starwood is contractually obligated to pay all losses and other expenses regard to survival limitations, materiality thresholds, the deductible or cap on losses, there can be no guarantee that this arrangement will no expenses as well.

Our ability to service debt incurred to finance the Starwood Transactions will depend in part on the cash flow generated by the hot

In order to complete the Starwood Transactions, we utilized a portion of the proceeds of the Series P senior notes and assumed approximate March 24, 2006 as adjusted to give effect to the Starwood Transactions, the issuance of the Series P senior notes, and certain other debt tran balance sheet date, we would have had a debt balance of approximately $5.9 billion. Our ability to service this increased debt will depend i properties acquired in the Starwood Transactions. The cash flow production of the hotels acquired is subject to changes in the national, regi in business and leisure travel patterns; local market conditions such as an oversupply of hotel rooms or a reduction in lodging demand; the a relative to our competition; the performance of the managers of such hotels; changes in room rates and increases

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in operating costs due to inflation and other factors. There can be no assurance that the hotels acquired will meet our management's expecta production, or that they will produce cash flow sufficient to service our increased indebtedness. In addition, the increased levels of debt cou

- require us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, thereby reducing fu expenditures, dividends, acquisitions and other purposes;
- increase our vulnerability to, and limit flexibility in planning for, adverse economic and industry conditions;
- affect our credit rating;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, additional acquisitions and
- create competitive disadvantages compared to other companies with less indebtedness; and
- limit our ability to apply proceeds from an offering or asset sale to purposes other than the repayment of debt.

The consummation of the Starwood Transactions expanded our business into new markets outside of the United States in which we exposed us to the general economic conditions of those markets.

We may have difficulty managing our expansion into new geographic markets where we have limited knowledge and understanding of the relationships in the area or unfamiliarity with local governmental and permitting procedures. As a result of the completion of the Starwood in hotels in seven foreign countries. The revenues from foreign hotels will total approximately 4% of our consolidated revenues on a pro fo conducting business internationally. These include:

- employment laws and practices in foreign countries;
- tax laws in foreign countries, which may provide for tax rates that exceed those of the U.S. and which may provide that our for requirements or other restrictions;
- the structure pursuant to which Starwood will operate certain of the acquired European hotels for us after closing;
- unexpected changes in regulatory requirements or monetary policy; and
- other potentially adverse tax consequences.

Any of these factors could adversely affect our ability to obtain all of the intended benefits of the Starwood Transactions.

If we do not effectively manage our geographic expansion and successfully integrate the foreign hotels into our organization, our operating materially adversely effected.

Exchange rate fluctuations could adversely affect our financial results.

As a result of the expansion of our international operations, currency exchange rate fluctuations could affect our results of operations and fi
increasing portion of our revenue and

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our expenses in such foreign currencies as the Euro, the British Pound, the Polish Zloty and the Chilean Peso. Although we may enter into f financial institutions to reduce our exposure to fluctuations in the value of these and other foreign currencies relative to our debt or receivab if entered into, will not eliminate that risk entirely. In addition, to the extent that we are unable to match revenue received in foreign currenc exchange rate fluctuations could have a negative impact on our results of operations and financial condition. Additionally, because our cons US Dollars, if we generate revenues or earnings in other currencies the translation of those results into US Dollars can result in a significant those revenues.

Federal Income Tax Risks

To qualify as a REIT, Host (and each of our subsidiary REITs is required) to distribute at least 90% of its taxable income, regardle obligations.

To continue to qualify as a REIT, Host is required to distribute to its stockholders with respect to each year at least 90% of its taxable incon extent that Host satisfies this distribution requirement but distributes less than 100% of its taxable income and net capital gain for the taxab state corporate income tax on its undistributed taxable income and capital gain. In addition, Host will be subject to a 4% nondeductible exci distributions made by it with respect to the calendar year are less than the sum of 85% of its ordinary income and 95% of its capital gain ne undistributed taxable income from prior periods less excess distributions from prior years. Host intends to make distributions, subject to the with any debt covenants, to its stockholders to comply with the distribution requirement and to avoid the nondeductible excise tax and will us. However, there are differences in timing between Host's recognition of taxable income and its receipt of cash available for distribution of the lodging industry and the fact that some taxable income will be "phantom" income, which is taxable income that is not matched by co transactions entered into in years prior to Host's conversion to a REIT, Host could recognize substantial amounts of "phantom" income. It i taxable income and the receipt of related cash could require Host to borrow funds or to issue additional equity to enable Host to meet the di maintain its REIT status, and to avoid the nondeductible excise tax. In addition, because the REIT distribution requirement prevents Host fr be required to refinance debt at its maturity with additional debt or equity. It is possible that any of these sources of funds, if available at all distribution and tax obligations.

After the Starwood Transactions, Host owns, through us, 100% of the outstanding common stock (but not the outstanding preferred stock) o elect to be treated as REITs. Each of these subsidiary REITs of Host is subject to the same requirements that Host must satisfy in order to q applicable to REITs, including the distribution requirements described above.

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

We believe that Host has been organized and has operated in such a manner so as to qualify as a REIT under the Code, commencing with it and Host currently intends to continue to operate as a REIT during future years. In addition, after the Starwood Transactions, as described a and two other entities that will elect to be treated as REITs. As the requirements for qualification and taxation as a REIT are extremely com income tax laws governing qualification and taxation as a REIT are limited, no assurance can be provided that Host currently qualifies as a REIT or that each of Host's subsidiary REITs qualifies as a REIT. If any of the subsidiary REITs were to fail to qualify as a REIT, it is pos REIT unless we (or the subsidiary REIT) could avail ourselves of certain relief provisions. New

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legislation, treasury regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to an c
federal income tax consequences of its REIT qualification. If Host or any of the subsidiary REITs were to fail to qualify as a REIT, and any
the non-qualifying REIT would not be allowed to take a deduction for distributions to its stockholders in computing its taxable income, and
corporate income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Moreover, unless
qualifying REIT could not qualify as a REIT for the four taxable years following the year during which REIT qualification is lost.

Any determination that Host or one of our subsidiary REITs does not qualify as a REIT would have a materially adverse effect on our resul
reduce the value of Host's common stock. The additional tax liability of Host or the subsidiary REIT for the year, or years, in which the rele
would reduce its net earnings available for investment, debt service and distributions to stockholders. Furthermore, the non-qualifying entit
any distributions to stockholders as a condition to REIT qualification and all of its distributions to stockholders would be taxable as regular
its current and accumulated earnings and profits. Host's failure to qualify as a REIT also would cause an event of default under our credit fa
the amounts due under the credit facility, which, in turn, would constitute an event of default under our outstanding debt securities.

If our leases are not respected as true leases for federal income tax purposes, Host and each of our subsidiary REITs would fail to q

To qualify as a REIT, Host must satisfy two gross income tests, under which specified percentages of its gross income must be passive inco
the leases, which currently constitutes substantially all of Host's and each of our subsidiary REITs' gross income, to qualify for purposes of
respected as true leases for federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrange
respected as true leases for federal income tax purposes. There can be no assurance, however, that the IRS will agree with this view. If the l
federal income tax purposes, neither Host nor any of our subsidiary REITs would be able to satisfy either of the two gross income tests app
likely lose its REIT status.

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

Rent paid by a lessee that is a "related party tenant" of Host will not be qualifying income for purposes of the two gross income tests applic
the Code, since January 1, 2001, Host has leased substantially all of its hotels to a subsidiary of us that is taxable as a regular C corporation
taxable REIT subsidiary with respect to Host. Each of the hotels acquired from Starwood and Starwood Trust was leased to either a taxable
REIT subsidiary of a subsidiary REIT. So long as any affiliated lessee qualifies as a taxable REIT subsidiary, it will not be treated as a "rela
affiliated lessees have qualified and will continue to qualify, and that the taxable REIT subsidiaries of its subsidiary REITs qualify, to be tre
federal income tax purposes. There can be no assurance, however, that the IRS will not challenge the status of a taxable REIT subsidiary fo
court would not sustain such a challenge. If the IRS were successful in disqualifying any of our affiliated lessees (including the taxable REI
from treatment as a taxable REIT subsidiary, it is possible that Host or a subsidiary REIT would fail to meet the asset tests applicable to RE
would fail to qualify for the gross income tests. If this occurred, each of Host and its subsidiary REITs would likely lose their REIT status.

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Despite Host's REIT status, we remain subject to various taxes.

Host or one of its subsidiary REITs will be required to pay federal income tax at the highest regular corporate rate upon its share of any "bu sale before the expiration of the applicable 10-year holding period of assets, including certain hotels acquired as part of Host's conversion t affiliates as part of the acquisition of the Starwood portfolio. The total amount of gain on which Host would be subject to corporate income in a taxable transaction prior to the expiration of the applicable 10-year holding period would be material to us. In addition, we expect that deferred tax liabilities in the future without any corresponding receipt of cash.

Notwithstanding Host's status as a REIT, Host and our subsidiaries (including Host's subsidiary REITs) will be subject to some federal, sta and property. For example, Host and our subsidiary REITs will pay tax on certain types of income that is not distributed and will be subject a taxable REIT subsidiary that are not conducted on an arm's length basis. Moreover, the taxable REIT subsidiaries of Host and our subsidi corporations and will pay federal, state and local income tax on their net income at the applicable corporate rates, and foreign taxes to the e operations in foreign jurisdictions.

We are obligated under our partnership agreement to pay all such taxes (and any related interest and penalties) incurred by Host.

If the IRS were to challenge successfully our status as a partnership for federal income tax purposes, Host would cease to qualify as consequences.

We believe that we qualify to be treated as a partnership for federal income tax purposes. As a partnership, we are not subject to federal inc our partners, including Host, is required to pay tax on such partner's allocable share of its income. No assurance can be provided, however, as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating us purposes, Host would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, cease to qualify partnership for federal income tax purposes or Host fails to qualify as a REIT, either failure would cause an event of default under our credi event of default under our outstanding debt securities. Also, the failure of us to qualify as a partnership would cause us to become subject to which would reduce significantly the amount of cash available for debt service and for distribution to our partners, including Host.

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

Subject to certain exceptions, a REIT is generally prohibited from owning securities in any one issuer to the extent that the value of those se REIT's total assets or the securities owned by the REIT represent more than 10% of the issuer's outstanding voting securities or more than outstanding securities. A REIT is permitted to own securities of a subsidiary in an amount that exceeds the 5% value test and the 10% vote taxable REIT subsidiary. However, a REIT may not own securities of taxable REIT subsidiaries that represent in the aggregate more than 2

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

The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or customers in the ordinary course of

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business is treated as income from a “prohibited transaction” that is subject to a 100% penalty tax. Under existing law, whether property, in
primarily for sale to customers in the ordinary course of business is a question of fact that depends upon all of the facts and circumstances v
We intend that we will hold the hotels for investment with a view to long-term appreciation, to engage in the business of acquiring and owr
hotels as are consistent with our investment objectives. There can be no assurance, however, that the IRS might not contend that one or mor
penalty tax.

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FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Secu
These forward-looking statements are identified by their use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “exp
“project,” “will,” “continue” and other similar terms and phrases. Forward-looking statements are not guarantees of future performance and
uncertainties and other factors which may cause the actual results to differ materially from those anticipated at the time the forward-lookin
but are not limited to:

- national and local economic and business conditions and changes in travel patterns that will affect demand for products and se and occupancy that can be achieved by such properties and the availability and terms of financing and liquidity;
- changes in taxes and government regulations that influence or determine wages, prices, construction procedures and costs;
- our ability to maintain our properties in a first-class manner, including meeting capital expenditure requirements;
- our ability to compete effectively in areas such as access, location, quality of accommodations and room rate;
- our ability to maintain good relationships with property managers;
- operating risks associated with the hotel business;
- risks associated with the level of our indebtedness and our ability to meet covenants in its debt agreements;
- our ability to acquire or develop additional properties and the risk that potential acquisitions or developments may not perform
- the effect of terror alerts and potential terrorist activity on travel and our ability, to recover fully under our respective existing i maintain adequate or full replacement cost “all-risk” property insurance on our respective properties;
- government approvals, actions and initiatives, including the need for compliance with environmental and safety requirements, interpretation thereof;
- the effects of tax legislative action;
- the ability of Host and each of the real estate investment trust, or REIT, entities acquired or established by Host in the Starwoo complex rules to qualify as REITs for federal income tax purposes, our ability to satisfy the rules to maintain our status as a pa the ability of certain of our subsidiaries to maintain their status as taxable REIT subsidiaries for federal income tax purposes a subsidiaries, and similar entities acquired or established by Host in the Starwood Transactions, to operate effectively within th
- the effect of any rating agency downgrades on the cost and availability of new debt financings;

- the relatively fixed nature of property-level operating costs and expenses for us; and
- other factors discussed under the heading “Risk Factors”.

Although we believe that the expectations reflected in any of our forward-looking statements are based upon reasonable assumptions, any c
inaccurate and the forward-looking statement based on these assumptions could be incorrect, and actual results could differ materially from

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projected or assumed. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to cha
risks and uncertainties. Accordingly, our forward-looking statements are qualified in their entirety by reference to the factors described belo

All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entir
undertake no obligation to update any information contained herein or to publicly release the results of any revisions to any forward-lookin
events or circumstances that occur, or that we became aware of, after the date of this prospectus.

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THE EXCHANGE OFFER

Purpose and effect

We sold the Series P senior notes on April 4, 2006. In connection with that issuance, we entered into the registration rights agreement, whic statement under the Securities Act, with respect to the Series Q senior notes. Upon the effectiveness of that registration statement, we are re P senior notes the opportunity to exchange their Series P senior notes for a like principal amount of Series Q senior notes, which will be iss generally may be reoffered and resold by the holder without registration under the Securities Act.

The registration rights agreement further provides that we must use our reasonable best efforts to consummate the exchange offer on or bef which we issued the Series P senior notes.

Except as provided below, upon the completion of the exchange offer, our obligations with respect to the registration of the Series P senior terminate. A copy of the registration rights agreement has been filed as an exhibit to the registration statement of which this prospectus is a of its material provisions is not complete and is qualified in its entirety by reference to the actual agreement. Except as set forth below, follo offer, holders of Series P senior notes not tendered will not have any further registration rights and those Series P senior notes will continue Accordingly, the liquidity of the market for the Series P senior notes could be adversely affected upon consummation of the exchange offer

In order to participate in the exchange offer, you must represent to us, among other things, that:

- the Series Q senior notes you acquire pursuant to the exchange offer are being obtained in the ordinary course of your business
- you are not engaging in and do not intend to engage in a distribution of the Series Q senior notes;
- you do not have an arrangement or understanding with any person to participate in a distribution (within the meaning of the Se and
- you are not our "affiliate," as defined under Securities Act Rule 405 or, if you are, you will comply with the registration and pr Securities Act.

Pursuant to the registration rights agreement we and the subsidiary guarantors will be required to file a "shelf" registration statement for a c Act Rule 415 in respect of the Series P senior notes if:

- we determine that we are not permitted to effect the exchange offer as contemplated hereby because of any change in law or ap SEC; or
- we have commenced and not consummated the exchange offer within 260 days following the date on which we issued the Seri

Other than as set forth above, no holder will have the right to participate in the shelf registration statement or to otherwise require that we re the Securities Act.

Based on an interpretation by the SEC staff or "Commission staff" set forth in no-action letters issued to third parties unrelated to us, we be
below, Series Q senior notes issued to you pursuant to the exchange offer in exchange for Series P senior notes may be offered for resale, re
unless you are our "affiliate" within the meaning of Securities Act Rule 405 or a broker-dealer who purchased unregistered notes directly fr
any other

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available exemption promulgated under the Securities Act, without compliance with the registration and prospectus delivery provisions of t Q senior notes are acquired in the ordinary course of business of the holder and the holder does not have an arrangement or understanding v distribution of Series Q senior notes. We have not requested and do not intend to request that the SEC issue to us a no-action letter in conne

If you tender in the exchange offer for the purpose of participating in a distribution of the Series Q senior notes, you cannot rely on this inte you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale tran receives Series Q senior notes for your own account in exchange for Series P senior notes, where those notes were acquired by you as a resu trading activities, you must acknowledge that you will deliver a prospectus in connection with any resale of such Series Q senior notes. If y Series Q senior notes directly from us and not as a result of market-making activities or other trading activities, you may not rely on the Co above or participate in the exchange offer and must comply with the prospectus delivery requirements of the Securities Act in order to sell t

Consequences of failure to exchange

Following the completion of the exchange offer, you will not have any further registration rights for Series P senior notes that you did not t tendered in the exchange offer will continue to be subject to restrictions on transfer. Accordingly, the liquidity of the market for Series P se upon completion of the exchange offer.

Terms of the exchange offer

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept any and all Series P s withdrawn prior to 5:00 p.m., New York City time, on August 15, 2006 or such date and time to which we extend the offer. We will issue $ notes in exchange for each $1,000 principal amount of outstanding Series P senior notes accepted in the exchange offer. Holders may tende pursuant to the exchange offer. However, Series P senior notes may be tendered only in integral multiples of $1,000 in principal amount.

The form and terms of the Series Q senior notes are substantially the same as the form and terms of the Series P senior notes except that the registered under the Securities Act and will not bear legends restricting their transfer. The Series Q senior notes will evidence the same deb issued pursuant to, and entitled to the benefits of, the same indenture pursuant to which the Series P senior notes were issued.

As of the date of this prospectus, Series P senior notes representing $800 million in aggregate principal amount were outstanding and there the DTC. This prospectus, together with the letter of transmittal, is being sent to that registered holder and to you and others based on our b the Series P senior notes. We intend to conduct the exchange offer in accordance with the applicable requirements of the Securities Exchan regulations of the SEC.

We will be deemed to have accepted validly tendered Series P senior notes when, as, and if we have given oral or written notice thereof to t will act as your agent for the purpose of receiving the Series Q senior notes from us. If any of your tendered Series P senior notes are not ac tender, the occurrence of the other events set forth in this prospectus or

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otherwise, certificates for any such unaccepted Series P senior notes will be returned, without expense, to you as promptly as practicable af exchange offer.

If you tender Series P senior notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the in transfer taxes with respect to the exchange of Series P senior notes pursuant to the exchange offer. We will pay all charges and expenses, ot connection with the exchange offer.

Expiration date; extensions; amendments

The expiration date will be 5:00 p.m., New York City time, on August 15, 2006 unless, in our sole discretion, we extend the exchange offer mean the latest date and time to which the exchange offer is extended. In order to extend the exchange offer, we will notify the exchange ag notice prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion:

- to delay accepting any Series P senior notes, to extend the exchange offer or, if any of the conditions to the exchange offer set exchange offer" have not been satisfied, to terminate the exchange offer, by giving oral or written notice of such delay, extensi or

- to amend the terms of the exchange offer in any manner.

In the event that we make a material or fundamental change to the terms of the exchange offer, we will file a post-effective amendment to t

Procedures for tendering

Only a holder of Series P senior notes may tender the Series P senior notes in the exchange offer. To tender in the exchange offer you must letter of transmittal, or a copy thereof, have the signatures thereon guaranteed if required by the letter of transmittal, and mail or otherwise d the exchange agent prior to the expiration date or (2) comply with the book-entry requirements, which are discussed below under "—Book

- certificates for Series P senior notes must be received by the exchange agent along with the letter of transmittal prior to the exp

- a timely confirmation of a book-entry transfer of those Series P senior notes, if that procedure is available, into the exchange ag procedure for book-entry transfer described below, must be received by the exchange agent on or prior to the expiration date; o

- you must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the letter of transmittal and other required documents must be received by the exchange agent on or prior to the under "—Exchange Agent."

A tender of your Series P senior notes that is not withdrawn before the expiration date will constitute an agreement between you and us in a the conditions set forth in this prospectus and in the letter of transmittal.

The method of delivery of Series P senior notes and the letter of transmittal and all other required documents to the exchange agent is at you
mail, we recommend that you

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use an overnight or hand delivery service. In all cases, you should allow sufficient time to assure delivery to the exchange agent before the e letter of transmittal or Series P senior notes to us. You may request your respective brokers, dealers, commercial banks, trust companies or you.

If you are a beneficial owner whose Series P senior notes are registered in the name of a broker, dealer, commercial bank, trust company or you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. If you wish to tender on your o and executing the letter of transmittal and delivering your Series P senior notes, either make appropriate arrangements to register ownership obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an eligible institution unless the Se thereto are tendered:

- by a registered holder who has not completed the box entitled "Special Delivery Instructions" on the letter of transmittal; or
- for the account of an eligible institution.

If signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantee must be by member of, or participant in, the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Progr within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, referred to as an "eligible institution."

If the letter of transmittal is signed by a person other than the registered holder of any Series P senior notes listed therein, the Series P senio by a properly completed bond power, signed by the registered holder as that registered holder's name appears on the Series P senior notes.

If the letter of transmittal or any Series P senior notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys acting in a fiduciary or representative capacity, such persons should so indicate when signing, and evidence satisfactory to us of their autho letter of transmittal unless waived by us.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Series P senior notes wi discretion, which determination will be final and binding. We reserve the absolute right to reject any and all Series P senior notes not prope that would, in the opinion of counsel, be unlawful to accept. We also reserve the right to waive any defects, irregularities or conditions of te Our interpretation of the terms and conditions of the exchange offer (including the instructions in the letter of transmittal) will be final and b defects or irregularities in connection with tenders of Series P senior notes must be cured within such time as we will determine. Although w irregularities with respect to tenders of Series P senior notes, neither we, the exchange agent, nor any other person will incur any liability fo tender of Series P senior notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Se exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by otherwise provided in the letter of transmittal, as soon as practicable following August 15, 2006 unless we extend the exchange offer.

In addition, we reserve the right in our sole discretion to purchase or make offers for any Series P senior notes that remain outstanding after exchange offer and, to the extent

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permitted by applicable law, purchase Series P senior notes in the open market, in privately negotiated transactions, or otherwise. The terms
differ from the terms of the exchange offer.

In all cases, issuance of Series Q senior notes for Series P senior notes that are accepted for exchange pursuant to the exchange offer will be
exchange agent of certificates for the notes or a timely book-entry confirmation of such Series P senior notes into the exchange agent's acco
duly executed letter of transmittal (or, with respect to the DTC and its participants, electronic instructions in which you acknowledge your r
the letter of transmittal) and all other required documents. If any tendered Series P senior notes are not accepted for any reason set forth in t
offer or if unregistered notes are submitted for a greater principal amount than you desire to exchange, such unaccepted or non-exchanged n
you (or, in the case of Series P senior notes tendered by book-entry transfer into the exchange agent's account at the DTC pursuant to the bo
below, such nonexchanged notes will be credited to an account maintained with DTC) as promptly as practicable after the expiration or tern

If you are a broker-dealer that receives Series Q senior notes for your own account in exchange for Series P senior notes, where your Series
result of market-making activities or other trading activities, you must acknowledge that you will deliver a prospectus in connection with an

Book-entry transfer

The exchange agent will make a request to establish an account in respect of the Series P senior notes at DTC for purposes of the exchange
date of this prospectus, and any financial institution that is a participant in DTC's systems may make book-entry delivery of Series P senior
transfer the Series P senior notes into the exchange agent's account at DTC in accordance with its transfer procedures. However, although d
effected through book-entry transfer at DTC, the letter of transmittal or copy thereof, with any required signature guarantees and any other r
other than as set forth in the following paragraph, be transmitted to and received by the exchange agent on or prior to the expiration date or
described below must be complied with.

DTC's Automated Tender Offer Program, or ATOP, is the only method of processing exchange offers through DTC. To accept the exchang
DTC must send electronic instructions to DTC through DTC's communication system in lieu of sending a signed, hard copy letter of transm
those electronic instructions to the exchange agent. To tender Series P senior notes through ATOP, the electronic instructions sent to DTC a
agent must contain the character by which the participant acknowledges its receipt of and agrees to be bound by the letter of transmittal.

Guaranteed delivery procedures

If you are a registered holder of the Series P senior notes and you desire to tender your notes and the notes are not immediately available, or
notes or other required documents to reach the exchange agent before the expiration date, or the procedure for book-entry transfer cannot be
effect a tender if:

- the tender is made through an eligible institution;
- prior to the expiration date, the exchange agent receives from such eligible institution a properly completed and duly executed
thereof) and notice of guaranteed

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delivery, substantially in the form provided by us (by telegram, telex, facsimile transmission, mail or hand delivery), setting for of Series P senior notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York St days after the date of execution of the notice of guaranteed delivery, the certificates for all physically tendered unregistered not entry confirmation, as the case may be, will be deposited by the eligible institution with the exchange agent; and

- the certificates for all physically tendered Series P senior notes, in proper form for transfer, or a book-entry confirmation, as th exchange agent within three NYSE trading days after the date of execution of the notice of guaranteed delivery.

Withdrawal rights

You may withdraw tenders of Series P senior notes at any time prior to 5:00 p.m., New York City time, on the expiration date.

For a withdrawal of your tender of Series P senior notes to be effective, a written or (for DTC participants) electronic ATOP transmission n the exchange agent prior to 5:00 p.m., New York City time, on the expiration date. Any notice of withdrawal must:

- specify the name of the person having deposited the Series P senior notes to be withdrawn;
- identify the Series P senior notes to be withdrawn, including the certificate number or numbers and principal amount of the Se
- in the case of a written notice of withdrawal, be signed in the same manner as the original signature on the letter of transmittal tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the exch Series P senior notes into the name of the person withdrawing the tender; and
- specify the name in which any Series P senior notes are to be registered, if different from that of the person having deposited t

All questions as to the validity, form, and eligibility (including time of receipt) of such notices will be determined by us. Our determination Any Series P senior notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. tender for exchange but which are not exchanged for any reason will be returned to you without cost to you as soon as practicable after with of the exchange offer. Properly withdrawn Series P senior notes may be retendered by following one of the procedures discussed above und time on or prior to the expiration date.

Conditions to the exchange offer

Notwithstanding any other provision of the exchange offer, we are not required to accept for exchange, or to issue Series Q senior notes in and may terminate or amend the exchange offer if, at any time before the acceptance of Series P senior notes for exchange, (1) we determin applicable law, any applicable interpretation of the staff of the Commission or any order of any governmental agency or court of competent has been instituted or threatened in any court or before any governmental agency with respect to the exchange offer which, in our judgment the exchange offer or have a material adverse effect on us, or (3) we determine that there has been a material change in our business or fina would materially impair our ability to consummate the exchange offer.

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The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any such conditio part at any time and from time to time in our sole discretion. Our failure to exercise any of the foregoing rights at any time will not be deem such right will be deemed an ongoing right which may be asserted at any time and from time to time.

In addition, we will not accept for exchange any Series P senior notes tendered, and no Series Q senior notes will be issued in exchange for any stop order will be threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qual Indenture Act of 1939, as amended. In any such event we are required to use every reasonable effort to obtain the withdrawal of any stop o

Exchange Agent

All executed letters of transmittal should be directed to the exchange agent. The Bank of New York has been appointed as exchange agent f for assistance and requests for additional copies of this prospectus or of the letter of transmittal should be directed to the exchange agent ad

THE BANK OF NEW YORK

By Registered or Certified Mail:	*By Overnight Courier:*	*By Hand:*
The Bank of New York Attn: Kin Lau 101 Barclay Street, 7E New York, New York 10286	The Bank of New York Reorganization Department Attn: Kin Lau 101 Barclay Street, 7E New York, New York 10286	The Bank of New York Reorganization Department Attn: Kin Lau 101 Barclay Street, 7E New York, New York 10286

For information, call:
(212) 815-3750

Originals of all documents sent by facsimile should be sent promptly by registered or certified mail, by hand or by overnight delivery servic

Fees and expenses

We will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offer. The principal solicitation is being solicitations may be made in person or by telephone by our officers and employees. We will pay the estimated cash expenses to be incurred We estimate such expenses to be approximately $200,000, which includes fees and expenses of the exchange agent, accounting, legal, print

Transfer taxes

You will not be obligated to pay any transfer taxes in connection with your tender of Series P senior notes. However, if you instruct us to re of, or request that Series P senior notes not tendered or not accepted in the exchange offer be returned to, a person other than yourself, you applicable transfer tax thereon.

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USE OF PROCEEDS

We will not receive any cash proceeds from the exchange of the Series P senior notes for Series Q senior notes pursuant to the exchange of
Q senior notes as contemplated by this prospectus, we will receive in exchange Series P senior notes in like principal amounts, which will b
be any increase in our outstanding indebtedness.

RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED OP UNIT DISTRIBUTI

The following table shows our ratio of earnings to fixed charges and preferred OP Unit distributions for the periods indicated (in millions, e

	Quarter ended		
	March 24, 2006	March 25, 2005	2005
Ratio of earnings to fixed charges and preferred OP Unit distributions (a)	1.2x	—	1.3x
Deficiency of earnings to fixed charges and preferred OP Unit distributions (b)	$ —	$ (9)	$ —

(a) The ratio is calculated as the sum of pre-tax income from continuing operations before adjustments for minority interest and income
amortization of capitalized interest, distributions from equity investments and fixed charges less capitalized interest and distribution
charges which is the sum of interest expensed and capitalized, distributions on preferred OP Units and the estimate of interest within

(b) For the quarter ended March 25, 2005, the deficiency of earnings to fixed charges and preferred OP Unit distributions includes depr
million. For fiscal years 2004, 2003, 2002 and 2001, the deficiency of earnings to fixed charges and preferred OP Unit distributions
expense of $341 million, $334 million, $327 million and $314 million, respectively.

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CAPITALIZATION

The following table sets forth our capitalization as of March 24, 2006 on a historical basis, and on a pro forma basis for the following transa

- the Starwood Transactions;
- the issuance of \$800 million of 6 3/4% Series P senior notes;
- the exchange of Series P senior notes for Series Q senior notes;
- the redemption of \$136 million of 7 7/8% Series B senior notes;
- the redemption of \$150 million 10% Class C preferred OP units;
- the redemption of the convertible debt obligation to Host;
- the sale of the Swissôtel The Drake, New York;
- the probable acquisition of The Westin Kierland Resort & Spa for a total of \$399 million, including \$6 million in furniture, fix working capital and the assumption of \$135 million of mortgage debt; and
- the repayment of \$84 million of 8.39% mortgage debt on the Boston Marriott Copley Place.

For further detail regarding these transactions, see "Summary of the Starwood Transactions" and "Unaudited Pro Forma Financial Statemen

Cash and cash equivalents (1)
Senior debt
Credit facility (2)
7 7/8% Series B senior notes due 2008
9 1/4% Series G senior notes due 2007
9 1/2% Series I senior notes due 2007
7 1/8% Series K senior notes due 2013
7% Series M senior notes due 2012
6 3/8% Series O senior notes due 2015

6 3/4% Series Q senior notes due 2016	
3.25% Exchangeable Senior Debentures due 2024	
Other senior notes	
Total senior debt	
Mortgage debt (3)	
Convertible debt obligation to Host due 2026 (4)	
Other	
Total debt	
Minority interest	
Limited partnership interests of third parties at redemption value	
Partners' capital (5)	
Total capitalization	

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(1) Pro forma cash reflects the following (in millions):

Cash and cash equivalents at March 24, 2006	
Net proceeds from the issuance of the Series P senior notes	
Anticipated purchase of The Westin Kierland Resort & Spa, net of assumed debt	
Repayment of 8.39% mortgage debt on the Boston Marriott Copley Place	
Redemption of 7 7/8% Series B senior notes	
Net proceeds from the sale of the Swissôtel The Drake, New York on March 31, 2006	
Redemption of 10% Class C preferred OP units and accrued distributions	
Redemption of outstanding Convertible Subordinated Debentures held by third parties	
Cash provided by the European joint venture (a)	
Use of cash for the acquisition of the Starwood portfolio (b)	
Pro forma cash and cash equivalents at March 24, 2006	

(a) The joint venture, in which we own a 32.1% general and limited partnership interest, acquired four properties on May 3, 200
acquired the Westin Europa & Regina. Our $71 million interest in the joint venture was recorded as investment in affiliates,
Warsaw Hotel & Towers, which we acquired directly and contributed to the joint venture with approximately $12 million of
approximately $563 million of financing for the acquisition, including new debt issued by the joint venture and excluding ou
joint venture.

(b) Includes estimated transaction fees and expenses.

(2) We currently have availability of $575 million under our revolving credit facility.

(3) Pro forma mortgage debt reflects mortgage debt assumed in the Starwood portfolio acquisition at its fair value of $86 million (princi
of the note payable that we expect to assume upon the purchase of The Westin Kierland Resort & Spa of $133 million (principal am
of $84 million of mortgage debt on the Boston Marriott Copley Place on June 1, 2006.

(4) On April 5, 2006, we redeemed the remaining $2 million of outstanding convertible Subordinated Debentures held by third parties a
Convertible Subordinated Debentures held by related parties for cash. As a result, we eliminated our Convertible debt obligation to

(5) Pro forma partners' capital reflects the following (in millions):

Partners' capital at March 24, 2006	
Elimination of Convertible Subordinated Debentures held by the trust	
Write-off of deferred financing costs and call premiums related to the redemption of the Series B senior notes	
Redemption of 10% Class C preferred OP units and accrued distributions	
Gain on the sale of the Swissôtel The Drake, New York, on March 31, 2006	
Issuance of OP units to Host for Starwood portfolio acquisition	
Pro forma partners' capital at March 24, 2006	

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SELECTED FINANCIAL DATA

The following table presents certain selected historical financial data which has been derived from audited consolidated financial statement
December 31, 2005 and the unaudited consolidated financial statements for the quarters ended March 24, 2006 and March 25, 2005:

	Quarter ended		
	March 24, 2006	March 25, 2005	2005
			(i
Income Statement Data:			
Revenues	$ 848	$ 790	$3,807
Income (loss) from continuing operations	27	(10)	133
Income from discontinued operations (1)	154	16	40
Net income (loss)	181	6	173
Net income (loss) available to common unitholders	175	(2)	142
Basic earnings (loss) per common unit:			
Income (loss) from continuing operations	.05	(.05)	.27
Income from discontinued operations	.39	.04	.11
Net income (loss)	.44	(.01)	.38
Diluted earnings (loss) per common unit:			
Income (loss) from continuing operations	.05	(.05)	.27
Income from discontinued operations	.39	.04	.11
Net income (loss)	.44	(.01)	.38
Cash distributions declared per common unit	.14	.08	.41
Balance Sheet Data:			
Total assets	$ 8,482	$ 8,633	$8,225
Debt	5,081	5,861	5,370

(1) Discontinued operations reflects the operations of properties classified as held for sale, the results of operations of properties sold ar
Results in 2003 include the gain on disposition and business interruption proceeds of the New York Marriott World Trade Center ho

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in t
forward-looking statements about our business. These statements are based on current expectations and assumptions that are subject to risk
differ materially because of factors discussed in "Forward Looking Statements" and "Risk Factors" included elsewhere in this prospectus.

Overview

Structure and Business

We are a limited partnership operating through an umbrella partnership structure with Host as the sole general partner. We own 129 full-se
properties and, as of June 1, 2006, Host was the largest hotel REIT in the National Association of Real Estate Investment Trust's composite
real estate interests and, through payments of dividends to stockholders, is permitted to reduce or avoid federal income taxes at the corpora
and self-administered REIT and owns approximately 96% of our partnership interests.

Our hotels are operated under brand names that are among the most respected and widely recognized in the lodging industry—including M
Seasons®, Fairmont®, Hilton®, Westin®, Sheraton®, W Hotels® and St. Regis®. The majority of our properties are located in central busines
in resort/conference destinations. The target profile for our portfolio includes luxury and upper-upscale full-service properties in urban and
from significant barriers to entry by competitors. Though hotels meeting this target profile will still be subject to competitive pressures, we
room rate and occupancy premiums over our competitors. We also seek to maximize the value of our portfolio through aggressive asset ma
hotels in maximizing property operations and by completing strategic capital improvements.

The majority of our customers fall into three broad groups: transient business, group business, and contract business, approximately 57%, 4
in 2005. Similar to the majority of the lodging industry, we further categorize business within these segments based on characteristics they

Transient demand broadly represents individual business or leisure travelers and is divided into four key sub-categories: premium, corporat
business travelers make up approximately 80% of transient demand at our hotels, with leisure travelers making up the remainder. Therefore
affected by trends in business travel versus leisure demand:

- Premium: Sometimes referred to as "rack rate," typically consists of rooms booked close to arrival during high demand perio
available. Room rates will fluctuate depending on anticipated demand levels (e.g. seasonality, weekday vs. weekend stays).

- Corporate: This is the benchmark rate which a hotel publishes and offers to the general public. It is typically the second high
not have access to negotiate or discount rates.

- Special Corporate: this is a negotiated rate offered to companies and organizations that provide significant levels of room nig
typically negotiated annually, at a discount to the anticipated corporate rate.

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- Discount: This encompasses all discount programs, such as AAA and AARP discounts, government per diem, rooms booked wholesale channels, frequent guest program redemptions, and promotional rates and packages offered by a hotel.

Group demand represents clusters of guestrooms booked together, usually with a minimum of 10 rooms. Examples include a company train family reunion. Group business is segmented into the following three key sub-categories:

- Association: group business related to national and regional association meetings and conventions.
- Corporate: group business related to corporate meetings (e.g., product launches, training programs, contract negotiations, and
- Other: group business predominately related to social, military, education, religious, fraternity and youth and amateur sports business.

The final segment is contract demand, which refers to blocks of rooms sold to a specific company for an extended period of time at signific usually utilized by hotels that are located in markets that are experiencing consistently low levels of demand. Airline crews are typical gene

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

Hotel revenue is approximately 97% of our total revenue. The following table presents the components of our hotel revenue as a percentage

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

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Hotel operating expenses are approximately 98% of our total operating costs and expenses. The following table presents the components of
percentage of our total operating costs and expenses:

- *Rooms expense.* These costs include housekeeping, reservation systems, room supplies, laundry services and front desk c
is the major driver of rooms expense. These costs can increase based on increases in salaries and wages, as well as the level of s
amenities that are provided.
- *Food and beverage expense.* These expenses primarily include food, beverage and labor costs. Occupancy and the type c
staying at the hotel (i.e., catered functions generally are more profitable than outlet sales) are the major drivers of food and beve
which correlates closely with food and beverage revenue.
- *Hotel departmental expense.* These expenses include labor and other costs associated with the other ancillary revenues su
golf courses, spas, telephones, entertainment and other guest services, as well as labor and other costs associated with administr
departments, sales and marketing, repairs and minor maintenance and utility costs.
- *Management fees.* Base management fees are computed as a percentage of gross revenue as set forth in our management
Incentive management fees generally are paid when operating profits exceed threshold levels established in our management ag
- *Other property-level expenses.* These expenses consist primarily of real and personal property taxes, ground rent, equipm
property insurance. Many of these expenses are relatively inflexible and do not necessarily change in tandem with changes in re
hotels.
- *Depreciation and amortization expense.* This is a non-cash expense that is relatively inflexible and changes primarily bas
acquisition and disposition of hotel properties and the level of post-acquisition capital expenditures.

The expense components listed above are based on those presented in our consolidated statement of operations. It is also worth noting that v
various line items, however, taken separately these costs represent approximately 50% of our total expenses, making wages and benefits the
structure.

Key Performance Indicators

We have several key indicators that we use to evaluate the performance of our business. Revenue per available room, or RevPAR, is a com
industry to evaluate hotel operations. RevPAR is defined as the product of the average daily room rate charged and the average daily occup
revenues from food and beverage or parking, telephone, or other guest services generated by the property. Although RevPAR does not inclu
generally considered the leading indicator of core revenues for many hotels. We also use RevPAR to evaluate the results of individual hotel
hotels. See "Comparable Hotel Operating Statistics" for further discussion of what we consider to be our comparable hotels.

RevPAR changes driven predominately by occupancy have different implications on overall revenue levels as well as incremental operating
predominately by average room rate. For example, increases in occupancy at a hotel would lead to increases in rooms revenues and ancillar

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well as additional incremental costs (including housekeeping services, utilities and room

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amenity costs). RevPAR increases due to higher room rates, however, would not result in these additional room-related costs. For this reaso increases when occupancy rises, RevPAR increases due to higher room rates would have a greater impact on our profitability.

A related revenue measure for our hotels is the RevPAR penetration index. The RevPAR penetration index reflects each property's RevPAI property's competitive set. We use the measure as an indicator of a property's market share. For example, a RevPAR penetration index of 1 is, on average, the same as its competitors. A RevPAR penetration index exceeding 100 would indicate that a hotel maintains a RevPAR pr while a RevPAR penetration index below 100 would be an indicator that a hotel is underperforming its competitive set. One critical compo determination of a hotel's competitive set. Factors that we consider include geographic proximity, as well as the level of service provided a located near a convention center might have a competitive set that includes other hotels located in close proximity to the convention center. include other luxury or upper-upscale hotels in its competitive set but not economy hotels. Competitive set determinations are highly subjec determining a hotel's competitive set may differ materially from those used by other owners and/or managers.

We assess profitability by measuring changes in our operating margin, which is operating profit as a percentage of total revenue. Another k adjusted operating profit which is a non-GAAP measure, and which is used to evaluate the profitability of our comparable hotels. Hotel adj level results before debt service and is a supplemental measure of individual property-level profitability. The comparable hotel adjusted ope aggregation of the adjusted operating profit for each of our comparable hotels. See "Non-GAAP Financial Measures—Comparable Hotel C We also use, among other things, FFO per diluted unit as a supplemental measure of company-wide profitability. See "Non-GAAP Financi further discussion. Each of the non-GAAP measures should be considered by investors as supplemental measures to GAAP performance m profit and earnings per unit.

Recent Events

Starwood Acquisition

On April 10, 2006, we acquired 25 domestic hotels and three foreign hotels from Starwood Hotels & Resorts Worldwide, Inc., or Starwood including the merger of Starwood Hotels & Resorts, a Maryland real estate investment trust, or Starwood Trust, with and into a subsidiary o of Sheraton Holding Corporation and the acquisition of four domestic hotels in a purchase structured to allow Host's subsidiaries to comple federal income tax purposes. These transactions were completed pursuant to the Master Agreement and Plan of Merger, dated as of Novem March 24, 2006, (the "Master Agreement") among Host, Host LP, Starwood, Starwood Trust and certain of their respective affiliates. A joi 32.1% general and limited partner interest, acquired four European hotels on May 3, 2006 and one European hotel on June 13, 2006 from S we acquired from Starwood, the Sheraton Warsaw Hotel & Towers, Warsaw, Poland, to the joint venture. See the below discussion of the E Starwood and Host agreed that Starwood will retain two hotels located in Fiji that were originally under contract as part of the Master Agre totaled $129 million, including $31 million of debt.

For the 28 hotels included in the initial closing, the total consideration paid by Host to Starwood and its shareholders included the issuance shares of Host common stock) to Starwood stockholders, the assumption of $77 million in debt and the payment of approximately $1.0 billi cash acquired from Starwood). An exchange price of Host common stock of $16.97 per share was calculated based on guidance set forth in 12, as

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the average of the closing prices of Host common stock during the range of trading days from two days before and after the November 14, 2
of Host common stock issued in the transaction, we issued an equivalent OP unit to Host.

European Joint Venture

In conjunction with the Starwood acquisition, we entered into an Agreement of Limited Partnership, forming a joint venture in The Netherl
the Dutch pension fund ("ABP"), and Jasmine Hotels Pte Ltd, a subsidiary of GIC Real Estate Pte Ltd ("GIC RE"), the real estate investme
Singapore Investment Corporation Pte Ltd (GIC). The initial purpose of the joint venture is the acquisition and ownership of six European h

The aggregate size of the joint venture is initially expected to be approximately $640 million, including total capital contributions of approx
approximately $71 million was contributed by us in the form of cash and through the contribution of the Sheraton Warsaw Hotel & Towers
Through newly-formed Dutch BVs (private companies with limited liability), we are a limited partner in the joint venture (together with AB
and also serve as the general partner for the joint venture. The percentage interest of the parties in the joint venture is 19.9% for ABP, 48%
(including our limited and general partner interests).

On May 3, 2006, the joint venture acquired from Starwood the following four hotels: the Sheraton Roma Hotel & Conference Center, Rome
Spain; the Sheraton Skyline Hotel & Conference Centre, Hayes, United Kingdom; and The Westin Palace, Milan, Italy. In addition, we con
Towers, Warsaw, Poland to the joint venture. The Westin Europa & Regina, Venice, Italy was acquired by the joint venture on June 13, 200

The partners are contemplating entering into an expanded joint venture, which would be subject to antitrust clearance. In the event that such
into the expanded joint venture, then in exchange for providing certain additional approval rights to the Limited Partners and subject to cert
would increase the aggregate size of the joint venture to approximately €533 million of equity (of which approximately €171 million woul
giving effect to indebtedness the joint venture would be expected to incur, aggregate funds that the joint venture would have available for in
approximately €1.5 billion. The focus of the expanded joint venture would be on the acquisition, ownership and potential disposition of ful
Europe (with properties in particular in the United Kingdom, France, Germany, Italy and Spain). In connection with the expanded joint ven
subject to certain exceptions, investments that are consistent with the joint venture's investment parameters would be made through the join
years in the case of Host) or earlier in the event that at least 90% of the joint venture's committed capital is called or reserved for use prior t

Pursuant to the agreements, distributions to partners will be made on a pro-rata basis (based on their partnership interests) until certain retur
are met, our general partnership interest will receive an increasing percentage of the distributions. An affiliate of Host LP has entered into a
joint venture to provide asset management services in return for a quarterly asset management fee. Host LP or its affiliates will be responsib
asset management, including all salaries and employee benefits of employees and related overhead, including rent, utilities, office equipmen
functions and other similar overhead expenses. The initial term of the joint venture is ten years subject to two one-year extensions with part
ownership interest and due to certain rights given to ABP and GIC RE, the joint venture will not be consolidated.

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The following table sets forth the location and number of rooms of hotels included in the Starwood Portfolio:

Domestic Hotels	City	State
Sheraton New York Hotel & Towers	New York	NY
Sheraton Boston Hotel	Boston	MA
Sheraton San Diego Hotel & Marina	San Diego	CA
The Westin Seattle	Seattle	WA
The Westin Los Angeles Airport	Los Angeles	CA
W New York	New York	NY
The Westin Indianapolis	Indianapolis	IN
Sheraton Indianapolis Hotels and Suites	Indianapolis	IN
The Westin Mission Hills Resort & Spa	Rancho Mirage	CA
The Westin Cincinnati	Cincinnati	OH
Sheraton Stamford Hotel	Stamford	CT
The Westin Tabor Center	Denver	CO
W Seattle	Seattle	WA
The Westin South Coast Plaza	Costa Mesa	CA
Sheraton Milwaukee Brookfield Hotel	Brookfield	WI
Sheraton Braintree Hotel	Braintree	MA
Sheraton Parsippany Hotel	Parsippany	NJ
The Westin Waltham-Boston	Waltham	MA
The Westin Grand, Washington, D.C.	Washington	DC
Sheraton Suites Tampa Airport	Tampa	FL
Sheraton Needham Hotel	Needham	MA
St. Regis Hotel, Houston	Houston	TX
Sheraton Tucson Hotel & Suites	Tucson	AZ
Sheraton Providence Airport Hotel	Warwick	RI
Capitol Hill Suites	Washington	DC
Total—Domestic Hotels		

International Hotels	City	
Sheraton Roma Hotel & Conference Center(1)	Rome	
The Westin Palace, Madrid(1)	Madrid	
Sheraton Santiago Hotel and Convention Center	Santiago	
Sheraton Skyline Hotel & Conference Centre(1)	Hayes	
Sheraton Warsaw Hotel & Towers(2)	Warsaw	
The Westin Palace, Milan(1)	Milan	

The Westin Europa & Regina(3)	Venice
San Cristobal Tower, a Luxury Collection Hotel	Santiago
Total—International Hotels	
Total	

(1) This property was acquired by the joint venture on May 3, 2006.
(2) This property was contributed to the joint venture on May 2, 2006.
(3) This property was acquired by the joint venture on June 13, 2006.

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Financing, Acquisition and Disposition Activity

On March 31, 2006, we sold the 495-room Swissôtel The Drake, New York, or the Drake, and nearby retail space, which were classified as sales price of approximately $440 million, resulting in a gain of approximately $235 million.

On April 4, 2006, we issued $800 million of 6 3/4% Series P senior notes and received net proceeds of approximately $787 million. The Ser and are equal in right of payment with all of our other senior indebtedness. Interest is payable semi-annually in arrears on June 1 and Decem portion of the proceeds from the offering was used to fund the Starwood acquisition. On May 19, 2006, we used a portion of the proceeds fr redeem, at par, all 5,980,000 units of our Class C cumulative redeemable preferred units (“Class C preferred units”) for approximately $151 The fair value of the Class C preferred units (which is equal to the redemption price) exceeds the carrying value of the preferred units by ap represents the original issuance costs. Accordingly, this amount will be reflected in the determination of net income available to common un our basic and diluted earnings (loss) per unit. In addition, on May 15, 2006, we used a portion of the proceeds from our Series P senior note $136 million of our remaining 7 7/8% Series B senior notes. We will record a loss of approximately $3 million related to this early extinguis payment of the call premium and the acceleration of the original issue discounts and related deferred financing fees. The remaining proceed will be used for general corporate purposes.

On April 5, 2006, we redeemed the remaining $2 million of outstanding Convertible Subordinated Debentures held by third parties and the Convertible Subordinated Debentures held by related parties for cash. As a result, we eliminated our Convertible Debt Obligation to Host H

On May 19, 2006, we signed a definitive agreement to purchase The Westin Kierland Resort & Spa in Scottsdale, Arizona for approximatel of $135 million of mortgage debt. The 732-room property includes a 27-hole golf course and a full-service spa. The sale is subject to custom close during the third quarter of 2006.

Outlook

For 2005, RevPAR for our comparable hotels increased 9.5% as compared to 2004. Improvements in RevPAR at our comparable hotels for increases in average room rates, and, to a lesser extent, by increases in occupancy. In the first quarter of 2006, RevPAR for our comparable period last year. Based on a March 31, calendar quarter end, our comparable hotel RevPAR increased 8.8% over the first quarter of 2005. In comparable hotels for the first quarter of 2006 were driven by a 7.7% increase in average room rate, while occupancy remained stable, with This is a result of a number of positive trends such as strong United States GDP growth, low supply growth of new luxury and upper upscal strengthening in group and transient demand. As a result of these trends, we expect comparable hotel RevPAR to increase approximately 8% and the second quarter of 2006.

We expect the supply growth of luxury and upper upscale hotels to continue to be low for the next two to three years. Although always subj relatively easier to forecast than demand growth due to the long permit, approval and development lead-times associated with building new full-service hotels. Although the pipeline for new hotel supply has begun to accelerate from cyclical lows, the majority of new projects cont scale segments and in locations outside of the top 25 Metropolitan Statistical Areas, or MSA. According to Lodging Econometrics, new sup upscale segments in the top 25 MSAs is anticipated to

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be 1.4% in 2006 and 2.1% in 2007. These growth rates are below the total industry-wide growth expectations of 2.0% in 2006 and 2.6% in forecast supply growth in the specific geographic markets where we have hotels (approximately 72% of our hotels are in the top 25 MSAs), competitive with our hotels will be slightly lower than the industry-wide growth as forecasted by Lodging Econometrics.

The performance of our portfolio is also significantly affected by the results of our large hotels, including our convention hotels, the majori markets. Convention hotels have historically outperformed in the early stages of an industry downturn; however, they also lag the industry recovery. This primarily is due to the longer booking lead-time for large group business and the need for transient demand in a market to re greater capacity of rooms. In 2005, we saw significant improvement in the operations of our convention hotels in certain markets, such as N large hotels situated in weaker markets continue to lag the portfolio, but we are beginning to see signs of improving market strength in seve to a lesser extent San Francisco. We continued our capital expenditure plan at our convention hotels in Atlanta and Orlando with the intenti position and improving performance. We expect increasing demand to continue to improve operations at our large convention hotels as ma affect margin and RevPAR growth.

Operating margins improved in 2005 and the first quarter of 2006, as the average room rate increases at our hotels significantly exceeded th continue. Operating margins continue to be affected, however, by certain costs, primarily wages, benefits, utilities and sales and marketing, inflation, a trend that we also expect to continue in the near term. We expect utility costs to increase by over 10% in 2006, although these c our revenues. Additionally, as a result of the large-scale devastation due to hurricanes in 2005, we expect insurance costs, which were appr expenses, to increase approximately 40% in 2006.

In addition, several markets have union contracts that expire in 2006, including New York, Hawaii, Chicago, Toronto, Boston and Los Ang expired in 2004. One outcome of these negotiations could be potential increases in labor costs (by increased wages, benefits and/or changes increases in labor costs are likely to increase labor costs in these markets generally, including at non-union hotels, because of competitive p potential affects of these negotiations could include temporary disruptions in group bookings and/or hotel operations and it is difficult to pr we do not believe the outcome of these negotiations will have a material effect on our 2006 results of operations.

Operating margins are also affected by our food and beverage operations, which represented 31% of our 2005 revenues. During 2005, food comparable hotels was 5.6%, with a food and beverage margin increase of 0.9 percentage points. During the first quarter, food and beverag was 7.5%, with a food and beverage margin increase of 2.0 percentage points. As the economy continues to grow, we expect food and beve particular catering revenue, which should result in further improvement in our operating margins.

We also expect to see improvements in RevPAR and operating margins as we continue our strategy of recycling assets. Over the past two y and upper-upscale properties in urban and resort/convention destinations, where further large-scale lodging development typically is limite primarily in suburban and secondary markets. The assets we have acquired have higher RevPAR, higher margins and, we believe, higher g Over time, these assets should contribute to improvements in overall RevPAR and margins, as well as an increase in the average per room expected RevPAR for the Starwood Portfolio is roughly comparable to the RevPAR for our current hotel portfolio.

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During 2005, the average RevPAR penetration index for our comparable hotels declined slightly as we continued to work with our manage
business mix of our hotels. We believe that this decline in market share has occurred because:

- many of our hotels occupy the number one or number two positions in their competitive set and achieve meaningful RevPAR p ranked hotels have improved their competitive position (through renovation or other means) resulting in a narrowing of our Re
- our hotels generally have a higher percentage of their revenues generated by corporate group and corporate transient customers business in the luxury and upper-upscale segment did not begin to significantly increase until the second half of 2004.
- we have a significant number of large hotels in our portfolio, including nine convention hotels with greater than 1,000 rooms, achieve optimal group bookings and business mix.

As lodging demand continues to grow and, in particular, as corporate group and corporate transient business strengthens, we believe our Re

While we believe the combination of improving demand trends and low supply trends in the lodging industry discussed here creates the op business in 2006 and 2007, there can be no assurances that any increases in hotel revenues or earnings at our properties will continue for an limited to, slower than anticipated growth in the economy and changes in travel patterns. All of the above, as well as the risks set forth in th may result in lower revenues or higher operating costs and declining operating margins.

Management's Priorities

Based on forecasted operating conditions, our key management priorities over the next several years include the following:

- the integration of the Starwood Portfolio into our asset management program;
- to work with our managers to increase revenues and minimize operating costs;
- to invest capital in our existing portfolio to maintain our assets and pursue repositioning/ROI opportunities. Potential investme the number of rooms, building a spa, fitness facility, convention or meeting space or upgrading the infrastructure, such as ener
- to explore opportunities to maximize the value of existing assets by converting all or part of a property's underutilized space t condominium units;
- to acquire luxury and upper-upscale hotels in locations with high barriers to entry, including hotels in urban and resort/confere
- to use the proceeds from the sale of non-core hotels to acquire properties more closely aligned with our target profile or to rep
- to reduce our leverage, over time, to achieve an EBITDA-to-interest coverage ratio of 3.0x or greater under our senior notes in maturity schedule with an average maturity of no less than five years.

Consistent with these priorities, we substantially completed the Starwood Transactions during the second quarter of 2006. We also raised n
from the issuance of our Series P senior notes, the proceeds of which were used to partially fund the Starwood Transactions and redeem the
units and the remaining Series B senior notes. Thus far in 2006, we have sold five properties for gross proceeds of approximately $700 mill

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In 2005, we acquired the Hyatt Regency Washington on Capitol Hill in Washington, D.C. for approximately $274 million. We sold five no
million and completed the sale of 85% of our interest in CBM Joint Venture LLC, which owns 120 Courtyard by Marriott properties, for a s
Additionally, we raised approximately $639 million from the issuance of our Series N senior notes in 2005, which were subsequently excha
substantially identical terms. We used those funds, along with funds raised through asset dispositions, to acquire properties and to repay or
senior notes, $179 million in mortgage debt and $100 million of 10% redeemable preferred stock, which improved our interest coverage rat
we spent approximately $107 million in 2005 on repositioning and ROI projects. We expect to spend an additional $300 million to $500 mi
several years. By contrast, we had limited our expenditures on such development projects in 2002 and 2003 based on our assessment of the
and to preserve capital.

Effective January 1, 2006, we amended various management agreements with Marriott International and agreed, among other matters, to w
through the end of fiscal year 2009, to modify certain extension tests which condition the manager's ability to renew the management agree
ten additional years. Pursuant to the amendments, Marriott International in turn agreed to make a cash payment to us, to reduce an existing
chain services that are provided on a centralized basis, as well as to establish a cap on certain other costs, to provide us with an incentive to
hotels through 2008, to waive certain deferred management fees, and to modify the incentive management fee on certain contracts. In addit
International's cash payment for brand reinvestment projects at various hotels in our portfolio.

We believe we successfully executed on a number of these management priorities in 2005 and 2006, taking advantage of the positive trends
as strong conditions in the U.S. capital markets. We also believe that the acquisition of the Starwood Portfolio is a very important step in fu
no assurances, however, that these trends will continue or that we will be able to continue to execute on all, or any, of these priorities over t

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Results of Operations

The following tables reflect certain line items from our unaudited quarterly and audited annual statements of operations and other significar
operating statistics and percentages):

	Quart
	March 24, 2006
Revenues	
Total hotel sales	$ 819
Operating costs and expenses:	
Property-level costs (1)	712
Corporate and other expenses	20
Operating profit	116
Interest expense	91
Minority interest expense	4
Income from discontinued operations	154
Net income	181
Comparable hotel operating statistics:	
RevPAR	$ 128.65
Average room rate	$ 181.24
Average occupancy	71.0%

(1) Amount represents total operating costs and expenses per our consolidated statements of operations less corporate expenses.
(2) N/M=Not meaningful

	2005	**2004**	**% Change 2004 to 2005**
Revenues			
Total hotel sales	$ 3,696	$ 3,403	8.6
Operating costs and expenses:			
Property-level expenses (1)	3,242	3,056	6.1
Corporate and other expenses	67	67	—
Gain on insurance settlement	(9)	(3)	N/M
Operating profit	507	390	30.0
Interest expense	444	484	(8.3
Income (loss) from continuing operations	133	(82)	N/M
Net income (loss)	173	(1)	N/M
Comparable hotel operating statistics (2):			

Comparable hotel RevPAR	$122.82	$112.21	9.5
Comparable average room rate	$166.80	$154.96	7.6
Comparable average occupancy	73.6%	72.4%	1.2

(1) Amount represents operating costs and expenses per our statements of operations less corporate and other expenses and the gain on

(2) Comparable hotel operating statistics for 2005 and 2004 are based on 98 comparable hotels as of December 31, 2005. The percent c comparable hotels as of December 31, 2004. See "Comparable Hotel Operating Statistics" for further details.

(3) N/M=Not Meaningful

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First Quarter 2006 Compared to First Quarter 2005

Hotel Sales Overview. Hotel sales increased $58 million, or 7.6%, to $819 million for the first quarter of 2006. Hotel sales include approx
2006 of sales from a hotel acquired in 2005 and exclude sales for the properties we sold in 2006. Sales for properties sold in 2006 or 2005 c
March 24, 2006 have been reclassified as discontinued operations on our condensed consolidated statements of operations. See "Discontinu

We discuss operating results for our full-service hotels on a comparable basis. Comparable hotels are those properties that we have owned f
being compared. Comparable hotels do not include the results of properties acquired or sold, or that incurred significant property damage an
capital improvements during these periods. As of March 24, 2006, 98 of our 103 full-service hotels have been classified as comparable hote
sales results of our comparable hotels considering the mix of business (i.e. transient, group or contract), property type (i.e. urban, suburban,
geographic region. See "Comparable Hotel Operating Statistics" for a complete description of our comparable hotels and further detail on t

Comparable hotel sales increased 7.2% to $802 million, for the first quarter. The growth in revenue reflects the increase in comparable Rev
as a result of an increase in average room rates of 7.7%, while occupancy remained stable, with a decrease of only 0.1 percentage points. Fo
comparable hotels increased 7.5% for the quarter, primarily due to an increase in catering and outlet revenues.

Comparable Hotel Sales by Customer Mix. Our hotel customers consist of three broad groups: transient, group and contract business. Tra
individual business or leisure travelers. Group demand represents clusters of guestrooms booked together, usually with a minimum of 10 ro
rooms sold to a specific company for an extended period of time at significantly discounted rates. Contract rates are usually utilized by hote
experiencing consistently low levels of demand. Similar to the majority of the lodging industry, we further categorize business within these
in common. For further detail on these groups, see "Comparable Hotel Operating Statistics."

Demand remained strong in the first quarter of 2006, enabling our operators to significantly increase average daily room rates, particularly i
segments. For our comparable Marriott and Ritz-Carlton hotels, which represented 84% of our total comparable rooms in the first quarter o
increased 10.5% for the quarter driven by premium and corporate average daily rates. We expect that increased levels of transient demand w
increases throughout the remainder of 2006.

Total group room revenue for our comparable Marriott and Ritz-Carlton hotels increased slightly for the first quarter compared to last year,
approximately 4.5% for the quarter. Group booking pace is up for the remainder of the year, reflecting our managers' strategy of keeping m
transient segments; however, room rates for groups are expected to be strong for the remainder of 2006 and should continue to improve in 2

Comparable Hotel Sales by Property Type. For the first quarter of 2006, revenues increased significantly across all of our hotel property t
strongest growth in RevPAR as comparable hotel RevPAR increased 11.6% for the first quarter, which reflected an average room rate incre
hotels performed well thus far in 2006, with comparable hotel RevPAR growth of 7.9% to $135.72 for the quarter. The significant increase
properties was primarily driven by the increases in average room rate of 7.6% for the quarter, while average occupancy improved by 0.2 pe
hotels had comparable hotel RevPAR growth of 3.3%

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to $199.78, which reflected lower group bookings at several of our larger resort/convention hotels. Our airport hotels experienced comparal
the quarter, which reflected an average room rate increase of 10.0% for the quarter.

Comparable Hotel Sales by Geographic Region. During the first quarter, the majority of our geographic regions experienced strong grow
North Central, Atlanta, New England and International regions all experiencing double-digit comparable hotel RevPAR growth.

The North Central region of our portfolio experienced increases in comparable hotel RevPAR of 20.9% for the quarter as the average room
occupancy increased 7.8 percentage points. The improvement was the result of the strong performance of our six hotels in our Chicago mar
grew by 26.0% for the quarter.

Comparable hotel RevPAR for our Atlanta region increased 14.3% for the quarter. The region was led by its luxury hotels, which averaged
occupancies increased significantly. The region also improved as a result of business that relocated from the New Orleans market.

Our Pacific region had a comparable hotel RevPAR increase of 8.1% for the quarter. The region was led by our San Diego market, where c
13.2% for the quarter.

Our Mountain region experienced a comparable hotel RevPAR increase of 8.9% for the quarter. The region was led by our Phoenix market,
comparable hotel RevPAR of 10.7% for the quarter.

Comparable hotel RevPAR for our Mid-Atlantic region increased 9.7% for the quarter, which was driven by comparable hotel RevPAR gro
hotels. Strong group, transient and international demand continues to drive the improved performance in the New York market.

Comparable hotel RevPAR in our Florida region grew by 3.5% for the quarter. The results in the region continue to be negatively affected l
RevPAR at the Orlando World Center Marriott Resort & Convention Center due to a decrease in group bookings in the quarter; however, w
remainder of 2006.

Our DC Metro region was the only region to experience a decline in comparable hotel RevPAR for the quarter. The 6.1% decrease in comp
accelerated renovation at the JW Marriott, Washington, D.C., which had a significant number of rooms out of service in the quarter, as well
activity and other festivities related to the Presidential inauguration in the first quarter of 2005. We expect operating results will improve in
the full year.

Comparable hotel RevPAR for our New England region increased 12.9% during the quarter. Our Boston market, which had been underperf
comparable hotel RevPAR increase of 14.3% for the quarter due to very strong transient demand. Performance in this region should continu
expected increases in convention activity throughout 2006 and overall improvements in the Boston economy.

Comparable hotel RevPAR in our South Central region grew by 9.6% for the quarter, driven primarily by strong increases in occupancy an
in Houston.

Comparable hotel RevPAR for our international properties increased 11.4% for the quarter. Our four Canadian properties, three of which ar
comparable hotel RevPAR of 11.0% for the quarter.

Property-level Operating Costs. Property-level operating costs and expenses increased $31 million, or 4.6% for the first quarter of 2006. I
expenses exclude the costs for hotels we

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have sold and held for sale, which are included in discontinued operations. Our operating costs and expenses, which are both fixed and vari occupancy, inflation and revenues, though the effect on specific costs will differ. For example, utility costs increased 15.8% for the quarter, prices. We expect operating costs to continue to increase during the remainder of 2006 as a result of variable costs increasing with occupan at a rate above inflation, particularly energy prices and insurance

Corporate and Other Expenses. Corporate and other expenses primarily consist of employee salaries and bonuses and other costs such as expense, corporate insurance, audit fees, building rent and system costs. Corporate expenses increased by $6 million, or 42.9%, for the first Host's share-based payment expense.

Interest Income. Interest income decreased $2 million for the first quarter, primarily due to decreased cash and restricted cash balances, w the interest rate earned on those balances.

Interest Expense. Interest expense decreased $18 million for the first quarter of 2006 as a result of the decrease in our interest obligations incurred in the first quarter of 2005, which we did not incur in 2006. We had no debt prepayments or refinancings during the first quarter of however, were partially offset by increased interest rates for our variable rate debt.

Equity in Earnings (Losses) of Affiliates. Equity in earnings (losses) of affiliates increased by $5 million for the first quarter due to an inc P., which had recorded net losses in the first quarter of 2005. During the second quarter of 2005, we sold 85% of our interests and retained

Discontinued Operations. Discontinued operations consist of one hotel classified as held for sale as of March 24, 2006, four hotels sold i sold in 2005 and represent the results of operations and the gain or loss on their disposition. For the first quarter of 2006 and 2005, revenue $28 million, respectively, and income before taxes was $1 million and $4 million, respectively. We recognized a gain, net of tax, of approx the first quarter of 2006 and 2005, respectively, on the disposition of these hotels.

2005 Compared to 2004

Hotel Sales Overview. Hotel sales increased $293 million, or 8.6%, to approximately $3.7 billion for 2005. Hotel sales include approxima 2005 and 2004, respectively, of sales from hotels acquired in 2005 and 2004. Sales for properties sold or classified as held-for-sale as of M discontinued operations on our condensed consolidated statements of operations. See "Discontinued Operations" below.

We discuss operating results for our full-service hotels on a comparable basis. Comparable hotels are those properties that we have owned being compared. Comparable hotels do not include the results of properties acquired or sold, or that incurred significant property damage a capital improvements during these periods. As of December 31, 2005, 98 of our 107 full-service hotels have been classified as comparable sales results of our comparable hotels considering the mix of business (i.e. transient, group or contract), property type (i.e. urban, suburban, geographic region. See "Comparable Hotel Operating Statistics" for a complete description of our comparable hotels and further detail on t sales increased 7.7% to approximately $3.6 billion for 2005. The revenue growth reflects the increase in comparable RevPAR of 9.5%, as a rates of 7.6% and an increase in occupancy of 1.2 percentage points. Food and beverage revenues for our comparable hotels increased 5.6% and outlet revenues.

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Comparable Hotel Sales by Customer Mix. Demand was strong in 2005, enabling our operators to significantly increase average daily roo
corporate transient segments. For our comparable Marriott hotels, which represent 78% of our total comparable rooms, premium and corpo
12.6% when compared to last year. Our overall transient average room rate for these hotels increased 10.2%. The gap between transient an
pricing power is strong. With increased levels of transient demand, we expect our managers to continue aggressive growth in room rates in

Total group room revenue for our comparable Marriott hotels increased 6.2% compared to last year, primarily due to an increase in average
rates for groups should continue to improve in 2006, as a lower percentage of group business would have been booked for those periods in
significantly lower than those our managers were able to charge. Currently, group booking pace has declined modestly for 2006, reflecting
rooms available for the higher-rated transient segments. However, we are experiencing meaningful growth in the average daily rate of our c

Comparable Hotel Sales by Property Type. For 2005, revenues increased significantly across all of our hotel property types, led by our ai
RevPAR increase of 10.1%, which reflected an average room rate increase of 8.2%. Our urban hotels performed well in 2005, with compar
$140.63. The significant increase in comparable hotel RevPAR at our urban properties was primarily driven by an increase in average room
improved by 1.4 percentage points. Our resort/conference hotels had comparable hotel RevPAR growth of 6.8% to $153.82, with average r
include many of our Florida hotels, which experienced a decline in RevPAR in the fourth quarter due to Hurricane Wilma. Our suburban ho
RevPAR increase of 9.9%, which reflected an average room rate increase of 7.7%.

Comparable Hotel Sales by Geographic Region. For full year 2005, the majority of our geographic regions experienced strong growth in
Metro, Mountain, Mid-Atlantic and Pacific regions all experiencing double-digit growth rates.

Our DC Metro region had a comparable hotel RevPAR increase of 15.0%. The improvement was driven by consistent strong performance a
benefited from solid group and business transient demand. Overall, comparable hotel RevPAR increases for the region reflected an average
average occupancy increase of 2.4 percentage points.

Our Mountain region experienced a comparable hotel RevPAR increase of 14.9%, led by a 16.2% RevPAR increase at our three comparabl
experienced an 11.2% RevPAR growth at our hotels located in the Phoenix/Scottsdale area.

Comparable hotel RevPAR for our Mid-Atlantic region increased 12.1%. The increase was driven by the performance at our three New Yo
RevPAR growth of 17.0%, which was the strongest RevPAR growth in any of our major urban markets for the year. Strong group, transien
strengthened the performance in the New York City market.

Our Pacific region had a comparable hotel RevPAR increase of 10.2%, as we experienced strong RevPAR growth in the Los Angeles, Haw

Comparable hotel RevPAR in our Florida region grew by 5.9% as a result of comparable hotel RevPAR increases at our Tampa and Miami
11.0%, respectively. The region's fourth quarter results were significantly affected by business interruption due to Hurricane Wilma, which

Our Atlanta region rebounded from a difficult third quarter (RevPAR decline of 3.7%) to post a full year RevPAR increase of 5.8%, after a
increase. The rebound for the region is

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attributable to strong transient business demand, which was supplemented by the relocation of two city-wide events from New Orleans.

Comparable hotel RevPAR for our New England region increased 3.4%. Our hotels in the Boston market, which had underperformed durin strong fourth quarter with RevPAR growth of 9.3%, which resulted in an annual RevPAR growth of 5.0%. We expect operating growth at t on expected increases in convention activity and an overall improvement in the Boston economy.

The North Central region of our portfolio experienced an increase in comparable hotel RevPAR of 6.8% as average room rates increased 6. hotels, where RevPAR increased 7.9%.

Overall, comparable hotel results in our South Central region, which includes Texas and Louisiana, were not significantly affected by Hurri the New Orleans Marriott, which is considered a non-comparable hotel, have been, and will continue to be, affected by the large-scale deva region grew by 9.3%, driven primarily by strong increases in occupancy and average room rate at our three properties in Houston, which be evacuation of the Gulf Coast in the aftermath of Hurricane Katrina.

Comparable hotel RevPAR for our international properties increased 9.0%. Our four Canadian properties, three of which are in Toronto, ex RevPAR of 10.4%.

Rental Income. Our rental income represents lease income from our 71 leased limited-service hotels and three office property leases, as w hotel. The $5 million improvement in rental income primarily is from operations at the leased limited-service hotel properties which have c stronger economy and the completion of a major renovation projects at most of these properties in 2004.

Property-level Operating Costs. Property-level operating costs and expenses increased 6.1% to approximately $3.2 billion for 2005. Prop exclude the costs for hotels we have sold and held for sale at December 31, 2005, which are included in discontinued operations. Our opera fixed and variable, are affected by changes in occupancy, inflation and revenues, though the effect on specific costs will differ. For example due to increases in oil and gas prices, while the increase in management fees of 20.6% were a direct result of the growth in the revenues and the number of hotels reaching these thresholds and the incentive management fees earned to increase in 2006. We expect operating costs to variable costs increasing with occupancy increases, and certain costs increasing at a rate above inflation, particularly utilities, wages and be

During 2005, we incurred property damage to six properties located in New Orleans and various sites in Florida due to Hurricane Katrina a provides us with reimbursement for the replacement cost for the damage done to these assets. As a result, we have written off the book valu certain repair and clean-up costs for a total of approximately $38 million. The write-off of the assets has been completely offset by the estal accordingly, there is no effect on the statement of operations. Further, to the extent that our insurance settlement proceeds are in excess of t gain on insurance settlement in the period that all releases and contingencies are resolved. To date, we have received approximately $3 mill property damage claim.

Corporate and Other Expenses. Corporate and other expenses, which totaled $67 million in both 2005 and 2004, primarily consist of emp such as employee stock-based compensation expense, corporate insurance, audit fees, building rent and system costs.

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Gain on Insurance Settlement. The gain on insurance settlement in 2005 relates to $9 million of business interruption insurance proceeds
New Orleans Marriott following Hurricane Katrina in August 2005. We expect to recognize additional gains as a result of insurance procee
of our claims have been resolved. In 2004, the gain on insurance settlement represents $3 million of business interruption proceeds that we
business at our Toronto hotels due to the outbreak of Severe Acute Respiratory Syndrome (SARS).

Interest Income. Interest income increased $10 million, primarily due to increases in the interest rates earned on cash and restricted cash b

Interest Expense. Interest expense decreased $40 million as a result of the decrease in our interest-bearing obligations from 2004 and 200
well as a decline in the amount of prepayment penalties associated with debt repayments and refinancings. Specifically, interest expense in
million for 2004 for the call premiums and the acceleration of deferred financing costs and original issue discounts associated with debt pre
expense were partially offset by increased interest rates for our variable rate debt.

Net Gains on Property Transactions. Net gains on property transactions increased $63 million, primarily due to the pre-tax gain of $69 m
CBM Joint Venture LLC.

Gain (Loss) on Foreign Currency and Derivative Contracts. The gain on foreign currency and derivative contracts primarily is due to the
foreign currency exchange contracts on two of our Canadian hotels. These agreements were terminated in the fourth quarter of 2005. The $
the $7 million decline in the fair value of the contracts.

Minority Interest Expense. Minority interest expense consists of our minority partners' share of the income or loss of certain of our conso
minority interest expense is due to the increase in net income of certain of our consolidated hotel partnerships that are partially owned by th

Equity in Earnings (Losses) of Affiliates. Equity in losses of affiliates decreased by $15 million due to the sale of 85% of our interest in C
2005 which reduced our ownership percentage in the joint venture from 50% to 3.6%. Additionally, the joint venture, which had recorded n
net income since the sale in March 2005. See discussion in Business and Properties, Other Real Estate Investments.

Benefit from (provision for) income taxes. The increase in the provision for income taxes primarily reflects the $28 million tax expense fr
Joint Venture LLC.

Discontinued Operations. Discontinued operations consist of the results of operations and the gain or loss on disposition of five hotels sol
nine hotels sold in 2004, as well as the operations of two hotels classified as held for sale at December 31, 2005. For 2005 and 2004, revenu
and $260 million, respectively, and income before taxes was $21 million and $29 million, respectively. We recognized a gain, net of tax, of
2004, respectively, on the disposition of these hotels.

2004 Compared to 2003

Hotel Sales Overview. Hotel sales increased 11.4% to approximately $3.4 billion for 2004. Hotel sales for 2004 include approximately $5
acquired in 2004 and exclude sales for the properties we have sold or classified as held for sale as of March 24, 2006 for all periods present
discontinued operations. See "Discontinued Operations" below.

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We discuss operating results for our full-service hotels on a comparable basis. As of December 31, 2004, 103 of our full-service hotels were
Comparable hotel sales increased 6.4% to approximately $3.4 billion. The growth in revenues reflects the increase in comparable RevPAR
increase in occupancy of 2.9 percentage points, and an increase in average room rate of 2.9%. Food and beverage revenues for our compara
to an increase in catering revenues and the overall increase in occupancy.

Comparable Hotel Sales by Customer Mix. Continuing a trend we noted in the first three quarters of 2004, the business mix of our portfol
from lower-rated discount business to higher-rated corporate and premium business.

For 2004, total transient room revenue for our comparable Marriott and Ritz-Carlton hotels was up 6.8% compared to last year, as premium
29.3% of total transient demand, up from 25.8% last year, while our average transient room rate increased by 5.4%. This indicates that our
reducing the number of rooms sold at discounted rates as a result of improving transient demand.

For 2004, total group room revenue for our comparable Marriott and Ritz-Carlton hotels was up 8.2% compared to last year, primarily due
approximately 7.5%, while our average group room rate was up slightly, or 0.7%. This increase reflects the increased business travel and th
Additionally, our managers improved overall occupancy by accepting greater numbers of advance room reservations for groups, which resu
business.

Comparable Hotel Sales by Property Type. For full year 2004, revenues increased consistently across all of our hotel property types. Com
6.4%, 7.0% and 12.0% for urban, suburban, resort/conference and airport properties, respectively. The largest increases were for our airpor
increase in business travel in 2004 compared with the significantly depressed levels of 2002 and 2003.

Comparable Hotel Sales by Geographic Region. During 2004, we experienced RevPAR gains in most regions. Full year 2004 comparable
region improved 11.0% over the prior year. The region benefited from the Democratic National Convention during the third quarter and wa
was converted from the Swissôtel brand in late 2003, where RevPAR improved by 25.6% for the year.

Comparable hotel RevPAR increased 9.2% for our DC Metro region due primarily to a 5.2% increase in average room rates in 2004. Growt
renovations at four of our hotels in the region.

For our Atlanta region, comparable hotel RevPAR grew by 6.0%. The improvement was led by The Grand Hyatt, Atlanta, The Four Seasor
where RevPAR increased 9.7%, 10.9% and 9.9%, respectively.

Our Pacific region, which had lagged behind the portfolio as a whole during 2002 and 2003, continued to improve as comparable hotel Rev
increases in occupancy. The primary reason this region had been underperforming over the past three years was the decline in travel related
particularly in the San Francisco Bay area. The improvement in the Pacific region in 2004 reflects an increase in comparable hotel RevPAR
14.5%. The results for the Pacific region also reflect a 6.5% increase in comparable hotel RevPAR at our properties in the Los Angeles mar

Comparable hotel RevPAR in our Mid-Atlantic region improved 10.7% over the prior year. Our New York City properties benefited from t
third quarter and strong demand in the fourth quarter of 2004.

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For 2004, comparable hotel RevPAR in the Florida region improved 7.1% over 2003. During August and September, four hurricanes cause
properties in the region and the New Orleans Marriott experienced varying levels of property damage and business interruption. During 200
recoverable losses.

RevPAR in other regions was relatively unchanged from 2003. RevPAR declined 0.9% in our South Central region, while RevPAR in our I
experienced comparable RevPAR increases of 2.2% and 2.7%, respectively.

Comparable hotel RevPAR for our international properties increased 17.5% for 2004. Our four Canadian properties, three of which are in T
of 24.5%, as the region has recovered from the SARS related travel restrictions in 2003 and the effect of the favorable appreciation of the C
dollar.

Rental Income. Our rental income represents lease income from our 71 leased limited-service hotels and three office property leases, as w
hotel. In 2003, operations at the leased limited-service hotel properties suffered because a significant portion of these properties underwent
with newer hotels and the weak economic conditions in their markets. While several leased properties still were under renovation in 2004, t
in 2003 performed substantially better. This was the primary reason for the increase in total rental income of $6 million to $106 million dur

Property-level Operating Costs. Property-level operating costs and expenses increased 8.2% to approximately $3.1 billion. Property-level
costs for hotels we have sold and held for sale, which are included in discontinued operations. Comparable hotel expenses increased 5.1% t
in operating costs and expenses is due to additional costs associated with an increase in occupancy at our hotels and an increase in wage, be
costs. Operating costs and expenses also include base and incentive management fees, which are earned based on the operating performanc

Corporate and Other Expenses. Corporate and other expenses primarily consist of employee salaries and bonuses and other costs such as
expense, corporate insurance, audit fees, building rent and system costs. During 2004, these expenses increased $7 million, primarily due to
expense as a result of the significant appreciation in Host's stock price since December 31, 2003 and an increase in the number of shares tha
performance criteria established by the Compensation Policy Committee of Host's Board of Directors.

Interest Expense. During 2004, interest expense decreased $37 million. Interest expense includes $55 million and $31 million of call pren
costs and original issue discounts that were associated with debt prepayments made in 2004 and 2003, respectively. After excluding these it
approximately $60 million due to the significant amount of debt repayments and refinancings that occurred in 2003 and 2004.

Net Gains on Property Transactions. Net gains on property transactions are due primarily to the recognition of deferred gains. In 1994, w
Marriott and received a note receivable in partial payment. Subsequently, we recorded a loss on the note due to a decline in the operations o
the hotels filed for bankruptcy and several properties were sold. We recognized a previously deferred gain of approximately $12 million ba
received.

Loss on Foreign Currency and Derivative Contracts. During 2004, the loss on foreign currency and derivative contracts is primarily due t
the foreign currency exchange

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contracts related to mortgage debt that was secured by three of our Canadian hotels for the majority of 2004, as the value of the U.S. dollar
Canadian dollar. These contracts were deemed ineffective for hedge accounting purposes in 2003, which resulted in an $18 million loss at t

Minority Interest Expense. Minority interest expense consists of our minority partners' share of the income or loss of our consolidated ho
third parties.

Equity in Losses of Affiliates. Equity in losses of affiliates consists of our portion of the earnings (losses) of two partnerships in which we
decrease in the loss can be attributed to a decrease in the net loss of CBM Joint Venture LLC in 2004 and an increase in the income from ou
P.

Discontinued Operations. Discontinued operations consist of the results of operations and the gain or loss on disposition of five hotels sol
hotels sold in 2004, eight hotels sold in 2003, and the gain on the disposition and business interruption proceeds for the New York Marriott
2004 and 2003, revenues for these properties were $260 million and $556 million, respectively, and income before taxes for the same perio
respectively. We recognized a gain, net of tax, of $52 million and $65 million for 2004 and 2003, respectively, on the disposition of these h

Comparable Hotel Operating Statistics

We present certain operating statistics (i.e., RevPAR, average daily rate and average occupancy) and operating results (revenues, expenses
periods included in this report on a comparable hotel basis. We define our comparable hotels as full-service properties (i) that are owned or
are included in our consolidated results, whether as continuing operations or discontinued operations, for the entirety of the reporting perio
sustained substantial property damage or business interruption, or undergone large-scale capital projects during the reporting periods being

First Quarter 2006 Compared to First Quarter 2005

Of the 103 full-service hotels that we owned on March 24, 2006, 98 have been classified as comparable hotels. The operating results of the
March 24, 2006 are excluded from comparable hotel results for these periods:

- Newport Beach Marriott Hotel & Spa (major renovation started in July 2004);
- Mountain Shadows Resort and Golf Club (hotel to be sold pending completion of significant contingencies, which have not be
- Atlanta Marriott Marquis (major renovation started in August 2005);
- New Orleans Marriott (property damage and business interruption from Hurricane Katrina in August 2005); and
- Hyatt Regency Washington on Capital Hill, Washington, D.C. (acquired in September 2005).

In addition, the operating results of the nine hotels we disposed of in the first quarter of 2006 and full year 2005 are also not included in co
presented herein. Moreover, because these statistics and operating results are for our full-service hotel properties, they exclude results for o

service hotels.

We evaluate the operating performance of our comparable hotels based on both geographic region and property type. These divisions are ge
provided by hospitality research firms such as Smith Travel Research.

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

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

Property types consist of the following:

- Urban—Hotels located in central business districts of major cities. This includes most of our large convention center propertie outside the urban core in larger metropolitan areas;
- Suburban—Hotels located in office parks or smaller secondary markets;
- Resort/conference—Hotels located in resort/conference destinations such as Florida, Hawaii and Southern California; and
- Airport—Hotels located at or near airports.

Comparable by Region (a)

	As of March 24, 2006	Quarter ended March 24, 2006	Quarter e

	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate
Pacific	21	11,485	$ 196.54	73.6%	$ 144.61	$ 179.62
Florida	10	6,448	222.15	77.8	172.79	205.96
Mid-Atlantic	9	6,361	207.17	73.1	151.53	186.88
North Central	13	5,130	127.35	64.7	82.45	119.86
DC Metro	11	4,661	192.96	63.3	122.06	180.73
South Central	7	4,126	143.21	76.0	108.82	133.87
Atlanta	10	3,743	168.24	71.7	120.70	154.19
New England	6	3,032	142.28	63.7	90.60	136.25
Mountain	6	2,210	157.87	63.1	99.61	146.02
International	5	1,953	141.07	68.0	95.88	125.15
All Regions	98	49,149	181.24	71.0	128.65	168.25

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Comparable by Property Type (a)

	As of March 24, 2006		Quarter ended March 24, 2006			Quarter e
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate
Urban	41	23,620	$ 186.70	72.7%	$ 135.72	$ 173.44
Suburban	30	11,363	144.51	65.1	94.01	131.41
Airport	16	7,328	136.53	71.9	98.13	124.11
Resort/ Convention	11	6,838	269.08	74.2	199.78	254.37
All Types	98	49,149	181.24	71.0	128.65	168.25

(a) The reporting period for our comparable operating statistics for the first quarter of 2006 is from December 31, 2005 to March 24, 20 January 1, 2005 to March 25, 2005. For further discussion, see "—Reporting Periods" below.

The following statistics are for all of our full-service properties as of March 24, 2006 and March 25, 2005, respectively. The operating stati four hotels sold in the first quarter of 2006 and five hotels sold in 2005 prior to their disposition.

All Full-Service Properties

	March 2 2006
Average Room Rate	$ 179.2
Average Occupancy	70
RevPAR	$ 126.5

2005 Compared to 2004

Of the 107 full-service hotels that we owned on December 31, 2005, 98 have been classified as comparable hotels. The operating results of as of December 31, 2005 are excluded from comparable hotel results for these periods:

- Memphis Marriott (construction of a 200-room expansion started in 2003 and completed in 2004);

- Embassy Suites Chicago Downtown-Lakefront Hotel (acquired in April 2004);
- Fairmont Kea Lani Maui (acquired in July 2004);
- Newport Beach Marriott Hotel (major renovation started in July 2004);
- Mountain Shadows Resort (hotel sold pending completion of significant contingencies, which have not been resolved as of Ma
- Scottsdale Marriott at McDowell Mountains (acquired in September 2004);
- Atlanta Marriott Marquis (major renovation started August 2005);
- New Orleans Marriott (property damage and business interruption from Hurricane Katrina in August 2005); and
- Hyatt Regency Washington on Capitol Hill, Washington, D.C. (acquired in September 2005).

Additionally, the operating results of the fourteen hotels we disposed of in 2005 and 2004 also are not included in comparable hotel results
Moreover, because these statistics and

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operating results are for our full-service hotel properties, they exclude results for our non-hotel properties and leased limited-service hotels.

The following table sets forth performance information for our comparable full-service hotels by geographic region and property type as of

Comparable by Region

	As of December 31, 2005		Year ended December 31, 2005			Year e
	No. of Properties	No. of Rooms	Average Daily Rate	Average Occupancy Percentages	RevPAR	Average Daily Rate
Pacific	20	11,035	$ 171.51	75.9%	$ 130.22	$ 160.37
Florida	11	7,027	173.99	71.6	124.51	164.70
Mid-Atlantic	10	6,720	209.71	79.2	166.06	189.17
North Central	13	4,923	132.47	67.8	89.78	123.93
DC Metro	11	4,661	181.76	77.2	140.27	163.01
Atlanta	11	3,968	159.13	69.0	109.83	151.79
South Central	6	3,526	134.96	76.3	102.94	125.73
New England	6	3,032	155.57	72.9	113.35	150.48
Mountain	5	1,940	112.93	62.6	70.72	106.70
International	5	1,953	134.18	72.2	96.83	122.86
All Regions	98	48,785	166.80	73.6	122.82	154.96

Comparable by Property Type

	As of December 31, 2005		Year ended December 31, 2005			Year e
	No. of Properties	No. of Rooms	Average Daily Rate	Average Occupancy Percentages	RevPAR	Average Daily Rate
Urban	39	22,874	$ 183.26	76.7%	$ 140.63	$ 170.00
Suburban	33	12,195	133.96	67.9	90.93	124.44
Airport	16	7,328	122.41	75.9	92.89	113.12
Resort/ Conference	10	6,388	216.80	70.9	153.82	202.44
All Types	98	48,785	166.80	73.6	122.82	154.96

The following statistics are for all of our full-service properties for the year ended December 31, 2005 and 2004, including the results of op nine hotels sold in 2004:

	Ye
	December 31, 2005
Average Room Rate	$ 167.64
Average Occupancy	72.6%
RevPAR	$ 121.66

Liquidity and Capital Resources

Cash Requirements

Host uses cash primarily for acquisition, capital expenditures, debt payments and dividends to stockholders. Host is required to distribute to taxable income in order to qualify as a REIT. Funds used by Host to make these distributions are provided from us. Because Host is require income, we depend primarily on external sources of capital to finance future growth, including acquisitions.

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Cash Balances. As of March 24, 2006, we had $481 million of cash and cash equivalents, which was an increase of $297 million from De
primarily attributable to the net proceeds from the sale of four hotels in January, the issuance of $116 million of mortgage debt and an incre
by our acquisition of the Hyatt Regency Washington on Capitol Hill in Washington D.C. Since 2002, our cash balances have been in excess
we had historically maintained in years prior to 2002, in order to provide additional liquidity and flexibility due to then declining economic
attacks. Management believes that with the current environment and the flexibility and capacity provided by our credit facility and the cont
to lower our cash balances to $100 million to $125 million over the next several quarters.

Since March 24, 2006, we have issued $800 million of 6 3/4% Series P senior notes due in 2016 for net proceeds of approximately $787 mil
the Starwood acquisition, redeem the remaining $136 million of 7 7/8% Series B senior notes, redeem all of the $151 million 10% Class C p
distributions, and other general corporate purposes. In addition, subsequent to quarter end, we received $420 million in net proceeds from th
York, funded approximately $750 million of cash, including certain transaction expenses, net of certain cash acquired from Starwood in the
and paid approximately $60 million in common and preferred distributions. Also, on June 1, 2006, we repaid the $84 million mortgage on t
giving effect to these transactions, we have approximately $506 million of available cash.

As of March 24, 2006, we also had $88 million of cash that was restricted as a result of lender requirements. The restricted cash balances do
liquidity. We have approximately $172 million of debt that will mature prior to 2007. However, $88 million of this debt can be extended fo
are met. We also have scheduled principal repayments totaling approximately $43 million for the remainder of 2006. We believe we have s
line of credit, to deal with our near-term maturities, as well as any decline in the cash flow from our business.

Acquisitions. As discussed above, on April 10, 2006 we completed the acquisition of 28 hotels in the Starwood Transactions, and in May
venture completed the acquisition of five European hotels from Starwood. In 2005, we acquired the 834-room Hyatt Regency Washington o
purchase price of approximately $274 million. During 2005, we also purchased the ground lease associated with the Chicago Marriott Suite
2004, we acquired three properties for an aggregate purchase price of approximately $502 million, including the assumption of $34 million
retail building adjacent to one of our hotels and the land under the JW Marriott Hotel at Lenox in Atlanta, which we previously leased, for a
million.

We remain interested in pursuing single asset and portfolio acquisitions, both domestically and abroad. We recently signed a definitive agre
Resort & Spa. See "Recent Events." We believe that there are and will continue to be opportunities in the near term and over the next sever
consistent with our target profile of luxury and upper-upscale properties in urban and resort/convention destinations where further large sca

We may acquire properties through various structures, including transactions involving portfolios, single assets, joint ventures (including th
GIC RE) and acquisitions of all or substantially all of the securities or assets of other REITs or similar real estate entities. We anticipate tha
a combination of methods, including proceeds from equity offerings of Host, issuance of OP units by Host LP, advances under our credit fa
incurrence or assumption of indebtedness. We may, from time to time, be in the process of identifying, analyzing and negotiating possible a
continue to do so in the future. We cannot be

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certain as to the size or timing of acquisition opportunities or of our ability to obtain additional acquisition financing, if needed. Additionall individual hotel properties has increased due to the improvement of both the capital markets and the lodging industry and, as a result, the co We can provide no assurance that we will continue to be able to find acquisition targets that provide a suitable return on investment.

Debt Repayments and Refinancings. Reducing future interest payments and leverage remains a key management priority. For the year end reduction in total debt of approximately $153 million as a result of repayments, redemptions, and amortization of principal. This reduction i redemption of Host's Convertible Subordinated Debentures, which further reduced our debt balance by approximately $385 million early in approximately $609 million of our debt in 2005 and $830 million of our debt in 2004. The combined effect of the transactions during 2005 rate by approximately 50 basis points since 2003 to 7.2% as of December 31, 2005 and we have a weighted-average maturity of 6.4 years. outstanding balance of $20 million under our credit facility. Currently, we have the full amount of $575 million available under our credit f

We may continue to redeem or refinance senior notes and mortgage debt from time to time to take advantage of favorable market condition through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such sec Repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other facto the maturity date would affect earnings and FFO per diluted unit, as defined below, as a result of the payment of any applicable call premiu deferred financing costs. Specifically, interest expense includes $30 million for 2005 and $55 million for 2004 for the call premiums and th and original issue discounts associated with debt prepayments.

Capital Expenditures. For 2005 and the first quarter of 2006, our renewal and replacement capital expenditures were approximately $242 renewal and replacement capital expenditures generally are funded by the furniture, fixture and equipment funds established at certain of ou approximately 5% of property revenues) and by our available cash.

For 2005 and the first quarter of 2006, we spent approximately $107 million and $37 million, respectively on repositioning/ROI projects. W repositioning of the Newport Beach Marriott Hotel in December 2005 at a cost of approximately $60 million, which includes the addition o redesigned guest rooms, a new restaurant concept and updated meeting space. We also began work on a planned investment of approximate exhibit hall for the Marriott Orlando World Center Hotel. These projects have historically generated strong returns and, over the next severa approximately $300 million to $500 million on such investments.

Sources and Uses of Cash

Our principal sources of cash are cash from operations, the sale of assets, borrowing under our credit facility and our ability to obtain additi markets. Our principal uses of cash are debt service, asset acquisitions, capital expenditures, operating costs, corporate and other expenses a

Cash Provided by Operations. Our cash provided by operations for the first quarter of 2006 increased $52 million to $100 million from $ due primarily to the increase in operating profit in 2006. Our cash provided by operations for 2005 increased $148 million to $512 million f to the increase in operating profit in 2005.

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Cash Used in Investing Activities. Cash provided by investing activities for the first quarter of 2006 increased $124 million to $146 millio
2005. Activity for the first quarter of 2006 included the sale of four non-core hotels for net proceeds of approximately $251 million. Additi
expenditures by $57 million to $119 million as part of our strategy to maximize the value of our existing portfolio. Cash used in investing a
to $429 million when compared to 2004. Activity for 2005 included the sale of five non-core hotels for net proceeds of approximately $122
interest in the CBM Joint Venture LLC for $92 million. Additionally, we increased our capital expenditures by $98 million to $349 million
maximize the value of our existing portfolio. Investing activities in 2005 also include the acquisition of the Hyatt Regency Washington on C
approximately $274 million.

Activity for 2004 primarily included the acquisition of three hotel properties and other assets for total cash expenditures of approximately $
approximately $246 million from the sale of nine non-core hotels, and capital expenditures at our properties of approximately $251 million

In addition to the sale of four properties in the first quarter of 2006 and the recently completed sale of the Drake, we believe that dispositio
approximately $200 million to $300 million. The net proceeds from any dispositions will be used to repay debt, fund acquisitions or reposit
corporate purposes.

The following table summarizes significant investing activities that have been completed since the beginning of fiscal year 2004 (in million

Transaction Date		Description of Transaction
Acquisitions		
April	2006	Purchase of 28 hotels from Starwood (1)
September	2005	Purchase of the 834-room Hyatt Regency Washington on Capitol Hill in Washington, D.C.
September	2004	Purchase of the 270-room Scottsdale Marriott at McDowell Mountains (2)
July	2004	Purchase of the 450-suite Fairmont Kea Lani
May	2004	Purchase of the 455-room Embassy Suites Lakefront, Chicago
		Total acquisitions
Dispositions		
March	2006	Sale of Swissôtel The Drake, New York
February	2006	Sale of Marriott at Research Triangle Park
February	2006	Sale of Chicago Marriott Suites Deerfield
January	2006	Sale of Albany Marriott
January	2006	Sale of Fort Lauderdale Marina Marriott
October	2005	Sale of Charlotte Marriott Executive Park
March	2005	Sale of 85% of our interest in CBM Joint Venture LLC
January	2005	Sale of Torrance Marriott
January	2005	Sale of Hartford Marriott at Farmington, Tampa Westshore Marriott and Albuquerque Marriott (3)
December	2004	Sale of the Bethesda Marriott

December	2004	Sale of the Salt Lake City Marriott
May	2004	Sale of the Dallas/Fort Worth Airport Marriott
January	2004	Sale of the Mexico City Airport Marriott
January	2004	Sale of the Atlanta Northwest Marriott, Detroit Romulus Marriott and the Detroit Southfield Marri Norcross and the Fullerton Marriott
		Total dispositions

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(1) Investment price includes the assumption of $77 million of mortgage debt and the issuance of $2.27 billion of Host common stock (
shares of Host common stock) and excludes transaction expenses. For each share of Host common stock issued in the transaction, w
(2) Investment price includes the assumption of $34 million of mortgage debt.
(3) Sale price included the assumption by the buyer of $20 million of mortgage debt.

Cash Used in Financing Activities. Our primary financing activities during the first quarter consisted of payment of distributions on our p
$49 million, and scheduled principal repayments of $13 million. Cash used in financing activities, net, was $246 million and $276 million f
2005, cash provided by financing activities included the issuance of debt securities for approximately $639 million, net of financing costs, w
primarily consisted of debt prepayments of approximately $631 million and the redemption of $100 million of preferred OP units. See the t
connection with the redemptions of senior notes and prepayment of mortgage debt in 2005, we were required to pay premiums totaling app
the right to retire this debt in advance of its maturity.

During 2005, our common OP unit distributions increased $88 million to $108 million when compared to 2004 due to the improvements in
taxable income. At the same time, distributions on our preferred OP units declined by $7 million when compared to 2004 to $30 million du
10% Class B preferred OP units in May 2005.

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During 2004, approximately $1.2 billion of cash was provided by financing activities through the issuance of equity and debt securities, wh
primarily consisted of debt prepayments of approximately $1.2 billion. See the table below for additional information. In connection with th
were required to pay premiums totaling approximately $40 million in exchange for the right to retire this debt in advance of its maturity. On
4.16 million shares of its 10% Class A preferred stock (and our corresponding Class A preferred OP units) for approximately $104 million w
4 million shares of its $8^7/_8$% Class E preferred stock (and our corresponding Class E preferred OP units) and available cash. The table belov
deferred financing costs) and equity transactions (not including the conversions of Host's Convertible Subordinated Debentures in 2005 and
shares or the approximately 133.5 million units issued to Host in the Starwood Transactions, as these are non-cash transactions) since Janua

Transaction Date		Description of Transaction
Debt		
June	2006	Repayment of 8.39% mortgage on the Boston Marriott Copley Place
May	2006	Redemption of remaining 7 7/8% Series B senior notes
April	2006	Assumption of mortgage debt from Starwood
April	2006	Redemption of outstanding Convertible Preferred Securities held by third parties
March	2006	Proceeds from the issuance of 6 3/4% Series P senior notes
January	2006	Proceeds from the issuance of 5.195% Canadian mortgage loan
January	2006	Repayment of the Credit Facility
November	2005	Repayment of the Credit Facility
October	2005	Draw on the Credit Facility
October	2005	Prepayment of the 6.7% Canadian mortgage loan (1)
May	2005	Prepayment of the 9% mortgage debt on two Ritz-Carlton hotels
April	2005	Discharge of the remaining 8 3/8% Series E senior notes
April	2005	Partial redemption of 7 7/8% Series B senior notes
March	2005	Partial redemption of 8 3/8% Series E senior notes
March	2005	Proceeds from the issuance of 6 3/8% Series N senior notes
January	2005	8.35% mortgage on the Hartford Marriott at Farmington assumed by buyer
December	2004	Partial prepayment of the 5.19% Canadian mortgage loan (1)
September	2004	Assumed 6.08% mortgage on the Scottsdale Marriott at McDowell Mountains hotel
September	2004	Partial redemption of 7 7/8% Series B senior notes
August	2004	Proceeds from the issuance of 7% Series L senior notes
May	2004	Partial redemption of 7 7/8% Series B senior notes
April	2004	Partial redemption of 7 7/8% Series B senior notes
March	2004	Proceeds from the issuance of 3.25% Exchangeable Senior Debentures due 2024
January	2004	Payment of the 12.68% mortgage on the Mexico Airport Marriott
January	2004	Prepayment of the 8.58% mortgage on the Hanover Marriott
January	2004	Redemption of the remaining 8.45% Series C senior notes
January	2004	Partial prepayment of the 9% mortgage on two Ritz-Carlton hotels
2005/2004		Principal amortization

Net debt transactions

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Transaction Date		Description of Transaction
Equity		
May	2006	Redemption of 5.98 million units of 10% Class C preferred OP units
May	2005	Redemption of 4 million units of 10% Class B preferred OP units
August	2004	Redemption of 4.16 million units of 10% Class A preferred OP units
May/June	2004	Proceeds from the issuance of approximately 4 million units of 8 7/8% Class E preferred OP units
June	2004	Proceeds from the issuance of 25 million common OP units
		Net equity transactions

(1) The Canadian mortgage had a floating interest rate based on LIBOR plus 275 basis points. The interest rates shown reflect the rate a

Financial Condition

General

As of March 24, 2006, our total debt was $5.1 billion. The weighted average interest rate of our debt was approximately 7.3% and the weig
Additionally, approximately 85% of our debt has a fixed rate of interest.

As of March 24, 2006 and December 31, 2005, our debt was comprised of (in millions):

Series B senior notes, with a rate of 7 7/8% due August 2008 (1)
Series G senior notes, with a rate of 9 1/4% due October 2007 (2)
Series I senior notes, with a rate of 9 1/2% due January 2007 (3)
Series K senior notes, with a rate of 7 1/8% due November 2013
Series M senior notes, with a rate of 7% due August 2012
Series O senior notes, with a rate of 6 3/8% due March 2015
Exchangeable Senior Debentures, with a rate of 3.25% due April 2024
Senior notes, with an average rate of 9.7%, maturing through 2012
Total senior notes
Mortgage debt (non-recourse) secured by $3.2 billion of real estate assets, with an average interest rate of 7.7% and 7.8% at March 24, 2006 and December 31, 2005, respectively
Credit facility
Convertible debt obligation to Host Hotels & Resorts, Inc., with a rate of 6 3/4% due December 2026 (4)

Other	
Total debt	

(1) We redeemed all remaining Series B senior notes on May 15, 2006.

(2) Includes the fair value of the interest rate swap agreements of $(7) million and $(6) million as of March 24, 2006 and December 31,

(3) Includes the fair value of the interest rate swap agreement of $(1) million and $1 million as of March 24, 2006 and December 31, 20

(4) We redeemed the $2 million of outstanding Convertible Subordinated Debentures held by third parties and the remaining $17 millio Subordinated Debentures held by related parties for cash on April 5, 2006. As a result, we eliminated our Convertible debt obligatio

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Credit Facility

General. On September 10, 2004, we entered into an amended and restated credit facility. The credit facility replaced our prior credit faci
commitments in the amount of $575 million. The credit facility also includes sub-commitments for the issuance of letters of credit in an agg
certain of our Canadian subsidiaries in Canadian Dollars in an aggregate amount of $150 million. The credit facility has an initial scheduled
option to extend the maturity for an additional year if certain conditions are met at the time of the initial scheduled maturity. We also have t
credit facility by up to $100 million to the extent that any one or more lenders, whether or not currently party to the credit facility, commits
March 24, 2006, we had no amounts outstanding under our credit facility.

As with the prior facility, the debt under the amended credit facility is guaranteed by certain of our existing subsidiaries and currently is sec
many of our subsidiaries. The guarantees and pledges ratably benefit our credit facility as well as the notes outstanding under our senior not
and interest rate swap agreements and other hedging agreements with lenders that are parties to the credit facility. As with the prior facility,
in the event that our leverage ratio falls below 6.0x for two consecutive fiscal quarters.

Dual Tranche Structure. Unlike our prior facility, the revolving loan commitment under the amended credit facility is divided into two se
A tranche of $385 million and (2) a Revolving Facility B tranche of $190 million. Subject to compliance with the facility's financial coven
under Revolving Facility A vary depending on our leverage ratio, with $385 million being available when our leverage ratio is less than 6.5
leverage ratio equals or exceeds 6.5x but is less than 6.75x, $150 million being available when our leverage ratio equals or exceeds 6.75x b
available when our leverage ratio equals or exceeds 7.0x. By contrast, the entire amount of Revolving Facility B is available for borrowing
coverage ratio equals or exceeds 1.5x and our leverage ratio does not exceed levels ranging from 7.5x to 7.0x. Specifically, prior to the end
permitted to make borrowings and maintain amounts outstanding under Revolving Facility B so long as our leverage ratio is not in excess o
applicable to Revolving Facility B is then reduced to 7.25x from the end of the third quarter of 2007 until the day prior to end of our third q
thereafter.

Financial Covenants. We are subject to different financial covenants depending on whether amounts are borrowed under Revolving Facil
permitted to convert amounts borrowed under either tranche into amounts borrowed under the other tranche. While the financial covenants
generally comparable to those contained in our prior facility (including covenants for leverage, fixed charge coverage and unsecured interes
applicable to Revolving Facility B are limited to leverage and unsecured interest coverage, and are set at less restrictive levels than the corre
Revolving Facility A. As a result of this structure, we have gained flexibility to make and maintain borrowings in circumstances where adv
could have prohibited the maintenance of borrowings under the prior facility. The financial covenants for the Revolving Facility A and Rev
are no borrowings under the respective tranche. Hence, so long as there are no amounts outstanding we are not in default of the credit facili
covenants and we do not lose the potential to draw under the amended credit facility in the future if we were ever to come back into compli
in compliance with all our covenants as of March 24, 2006.

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The following table summarizes the financial tests contained in the credit facility through 2007:

Year	Facility A—Financial Cover Minimum unsecured interest coverage ratio	Maximum leverage ra
2005	1.50	7
2006	1.50	6
2007	1.55	6

Quarter	Facility B—Financial Covenant Levels Minimum unsecured interest coverage ratio	Maximum leverage ra
First Quarter 2005 to Second Quarter 2007	1.50	7
Third Quarter 2007 to Fourth Quarter 2007	1.50	7

Interest and Fees. We pay interest on borrowings under the Revolving Facility A at floating interest rates plus a margin (which, in the cas from 2.00% to 3.00%) that is set with reference to our leverage ratio. Borrowings under Revolving Facility B are subject to a margin that is margin applicable to Revolving Facility A borrowings and .75% higher when our leverage ratio is greater than 7.0x. As with the prior facili amended credit facility remain unused, we pay a quarterly commitment fee on the unused portion of the loan commitment.

Other Covenants. Our amended credit facility imposes restrictions on customary matters that were also restricted in our prior facility, such acquisitions, investments, the incurrence of debt and the payment of dividends. While such restrictions are generally similar to those contai certain covenants to become less restrictive at any time that our leverage ratio falls below 6.0x. In particular, at any time that our leverage r to limitations on capital expenditures, and the limitations on acquisitions, investments and dividends will be replaced by the generally less r senior notes indenture.

Senior Notes and Debentures

As of March 24, 2006, we had seven series of existing senior notes outstanding (including our Exchangeable Senior Debentures discussed b billion. Under the terms of our senior notes indenture, our senior notes are equal in right of payment with all of the Operating Partnership's to all subordinated obligations of the Operating Partnership. The notes outstanding under our senior notes indenture are guaranteed by certa currently are secured by pledges of equity interests in many of our subsidiaries. The guarantees and pledges ratably benefit the notes outstan well as our credit facility, certain other senior debt, interest rate swap agreements and other hedging agreements with lenders that are partie

Covenants and restrictions under the indenture applicable to our Series G and Series I senior notes are substantially the same as the covenan Q senior notes that are summarized below in "Description of Series Q Senior Notes" except that, under the covenants applicable to such exi

- we are not specifically permitted to incur indebtedness pursuant to clause (l), (m) or (n) of paragraph (4) of the covenant titled
and Issuance of Disqualified Stock";

- the Investments that may be made pursuant to clause (3) of the definition of "Permitted Investments" may not exceed 5% of To

- the declaration or payment of dividends or other distributions by all restricted subsidiaries of Host LP that qualify as a REIT, n
year, is not specifically excluded from the definition of "Restricted Payment;"

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- upon the Series G and Series I senior notes being rated Investment Grade, the covenant titled "Limitation on Incurrences of Inc Stock," will continue to apply to such series, but if the Series Q notes are rated Investment Grade, that covenant will no longer

- we are able to make restricted payments representing preferred stock distributions only if we have a Consolidated Coverage Ra is applicable to the Series P senior notes; and

- defaults under our other Indebtedness exceeding $50 million in the aggregate will trigger a default under such existing senior n clause (5)(b) of the Series Q senior notes events of default.

The covenants and restrictions under the indenture applicable to our Series K, Series M and Series O senior notes are substantially the same applicable to the Series Q senior notes that are summarized below in "Description of Series Q Senior Notes" except that, under the covenan

- we are not specifically permitted to incur indebtedness pursuant to clause (m) of paragraph (4) of the covenant titled "Limitatio Issuance of Disqualified Stock;"

- upon the Series K, Series M and Series O senior notes being rated investment grade, the covenant titled "Limitation on Incurre Disqualified Stock," will continue to apply to such series, but if the Series Q notes are rated Investment Grade, that covenant w notes;

- we are only permitted to incur $100 million of indebtedness pursuant to clause (n) of paragraph (4) of the covenant titled "Lim Issuance of Disqualified Stock," as opposed to $150 million under same clause for the Series Q senior notes;

- the declaration or payment of dividends or other distributions by all restricted subsidiaries of Host LP that qualify as a REIT, n year, is not specifically excluded from the definition of "Restricted Payment;"

- the amount of Secured Indebtedness that we may incur even when we are below the consolidated EBITDA-to-interest expense and permanently reduce Indebtedness outstanding under the Credit Facility is $300 million, instead of $400 million as provided covenant titled "Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock;" and

- defaults under our other Indebtedness exceeding $50 million in the aggregate will trigger a default under such existing senior n clause (5)(b) of the Series Q senior notes events of default.

The covenants and restrictions under the indenture to the Series Q senior notes also provide us with more flexibility than those applicable to divide items of indebtedness incurred among various permitted debt baskets provided under paragraph (4) of the covenant titled "Limitation Issuance of Disqualified Stock" and to later reclassify all or a portion of such items of indebtedness among such permitted debt baskets in a Additionally, under the terms of the Series Q senior notes, we have the ability to reclassify indebtedness incurred under the "general permit and (n) of paragraph (4) of the covenant titled "Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock."

Notwithstanding the flexibility provided to us in the covenants and restrictions under the indenture applicable to the Series Q senior notes, s outstanding, our ability to benefit from the additional flexibility is likely to be limited.

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On March 16, 2004, we issued $500 million of 3.25% Exchangeable Senior Debentures and received proceeds of $484 million, net of unde
issue discount. These debentures were issued under our senior notes indenture, and are the only series of senior notes that are exchangeable
Exchangeable Senior Debentures mature on April 15, 2024 and are equal in right of payment with all of our unsubordinated debt. Interest is
15, April 15, July 15 and October 15 of each year. We can redeem for cash all, or part of, the Exchangeable Senior Debentures at any time s
days notice at the applicable redemption price as set forth in the indenture. Holders have the right to require us to repurchase the Exchangea
2010, April 15, 2014 and April 15, 2019 at the issue price. The Exchangeable Senior Debentures currently are exchangeable into shares of H
shares for each $1,000 of principal amount of the debentures, or a total of approximately 28 million shares, which is equivalent to an excha
common stock. Upon issuance of such shares by Host, we will issue to Host the number of OP units equal to the number of shares of comm
the Exchangeable Senior Debentures. The exchange rate may be adjusted under certain circumstances, including the payment of common d
their Exchangeable Senior Debentures prior to maturity under certain conditions, including at any time at which the closing sale price of Ho
the exchange price per share, for at least 20 of 30 trading days. The Exchangeable Senior Debentures and the common stock issuable upon e
registered under the Securities Act and may not be offered or sold except to qualified institutional buyers, as defined. Host has a shelf regist
with respect to the resale of its common stock issuable upon exchange of the debentures.

Mortgage Debt

General. As of March 24, 2006, we had 27 assets that were secured by mortgage debt. Substantially all of our mortgage debt is recourse s
of fraud, misapplication of funds and other customary recourse provisions. As of December 31, 2005, secured debt represented approximate
aggregate secured debt had an average interest rate of 7.8% and an average maturity of 4.2 years. Over time, we expect to reduce the amou
our total debt. We may refinance secured debt with other financing alternatives, such as senior notes, although there can be no assurances th

As a result of the decline in operations of our properties in 2002 and 2003, restrictive covenants on eight of our hotel properties secured by
refer to as the CMBS Loan, were triggered. These hotel properties are the New York Marriott Marquis Times Square, the Hyatt Regency Sa
Cambridge, Overlooking Boston, the Hyatt Regency Reston, the Hyatt Regency Boston, the Swissôtel The Drake, New York, The Westin B
Chicago, which we refer to as the CMBS Portfolio. The CMBS Loan contains a provision that requires the mortgage servicer to retain certa
Portfolio after payment of debt service if net cash flow after payment of taxes, insurance, ground rent and reserves for furniture, fixtures and
declines below $96 million. This provision was triggered beginning in the third quarter of 2002 and remained in effect until the CMBS Port
cash flow for two consecutive quarters, at which point, the cash that had been escrowed will be returned to us. As of the end of the third qua
properties for the past two quarters met the levels required to release the escrowed funds under the CMBS loan and on October 31, 2005 esc
approximately $71 million were released to us. Additionally, in conjunction with the sale of the Swissôtel The Drake, New York in March 2
securing the CMBS loan and the recently acquired Hyatt Regency Washington was substituted as collateral.

During January 2006, we issued mortgage debt in the amount of $135 million Canadian Dollars ($116 million US Dollars based on the exch
fixed interest rate of 5.195%, which is secured by four of our Canadian properties and matures on March 1, 2011. On January 13, 2006, a p
the $20 million outstanding balance on our Credit Facility.

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The following table summarizes our outstanding debt and scheduled amortization and maturities related to mortgage and other debt as of D

	2005	2006
Mortgage Debt		
CMBS Loan, 7.54%, due 8/1/2009 (1)	$ 548	$ 24
Orlando Marriott World Center, 7.48%, due 1/1/2008	218	4
San Diego Marriott, 8.45%, due 7/1/2009	183	3
Host Hotel Properties II, 8.22%, due 10/11/2017 (2)(3)	174	9
Atlanta Marriott Marquis, 7.4%, due 2/11/2023 (4)	141	4
Desert Springs Marriott Resort and Spa, 7.8%, due 12/11/2022 (4)	88	3
Harbor Beach Marriott, 8.58%, due 3/1/2007	90	2
Boston Marriott Copley Place, 8.39%, due 6/1/2006 (5)	85	85
JW Marriott Washington, D.C., 6.5%, due 9/15/2006 (6)	88	88
Philadelphia Marriott Convention Center, 8.49%, due 4/1/2009	79	2
Other mortgage debt (7)	129	5
Total mortgage debt	1,823	229
Other Debt		
Philadelphia Marriott Airport industrial revenue bonds, 7 3/4%, due 12/1/2017	40	—
Capital leases and other (8)	70	—
Total other debt	110	—
Total mortgage and other debt	$1,933	$229

(1) This mortgage debt is secured by eight hotel properties and has certain restrictive covenants. In conjunction with the sale of The Dra substituted as collateral for the loan.

(2) This mortgage debt is secured by first mortgages on three hotels, as well as a pledge of our limited partnership interest in the Santa C

(3) Beginning in 2007, the interest rate on this loan increases a minimum of 200 basis points and all excess cash (as defined in the loan applied to principal; however, the loan can be repaid without a premium or penalty on that date. The amortization presented in this t considering the increase in interest rate, but does not include additional principal payments based on excess cash flow.

(4) Beginning in 2010, the interest rate on these loans increases a minimum of 200 basis points and all excess cash (as defined in the loa partnerships that own these two properties is applied to principal; however, the loans can be repaid without a premium or penalty on the minimum principal payment considering the increase in interest rate, but does not include additional principal payments based o

(5) This mortgage debt was repaid on June 1, 2006.

(6) This floating rate mortgage is based on LIBOR plus 2.10%. The rate shown is at December 31, 2005. Also, this mortgage has an int
rate of 8.1%. During September 2005, we exercised the first of three one-year extension options under the loan agreement. Certain r
exercise the second and third one-year options.

(7) Other mortgage debt consists of individual mortgage debt amounts that are less than $40 million, have an average interest rate of 8.0
through 2017.

(8) Capital leases and other consist of $20 million outstanding under our credit facility, which was repaid in the first quarter of 2006, thr
7.36% that mature through 2016, as well as capital leases with varying interest rates and maturity dates.

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Convertible debt obligation to Host Hotels & Resorts, Inc.

On January 11, 2006, Host announced its intention to exercise its option to cause the conversion rights of the remaining Convertible Subord
February 10, 2006. Between January 1, 2006 and February 10, 2006, $368 million of Convertible Subordinated Debentures and correspond
converted into 24 million shares of Host common stock. As a result, we issued 24 million OP units to Host and reduced our Convertible del
Inc. by $368 million. As of March 24, 2006, we had approximately $2 million of Convertible Subordinated Debentures held by third parties
Convertible Subordinated Debentures held by related parties outstanding. On April 5, 2006, we redeemed the remaining $19 million of outs
Debentures for cash.

Derivative Instruments

On December 20, 2001, we entered into a 5-year interest rate swap agreement, which was effective on January 15, 2002 and matures in Jan
Series I senior notes to floating rate debt. Under the swap, we receive fixed-rate payments of 9.5% and pay floating-rate payments based on
(8.7% at December 31, 2005) on a $450 million notional amount, which is equal to the current amount of outstanding Series I senior notes.
as a fair value hedge for both financial reporting and tax purposes and the amounts paid or received under the swap agreement will be recog
adjustment to interest expense. Changes in the fair value of the swap and the Series I senior notes are reflected in the balance sheet as offset
statement effect. The fair value of the interest rate swap at December 31, 2005 was approximately $1 million.

On August 21, 2003, we entered into two four-year interest rate swap agreements, which mature October 2007, effectively converting our S
Under the swaps, we receive fixed-rate payments of 9.25% and we make floating-rate payments based on six-month LIBOR plus 590 basis
a $242 million notional amount, which is equal to the current amount of outstanding Series G senior notes. We have designated the interest
financial reporting and tax purposes and the amounts paid or received under the swap agreements will be recognized over the life of the agr
expense. Changes in the fair value of the swaps and our Series G senior notes are reflected in the balance sheet as offsetting changes and ha
value of the interest rate swaps at December 31, 2005 was approximately $(6) million.

In connection with the refinancing of the mortgage debt secured by the JW Marriott, Washington, D.C. in September 2003, we purchased a
of $88 million, which capped the floating interest rate at 8.1% for the first two years of the loan. Upon the expiration of the interest rate cap
similar interest rate cap that caps the floating interest rate of the loan at 8.1% through September 2006. The cap represents a derivative that
gains and losses from changes in the market value of the cap are recorded in gain (loss) on foreign currency and derivative contracts. The fa
immaterial at December 31, 2005.

Credit Ratings

As of July 1, 2006, we have $3.7 billion of senior notes outstanding and $100 million of Host preferred stock that are rated by Moody's Inv
S&P's rating on our senior debt is BB and the rating on Host's preferred stock is B. Moody's rating on our senior debt is Ba2 and on Host's
our credit ratios were to decline, the ratings on our securities could be reduced. If we were unable to subsequently improve our credit rating
either in connection with a refinancing or otherwise, or to issue additional preferred stock would likely increase.

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Distribution Policy

Host is required to distribute to stockholders at least 90% of its annual taxable income in order to qualify as a REIT, including taxable inco
regard to which we do not receive corresponding cash. Funds used by Host to pay dividends on its common and preferred stock are provide
every share of common and preferred stock of Host, Host LP has issued to Host a corresponding common OP unit and preferred OP unit. A
substantially all of the preferred OP units and approximately 96% of the common OP units. The remaining 4% of the common OP units are
partners.

As a result of the minority position in Host LP common OP units, these holders share, on a pro rata basis, in amounts being distributed by H
preferred dividend, Host LP pays an equivalent per unit distribution on all common or corresponding preferred OP units. For example, if H
common stock, it would be based on payment of a $.17 per OP unit distribution by Host LP to Host as well as other common OP unit holde
take into account the 4% minority position in Host LP, and the requirement that they share pro rata in distributions from Host LP, when ana
stockholders.

Host's current policy on common dividends is generally to distribute at least 100% of its annual taxable income, unless otherwise contractu
continue paying dividends on its preferred stock, regardless of the amount of taxable income, unless similarly contractually restricted. Host
pay dividends, except to the extent necessary to maintain its REIT status.

The following table sets forth cash distributions on our common OP units during 2006, 2005 and 2004.

Declaration Date	Payment Date
June 15, 2006	July 17, 2006
March 21, 2006	April 17, 2006
December 15, 2005	January 17, 2006
September 19, 2005	October 17, 2005
June 17, 2005	July 15, 2005
March 21, 2005	April 15, 2005
September 8, 2004	December 20, 2004

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

We are party to various transactions, agreements or other contractual arrangements with unconsolidated entities (which we refer to as "off-b
we have certain contingent liabilities and guarantees. As of March 24, 2006, we are party to the following material off-balance sheet arrang

Tax Sharing Arrangements. Under tax sharing agreements with former affiliated companies (such as Marriott International, Host Marriott
Crestline Corporation), we are obligated to pay certain taxes (federal, state, local and foreign, including any related interest and penalties) r
were affiliated with us. For example, a taxing authority could adjust an item deducted by a former affiliate during the period that this forme

adjustment could produce a material tax liability that we may be obligated to pay under the tax sharing agreement. Additionally, under the p
Host LP, Host LP is obligated to pay certain taxes (federal, state, local and foreign, including any related interest and penalties) incurred by
may successfully assert against Host. We do not expect any amounts paid under the tax sharing arrangements to be material.

Tax Indemnification Agreements. For reasons relating to tax considerations of the former and current owners of five hotels, we have agree
repaying or refinancing the

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mortgage debt for varying periods depending on the hotel. These agreements require that we indemnify the owners for their tax consequenc refinancing the mortgage debt during the period under the agreement. We also have agreed not to sell more than 50% of the original allocat additional hotels, or to take other actions that would result in the recognition and allocation of gain to the former owners of such hotels for i of these potential transactions is within our control, we believe that the likelihood of any material indemnification to be remote and therefor On average, these restrictions will generally expire, or cease to be significant, in 2009.

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

- We remain contingently liable for rental payments on certain divested non-lodging properties. These primarily represent divest our guarantee of the future rental payments. The aggregate amount of these future rental payments is approximately $27 millio
- In 1997, we owned Leisure Park Venture Limited Partnership, which owns and operates a senior living facility. We no longer h partnership, but we remain obligated under a guarantee of interest and principal with regard to $14.7 million of municipal bonc Development Authority through their maturity in 2027. However, to the extent we are required to make any payments under th Barceló Crestline Corporation, who, in turn, is indemnified by the current owner of the facility.
- In connection with the sale of three hotels in the fourth quarter of 2004 and January 2005, we remain contingently liable for th leases. The future minimum lease payments are approximately $20 million through the full term of the leases, including renew related to these ground leases is remote, and in each case, we have been indemnified by the purchaser of the hotel.

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

Contractual Obligations

The table below summarizes our obligations for principal and estimated interest payments on our debt, future minimum lease payments on projected capital expenditures, each as of December 31, 2005 (in millions):

			Paymen
	Total	Less than 1 year	1 to
Long-term debt obligations (1)	$7,339	$ 615	$
Capital lease obligations	4	2	
Operating lease obligations (2)	1,547	112	
Purchase obligations (3)	318	318	
Deferred management fees (4)	39	—	
Total	$9,247	$ 1,047	$

(1) The amounts shown include amortization of principal, debt maturities and estimated interest payments. Interest payments have been based on the weighted average

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interest rate for both fixed and variable debt. For variable rate debt, we have used the applicable percentage interest rate as of Decen

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

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

(4) Under terms of our management agreements, we have deferred payment of management fees to our hotel managers for some of our required income thresholds for payment of owner's priority to us. The timing of the payments, if any, is based on future operations, agreement or the sale of the hotel and is therefore not determinable.

(5) The above table does not include the acquisition of the Starwood portfolio as significant contingencies existed at the balance sheet d

Critical Accounting Policies

Our consolidated financial statements have been prepared in conformity with GAAP, which requires management to make estimates and as of assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting perio amounts would be materially different, application of these policies involves the exercise of judgment and the use of assumptions as to futu results could differ from these estimates. We evaluate our estimates and judgments, including those related to the impairment of long-lived estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances. All of our significant notes to our consolidated financial statements. The following represent certain critical accounting policies that require us to exercise our bu estimates:

- *Impairment testing.* We are required by GAAP to record an impairment charge when we believe that one or more of our hote undiscounted cash flows for the hotel would be less than the net book value of the hotel. For impaired assets, we record an imp value is less than its net book value. We test for impairment in several situations, including when current or projected cash flov when it becomes more likely than not that a hotel will be sold before the end of its previously estimated useful life, as well as v sale" or events or changes in circumstances indicate that a hotel's net book value may not be recoverable. In the evaluation of t many assumptions and estimates, including:

  - projected cash flows
  - holding period
  - expected useful life
  - future capital expenditures
  - fair values, including consideration of capitalization rates, discount rates and comparable selling prices.

Changes in these estimates, assumptions, future changes in economic conditions, or property-level results could require us to record additio reflected in operations in the future.

- *Classification of Assets as "Held for Sale."* Our policy for the classification of a hotel as held-for-sale is intended to ensure t be completed within one year and that actions required to complete the sale are unlikely to change or that the planned sale will with our experience with real estate transactions under which the timing and final terms of a sale are frequently not known unti buyer has a

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significant deposit at risk and no financing contingencies exist which could prevent the transaction from being completed in a t
properties that we are actively marketing as held for sale when all of the following conditions are met:

- Host's Board of Directors has approved the sale (to the extent the dollar magnitude of the sale requires Board approval)
- a binding agreement to purchase the property has been signed;
- the buyer has committed a significant amount of non-refundable cash; and
- no significant financing contingencies exist which could cause the transaction not to be completed in a timely manner.

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

- *Depreciation and Amortization Expense.* Depreciation expense is based on the estimated useful life of our assets and amortiz
is the shorter of the lease term or the estimated useful life of the related assets. The lives of the assets are based on a number of
capital expenditures to maintain and refurbish the assets, as well as specific market and economic conditions. While managem
change in the estimated lives could affect depreciation expense and net income (loss) or the gain or loss on the sale of any of o

- *Valuation of Deferred Tax Assets.* We have approximately $100 million, net of a valuation allowance of $19 million, in cons
December 31, 2005. The objective of financial accounting and reporting standards for income taxes is to recognize the amount
current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in a com
We have considered various factors, including future reversals of existing taxable temporary differences, future projected taxal
determining a valuation allowance for our deferred tax assets, and we believe that it is more likely than not that we will be able
tax assets in the future. When a determination is made that all, or a portion, of the deferred tax assets may not be realized, an in
recorded in that period.

- *Valuation of Derivative Contracts.* We had three interest rate swap agreements outstanding as of December 31, 2005. Our in
market value of approximately $(5) million as of December 31, 2005 have been designated as fair value hedges, as described i
statements. While we intend to continue to meet the conditions for hedge accounting, if a particular interest rate swap does not
the fair value of the derivative used as a hedge would be reflected in current earnings. Should any change in management strat
existing highly-effective hedge to become ineffective, the accumulated loss or gain in the value of the derivative instrument sin
the partners' capital section of the balance sheet to current net income (loss). We also have two interest rate cap agreements tha
increase or decrease in fair value is recorded in net income (loss). We estimate the fair value of all of these instruments through
utilize the market standard methodology of netting the discounted future cash receipts and the discounted expected cash payme
based on an expectation of future interest and exchange rates derived from observed market interest and exchange rate curves.
change over time as cash receipts and payments are made and as market conditions change. Any event that impacts the level of
exchange rates will impact our valuations. The fair value of our derivatives is likely to fluctuate materially from year to year ba
exchange rates and shortening terms to maturity.

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- *Stock Compensation*. In connection with Host's conversion to a REIT, we assumed the employee obligations of Host. Upon t either of its two stock-based compensation plans, we will issue Host an equal number of OP units. Accordingly, these liabilitie our consolidated financial statements. SFAS No. 123R, Share-Based Payment ("FAS 123R"), which was effective January 1, 2 all share-based payment transactions be recognized in the financial statements. The statement requires a public entity to measu in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That during which an employee is required to provide service in exchange for the award—the requisite service period (usually the v recognized for equity instruments for which employees do not render the requisite service. Employee share purchase plans wil cost if certain conditions are met. We have recognized these costs for all share-based payment awards granted after January 1,

- *Consolidation Policies.* Judgment is required with respect to the consolidation of partnership and joint venture entities in the assessment of the importance of rights and privileges of the partners based on voting rights, as well as financial interests that a interests. Currently, we have investments in entities that own hotel properties and other investments which we record using the entities are considered to be voting interest entities. The debt on these investments is non-recourse to the company and the effe operations is not material. While we do not believe we are required to consolidate any of our current partnerships or joint ventu of the results of operations and the assets and liabilities would be included in our financial statements.

Application of New Accounting Standards

In March 2005, the FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation c which clarified the term "conditional asset retirement obligation" as used in FASB Statement No. 143. A conditional asset retirement obliga perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may no obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settle statement, we will recognize the fair value of the liability for any conditional asset retirement obligations when incurred, which is generally development and (or) through the normal operation of the asset, if sufficient information exists to reasonably estimate the fair value of the c interpretation did not have a material impact on our financial position or results of operations.

Reporting Periods

Reporting Periods for Consolidated Statement of Operations

The results we report are based on results of our hotels reported to us by our hotel managers. Our hotel managers use different reporting per of the majority of our properties, uses a year ending on the Friday closest to December 31 and reports twelve weeks of operations for the fir weeks for the fourth quarter of the year for its Marriott-managed hotels. In contrast, other managers of our hotels, such as Hyatt, report resu required by tax laws to report results on a calendar year. As a result, we elected to adopt the reporting periods used by Marriott Internationa ends on December 31 to comply with REIT rules. Our first three quarters of operations end on the same day as Marriott International but ou our full year results, as reported in our statement of operations, always includes the same number of days as our calendar year.

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Two consequences of the reporting cycle we have adopted are: (1) quarterly start dates will usually differ between years, except for the first
January 1, and (2) our first and fourth quarters of operations and year-to-date operations may not include the same number of days as reflec
below are the quarterly start and end dates for 2006, 2005 and 2004. Note that the second and third quarters of each year both reflect twelve
and fourth quarters reflect differing days of operations.

	2006		2005	
	Start-End Dates	No. of Days	Start-End Dates	No. of Days
First Quarter	January 1—March 24	83	January 1—March 25	84
Second Quarter	March 25—June 16	84	March 26—June 17	84
Third Quarter	June 17—September 8	84	June 18—September 9	84
Fourth Quarter	September 9—December 31	114	September 10—December 31	113

(1) Reflects an additional day in February for the leap year.

While the reporting calendar we adopted is more closely aligned with the reporting calendar used by Marriott International, another conseq
report the month of operations that ends after our fiscal quarter-end until the following quarter because our hotel managers using a monthly
results available to us. Hence, the month of operation that ends after our fiscal quarter-end is included in our quarterly results of operations
managers (covering approximately one-fourth of our full-service hotels). As a result, our quarterly results of operations include results from
monthly basis as follows: first quarter (January, February), second quarter (March to May), third quarter (June to August) and fourth quarte
does not affect full year results, it does affect the reporting of quarterly results.

Reporting Periods for Hotel Operating Statistics and Comparable Hotel Results

In contrast to the reporting periods for our consolidated statement of operations, our hotel operating statistics (i.e., RevPAR, average daily r
comparable hotel results are always reported based on the reporting cycle used by Marriott International for our Marriott-managed hotels. T
as each reporting period will be comprised of the same number of days of operations as in the prior year (except in the case of fourth quarte
fiscal year 2002) versus sixteen weeks). This means, however, that the reporting periods we use for hotel operating statistics and our compa
from the reporting periods used for our statements of operations for the first and fourth quarters and the full year. Set forth below are the qu
and 2004 that are used for our hotel operating statistics and comparable hotel results reported herein. Results from hotel managers reporting
operating statistics and comparable hotel results consistent with their reporting in our consolidated statement of operations.

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

	2006		2005	
	Start-End Dates	No. of Days	Start-End Dates	No. of Days

First Quarter	December 31—March 24	84	January 1—March 25	84
Second Quarter	March 25—June 16	84	March 26—June 17	84
Third Quarter	June 17—September 8	84	June 18—September 9	84
Fourth Quarter	September 9—December 29	112	September 10—December 30	112

(1) Reflects an additional day in February for the leap year.

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Non-GAAP Financial Measures

We use certain "non-GAAP financial measures," which are measures of our historical financial performance that are not calculated and pre
the meaning of applicable SEC rules. They are as follows: (i) Funds From Operations (FFO) per diluted unit, and (ii) Comparable Hotel Op
defines these terms and presents why we believe they are useful measures of our performance.

FFO Per Diluted Unit

We present FFO per diluted unit as a non-GAAP measure of our performance in addition to our earnings per unit (calculated in accordance diluted unit for a given operating period as our FFO (defined as set forth below) for such period divided by the number of fully diluted units National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income (calculated in accordance with GAAP) excluc estate, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization and adjustments for unco FFO is presented on a per unit basis after making adjustments for the effects of dilutive securities, including the payment of preferred OP u NAREIT guidelines.

We believe that FFO per diluted unit is a useful supplemental measure of our operating performance and that presentation of FFO per dilute GAAP presentation of earnings per unit, provides beneficial information to investors. By excluding the effect of real estate depreciation, an of real estate, all of which are based on historical cost accounting and which may be of lesser significance in evaluating current performanc facilitate comparisons of operating performance between periods and between other REITs, even though FFO per diluted unit does not repr holders of our OP units. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes pre in its April 2002 "White Paper on Funds From Operations," since real estate values have historically risen or fallen with market conditions, presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. For these reas FFO in order to promote an industry-wide measure of REIT operating performance.

We calculate FFO per diluted unit, in accordance with standards established by NAREIT, which may not be comparable to measures calcul the NAREIT definition of FFO or calculate FFO per diluted unit in accordance with NAREIT guidance. In addition, although FFO per dilut comparing our results to other REITs, it may not be helpful to investors when comparing us to non-REITs. This information should not be c operating profit, cash from operations, or any other operating performance measure prescribed by GAAP. Cash expenditures for various lon replacement capital expenditures) and other items have been and will be incurred and are not reflected in the FFO per diluted unit presentat limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessment consolidated statements of operations and cash flows include depreciation, capital expenditures and other excluded items, all of which shou performance, as well as the usefulness of our non-GAAP financial measures. Additionally, FFO per diluted unit should not be considered a of funds available to fund our cash needs, including our ability to make cash distributions. In addition, FFO per diluted unit does not measu of, amounts that accrue directly to unitholders' benefit.

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The following tables provide a reconciliation of net income (loss) available to common unitholders per unit to FFO per diluted unit (in mill

Reconciliation of Net Income (Loss) Available to
Common Unitholders to Funds From Operations per Diluted Unit

	March 24, 2006		
	Income (Loss)	Units	Per Am
Net income (loss) available to common unitholders	$ 175	397.5	$
Adjustments:			
Gain on dispositions, net of taxes	(153)	—	
Amortization of deferred gains, net of taxes	(1)	—	
Depreciation and amortization	89	—	
Partnership adjustments	—	—	
Adjustments for dilutive securities:			
Assuming distribution of OP units to Host for Host shares granted under its comprehensive stock plan less shares assumed purchased at average market price	—	.9	
Assuming conversion of Exchangeable Senior Debentures	5	28.1	
Assuming conversion of Convertible debt obligation to Host	2	8.2	
FFO per diluted unit (a)(b)	$ 117	434.7	$

	2005	
	Income (Loss)	Units
Net income (loss) available to common unitholders	$ 142	373.3
Adjustments:		
Gain on dispositions, net	(60)	—
Amortization of deferred gains	(8)	—
Depreciation and amortization	371	—
Partnership adjustments	2	—
Adjustments for dilutive securities:		

Assuming distribution of units to Host for Host shares granted under its comprehensive stock plan less shares assumed purchased at average market price	—	2.5
Assuming conversion of Exchangeable Senior Debentures	19	28.1
Assuming conversion of Convertible debt obligation to Host	32	30.9
FFO per diluted unit (a)(b)	$ 498	434.8

(a) FFO per diluted unit in accordance with NAREIT is adjusted for the effects of dilutive securities. Dilutive securities may include un comprehensive stock plans, those preferred OP units held by minority partners and convertible debt securities. No effect is shown fo

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(b) FFO per diluted unit and earnings (loss) per diluted unit for certain periods presented were significantly affected by certain transacti
table below (in millions, except per unit amounts):

	March 24, 2
	Net Income (Loss)
Senior notes redemptions and debt prepayments (1)	$ —
Gain on dispositions, net of taxes	153
Total	$ 153
Per diluted unit	$ .39

	2005
	Net Income (Loss)
Senior notes redemptions and debt prepayments (1)	$ (34)
Preferred OP unit redemptions (2)	(4)
Gain on CBM Joint Venture LLC sale (3)	41
Gain on hotel dispositions	19
Total	$ 22
Per diluted unit	$ .06

(1) Represents call premiums and the acceleration of original issue discounts and deferred financing costs, as well as incremental intere
included in interest expense in the consolidated statements of operations. We recognized these costs in conjunction with the prepayn
the periods presented.

(2) Represents the original issuance costs for preferred OP units, which were required to be charged against net income (loss) available
with the redemption of the Class B preferred OP units in the second quarter of 2005 and the redemption of the Class A preferred OP
adjustment in 2004 also includes the incremental dividends from the date of issuance of the Class E preferred units to the date of rec
units. For further detail, see Note 5 to the condensed consolidated statements.

(3) Represents the gain, net of tax, on the sale of 85% of our interest in CBM Joint Venture.

Comparable Hotel Operating Results

We present certain operating results for our full-service hotels, such as hotel revenues, expenses, and adjusted operating profit, on a compar supplemental information for investors. Our comparable hotel operating results present operating results for full-service hotels owned durin compared without giving effect to any acquisitions or dispositions, significant property damage or large scale capital improvements incurre comparable hotel operating results by eliminating corporate-level costs and expenses related to our capital structure, as well as depreciation level costs and expenses to arrive at property-level results because we believe property-level results provide investors with more specific in performance of our hotels. We eliminate depreciation and amortization, because even though depreciation and amortization are property-lev which are based on historical cost accounting for real estate assets, implicitly assume that the value of real estate assets diminishes predictal real estate values historically have risen or fallen with market conditions, many industry

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investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by

As a result of the elimination of corporate-level costs and expenses and depreciation and amortization, the comparable hotel operating resul
revenues, expenses or operating profit and these comparable hotel operating results should not be used to evaluate our performance as a wh
limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessment
consolidated statements of operations include such amounts, all of which should be considered by investors when evaluating our performan

We present these hotel operating results on a comparable hotel basis because we believe that doing so provides investors and management v
period-to-period performance of our hotels and facilitates comparisons with hotel REITs and other hotel owners. In particular, these measur
distinguishing whether increases or decreases in revenues and/or expenses are due to growth or decline of operations at comparable hotels (
portfolio) or from other factors, such as the effect of acquisitions or dispositions. While management believes that presentation of comparab
supplemental measure that provides useful information in evaluating our ongoing performance, this measure is not used to allocate resource
these hotels, as these decisions are based on data for individual hotels and are not based on comparable portfolio hotel results. For these rea
operating results, when combined with the presentation of GAAP operating profit, revenues and expenses, provide useful information to inv

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

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

Number of hotels
Number of rooms
Percent change in Comparable Hotel RevPAR
Comparable hotel sales
Room
Food and beverage
Other
Comparable hotel sales (b)
Comparable hotel expenses (c)
Room
Food and beverage
Other
Management fees, ground rent and other costs
Comparable hotel expenses
Comparable hotel adjusted operating profit
Non-comparable hotel results, net (d)
Comparable hotels classified as held for sale, net
Office building and limited service properties, net (e)
Depreciation and amortization
Corporate and other expenses
Operating profit

(a) The reporting period for our comparable operating statistics for the first quarter of 2006 is from December 31, 2005 to March 24, 20 January 1, 2005 to March 25, 2005. For further detail, see "—Reporting Periods" above.

(b) The reconciliation of total revenues per the consolidated statements of operations to the comparable hotel sales is as follows:

Revenues per the consolidated statements of operations	
Revenues of hotels held for sale	
Non-comparable hotel sales	
Hotel sales for the property for which we record rental income, net	
Rental income for office buildings and limited service hotels	
Adjustment for hotel sales for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	
Comparable hotel sales	

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

Operating costs and expenses per the consolidated statements of operations	
Operating costs of hotels held for sale	
Non-comparable hotel expenses	
Hotel expenses for the property for which we record rental income	
Rent expense for office buildings and limited service hotels	
Adjustment for hotel expenses for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	
Depreciation and amortization	
Corporate and other expenses	
Comparable hotel expenses	

(d) Non-comparable hotel results, net includes the following items: (i) the results of operations of our non-comparable hotels whose ope statements of operations as continuing operations and (ii) the difference between the number of days of operations reflected in the co days of operations reflected in the consolidated statements of operations. For further detail, see "—Reporting Periods" above.

(e) Represents rental income less rental expense for limited service properties and office buildings.

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Comparable Hotel Results
(in millions, except hotel statistics)

Number of hotels
Number of rooms
Percent change in Comparable Hotel RevPAR
Comparable hotel sales
Room
Food and beverage
Other
Comparable hotel sales (1)
Comparable hotel expenses
Room
Food and beverage
Other
Management fees, ground rent and other costs
Comparable hotel expenses (2)
Comparable hotel adjusted operating profit
Non-comparable hotel results, net (3)
Comparable hotels sold during 2006
Office buildings and limited service properties, net (4)
Other income
Depreciation and amortization
Corporate and other expenses
Gain on insurance settlement
Operating profit

(1) The reconciliation of total revenues per the consolidated statements of operations to the comparable hotel sales is as follows (in mill

Revenues per the consolidated statements of operations	$
Revenues of hotels sold during 2006	
Non-comparable hotel sales	
Hotel sales for the property for which we record rental income	
Rental income for office buildings and limited service hotels	
Other income	
Adjustment for hotel sales for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	
Comparable hotel sales	$

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

Operating costs and expenses per the consolidated statements of operations	$
Operating costs of hotels sold during 2006	
Non-comparable hotel expenses	
Hotel expenses for the property for which we record rental income	
Rent expense for office buildings and limited service hotels	
Adjustment for hotel expenses for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	
Depreciation and amortization	
Corporate and other expenses	
Gain on insurance settlement	
Comparable hotel expenses	$

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

(4) Represents rental income less rental expense for limited service properties and office buildings.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market r changes in market prices and interest rates. The majority of our outstanding debt has a fixed interest rate. We use some derivative financial rate risks related to our borrowings.

The table below provides information about our derivative financial instruments and other financial instruments that are sensitive to change swaps and debt obligations. For debt obligations, the table presents scheduled maturities and related weighted average interest rates by expe swaps, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Notional amounts a payments to be exchanged under the contract. Weighted average variable rates are presented in U.S. dollar equivalents, which is our reporti caps that we have entered into are strictly to hedge interest rate risk and not for trading purposes.

	Expected Maturity Date				
	2006	2007	2008	2009	2010
				($ in millions)	
Liabilities					
Debt:					
Fixed rate	$ 140	$ 873	$ 431	$ 754	$ 511
Average interest rate	7.4%	7.1%	6.9%	6.8%	7.1
Variable rate					
Variable rate	$ 88	$ —	$ 20	$ —	$ —
Average interest rate	6.4%	6.3%	6.3%	—%	—
Total debt (1)					
Interest rate derivatives					
Interest rate swaps					
Fixed to variable	$ —	$ 692	$ —	$ —	$ —
Average pay rate	9.3%	10.0%	—%	—%	—
Average receive rate	9.4%	9.3%	—%	—%	—

(1) Excludes the fair market value of the interest rate swaps which totaled approximately $(5) million as of December 31, 2005.

As of March 24, 2006, approximately 85% of our debt bears interest at fixed rates. This debt structure largely mitigates the impact of chang financial instruments that are sensitive to changes in interest rates, including our credit facility. The interest rate on our credit facility is bas 2.0% to 3.75%. There was $20 million outstanding on our credit facility at December 31, 2005.

We expect the proportion of fixed rate debt in our capital structure to range from 70% to 85% of our total debt, although there can be no ass
this result on terms acceptable to us. In furtherance of this objective, we have entered into three interest rate swaps effectively converting $
floating rate payments based on a spread to LIBOR.

On December 20, 2001, we entered into a 5-year interest rate swap agreement, which was effective on January 15, 2002 and matures in Jan
Series I senior notes to floating rate debt. Under the swap, we receive fixed-rate payments of 9.5% and pay floating-rate payments based on

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one-month LIBOR plus 450 basis points on a $450 million notional amount, which is equal to the current amount of outstanding Series I se
entered into two four-year interest rate swap agreements, which mature October 2007, effectively converting our Series G senior notes to fl
receive fixed-rate payments of 9.25% and we make floating-rate payments based on six-month LIBOR plus 590 basis points on a $242 mill
current amount of outstanding Series G senior notes. We have designated the interest rate swaps as fair value hedges for both financial repo
paid or received under the swap agreements will be recognized over the life of the agreement as an adjustment to interest expense. Changes
Series I senior notes and Series G senior notes, respectively, are reflected in the balance sheet as offsetting changes and have no income sta
I interest rate swap at December 31, 2005 and December 31, 2004 was $1 million and $18 million, respectively. The fair value of the Series
December 31, 2005 and December 31, 2004 was $(6) million and $1 million, respectively. These amounts are included in the senior notes l
sheet.

If market rates of interest on our variable rate debt and the above swap agreements increase or decrease by 100 basis points, the change in i
earnings and cash flows by approximately $8 million annually.

Exchange Rate Sensitivity

As we have non-U.S. operations (specifically, the ownership of hotels in Canada and Mexico), currency exchange risk arises as a normal pa
currency exchange risk applicable to ownership in non-U.S. hotels, where possible, we may enter into forward or option contracts. The fore
we have entered into are strictly to hedge foreign currency risk and not for trading purposes.

On August 30, 2001, our Canadian subsidiaries entered into a mortgage loan pursuant to which they borrowed $96.6 million (denominated
LIBOR plus 2.75%. At that time, we entered into currency forward contracts to hedge the currency exposure of converting Canadian dollar
cover debt service payments, which were designated as cash flow hedges of the debt service payments, and the forward contracts were reco
with offsetting changes recorded in accumulated other comprehensive income. In December 2003, we entered into certain transactions whic
longer qualifying as hedges. We recognized a loss of approximately $18 million in 2003, which was previously included in accumulated ot
consolidated balance sheet. Accordingly, the change in fair value is recorded in our consolidated statement of operations each period. For 2
million and a loss of $7 million, respectively, related to these contracts. In January 2005 and October 2005, we assigned the notional amou
approximately $32 million and $19 million, respectively, to a third party for approximately $8 million and $10 million, respectively, which
contracts on the date of sale. After these sales, we have no outstanding notional amount under these contracts and no foreign currency exch

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BUSINESS AND PROPERTIES

On April 17, 2006, the partnership changed its name from Host Marriott, L.P. to Host Hotels & Resorts, L.P. Host Hotels & Resorts, L.P. is through an umbrella partnership structure with Host Hotels & Resorts, Inc., a Maryland Corporation, as the sole general partner. Together, and self-administered real estate investment trust, or REIT. In addition to being the sole general partner, Host, holds 96% of our partnership

As of June 1, 2006, our lodging portfolio consisted of 129 luxury and upper-upscale full-service hotels containing approximately 67,000 ro diverse with hotels in most of the major metropolitan areas in 28 states, Washington, D.C., Toronto, Calgary, Canada, Mexico City, Mexico primarily include central business districts of major cities, airport areas and resort/conference destinations.

The Lodging Industry Overview

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

- Owners—these participants own the hotel and typically enter into an agreement for an independent third party to manage the h operated under the manager's brand or branded under a franchise agreement and operated by the franchisee or by an independe also be operated as an independent hotel (unaffiliated with any brand) by an independent hotel manager.

- Owner/Managers—these participants own the hotel and operate the property with their own management team. These properti agreement, operated as an independent hotel (unaffiliated with any brand) or operated under the owner's brand. REITs are rest under applicable REIT laws.

- Franchisors—these participants own a brand or brands and strive to grow their revenues by expanding the number of hotels in provide their branded hotels with brand recognition, marketing support and centralized reservation systems.

- Franchisor/Manager—these participants own a brand or brands and also operate hotels on behalf of the hotel owner or franchis

- Manager—these participants operate hotels on behalf of the hotel owner, but do not, themselves, own a brand. The hotels may or as an independent hotel (unaffiliated with any brand).

The hotel manager is responsible for the day-to-day operation of the hotels, including the employment of hotel staff, the determination of ro marketing plans, the preparation of operating and capital expenditure budgets and the preparation of financial reports for the owner. They ty and profitability of the hotel.

The lodging industry is highly competitive. Competition for a given hotel is based primarily on the brand affiliation, guest facilities, amenit accommodations, location and room rates. Competition is often specific to the individual markets in which the properties are located. Cater the lodging industry is broadly segmented into six groups: luxury, upper-upscale, upscale, midscale (with and without food and beverage se operate in urban and resort markets either as luxury properties, under such brand names as Ritz-Carlton®, Fairmont®, Four Seasons®, The L upper-upscale properties, under such brand names as Marriott®, Hyatt®, Westin®, Hilton®, Sheraton® and W Hotels®.

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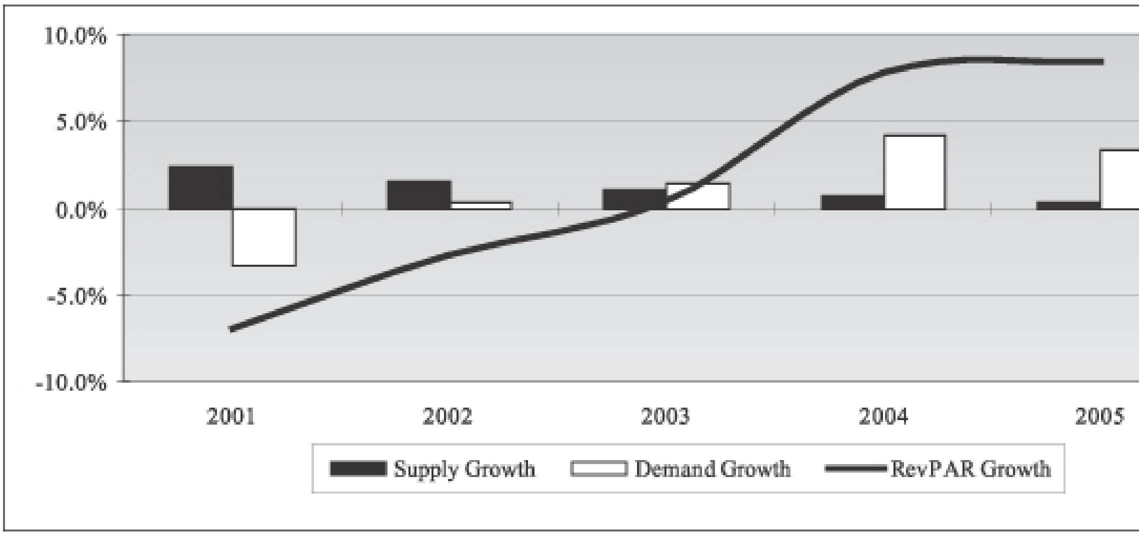
Our industry is influenced by the cyclical relationship between the supply of, and demand for, hotel rooms. Lodging demand growth typica economy in addition to local market factors that stimulate travel to specific destinations. Extended periods of strong demand growth tend to supply growth may be influenced by a number of factors, including availability of capital, interest rates, construction costs and unique mark lead-time required to complete development of hotels increases the volatility of the cyclical behavior of the lodging industry. At different p increase or decrease in a dissimilar manner such that demand may increase when there is no new supply or supply may grow when demand and upper-upscale hotels in urban and resort/conference destinations frequently requires the longest lead-time.

Properties in the luxury and upper-upscale segment of the lodging industry benefited from a favorable imbalance between supply and dema by low construction levels and high gross domestic product, or GDP growth. From 1998 through 2000, supply moderately outpaced deman levels. However, the growth of hotel revenues remained very strong as occupancy declines were more than offset by increases in average d through 2003, demand slowed significantly due to the threat of terrorist attacks, the war in Iraq and the continuation of a weak economy, al occupancy and average daily rates. As the economy strengthened early in 2004, demand growth began to accelerate initially leading to incr continued to strengthen in 2005 and we then experienced growth in higher rated business travel, which helped drive strong improvements i provided by Lodging Econometrics, luxury and upper-upscale hotel supply growth for the top 25 markets in the U.S. is expected to increase 2006 and 2007, respectively. We believe that, based on a review of the forecasted supply growth in the specific geographic markets where potentially competitive hotels will be slightly lower than the Lodging Econometrics forecasts.

The charts below detail the supply, demand and RevPAR growth for the U.S. lodging industry and for the luxury and upper-upscale segme by Smith Travel Research. RevPAR is defined as the product of the average daily room rate charged and the average daily occupancy achi hotel operations. For more information on RevPAR and a discussion of how we use this measure, see “Management’s Discussion and Anal —Overview.”

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



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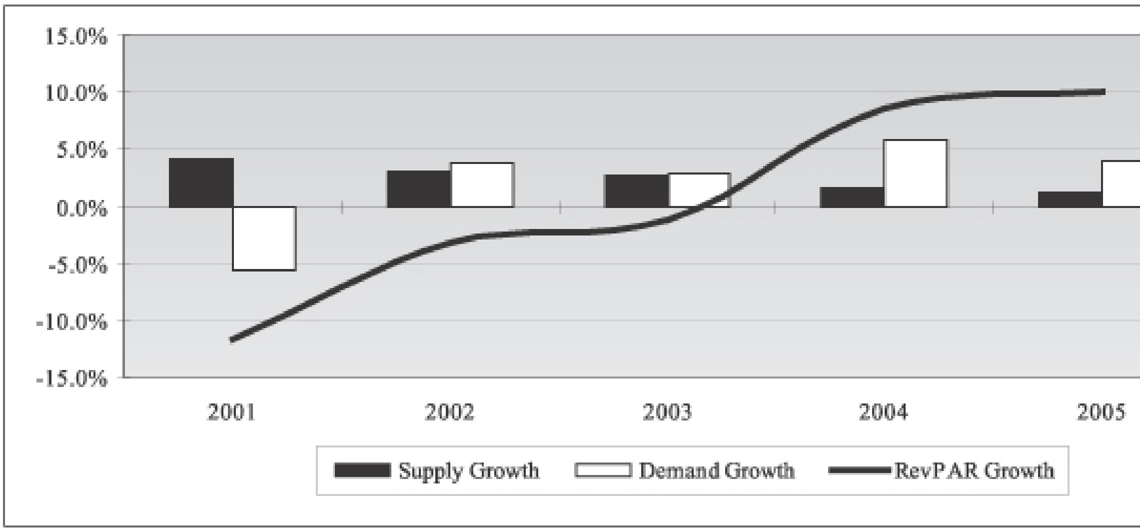
Luxury and Upper-Upscale Supply, Demand and RevPAR growth



Business Strategy

Our primary business objective is to provide superior total returns to our unitholders through a combination of appreciation in asset values a
achieve this objective we seek to:

- maximize the value of our existing portfolio through aggressive asset management, which includes working with the managers revenues while minimizing operating costs, completing selective capital improvements designed to increase profitability and e properties for more valuable or profitable purposes, such as conversions into timeshares or condominiums;

- acquire luxury and upper-upscale hotels that are generally located in urban and resort/conference destinations and are operated

- maintain a capital structure and liquidity profile with an appropriate balance of debt and equity, including generally targeting a to 30% range, that will also provide flexibility given the inherent volatility in the lodging industry;

- reduce our leverage, over time, to achieve an EBITDA-to-interest coverage ratio greater than 3.0x under our senior notes inder maturity schedule with an average maturity of no less than five years; and

- dispose of non-core assets, such as older assets with significant capital needs, assets that are at a competitive risk given potenti markets. These hotels are potentially attractive investments for investors with different portfolio objectives.

Asset Management. We believe we can maximize the value of our hotel portfolio through aggressive asset management. We are the larges

upscale properties in the U.S. and our hotels are managed by many of the top brands in the industry. The size and composition of our portfo
brands allow us to benchmark similar hotels and identify best practices, value enhancement opportunities and efficiencies that can be comm
evaluate key performance indicators to ensure an appropriate level of assistance is provided to our managers to maximize opportunities at e
enhancing revenue management for rooms, food and beverage and other services, reducing operating costs and identifying operating efficie
profitability of the hotel.

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Our asset management and development departments work closely with our managers in overseeing capital expenditure budgets to ensure t condition, highly competitive in the market and compliant with brand standards. We also work with our managers to ensure that renewal an spent to maximize the profitability of the hotel. In addition to best practices driving the profitability of our hotels, we pursue opportunities t selective capital improvements outside the scope of the typical renewal and replacement capital expenditures. These capital improvements space to alternative uses, building additional meeting space or exhibit halls, and installing energy management systems and highly efficient appropriate, we also consider the complete repositioning of a hotel in a given market, which often includes a complete renovation of guest modifications. Other value enhancement opportunities will include utilizing underdeveloped land or buildings for other real estate uses, suc maximize the value of each of our assets.

Acquisitions. Our acquisition strategy focuses on luxury and upper-upscale hotels. We continue to believe there will be opportunities to a of cash flow and at discounts to replacement cost. Our acquisition strategy continues to focus on:

- properties with locations in markets with high barriers to entry for prospective competitors;
- properties operated under premium brand names, such as Marriott®, Ritz-Carlton®, Four Seasons®, Fairmont®, Hilton®, Hyatt® Luxury Collection®, and St. Regis®;
- larger hotels that are consistent with our portfolio objectives and that may require investment on a scale that limits the number
- underperforming hotels whose operations can be enhanced by conversion to a higher quality brand and/or by upgrading or exp
- acquisitions through various structures, including transactions involving portfolios, single assets and joint ventures.

Prior to 2003, our acquisitions were limited by the lack of suitable targets that would complement our portfolio and provide adequate return capital due to weak investment markets. As capital markets strengthened late in 2003, suitable single-asset opportunities became available. acquired four properties in single-asset transactions, including the 834-room Hyatt Regency Washington on Capitol Hill in Washington, D. entered into an agreement to acquire the 732-room The Westin Kierland Resort & Spa in Scottsdale, Arizona for approximately $393 millio million of mortgage debt. The purchase is expected to close in the third quarter of 2006, subject to customary closing conditions.

As discussed above in “Management Discussion and Analysis of Financial Condition—Recent Events”, on April 10, 2006 we completed th Transactions, and in May and June 2006 our European joint venture completed the acquisition of five additional hotels from Starwood.

Dispositions. Since January 2004, we have taken advantage of market conditions to sell 19 hotels at favorable prices. Proceeds from disp repay debt, fund acquisitions, fund return on investment, or ROI, projects, or for general corporate purposes. Proceeds from the dispositions partially fund the acquisition of the Starwood Portfolio. Generally, the properties that we disposed of have been non-core, smaller hotels tha markets where we believe the potential for growth is lower, or where the properties required substantial capital investments. However, in s completed sales of the Swissôtel The Drake, New York and the Fort Lauderdale Marina Marriott, we may also dispose of core assets when value enhancement opportunities and apply the proceeds to other business objectives.

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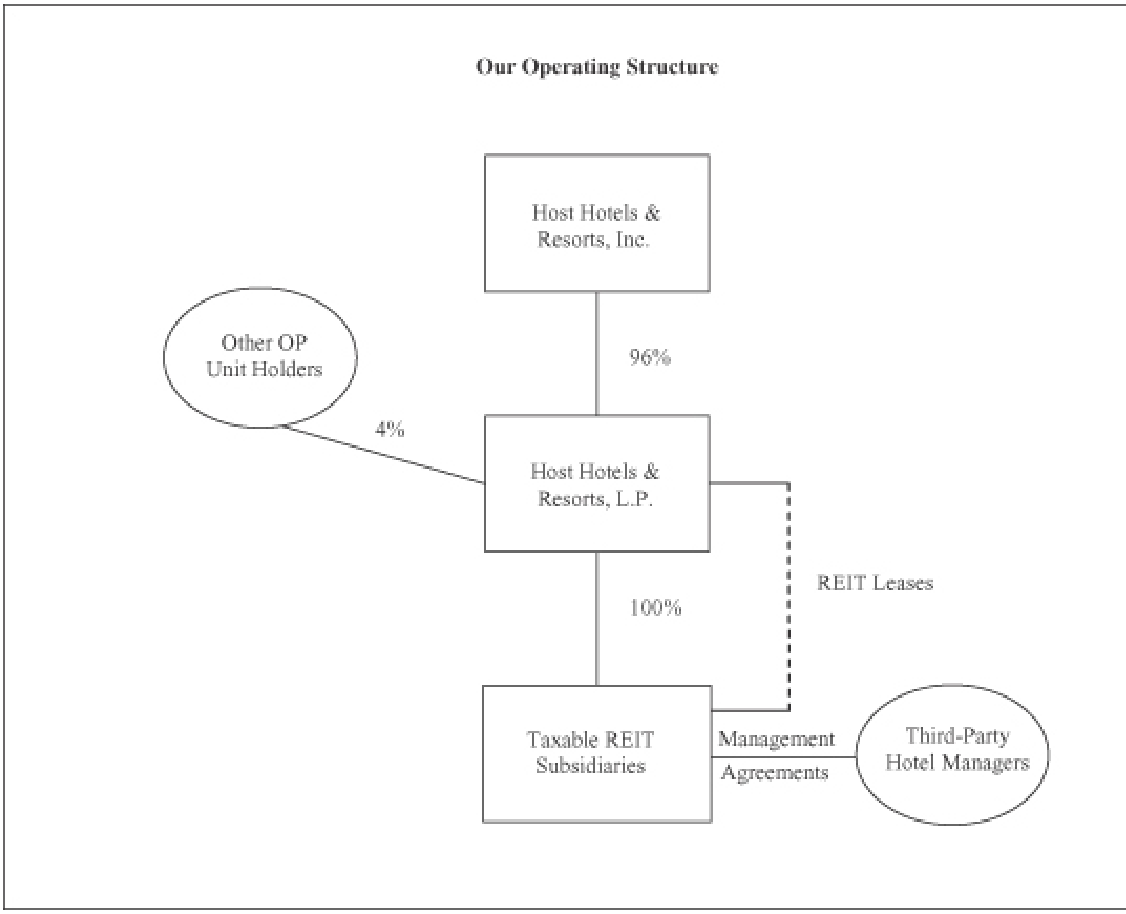
Operating Structure

Our operating structure is as follows:



Host was formed in 1998 as a Maryland corporation in connection with its reorganization to qualify as a REIT and, at that time, Host reorga
hotels and certain other assets to us and our subsidiaries. As a result of this reorganization, Host became the sole general partner of Host LP
Host LP has issued one unit of operating partnership interest, or OP unit, to Host. When distinguishing between Host and Host LP, the prim
the partnership interests of Host LP not held by Host as of June 1, 2006.

All of our assets are owned by us or through our subsidiaries, all of which are general or limited partnerships or limited liability companies.
than Host are redeemable at the option of the holders, beginning one year after the date of issuance of the holder's OP units. Upon redempti
cash from us in an amount equal to the market value of one share of Host common stock. Host has the right, however, to acquire any OP un

holder in exchange for one share of Host common stock, instead of a cash redemption.

As a REIT, certain tax laws limit the amount of “non-qualifying” income that Host can earn, including income derived directly from the op
substantially all of our properties to a subsidiary designated as a taxable REIT subsidiary for federal income tax purposes or to third party le
with third parties to manage the operations of the hotels. Taxable REIT subsidiaries may hold other assets that engage in other activities tha
the development of timeshare or condominium units, subject to certain restrictions. Unlike other subsidiaries of a REIT, taxable income of a
federal, state and foreign income taxes.

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Lodging Properties Portfolio

Overview. Our lodging portfolio primarily consists of 129 luxury and upper-upscale hotels containing approximately 67,000 rooms as of J
within North America, with hotels in most of the major metropolitan areas in 28 states, Washington, D.C., Toronto and Calgary, Canada, M
We believe that the broader brand recognition and resources of the premium brands our properties are operated under help generate revenue
the long-term. Our locations include central business districts of major cities, near airports and resort/conference destinations, that because o
significant barriers to entry by competitors. Historically, our properties in urban and resort/conference destinations have achieved higher Re
locations. Our hotels have an average of approximately 519 rooms. Our hotels typically include meeting and banquet facilities, a variety of
exercise facilities or spas, gift shops and parking facilities, the combination of which enable them to serve business, leisure and group trave
21 years, although most of the properties have benefited from substantial renovations or major additions, as well as scheduled renewal and r
improvements.

The following chart details our portfolio by brand as of June 1, 2006:

Brand
Marriott
Sheraton
Westin
Ritz-Carlton
Hyatt
W
Swissôtel
Hilton/Embassy Suites
Four Seasons
Fairmont
St. Regis
Luxury Collection
Other brands

Capital Expenditures. To maximize the value of our portfolio and to maintain our high standards, as well as those of our managers, we sp
reviewing potential capital expenditures at our properties, including renewals and replacements, expansions, repositionings and other capita
generally fall into two broad categories, renewal and replacement expenditures and repositioning/return on investment (or "ROI") projects.

Renewal and Replacement Expenditures. To maintain the overall quality of our lodging properties, we annually assess the need for refurb
improvements. Typically, room refurbishments occur at intervals of approximately seven years. However, the timing of refurbishments may
equipment being replaced. These refurbishments generally are divided into the following types: soft goods, hard goods and infrastructure. S

bed spreads, curtains and wall vinyl and may require more frequent updates to maintain brand quality standards. Hard goods include items s
restaurant chairs and tables and are generally not replaced as frequently. Infrastructure includes the physical plant of the hotel, including the
which are regularly maintained and then replaced at the end of their useful lives. The management agreements for the majority of our prope
hotel's annual gross revenues for refurbishments. Historically, we have spent a slightly higher percentage than required, or an average of

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approximately $180 million to $220 million, on replacements and refurbishments of soft and hard goods each year. In addition to amounts r
management agreement, we fund infrastructure improvements and, on average, historically spend approximately $20 million to $30 million
total renewal and replacement capital expenditures of $200 million to $250 million on an annual basis. Additionally, all capital expenditure
environment and our cash requirements and, as a result, we will occasionally spend more or less than these amounts.

Repositioning/Return on Investment Projects. We have also undertaken several projects over the past two years that are designed to increa
projects include, for example, expanding ballroom, spa or conference facilities. In certain instances, these repositioning or ROI projects hav
maintenance cycles at the properties where we have used the opportunity to improve and upgrade the hotel. Other ROI projects are designed
conditions and the superior location of our properties. For example, in December 2005, we completed the renovation and repositioning of th
approximately $60 million, which included the addition of a spa, 20 new luxury suites, redesigned and renovated guestrooms, a new restaur
We also recently began work on a planned investment of approximately $70 million for the development of an exhibit hall at the Marriott O
total of approximately $107 million on ROI projects in 2005. ROI projects historically have generated strong returns, and over the next seve
$300 million to $500 million on such investments.

We also will continue to seek opportunities to enhance the value of our portfolio by identifying and executing strategies that capitalize on a
development of timeshare or condominium units on excess land or the conversion of existing rooms to timeshare or condominium units. Fo
development of approximately 120 timeshare units on a beachfront parking lot at the Hyatt Regency Maui Resort and Spa. Additionally, we
enhancement strategies through the sale of our hotels when premium pricing can be obtained. Examples include the January 2006 sale of ou
sales price of $146 million and the March 2006 sale of the Swissôtel The Drake, New York for a sales price of $440 million.

Foreign Operations. We currently own four Canadian properties, one Mexican property, and two properties in Chile, containing a total of
and 2003, approximately 3% of our revenues were attributed to foreign operations, while the remaining 97% of our revenues were attribute

Competition. The lodging industry is highly competitive, and over the past decade there has been a proliferation of the number of brands i
often specific to individual markets and is based on a number of factors, including location, brand, guest facilities, amenities, price and serv
competition includes hotels operated under brands in the luxury and upper-upscale full-service segments, as well as hotels operated under u
locations. Many management contracts do not have restrictions on the ability of management companies to convert, franchise or develop ot
result, our hotels in a given market often compete with other hotels that our managers may own, invest in, manage or franchise.

We believe our properties enjoy competitive advantages associated with their operations under the Marriott®, Ritz-Carlton®, Fairmont®, Fo
W®, St. Regis® and Hilton® hotel brand systems. The national marketing programs and reservation systems of these brands, combined with
expertise they provide, should enable our properties to perform favorably in terms of both occupancy and room rates. Each of our managers
In addition, repeat guest business is enhanced by guest reward or guest recognition programs offered by most of these brands.

Seasonality. Our hotel sales traditionally have experienced moderate seasonality, which varies based on the individual hotel property and
the fourth quarter typically reflect

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sixteen weeks of results compared to twelve weeks for each of the first three quarters of the fiscal year for our Marriott-managed hotels. Fo first quarter includes two months of operations, the second and third quarters include three months of operations and the fourth quarter incl "Management's Discussion and Analysis of Results of Operations and Financial Condition—Reporting Periods" for more information on o historically averaged approximately 21%, 25%, 21% and 33% for the first, second, third and fourth quarters, respectively.

Hotel Properties. The following table sets forth the location and number of rooms of our 129 full-service hotels as of June 1, 2006. Each indicated.

Location
Arizona
Sheraton Tucson
Marriott Mountain Shadows Resort and Golf Club (3)
Scottsdale Marriott Suites Old Town
The Ritz-Carlton, Phoenix
Scottsdale Marriott at McDowell Mountains
California
Coronado Island Marriott Resort (1)
Costa Mesa Marriott Suites
Desert Springs, a JW Marriott Resort and Resort & Spa, Palm Desert
Hyatt Regency, San Francisco Airport
Manhattan Beach Marriott (1)
Marina del Rey Marriott (1)
Newport Beach Marriott Hotel & Spa
Newport Beach Marriott Bayview
Host Airport Hotel Sacramento (1)
San Diego Marriott Hotel and Marina (1)(2)
San Diego Marriott Mission Valley
San Francisco Airport Marriott
San Francisco Marriott Fisherman's Wharf
San Francisco Marriott (1)
San Ramon Marriott (1)
Santa Clara Marriott (1)
The Ritz-Carlton, Marina del Rey (1)
Sheraton San Diego
The Westin Los Angeles
The Westin Mission Hills
The Westin South Coast Plaza
The Ritz-Carlton, San Francisco
Colorado
The Westin Tabor Center
Four Points by Sheraton Denver Southeast (1)
Denver Marriott Tech Center
Denver Marriott West (1)
Connecticut
Sheraton Stamford
Hartford Marriott Rocky Hill (1)

Location
Florida
Sheraton Suites Tampa
Harbor Beach Marriott Resort and Spa (1)(2)
Miami Airport Marriott (1)
Miami Marriott Biscayne Bay (1)
Orlando World Center Marriott Resort and Convention Center
Hilton Singer Island Oceanfront Resort
Tampa Airport Marriott (1)
Tampa Marriott Waterside Hotel and Marina
The Ritz-Carlton, Amelia Island
The Ritz-Carlton, Naples
The Ritz-Carlton Golf Resort, Naples
Georgia
Atlanta Marriott Marquis
Atlanta Marriott Suites Midtown (1)
Atlanta Marriott Perimeter Center (1)
Four Seasons Hotel, Atlanta
Grand Hyatt Atlanta in Buckhead
JW Marriott Hotel Buckhead Atlanta
The Westin Buckhead Atlanta
The Ritz-Carlton, Atlanta
The Ritz-Carlton, Buckhead
Hawaii
The Fairmont Kea Lani, Maui
Hyatt Regency Maui Resort and Spa
Illinois
Chicago Marriott Suites Downers Grove
Courtyard Chicago Downtown
Embassy Suites Chicago Hotel, Downtown/Lakefront
Chicago Marriott O'Hare
Chicago Marriott Suites O'Hare
Swissôtel, Chicago
Indiana
The Westin Indianapolis
Sheraton Indianapolis
South Bend Marriott
Louisiana
New Orleans Marriott
Maryland
Gaithersburg Marriott Washingtonian Center
Massachusetts
Boston Marriott Newton
Boston Marriott Copley Place
Hyatt Regency Boston
Sheraton Boston
Sheraton Needham
The Westin Waltham-Boston
Sheraton Braintree
Hyatt Regency Cambridge, Overlooking Boston
Michigan
The Ritz-Carlton, Dearborn
Detroit Marriott Livonia
Minnesota
Minneapolis Marriott City Center (1)

Minneapolis Marriott Southwest

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Location
Missouri
Kansas City Airport Marriott (1)
New Hampshire
Courtyard Nashua
New Jersey
Sheraton Parsippany
Hanover Marriott
Newark Liberty International Airport Marriott (1)
Park Ridge Marriott (1)
New York
Sheraton New York Hotel and Towers
New York Marriott Financial Center
New York Marriott Marquis Times Square (1)
W New York
North Carolina
Greensboro-Highpoint Marriott Airport (1)
Raleigh Marriott Crabtree Valley
Ohio
The Westin Cincinnati
Dayton Marriott
Oregon
Portland Marriott Downtown Waterfront
Pennsylvania
Four Seasons Hotel, Philadelphia
Philadelphia Marriott Downtown (2)
Philadelphia Airport Marriott (1)
Rhode Island
Sheraton Providence
Tennessee
Memphis Marriott Downtown
Texas
St. Regis Hotel, Houston
Dallas/Addison Marriott Quorum by the Galleria (1)
Houston Airport Marriott (1)
Houston Marriott Medical Center (1)
JW Marriott Hotel on Westheimer by the Galleria
San Antonio Marriott Rivercenter (1)

Location
San Antonio Marriott Riverwalk (1)
Virginia
Washington Dulles Airport Marriott (1)
Fairview Park Marriott
Hyatt Regency Reston
Key Bridge Marriott (1)
Residence Inn Arlington Pentagon City
The Ritz-Carlton, Tysons Corner (1)

Washington Dulles Marriott Suites
Westfields Marriott Washington Dulles
Washington
The Westin Seattle
W Seattle
Seattle Marriott SeaTac Airport
Washington, D.C.
Capitol Hill Suites
The Westin Grand
Hyatt Regency Washington on Capitol Hill
JW Marriott Hotel Pennsylvania Avenue
Marriott at Metro Center
Wisconsin
Sheraton Milwaukee Brookfield
Canada
Calgary Marriott
Toronto Marriott Airport (2)
Toronto Marriott Downtown Eaton Center (1)
Toronto Delta Meadowvale Resort and Conference Center
Chile
Sheraton Santiago Convention Center
San Cristobel Tower, a Luxury Collection Hotel , Santiago
Mexico
JW Marriott Hotel, Mexico City (2)
Total

(1) The land on which this hotel is built is leased from a third party under one or more long-term lease agreements.
(2) These properties are not wholly owned.
(3) We have an agreement to sell this property contingent upon the purchaser obtaining the required approval for mixed use developme approvals have not been obtained.

Other Real Estate Investments

In addition to our 129 full-service hotels, we have minority partner interests in investments that in the aggregate own three full-service hote service hotels and other investments. Typically, we manage these investments and conduct business through a combination of general and l company interests. All of the debt of these entities is non-recourse to us and our subsidiaries.

On May 3, 2006, we entered into a joint venture for certain European hotels acquired in the Starwood Transaction. See “Recent Events.”

During March 2005, we sold 85% of our interest in CBM Joint Venture LLC, which owns 120 Courtyard by Marriott properties, for a sales recorded a gain on the sale of

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approximately $41 million, net of taxes. In conjunction with the sale of our interest, CBM Joint Venture LLC was recapitalized and convert recapitalization, we own a 3.6% limited partner interest in the newly-formed partnership, which we have the right to cause the partnership t between December 2007 and December 2009, subsequent to which the partnership will also have the right to redeem our remaining interest

We also have a leasehold interest in 53 Courtyard by Marriott properties and 18 Residence Inn by Marriott properties, which, in a series of Hospitality Properties Trust and leased back prior to 1997. These properties were subleased in 1998 with an initial term expiring between 2 option. Rent payable under the subleases is guaranteed by the subtenant up to a maximum of $30 million. At the expiration of these leases, our initial security deposit of approximately $67 million.

For additional detail of our other real estate investments, including a summary of the outstanding debt balances of our affiliates, see "Mana Results of Operations and Financial Condition—Investments in Affiliates" and Notes 3 and 7 to the annual consolidated financial statemen "Leases."

Environmental and Regulatory Matters

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

Material Agreements

All but one of our hotels are managed by third parties pursuant to management agreements or operating and license agreements with our les the managers or operators generally have sole responsibility and exclusive authority for all activities necessary for the day-to-day operation room rates, processing reservations, procuring inventories, supplies and services, providing periodic inspection and consultation visits to th operational experts and promoting and publicizing of the hotels. In addition, the manager or operator provides all managerial and other emp operation and maintenance of the hotels, prepares reports, budgets and projections, and provides other administrative and accounting suppo and policy services, financial planning, divisional financial services, product planning and development, employee staffing and training, co in-house legal services. For the majority of our properties, we have approval rights over the budget, capital expenditures and other matters. hotel's sales represent more than 7% of our total hotel sales.

Our management agreements typically include the terms described below:

- *Term and Fees for Operational services.* The initial term of our management agreements generally is 15 to 20 years with one receives compensation in the form of a

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base management fee, typically 3%, which is calculated as a percentage of annual gross revenues, and an incentive managemen
percentage (generally 20%) of operating profit, up to certain limits (typically 20% of cumulative operating profit), after the ow
investment in the hotel.

- *Chain services*. The management agreements require the managers to furnish chain services that are generally furnished on a (1) the development and operation of certain computer systems and reservation services, (2) regional management and adminis sales services, regional training services, manpower development and relocation of regional personnel and (3) such additional time to time be more efficiently performed on a regional or group basis rather than at an individual hotel. Costs and expenses i generally allocated among all hotels managed by the manager or its affiliates.

- *Working capital and fixed asset supplies*. Our management agreements typically require us to maintain working capital for e fixed asset supplies (for example, linen, china, glassware, silver and uniforms). We are also responsible for providing funds to at any time the funds available from hotel operations are insufficient to meet the financial requirements of the hotels.

- *Furniture, Fixtures and Equipment replacements*. Under the management agreements, we are required to provide to the man equipment for the operation of the hotels (including funding any required furniture, fixtures and equipment replacements). The provide that, on an annual basis, the manager will prepare a list of furniture, fixtures and equipment to be acquired and certain performed in the next year and an estimate of the funds that are necessary, which is subject our review and approval. For purp equipment replacements, a specified percentage (typically 5%) of the gross revenues of the hotel is deposited by the manager i which the manager has access. However, for 64 of our hotels, we have entered into an agreement with Marriott International to directly as incurred from one account which we control, subject to maintaining a minimum balance of the greater of $28 millio contributions, rather than escrowing funds at accounts at each hotel.

- *Building alterations, improvements and renewals*. The management agreements require the managers to prepare an annual es major repairs, alterations, improvements, renewals and replacements to the structural, mechanical, electrical, heating, ventilati transportation elements of each hotel which we review and approve based on their recommendations and our judgment. In add agreements generally provide that the manager may propose such changes, alterations and improvements to the hotel as are rec judgment, to keep the hotel in a competitive, efficient and economical operating condition consistent with the manager's brand approval authority.

- *Service marks*. During the term of the management agreements, the service mark, symbols and logos used by the manager m Any right to use the service marks, logos and symbols and related trademarks at a hotel will terminate with respect to that hote management agreement.

- *Sale of the hotel*. Most of the management agreements limit our ability to sell, lease or otherwise transfer the hotels by requi management agreements and meet specified other conditions, including the condition that the transferee not be a competitor of

- *Termination on sale*. While most of our management agreements are not terminable prior to their full term in connection wit rights to terminate management

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agreements in connection with the sale of Marriott-branded hotels with certain limitations, including a remaining pool of 26 ho measured by EBITDA) may be sold free and clear of their existing management agreements without the payment of a terminati Marriott brand affiliation through a franchise agreement. Additionally, a percentage of these hotels may also be sold free and cl without a termination fee.

- *Performance Termination*. The majority of our management agreements provide for termination rights in the case of a manag performance criteria, generally a set return on the owners' investment. We have in the past, and may in the future, agree to wai exchange for consideration from the hotel manager, which could take the form of cash compensation or amendments to the ma majority of our management agreements condition the manager's right to renew or extend the term upon satisfaction of certain

Our operating and license agreements with Starwood typically include the terms described below:

- *Term and Fees for Operational Services*. The initial term of our operating agreements is 20 years, with two renewal terms of compensation in the form of a base fee of 1% of annual gross operating revenues, and an incentive fee of 20% of annual gross received a priority return of 10.75% on its purchase price and other investments in the hotels.

- *License Services*. The license agreements address matters relating to the subject brand, including rights to use service marks, those associated with Westin®, Sheraton® and W®, as well as matters relating to compliance with certain standards and policies in the case of certain hotels) the provision of certain system program and centralized services. The license agreements have an renewal terms of 10 years each at the option of the licensor. Licensors receive compensation in the form of license fees of 5% gross room sales and 2% of gross operating revenue attributable to food and beverage sales.

- *Programs and Services*. The licensor or operator provides certain system programs and services to all or substantially all of Such services include participation in reservation services and the marketing program as well as the Starwood Preferred Guest under the operating agreements, centralized operating services are furnished to hotels by brand on a system basis. Costs and ex programs and services and centralized operating services under the license and operating agreements or other agreements are f applicable brand operated or licensed by Starwood or its affiliates.

- *Working Capital and fixed asset supplies*. The operating agreements require us to maintain working capital funds for each ho supplies and to provide additional working capital funds to meet the ongoing cash needs for hotel operations if at any time the insufficient to meet the financial requirements of the hotels. For 23 of our hotels, the working capital accounts which would ot operators for each of such hotels are maintained by on a pooled basis, with operators being authorized to make withdrawals fro contemplated with respect to working capital in accordance with the provisions of the operating agreements.

- *Furniture, Fixtures and Equipment Replacements*. Under the operating and license agreements, we are required to provide al equipment for the operation of the hotels (including funding for any required furniture, fixtures and equipment replacements). transfers into a reserve fund account an amount equal to 5% of the gross operating revenue of a hotel for the applicable month. fund contributions

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which would otherwise be deposited into reserve fund accounts maintained by operators for each hotels is distributed to the app
responsible for providing funding of expenditures which would otherwise to be funded from the reserve funds for each of the su
necessary. In addition to routine capital expenditures, the reserve funds for the hotels may also be used for building capital imp
in excess of amounts available in the pooled reserve funds is funded by the owners and results in appropriate increases of owne
amounts. For 23 hotels, any such additional reserve funding will be provided with respect to each of such hotels on a pro rata b
operating income for the most recent operating year), with such amounts resulting in corresponding increases in the owner's in
with respect to each of such hotels.

- *Building Alterations, Improvements and Renewals*. The operating agreements require the operators to prepare an annual oper expenditures necessary for maintenance, repairs, alterations, improvements, renewals and replacements to the structural, mecha conditioning, plumbing and vertical transportation elements of each hotel, which plan and proposed expenditures we review an recommendations and our judgment.

- *Territorial*. The operating agreements provide area restrictions for a period of either five or 10 years which limit the operator or licensing a hotel of the same brand in the area. The area restrictions vary with each hotel, from city blocks in urban areas to other areas.

- *Sale of the hotel/other*. The license agreements limit our ability to sell, lease or otherwise transfer the hotels. Generally, the a assume the related operating agreement and meet specified other conditions, including the condition that the transferee not be a agreements provide for termination rights beginning in 2016 in the case of the operator's failure to meet certain financial perfo arise in the event that the operator fails, for two consecutive years, to generate sufficient operating profit based on the amount o the RevPAR performance of the hotel falls below that of other competitive hotels in the market during such two year period.

- *Termination on sale*. We have the right to terminate the operating agreements on 18 specified hotels upon the sale of those ho the right to sell no more than three annually free and clear of their existing operating agreements without the payment of a term terminate one license agreement annually with respect to eight of those hotels. With respect to the remaining nine hotels, we ha 35% of the hotels (measured by EBITDA) free and clear of the existing operating agreement over a period of time without the respect to any termination of an operating agreement on sale, the proposed purchaser would need to meet the requirements for agreement.

Employees

On June 1, 2006, we had 215 employees, including approximately 27 employees at the Sacramento Host Airport hotel. Fourteen of our emp hotel are covered by a collective bargaining agreement that is subject to review and renewal on a regular basis. Employees at our other hote companies.

Certain of our third-party managed hotels also are covered by collective bargaining agreements that are subject to review and renewal on a managers generally have good relations with labor unions at our hotels. We and our managers have not experienced any material business i

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Investment and Other Policies

The following is a discussion of our policies with respect to investments, financing, lending and certain other activities. Our policies are det
may be amended or revised from time to time at their discretion, without notice to, or approval by, our security holders. We cannot assure y
policies will be attained. We are restricted by REIT laws applicable to Host in performing some business activities. See "Risk Factors—Ap
Business Activities."

Investment Policies

Investments in Real Estate or Interests in Real Estate. Our investment objective is to provide superior total returns to our unitholders thro
value and growth in earnings and dividends. In order to achieve this objective we seek to:

- maximizing the value of our existing portfolio by focusing on selectively improving and expanding our hotels and, when appro
- acquiring additional existing and newly developed luxury and upper-upscale full-service hotels in targeted markets (primarily i business districts in major metropolitan markets and resort/conference destinations);
- completing our current development and expansion program, and selectively develop and construct luxury and upper-upscale f
- recycling capital through the sale of non-core assets or, in the event that premium pricing can be obtained, from the sale of our

In addition to wholly owned assets, we also may participate with other entities in property ownership through joint ventures, partnerships o
investments may be subject to existing mortgage financing and other indebtedness or such financing or indebtedness may be incurred in co
such financing or indebtedness will have priority over our equity interest in such property.

Investments in Real Estate Mortgages. While we will emphasize equity real estate investments, we may, at our discretion, invest in mortg
not intend to invest to a significant extent in mortgages or deeds of trust, but may acquire mortgages as a strategy for acquiring ownership o
thereof. In addition, we may invest in mortgage-related securities and/or may seek to issue securities representing interests in such mortgag
additional funds.

Securities of, or Interests in, Persons Primarily Engaged in Real Estate Activities and Other Issuers. We also may invest in securities of o
activities or invest in securities of other issuers, including for the purpose of exercising control over such entities. We may acquire all or su
other REITs or similar entities where such investments would be consistent with our investment policies. No such investments will be made
Directors determines that the proposed investment would not cause either Host LP or Host to be an "investment company" within the mean
1940, as amended.

Dispositions

Generally, we will consider dispositions of properties or ownership interests if we believe that the sale price of a property would exceed the
consideration both the current and anticipated operating performance of the property, the property's capital expenditure requirements, possi

circumstances. We are more likely to sell what we consider “non-core”

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properties that no longer fit within our business strategy of owning luxury and upper-upscale properties and where we believe growth prosp
On occasion, when we believe we have the opportunity to attract premium pricing for an asset, we will sell one of our higher quality hotels.

Financing Policies

To the extent that Host's Board of Directors determines to seek additional capital, we may raise such capital through Host common and pre debt financing (including senior, secured and subordinated debt of Host LP) or retention of cash flow, or a combination of these methods.

Debt Financing. Our organizational documents do not contain restrictions on incurring debt; however, the indenture for our senior notes a limitations on the incurrence of indebtedness. We may, from time to time, reduce our outstanding indebtedness by repurchasing a portion o certain restrictions contained in Host LP's partnership agreement and the terms of our outstanding indebtedness. Our borrowing policies ge EBITDA-to-interest coverage ratio of 3.0x or greater (under our senior notes indenture), targeting debt consisting of 15% to 30% variable r with an average maturity of no less than five years. We will, from time to time, re-evaluate our borrowing policies in light of then current e and equity capital, market conditions, market values of properties, growth and acquisition opportunities as well as other factors. Consequen modification and change. We may waive or modify our borrowing policy without notice to, or vote of, the holders of any of our securities.

In the future, we may seek to extend, expand, reduce or renew our existing credit facility, or obtain new credit facilities or lines of credit fo capital improvements or providing working capital or meeting the taxable income distribution requirements for REITs under the Internal R and may issue in the future, securities senior to our common OP units, including preferred units and debt securities (either of which may be units or may be accompanied by warrants to purchase common shares of Host stock or OP units).

We have not established any limit on the number or amount of mortgages that may be placed on any single hotel or on our portfolio as a wh objectives is to reduce our reliance on secured indebtedness.

Host Equity Offerings and Host LP Unit Offerings. We may seek to raise additional capital through equity offerings by Host or OP unit o provides the authority to issue up to 750 million shares of common stock and 50 million shares of preferred stock. The net proceeds of all e contributed to Host LP in exchange for OP units, which will dilute the percentage ownership interest of Host LP's outside limited (or third offerings by Host LP will dilute the percentage ownership interest of Host in Host LP. We may, under certain circumstances, purchase shar market or purchase Host common stock and Host LP OP units in private transactions.

Retention of Cash Flow. Financing through the retention of cash flow is limited due to Host's REIT requirement that at least 90% of its ta stockholders. Our taxable income may differ significantly from our reported cash flows.

Lending Policies

We may consider offering purchase money financing in connection with the sale of a hotel where the provision of such financing will incre sold.

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Reporting Policies

We are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended. Pursuant to these requiremen
statements and other information, including certified financial statements, with the Securities and Exchange Commission.

Policies With Respect to Other Activities

We may, but do not presently intend to, make investments other than as previously described. We have authority to offer our securities, incl
engage in such activities in the future. We also may make loans to joint ventures in which we may participate in the future to meet working
in trading, underwriting, agency distribution or sale of securities of other issuers.

Legal Proceedings

We are involved in various legal proceedings in the normal course of business. We are vigorously defending each of these claims. None of
would have a material effect on our financial condition or results of operations.

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MANAGEMENT

In the following table we set forth certain information regarding those persons currently serving as directors and executive officers of Host

Name and Title	Age	Business Experience Prior to Becoming a Director or Executive Officer of Host
Richard E. Marriott *Chairman of the Board*	67	Mr. Richard E. Marriott is our Chairman of the Board. He is also a Director of of the Board of First Media Corporation and the J. Willard Marriott and Alice S the Richard E. Marriott and Nancy P. Marriott Foundation. Mr. Marriott also se Board of Associates for Gallaudet University and the National Advisory Counc past President of the National Restaurant Association. In addition, Mr. Marriott Marriott Foundation for People with Disabilities.
Christopher J. Nassetta *President and Chief Executive Officer and Director*	43	Mr. Nassetta is our President and Chief Executive Officer. He also serves as a Vice Chair and serves on the Board of Governors of National Association of Re and 2006 chairman-elect of The Real Estate Roundtable, and is a member of th Board for the University of Virginia. Mr. Nassetta joined our Company in 1995 elected our Chief Operating Officer in 1997. He became our President and Chie joining us, Mr. Nassetta served as President of Bailey Realty Corporation from served as Chief Development Officer and in various other positions with The C
Elizabeth A. Abdoo *Executive Vice President, General Counsel and Secretary*	48	Elizabeth A. Abdoo joined our company in June 2001 as Senior Vice President Executive Vice President in February 2003. She was elected Secretary in Augu Ms. Abdoo served as Senior Vice President and Assistant General Counsel of C 2000 to May 2001 and prior to that as Vice President and Assistant General Co
Minaz Abji *Executive Vice President, Asset Management*	52	Minaz Abji joined our company in 2003 as Executive Vice President, Asset Ma was President of Canadian Hotel Income Properties REIT, a Canadian REIT lo where he began working in August 1998. Mr. Abji previously worked for Starw managing director from May to August 1998. Before that he was with Westin f serving as area managing director.

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Name and Title	Age	Business Experience Prior to Becoming a Director or Executive Officer of Host
James F. Risoleo *Executive Vice President, Chief Investment Officer*	51	James F. Risoleo joined our company in 1996 as Senior Vice President for Acq President in 2000. He is responsible for our development, acquisition and dispo Risoleo served as Vice President of Development for Interstate Hotels Corpora Senior Vice President at Westinghouse Financial Services.
W. Edward Walter *Executive Vice President, Chief Financial Officer*	50	W. Edward Walter joined our company in 1996 as Senior Vice President for Ac 1998, Executive Vice President in 2000, Chief Operating Officer in 2001 and C joining us, Mr. Walter was a partner with Trammell Crow Residential Compan Corporation, a real estate firm that focused on tax-exempt real estate investmen
Larry K. Harvey *Senior Vice President, Chief Accounting Officer*	42	Larry K. Harvey rejoined our company in February 2003 as Senior Vice Presid 2006, Mr. Harvey was promoted to Senior Vice President, Chief Accounting O served as Chief Financial Officer of Barceló Crestline Corporation, formerly C various other positions with Crestline from January 1999 to January 2003. Fro 1998, he served in various accounting positions with us and was the Vice Presi spin-off of Crestline.
Gregory J. Larson *Senior Vice President, Treasurer and Investor Relations*	41	Gregory J. Larson joined our company in October 1993 as Senior Manager of F of Acquisitions in 1996. Mr. Larson joined the Treasury group as Vice Preside leadership of the Investor Relations department in 2000, was promoted to Seni Treasurer in 2005. Mr. Larson is responsible for our Treasury, Corporate Finan to joining us, Mr. Larson served in various accounting positions with Marriott accounting.
Pamela K. Wagoner *Senior Vice President, Human Resources*	42	Pamela K. Wagoner joined our company in October 2001 as Vice President fo Vice President in February 2003. Prior to joining us, Ms. Wagoner served as V SAVVIS Communications. From 1998 through August 2000, Ms. Wagoner wa Technologies, Inc. and prior to that was Director of Human Resources at Yurie acquired by Lucent.
Judith A. McHale *Director*	59	Ms. McHale has been President and Chief Executive Officer of Discovery Com cable television's Discovery Channel, since June 2004. She previously served a of Discovery Communications from 1995 until June 2004 and served as Execu from 1989 to 1995. Ms. McHale is a Director of Polo Ralph Lauren Corporatio of the Sister-to-Sister Everyone has a Heart Foundation, Vital Voices Global P

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Name and Title	Age	Business Experience Prior to Becoming a Director or Executive Officer of Host
John B. Morse, Jr. *Director*	59	Mr. Morse has served since November 1989 as Vice President, Finance and Ch Post Company. He also serves as President of Washington Post Telecommunic Productions, Inc., both subsidiaries of The Washington Post Company. Prior to Mr. Morse was a partner at PricewaterhouseCoopers. He also serves as Trustee University of Virginia.
Robert M. Baylis *Director*	67	Mr. Baylis is the retired Vice Chairman of CS First Boston. Prior to his retirem Executive Officer of CS First Boston Pacific, Inc. Mr. Baylis is also a Director Covance, Inc., PartnerRe Ltd., and is Chairman of the Board of Gildan Activew University of Pennsylvania Museum and a Trustee of the Rubin Museum of Ar member of the Advisory Council of the Economics Department of Princeton U
Terence C. Golden *Director*	61	Mr. Golden served as our President and Chief Executive Officer from 1995 unt Chairman of Bailey Capital Corporation and the Federal City Council in Washi Director of the DC Public Charter School Association, Stemnion, Inc., Pepco H Gwendolyn Cafritz Foundation. In past years, Mr. Golden served as Chief Fina Company, as a member of the G2 Satellite Solutions Advisory Committee and managing partner of Trammell Crow Residential companies. He served as Adm Administration from 1985 to 1988 and was Assistant Secretary of the Treasury
Ann McLaughlin Korologos *Director*	64	Ms. Korologos is Chair of the RAND Corporation Board of Trustees, an interna organization. From October 1996 to December 2005 she served as Senior Advi Inc., a private investment banking firm in New York. She formerly served as P 1990 until 1995 and as Chairman of the Aspen Institute from 1996 until Augus several United States Administrations in such positions as Secretary of Labor a the Interior. She also serves as a Director of AMR Corporation (and its subsidia Kellogg Company, Microsoft Corporation, and Harman International Industries

Committees of the Board of Directors

The Board has established three standing committees to assist it in carrying out its responsibilities: the Audit Committee, the Compensation and Corporate Governance Committee. The Board has adopted a written charter for each committee, all of which are available on the Comp *com*). Copies of these charters are also available in print to stockholders upon request. Each committee consists entirely of independent dire generally made in May

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after the annual meeting of stockholders by the Board of Directors, upon recommendation of the Nominating and Corporate Governance Co
time appoint other committees as circumstances warrant. Any new committees will have authority and responsibility as delegated by the Bo

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 bus
independent, meets the qualifications and expertise requirements of the New York Stock Exchange, and is an "audit committee financial ex

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 ser the independent auditors;
- reviews the results of internal and external audits, the accounting principles applied in financial reporting, and financial and op
- 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; a
- reviews audited financial statements each year before the Company files its Annual Report on Form 10-K with the SEC.

Our independent and internal auditors have unrestricted access to the Audit Committee.

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 p objectives;
- reviews and advises the Company on the process used for gathering information on the compensation paid by other similar bus
- reviews the compensation of non-management directors;

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- 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.

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 gove
- 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 recom
  - — 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 Guidel

Board Nominations

Each year the Nominating and Corporate Governance Committee reviews with the Board of Directors the composition of the Board as a wh whether to renominate directors and whether to consider any new persons to be added to the Board of Directors. In assessing qualifications candidates to meet the qualifications described in the committee's charter and the Company's Corporate Governance Guidelines, including judgment, diverse business experience, familiarity with the issues affecting the Company's business and experience in running a major ente Board members, the committee considers whether the candidate would qualify as an independent director under New York Stock Exchange

The Nominating and Corporate Governance Committee will consider any written suggestions of stockholders for director nominees. The re address of the candidate, a brief biographical description, and a description of the person's qualifications. Recommendations should be mai Rockledge Drive, Bethesda, MD 20817, Attn: Secretary. The Nominating and Corporate Governance Committee will evaluate in the same accordance with this policy and those recommended by other sources. The Committee has full discretion in considering all nominations to t stockholders who would like to nominate a candidate for director (in lieu of making a recommendation to the Nominating and Corporate Go the requirements described in the Company's Bylaws.

Compensation of Directors

Directors are compensated partially in cash and partially in our common stock to align their interests with those of our stockholders. Directo
additional compensation for their service as directors.

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Annual Retainer and Attendance Fees. In 2005, non-employee directors received an annual retainer fee of $35,000, as well as an attendance
stockholders' meeting, meeting of the Board of Directors or meeting of a committee of the Board of Directors. If the director attended more
attendance fee is paid for each meeting. Effective January 1, 2006, non-employee directors will receive annual retainer fees of $50,000. 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,
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

Annual Stock Awards. Under the Non-Employee Directors' Deferred Stock Compensation Plan, directors who are not also our employees r
equivalents in addition to their annual retainer and attendance fees. The annual award of common stock equivalents in 2005 was equal in va
was credited to the directors immediately following the annual meeting of stockholders. The number of common stock equivalents is based
stock on the date of the annual meeting. The common stock equivalents are converted into shares of common stock only after a director sto
such award was for 2,059 common stock equivalents. The plan also permits participants to be credited with dividend equivalents that are eq
common stock. Effective January 1, 2006, the amount of common stock equivalents received by non-employee directors was increased in v

Deferral of Payment. Directors may elect to defer payment of all or any portion of their annual retainer and attendance fees under our Non-
Compensation Plan. Fees that are deferred are credited as common stock equivalents, which are then converted into shares of our common
our Board. The common stock equivalents are credited with dividend equivalents, which are equal in value to the dividends paid on our co

Other Compensation. Directors are reimbursed for travel expenses and other out-of-pocket costs incurred in attending meetings. In addition
personally evaluate our properties and the manager of a majority of our properties, directors receive complimentary rooms, food and bevera
stay at properties owned by us or managed by our major operators, and directors are reimbursed for taxes associated with the value of this b
independent director paid in 2005, including the reimbursement for tax liability, was as follows: Robert M. Baylis $7,434; Terence C. Gold
$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 tha
received from the Company, including the annual stock awards, to be retained by the non-employee director until termination of their servi
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 o
serving as executive officers at the end of 2005.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation Salary (1) ($)	Bonus (2) ($)	Other Annual Compensation (3) ($)
Richard E. Marriott	2005	350,000	359,450	0
Chairman of the Board	2004	363,462	388,500	7,201
	2003	348,888	261,666	79,805
Christopher J. Nassetta	2005	800,000	1,092,800	38,576
President and	2004	830,769	1,172,000	3,460
Chief Executive Officer	2003	800,000	808,000	40,707
W. Edward Walter	2005	467,250	487,108	36,328
Executive Vice President,	2004	485,221	542,477	34,218
Chief Financial Officer	2003	467,250	357,446	4,515
James F. Risoleo	2005	400,000	416,800	19,154
Executive Vice President,	2004	415,385	464,400	37,560
Chief Investment Officer	2003	397,219	500,000	48,378
Minaz Abji (8)	2005	375,000	380,438	5,847
Executive Vice President,	2004	389,423	433,875	11,887
Asset Management	2003	146,918	386,188	0

(1) Salary is established at an annual rate, determined on the basis of a 52-week year, and is paid bi-weekly. The annual rates for each o
through 2005 were:

	2005	20
Mr. Marriott	$ 350,000	$ 35
Mr. Nassetta	$ 800,000	$ 80
Mr. Walter	$ 467,250	$ 46

Mr. Risoleo	$ 400,000	$ 40
Mr. Abji	$ 375,000	$ 37

* For Messrs. Risoleo and Marriott, the annual rate increases became effective January 30, 2003. As discussed in footnote 8
2003.

The amount listed in the salary column reflects the annual rate earned and paid bi-weekly in cash over 27 pay dates during 2004 and amounts deferred at the election of the named executive officer under our Executive Deferred Compensation Plan in any such year.

(2) The amounts listed in the bonus column reflect annual incentive bonus awards paid to each officer or deferred under the Executive I amounts are based on the performance of the company in achieving financial goals related to funds from operations per diluted share measured in comparison to other REITs in the NAREIT lodging index, and the performance of each executive officer in meeting inc time. The criteria

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for the named executive officers were weighted (i) 80% on the company's annual financial performance, of which 70% was based o FFO objective and 30% was based on the company's success in achieving its relative FFO objective, and (ii) 20% on the executive's objectives.

(3) Other Annual Compensation includes the total cost of perquisites that executive officers are eligible to receive. These perquisites are complimentary rooms and other hotel services when on personal travel at hotels owned by us or managed by our major operators, ai compensation for taxes that are associated with each of these benefits. The cost of each of these benefits is as follows:

	Fiscal Year	Mr. Marriott	Mr. Nassetta
Tax preparation	2005	$ 0	$ 1,238
	2004	4,000	2,000
	2003	200	3,025
Dining, rooms & hotel services	2005	0	21,059
	2004	0	0
	2003	44,158	21,293
Airline club memberships	2005	0	0
	2004	0	0
	2003	0	0
Tax reimbursements	2005	0	16,279
	2004	3,201	1,460
	2003	35,447	16,389

(4) This column includes the following for 2005:

- Matching contributions made under the Retirement and Savings Plan for Messrs. Marriott, Nassetta, Walter and Abji in the am amount of $2,333.
- A company discretionary contribution made under the Retirement and Savings Plan for Messrs. Marriott, Nassetta, Walter, anc Risoleo in the amount of $2,333.
- Matching contributions made under the Executive Deferred Compensation Plan as follows: Mr. Nassetta, $20,531; Mr. Walter Mr. Abji, $9,519.
- A company discretionary contribution made under the Executive Deferred Compensation Plan as follows: Mr. Nassetta, $20,53 $10,615; and Mr. Abji, $9,519.
- In connection with the long-term stock awards granted for the period 2003 – 2005 under the executive compensation program, each agreed to purchase life insurance polices and to accept funding under these policies instead of receiving any long-term inc vest and would be payable in the event of the executive's death. The company annually reimburses each executive for the cost result of this reimbursement. In 2005 the total amount reimbursed, including taxes, was: Mr. Nassetta, $13,019; Mr. Walter, $2

(5) For Mr. Marriott in 2003 this includes $639,138 which, although no cash payments were paid by the company or received by Mr. M as a result of the company's termination and assignment of the split-dollar life insurance agreement between the company and The F The remainder is a matching contribution under the Retirement and Savings Plan of $6,000, a company discretionary contribution ur contribution under the Executive Deferred Compensation Plan of $9,487.

(6) On February 9, 2006 the Board approved, on the recommendation of the Compensation Policy Committee, an award of restricted sto including Mr. Nassetta, Mr. Walter, Mr. Risoleo and Mr. Abji, as allowed for under the 2003-2005 compensation program and in rec

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the significant total stockholder return over the stated performance objectives in the program achieved by the company for the perio over four years based on continued employment with the company, with 25% vested in each of 2006, 2007, 2008 and 2009. Shares v death or disability or upon a change in control of the company. Cash dividends are accrued and paid only on those shares that vest. A closing price of Host's common stock on the New York Stock Exchange on February 9, 2006, the date of grant. The table below sho each of the named executive officers:

Name
Mr. Nassetta
Mr. Walter
Mr. Risoleo
Mr. Abji

(7) In January 2003, the Compensation Policy Committee approved long-term incentive stock awards for senior management for the thr below, these stock awards vested over the three-year period from 2003 to 2005 based 75% on the achievement of annual performanc employment until December 31st of each year in the vesting period. Although the grants vest over three years, the summary compen of the award on the day it was granted. The awards granted in 2003 to Messrs. Nassetta, Walter and Risoleo for the three-year perioc share, the closing price of Host's common stock on the New York Stock Exchange on January 30, 2003, the date of grant. The awar year period 2003 to 2005 is valued at $9.94 per share, which is the closing price of our common stock on the New York Stock Excha grant. The executive compensation program for 2003-2005 has now ended and the table below shows the total shares granted in 200 year period 2003-2005 and the release in each year of the program.

Name	Total Award Granted in 2003 for 2003-2005	F
Mr. Nassetta	1,175,329	3
Mr. Walter	807,049	2
Mr. Risoleo	383,781	1
Mr. Abji	153,081	

Under the 2003-2005 program, 25% of the shares granted vest on a yearly basis over the three-year period as long as the executive c 75% of the shares vest based on performance criteria established by the Compensation Policy Committee as follows: (i) twenty-five satisfying an earnings-based measure (based on FFO) established each calendar year, (ii) fifty percentage points may be earned by s measure, and (iii) any shares not vested by satisfaction of these annual performance criteria may be earned at the end of the award p stockholder return measure established in 2003 for the years 2003 to 2005. In the event performance criteria are not satisfied, the sha paid on shares of restricted stock that ultimately vest.

(8) Mr. Abji joined the company in August 2003. His 2003 salary amount reflects the portion earned from an annual rate of $375,000. H annual incentive award under the criteria discussed above and a signing bonus of $276,000.

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Aggregated Stock Option/SAR Exercises and Year-End Value

The table below sets forth, on an aggregated basis:

- information regarding the exercise of options and stock appreciation rights (SARs) in our common stock by each of the named Summary Compensation Table; and
- the value on December 31, 2005 of all unexercised options and SARs held by such individuals.

Messrs. Nassetta, Walter, Abji and Risoleo do not have any options to purchase stock or SARs in the Company. Mr. Marriott is the only ex appreciation rights in our common stock. In 1998, Mr. Marriott entered into an agreement with the company which canceled all of his then stock and replaced them with stock appreciation rights on equivalent economic terms.

Aggregated Stock Option/SAR Exercises In Last Fiscal Year And Fiscal Year-End Option/SAR Values

Name	Shares Acquired on Exercise (#) (1)	Value Realized ($) (2)	Number of Shares Underlying Unexercised Options/SARs at Fiscal Year End (#)	
			Exercisable	Unexercisable
Richard E. Marriott	66,685	$1,117,981	0	0

(1) The number and terms of these options/SARs reflect several adjustments made as a result of the spin-off of Marriott International, In Marriott Services Corporation in December 1995, the spin-off from Marriott International, Inc. of Sodexho Marriott Services Corpo conversion into a real estate investment trust (and the related spin-off of Crestline Capital Corporation) in December 1998, each in a benefit plans covering those options. These adjustments preserved, but did not increase or decrease, the economic value of the optio

(2) The value realized is based on (i) a per share price for Host's common stock of $18.65, reflecting the closing price on the New York the date of exercise, less (ii) the average base price for the SARs of $1.88 per share.

Equity Compensation Plan Information

	(as of December 31, 2005)	
Plan Category	Number of securities (in millions) to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights

Equity compensation plans approved by security holders (1)	1.4	$	6.04
Equity compensation plans not approved by security holders	0		0
TOTAL	1.4	$	6.04

(1) Shares indicated are the aggregate of those issuable under the Host Marriott Corporation and Host Marriott, L.P. 1997 Comprehensi amended, whereby we may award to officers and key employees: (i) options to purchase our common stock, (ii) deferred shares of c shares of our common stock.

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Severance and Other Arrangements

Severance Plan

In 2002, the Compensation Policy Committee approved the adoption of the Host Marriott Severance Plan for members of senior manageme
Abji and Risoleo. Mr. Marriott is not covered by the plan. The plan provides for the payment of severance compensation upon termination a

- *Termination for Cause:* an executive terminated for cause receives no severance and forfeits any unvested long-term incentive
- *Termination as a Result of Death or Disability:* upon death or disability, an executive receives a prorated annual bonus througl long-term incentive stock compensation vests. In addition, the executive would be entitled to benefits under the company's life to all employees. In connection with long-term stock awards granted under the 2003-2005 executive compensation program, M agreed to purchase life insurance policies and to accept the proceeds under these policies instead of receiving any long-term in vest and be payable in the event of the executive's death. The company annually reimbursed each executive for the cost of eacl
- *Voluntary Termination by Executive Without Good Reason:* an executive who resigns in this manner receives no severance co long-term incentive stock compensation is forfeited;
- *Termination Without Cause or Voluntary Termination by Executive With Good Reason:* an executive terminated in this manne the executive's current base pay and average bonus over the prior three-year period. Mr. Nassetta is entitled to two times his cu average bonus. All other members of senior management covered by the plan are entitled to a payment equal to their current ba One year's worth of the executive's time-based and performance-based portions (assuming achievement of target performance compensation is subject to accelerated vesting, and the company will pay for the executive's benefits under the company's stan the executive is re-employed, whichever time period is shorter; and
- *Change in Control—Termination Without Cause or Voluntary Termination by Executive With Good Reason:* an executive term receives a payment equal to a multiple of the executive's current base pay and average bonus over the prior three-year period. current base salary plus three times his average bonus. All other members of senior management covered by the plan are entitl plus two times their average bonus. All long-term incentive stock compensation vests, and the company will pay for the execu standard benefit plans for 18 months or until the executive is re-employed, whichever time period is shorter. These provisions following a change in control of the company.

The plan also provides for a one-year non-compete/non-solicitation period and allows each executive a period of one year after termination executive may be entitled due to the accelerated vesting of long-term incentive compensation.

Employment Agreements

The company does not maintain employment agreements with any of its executive officers.

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Compensation Committee Interlocks and Insider Participation

Ms. Ann McLaughlin Korologos, Ms. Judith A. McHale and Mr. Robert M. Baylis served on the Compensation Policy Committee during 2
or employee of the company or any of its subsidiaries during 2005, or was formerly an officer or employee of the company. None of the me
Committee had any relationships with the company or any of its subsidiaries requiring disclosure of interlocks or insider (employee) partici

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMEN

The following table sets forth the number of shares of Host's common stock and of our partnership units that were beneficially owned as of

- each director of Host;
- each executive officer of Host named in the Summary Compensation Table above;
- all of Host's directors and executive officers as a group; and
- beneficial owners of 5% or more of Host's common stock.

Information about the ownership of operating partnership units is included because the operating partnership units are redeemable by holde shares of Host's common stock on a one-for-one basis. As of March 31, 2006, Host owns approximately 95% of the operating partnership u beneficial owner of 5% or more of the operating partnership units.

Name	Number of Shares of Common Stock	% of Shares of Common Stock (1)
Directors:		
Robert M. Baylis (3)	71,895	*
Terence C. Golden (3)	123,824	*
Ann McLaughlin Korologos (3)	34,913	*
Richard E. Marriott (4)(5)(6)	15,642,305	4.0
Judith A. McHale (3)	16,959	*
John B. Morse, Jr. (3)	8,149	*
Christopher J. Nassetta (6)	2,601,502	0.7
Non-Director Named Executive Officers:		
Minaz Abji (6)	303,909	*
James F. Risoleo (6)	781,649	0.2
W. Edward Walter (6)	1,316,835	0.3
All Directors and Executive Officers as a group:		
(14 persons, including the foregoing)(6)(7)	19,026,661	4.9
Certain Beneficial Owners:		
Stichting Pensioenfonds ABP (8)	21,327,151	5.5
Wellington Management Company, LLP (9)	25,205,281	6.5

* Reflects ownership of less than 1/10th of 1%.

(1) Any descriptions of ownership or aggregations of ownership of Host's common stock within this registration statement are based up securities laws. They do not indicate ownership of Host's common stock under the Internal Revenue Code of 1986, as amended, or f set forth in Host's Charter.

(2) This column assumes that all operating partnership units held by the named person or group of persons are redeemed for shares of H basis, but that none of the operating partnership units held by others are redeemed for shares of Host's common stock.

(3) The number of shares of Host's common stock listed here includes common stock equivalents: (1) awarded annually to non-employ Directors' Deferred Stock Compensation Plan; (2) resulting from a non-employee directors' election to receive part of their annual r pursuant to the Non-Employee Directors' Deferred Stock Compensation Plan; and (3) for Mr. Robert M. Baylis and Ms. Ann McLa equivalents from a one-time special stock award made in 1997 to all non-employee directors, plus reinvested dividend equivalents re

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4) Richard E. Marriott, J.W. Marriott, Jr., and other members of the Marriott family and various trusts and foundations established by r beneficially an aggregate of 24,360,221 shares, or 6.3% of the total shares outstanding of Host's common stock.

(5) The number of shares of Host's common stock listed here for Richard E. Marriott includes: (1) 1,465,659 shares held in trust for wh co-trustee; (2) 75,364 shares held by the wife of Richard E. Marriott; (3) 505,962 shares held in trust for which the wife of Richard I (4) 5,467,538 shares held by the J. Willard and Alice S. Marriott Foundation of which Richard E. Marriott is a co-trustee; (5) 1,456, Nancy P. Marriott Foundation of which Richard E. Marriott is a co-trustee; and (6) 1,303,066 shares held by a corporation of which stockholder. It does not include shares held by the adult children of Richard E. Marriott, as to which Mr. Marriott disclaims benefici

(6) The number of shares of Host's common stock listed here includes the shares of restricted stock granted under Host's 1997 Compreh

(7) The number of shares of Host's common stock listed here includes 68,628 shares which could be acquired through the exercise of st

(8) Pursuant to an amendment to Schedule 13G filed with the SEC on February 14, 2006, Stichting Pensioenfonds ABP reports the sole 21,327,151 shares. Stichting Pensioenfonds ABP reports that it is an entity established under the laws of The Kingdom of the Nethe certain employees of The Kingdom of the Netherlands. Their business address is Oude Lindestraat 70, Postbus 2889, 6401 DL Heer

(9) Wellington Management Company, LLP ("Wellington") filed an amendment to Schedule 13G with the SEC on February 14, 2006 t common stock held of record by clients of Wellington that they may be deemed to beneficially own in their capacity as investment a the power to dispose of all such shares and shares the power to vote with respect to 21,069,581 shares. Wellington's business addres Massachusetts, 02109.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Relationship between Marriott International, Inc. and Host Hotels & Resorts

Prior to October 8, 1993, we and Marriott International, Inc. were operated as a single consolidated company. On October 8, 1993, in conne dividend, the consolidated company's businesses were split between Host Marriott Corporation (recently renamed Host Hotels & Resorts, I Thereafter, we retained the lodging real estate business and the airport/toll road concessions business, while Marriott International took the businesses. On December 29, 1995, we distributed the airport/toll road concessions business to our stockholders.

Our ongoing relationships with Marriott International can be divided into three general categories:

- distribution agreement and the related agreements stemming from our separation into two companies;
- lodging management and franchise agreements relating to our properties; and
- acquisition financing and joint ventures.

As of January 31, 2006, Richard E. Marriott, the Chairman of our Board, beneficially owned approximately 12.1% of the outstanding share International, and J.W. Marriott, Jr., who was one of our directors until his retirement from our Board in May 2002, beneficially owned app shares of common stock of Marriott International. J.W. Marriott, Jr. also serves as Chairman of the Board and Chief Executive Officer of M Marriott served as a director of Marriott International until May 2002. By reason of their ownership of such shares of common stock and th directors of Marriott International, they could be deemed in control of Marriott International within the meaning of the federal securities lav might also be deemed control persons of Marriott International by reason of their ownership of shares of Marriott International and/or their

Distribution Agreement and Related Agreements

In connection with the separation of our business from that of Marriott International, we entered into a distribution agreement with Marriott assumption of liabilities and cross-indemnities so that each company shouldered the financial and legal responsibility for its respective busi been amended from time to time. In connection with our renegotiation of our management agreements with Marriott International, we amer terminate Marriott International's right to purchase up to 20% of each class of our outstanding voting shares upon certain changes of contro

We also entered into other agreements with Marriott International in connection with the business separation which govern aspects of our o agreements include:

Tax Sharing Agreement. We entered into a tax sharing agreement with Marriott International that allocates the parties' rights and obligati refunds of federal, state and other income or franchise taxes relating to our businesses for tax years prior to the separation; and (2) certain o We have agreed to cooperate with each other and to share information in preparing tax returns and in dealing with other tax matters.

License Agreement. We entered into a license agreement with Marriott International that grants us a non-exclusive, royalty-free, worldwic corporate or partnership name purposes and only in connection with our activities relating directly to our business of developing, purchasin

properties. The license is subject to certain conditions, most significantly that the majority of all hotels owned by us are managed or operate
Marriott International or its affiliates. Effective upon Host's name change in April 2006 to Host Hotels & Resorts, Inc. we are no longer uti
agreement.

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Administrative Services Agreements and Office Space Lease. We entered into agreements with Marriott International pursuant to which M
continuing administrative services for us and our subsidiaries and by which we subleased office space from Marriott International. These se
market terms and conditions. In August 2002, we terminated the sublease and related administrative services agreements when we relocated
continue to lease from Marriott International approximately 2,400 square feet of office space. In 2003, 2004, 2005 and through March 24, 2
approximately $94,000, $150,000, $97,583 and $24,463, respectively, in rental fees for this office space. In 2004, 2005 and through March
$100,000, $100,000 and $23,076, respectively in ground rent in connection with property at the Desert Springs Marriott hotel.

Lodging Management and Franchise Agreements

Marriott International and certain of its subsidiaries have entered into management agreements with us and certain of our subsidiaries to ma
full-service hotels owned or leased by us and our subsidiaries. Marriott International has also entered into franchise agreements with us and
use the Marriott brand, associated trademarks, reservation systems and other related items for two Marriott hotels for which we have entere
management companies other than Marriott International. In 2003, 2004, 2005 and through March 24, 2006, we and our subsidiaries paid $
million and $36.9 million, respectively in the aggregate in management and franchise fees to Marriott International. The initial term of our
International is generally 15 to 20 years with one or more renewal terms. Our agreements with Marriott International typically include the t

- *General*. Under each management agreement, Marriott International provides comprehensive management services for the h

- *Operational Services*. Marriott International generally has sole responsibility and exclusive authority for all activities necess
hotels, including establishing all room rates, processing reservations, procuring inventories, supplies and services, providing p
to the hotels by technical and operational experts and promoting and publicizing of the hotels. Marriott International receives c
management fee, typically 3%, which is calculated as a percentage of annual gross revenues, and an incentive management fee
percentage (generally 20%) of operating profit, up to certain limits (typically 20% of cumulative operating profit), after the ow
investment in the hotel.

- *Executive Supervision and Management Services*. Marriott International provides all managerial and other employees for the
maintenance of the hotels, prepares reports, budgets and projections, provides other administrative and accounting support serv
policy services, financial planning, divisional financial services, risk management services, product planning and development
executive management, legislative and governmental representation and certain in-house legal services, and protects trademark
majority of our properties managed by Marriott International, we also have approval rights over the budget, capital expenditure

- *Chain Services*. Marriott International furnishes chain services on a centralized basis. Such services include: (1) the develop
systems and reservation services; (2) regional management and administrative services, regional marketing and sales services,
development and relocation of regional personnel; and (3) such additional central or regional services as may from time to tim
regional or group basis rather than at an individual hotel. Costs and expenses incurred in providing these services are generally
Marriott International or its affiliates.

- *Working Capital and Fixed Asset Supplies*. Our management agreements with Marriott International typically require us to m
to fund the cost of certain fixed asset

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supplies (for example, linen, china, glassware, silver and uniforms). We are also responsible for providing funds to meet the ca
the funds available from hotel operations are insufficient to meet the financial requirements of the hotels.

- *Furniture, Fixtures and Equipment Replacements*. Under our management agreements with Marriott International, we are re fixtures and equipment for the operation of the hotels (including funding any required furniture, fixtures and equipment replac generally provide that, on an annual basis, the manager will prepare a list of furniture, fixtures and equipment to be acquired a to be performed in the next year and an estimate of the funds that are necessary, which is subject to our review or approval. Fo fixtures and equipment replacements, a specified percentage (typically 5%) of the gross revenues of the hotel is deposited by t However, for 64 of our Marriott hotels, we fund such expenditures directly as incurred from one account which we control, su the greater of $28 million, or 30% of total annual specified contributions, rather than escrowing funds at accounts at each of th

- *Building Alterations, Improvements and Renewals*. Marriott International is required to prepare an annual estimate of the exp alterations, improvements, renewals and replacements to the structural, mechanical, electrical, heating, ventilating, air conditio elements of each hotel which we review and approve based on their recommendations and our judgment. In addition to the for generally provide that the manager may propose such changes, alterations and improvements to the hotel as are required, in the the hotel in a competitive, efficient and economical operating condition consistent with the manager's brand standards, over w

- *Sale of the Hotel*. Most of our management agreements with Marriott International limit our ability to sell, lease or otherwise transferee assume the related management agreements and meet specified other conditions including the condition that the tra

- *Termination on Sale.* While most of our management agreements with Marriott International are not terminable prior to thei the hotel, we have negotiated rights to terminate management agreements in connection with the sale of certain Marriott-brand including a remaining pool of 26 hotels. Seventy-one percent of this pool (as measured by EBITDA) may be sold free and clea agreements without the payment of a termination fee, provided the hotels maintain the Marriott brand affiliation through a fra percentage of these hotels may also be sold free and clear of their existing brand affiliation without a termination fee.

- *Performance Termination*. The majority of our management agreements with Marriott International provide for termination to meet certain financial performance criteria, generally a set return on the owner's investment. Similarly, the majority of our manager's right to renew or extend the term upon satisfaction of certain financial performance criteria.

We recently negotiated amendments to various management agreements with Marriott International and agreed, among other matters, to wa the end of fiscal year 2009, to modify certain extension tests which condition the manager's ability to renew the management agreements, a additional years. As part of this negotiation, Marriott International in turn agreed to make a cash payment to the company, to reduce an exis to chain services that are provided on a centralized basis, as well as to establish a cap on certain other costs, to provide the company with a expenditures at the hotels through 2008, to waive certain deferred management fees, and to modify the incentive management fee on certai portion of Marriott International's cash payment for brand reinvestment projects at various hotels in our portfolio.

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In addition to our management agreements with Marriott International for our full service hotels, certain of our subsidiaries are partners in a by Marriott lodging properties as of December 31, 2005. These properties are operated by a subsidiary of Marriott International under long- and through March 24, 2006, those partnerships paid fees of approximately $23.7 million, $29.8 million, $31 million and $8 million respec those agreements. The partnerships also paid approximately $15.8 million, $ 17.2 million, $36 million and $5 million, respectively, in rent t 2005 and through March 24, 2006, for leases of land upon which some of the partnerships' hotels are located. On March 29, 2005, we sold a third party for approximately $92 million. In conjunction with the sale of our interest, the joint venture was recapitalized and converted to recapitalization, we own a 3.6% limited partner interest in the newly-formed partnership, which we have the right to cause the partnership t between December 2007 and December 2009, subsequent to which the partnership will also have the right to redeem our remaining interest

Acquisition Financing and Joint Venture

Marriott International has in the past provided financing to us for a portion of the cost of acquiring properties to be operated or franchised b subsidiaries remains indebted to Marriott International for acquisition financing from prior years. The amount of such indebtedness as of M 2004, 2005 and through March 24, 2006, Marriott International did not provide us with any new acquisition financing, although it is possib time to time provide this type of financing in the future.

Acquisition of the Hyatt Regency Maui from Blackstone Real Estate Advisors

On November 13, 2003, we closed on the acquisition of the 806-room Hyatt Regency Maui Resort and Spa. The purchase price was $321 m paid in cash. The acquisition was funded with the proceeds of Host's August 2003 and October 2003 equity offerings of 27.5 million and 2 in net proceeds of approximately $501 million. The proceeds were contributed to Host LP in return for 51 million operating partnership uni

The seller of the Hyatt Regency Maui is an affiliate of Blackstone Real Estate Advisors, L.P. John G Schreiber, who was a director and me Committee of Host until November 5, 2003, is a co-founder and partner of Blackstone Real Estate Advisors, L.P., an affiliate of the Blacks

In assessing the value of the property, the Board of Directors used a discounted cash flow analysis, taking into account the hotel's past perf and anticipated capital expenditure needs. Mr. Schreiber did not participate in any of the deliberations of the Board of Directors regarding t

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UNAUDITED PRO FORMA FINANCIAL STATEMENTS

Host, together with Host LP, entered into the master agreement, and other transaction agreements, each as amended, to acquire a portfolio o the Starwood Transactions are described in more detail elsewhere in this prospectus. On April 10, 2006, we completed the initial stage of th hotels from Starwood. In May and June of 2006, a joint venture in Europe, in which we own a 32.1% general and limited partner interest, a Starwood. For a discussion of the terms of the joint venture, see "Management's Discussion and Analysis of Financial Condition – Recent Additionally, we contributed the Sheraton Warsaw Hotel & Towers, which we purchased on April 10, 2006, to the joint venture. On July 5, Starwood will retain two hotels located in Fiji that were originally under contract as part of the Master Agreement.

The following unaudited pro forma financial statements have been prepared based upon the audited consolidated financial statements of Ho statements of the Starwood portfolio for the year ended December 31, 2005, the unaudited financial statements of Host for the quarter ende portfolio for the two months ended February 28, 2006 and certain assumptions, as set forth in the notes to the unaudited pro forma financial reasonable under the circumstances.

The unaudited pro forma statements of operations of Host LP for the quarter ended March 24, 2006 and year ended December 31, 2005 refl had been completed on January 1, 2005:

- the acquisition of the Starwood portfolio;
- the formation of the European joint venture, which owns six hotels located in Europe, including the contribution by Host LP of and cash;
- the probable acquisition of The Westin Kierland Resort & Spa;
- the issuance of $800 million of 6 3/4% Series P senior notes on April 4, 2006;
- the redemption of $136 million of 7 7/8% Series B senior notes on May 15, 2006;
- the repayment of $84 million of 8.39% mortgage debt on the Boston Marriott Copley Place on June 1, 2006;
- the redemption of $150 million of our 10% Class C preferred OP units on May 19, 2006;
- the January 2006 issuance of mortgage debt of $135 million Canadian Dollars ($116 million U.S. Dollars) with an interest rate Canadian properties;
- the conversion by Host of all of the Convertible Subordinated Debentures into approximately 30.8 million shares of Host comm quarter of 2006 and the redemption of the remaining approximately $2 million of Convertible Subordinated Debentures held b million of Convertible Subordinated Debentures held by related parties for cash on May 5, 2006. As a result of these transactio common OP units to Host and eliminated our Convertible debt obligation to Host;

- the February 2006 dispositions of the Chicago Marriott Deerfield Suites and the Marriott at Research Triangle Park, and the di
New York, on March 31, 2006;

- the acquisition of the Hyatt Regency Washington on Capitol Hill on September 30, 2005;

- the May 2005 redemption of $100 million of our 10% Class B preferred OP units;

- the disposition of 85% of our ownership interest in CBM Joint Venture LLC on March 29, 2005;

- the March 2005 refinancing of approximately $609 million of senior notes and mortgage debt through the issuance of the $650

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- certain other investing and financing activities during 2005 and 2006.

The unaudited pro forma balance sheet of Host LP as of March 24, 2006 reflects the following transactions as if they had been completed o

- the acquisition of the Starwood portfolio, including the formation of the European joint venture;
- the probable acquisition of The Westin Kierland Resort & Spa, including the assumption of mortgage debt of $135 million wit 2006;
- the issuance of $800 million of 6 3/4% Series P senior notes on April 4, 2006;
- the redemption of $136 million of 7 7/8% Series B senior notes on May 15, 2006;
- the repayment of $84 million of 8.39% mortgage debt on the Boston Marriott Copley Place;
- the redemption of $150 million of our 10% Class C preferred OP units on May 19, 2006;
- the redemption of the remaining $2 million of outstanding Convertible Subordinated Debentures held by third parties and the r Subordinated Debentures held by related parties on May 5, 2006; and
- the disposition of the Swissôtel The Drake, New York on March 31, 2006.

In accordance with the Statement of Financial Accounting Standards No. 141, "Business Combinations," we accounted for the acquisition o combination. Upon consummation of the transactions, we recorded the cash consideration, the market value of the common OP units issued value of the Host common stock issued, the fair value of the assets and liabilities assumed, as well as any direct transaction costs. Based on Task Force Issue No. 99-12, the market value of the Host common stock, and the equivalent value of the Host LP common OP units issued calculated based on the average of the closing prices of Host common stock during the range of trading days from two days before and afte date.

The total transaction costs for the acquisition of the Starwood portfolio consist of the following (in millions):

Issuance of 133.5 million common OP units at $16.97 per unit	
Assumption of $77 million of mortgage debt with a fair value of $86 million	
Cash (1)	
Total consideration to Starwood and Starwood equityholders	
Costs and expenses (1)	
Total transaction costs	

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(1) For purposes of the preparation of these unaudited pro forma financial statements, these amounts were funded from available cash. C
$7 million for property-level working capital.

For purposes of the preparation of the unaudited pro forma financial statements, we have presented the assets and liabilities at their book va

- Property and equipment is recorded at the fair value based on the purchase price noted above; and
- Mortgage debt assumed is recorded at fair value based on the expected future debt service payments discounted at risk adjusted
2006.

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The pro forma adjustments as presented are based on estimates and certain information that are currently available and may change as addit estimates are refined or as additional events occur. Specifically, while the purchase price has been allocated among individual properties, w the fair value of the allocation of the purchase price among each individual hotel's assets and liabilities including land, property and equipm assumed agreements, including ground and retail space leases and other intangible assets. Management does not anticipate that there will be price allocation as presented in these unaudited pro forma financial statements. To the extent there is any excess of the purchase price over will be recorded as goodwill for accounting purposes.

The unaudited pro forma financial statements are for illustrative purposes only and do not purport to be indicative of the financial position o have been achieved had the transactions occurred on the dates indicated or which may be achieved in the future. In the opinion of managem reflect the effects of the transactions that can be factually supported within the SEC regulations covering the preparation of unaudited pro fo

The unaudited pro forma financial statements should be read in conjunction with the separate historical consolidated financial statements ar elsewhere in this prospectus and the combined financial statements and accompanying notes of the Starwood portfolio acquired in the trans this prospectus.

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HOST HOTELS & RESORTS, L.P.
UNAUDITED PRO FORMA BALANCE SHEET
MARCH 24, 2006
(IN MILLIONS)

		A	B	C	D	E	F	G	H	I
	Host LP Historical Balance Sheet	**Starwood Portfolio Historical**	**Starwood Portfolio Adjustments**	**European Joint Venture**	**Host LP Pro Forma For Starwood Acquisition**	**Probable 2006 Acquisition**	**Senior Notes Issuance**	**Convertible Subordinated Debentures Conversion**	**Swissôtel The Drake, New York Disposition**	**Sen No Reden**
ASSETS										
Property and equipment, net	**$ 7,244**	$ 2,355	$ 1,360	$ (632)	**$ 10,327**	$ 391	$ —	$ —	$ —	$
Assets held for sale	**191**	—	—	—	**191**	—	—	—	(191)	
Goodwill	**—**	500	(500)	—	**—**	—	—	—	—	
Due from managers	**81**	7	—	(2)	**86**	1	—	—	—	
Investments in affiliates	**24**	—	—	71	**95**	—	—	—	—	
Deferred financing costs	**53**	—	—	—	**53**	—	13	—	—	
Furniture, fixtures and equipment replacement fund	**129**	—	1	—	**130**	—	—	—	—	
Other	**191**	6	(6)	—	**191**	—	—	—	—	
Restricted cash	**88**	3	—	—	**91**	5	—	—	—	
Cash	**481**	—	(1,372)	563	**(328)**	(264)	787	(2)	426	
Total assets	**$ 8,482**	$ 2,871	$ (517)	$ —	**$ 10,836**	$ 133	$ 800	$ (2)	$ 235	$
LIABILITIES AND PARTNERS' CAPITAL										
Debt										
Senior notes	**$ 3,047**	$ 598	$ (598)	$ —	**$ 3,047**	$ —	$ 800	$ —	$ —	$
Mortgage debt	**1,927**	149	(63)	—	**2,013**	133	—	—	—	
Convertible debt obligation to Host Hotels & Resorts, Inc.	**19**	—	—	—	**19**	—	—	(19)	—	
Other	**88**	—	—	—	**88**	—	—	—	—	
Total debt (L)	**5,081**	747	(661)	—	**5,167**	133	800	(19)	—	
Accounts payable and accrued expenses	**169**	—	2	—	**171**	—	—	—	—	
Other	**211**	82	(82)	—	**211**	—	—	—	—	

Total liabilities	**5,461**	829	(741)	—	**5,549**	133	800	(19)	—	
Minority interest	**29**	—	—	—	**29**	—	—	—	—	
Limited partnership interest of third parties	**405**	—	—	—	**405**	—	—	—	—	
Partners' capital	**2,587**	2,042	224	—	**4,853**	—	—	17	235	
Total liabilities and partners' capital	**$ 8,482**	$ 2,871	$ (517)	$ —	**$ 10,836**	$ 133	$ 800	$ (2)	$ 235	$

See Notes to Unaudited Pro Forma Balance Sheet.

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HOST HOTELS & RESORTS, L.P.
NOTES TO UNAUDITED PRO FORMA BALANCE SHEET

A. This column represents the historical balance sheet for the Starwood portfolio. There are several differences in the financial stateme and the financial statements of the Starwood portfolio. The historical financial information for the Starwood portfolio has been adju with our financial statements. These adjustments include:

- Our balance sheet is presented on an unclassified basis (without regard to whether an asset or liability is current or long-term), practice. The financial statements of the Starwood portfolio are presented on a classified basis, which designates assets or liabi
- Our financial statements present working capital provided to the managers of the company's hotels on a net basis as one line-it statements of the Starwood portfolio present each of the separate components of amounts due from manager.

B. This column represents adjustments to the financial statements of the Starwood portfolio that are necessary to reflect our cost basis i portfolio. There are also other differences with respect to the composition of line items (such as debt repaid prior to closing by Starw deferred tax liabilities and severance liabilities that will not be assumed by us and other such items). Accordingly, we have reflected transactions:

- increase the historical property and equipment balance for the Starwood portfolio by $1,360 million to $3,715 million for the a
- decrease the historical senior notes balance of the Starwood portfolio to reflect approximately $600 million of senior notes ass
- decrease the historical mortgage debt balance of the Starwood portfolio to reflect the $72 million amount of mortgage debt tha to closing. The remaining balance of $86 million (principal amount of $77 million) reflects the fair value of the mortgage debt part of the acquisition;
- decrease cash by $1,372 million to fund the remaining portion of the purchase price and estimated transaction costs; and
- increase the historical stockholders' equity of the Starwood portfolio by $224 million to reflect the difference between the hist portfolio of $2,042 million and the fair value of our common OP unit issuance of $2,266 million, which is based on the issuan $16.97 per unit.

C. The joint venture, in which we own 32.1% of the general and limited partnership interests, acquired five European properties from S Accordingly, we have reduced the property and equipment of the Starwood portfolio by $632 million for the stepped up basis of six Warsaw Hotel & Towers, which we contributed to the joint venture. The joint venture provided approximately $563 million of finan debt issued by the joint venture but excluding our portion of the capital contributions to the joint venture. We have recorded our $71 investment in affiliates which reflects the value of the Sheraton Warsaw Hotel & Towers and approximately $12 million of cash.

D. Represents our pro forma balance sheet as adjusted to reflect the acquisition of the Starwood portfolio.

E. Represents the adjustment to record the expected purchase of The Westin Kierland Resort & Spa for approximately $393 million, in
mortgage debt, with a fair value of

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$133 million on March 24, 2006 and the purchase of approximately $1 million of working capital and $5 million of restricted cash h
and equipment replacements.

F. Represents the adjustment to record the issuance of $800 million of 6 3/4% Series P senior notes, including deferred financing costs o

G. Represents the adjustment to record the redemption of approximately $2 million of our Convertible Subordinated Debentures held b
Convertible Subordinated Debentures held by related parties for cash on May 5, 2006. As a result of these transactions, we eliminate

H. Represents the adjustment to record the sale of the Swissôtel The Drake, New York on March 31, 2006.

I. Represents the redemption of $136 million of our 7 7/8% Series B senior notes, which we redeemed on May 15, 2006.

J. Represents the redemption of $150 million of our 10% Class C preferred OP Units on May 19, 2006.

K. Represents the repayment of $84 million of 8.39% mortgage debt on the Boston Marriott Copley Place on June 1, 2006.

L. The pro forma aggregate debt maturities at March 24, 2006 are as follows (in millions):

2006
2007
2008
2009
2010
Thereafter
Capital lease obligations
Fair value adjustment for interest rate swaps
Discount on senior notes
Fair value adjustment for assumed debt

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HOST HOTELS & RESORTS, L.P.
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
QUARTER ENDED MARCH 24, 2006
(IN MILLIONS, EXCEPT PER UNIT AMOUNTS)

		A	B	C	D	E	F	G
	Host LP Historical Income Statement	**Starwood Portfolio Historical**	**Starwood Portfolio Adjustments**	**European Joint Venture**	**Host LP Pro Forma for Starwood Acquisition**	**Probable 2006 Acquisition**	**Series P Senior Notes Issuances**	**Convertibl Subordinate Debenture Conversio**
REVENUES								
Rooms	**$ 507**	$ 102	$ (2)	$ (15)	**$ 592**	$ 9	$ —	$ —
Food and beverage	**261**	53	(1)	(8)	**305**	8	—	—
Other	**51**	12	—	(2)	**61**	3	—	—
Total hotel sales	**819**	167	(3)	(25)	**958**	20	—	—
Rental income	**29**	—	—	—	**29**	—	—	—
Total revenues	**848**	167	(3)	(25)	**987**	20	—	—
EXPENSES								
Rooms	**121**	31	(1)	(5)	**146**	2	—	—
Food and beverage	**189**	42	(1)	(7)	**223**	4	—	—
Hotel departmental expenses	**211**	48	(1)	(10)	**248**	2	—	—
Management fees	**35**	4	4	(1)	**42**	1	—	—
Other property-level expenses	**67**	12	—	—	**79**	3	—	—
Depreciation and amortization	**89**	—	27	(5)	**111**	3	—	—
Corporate and other expenses	**20**	1	—	—	**21**	—	—	—
Total operating costs and expenses	**732**	138	28	(28)	**870**	15	—	—
OPERATING PROFIT	**116**	29	(31)	3	**117**	5	—	—
Interest income	**5**	—	—	—	**5**	—	—	—
Interest expense	**(91)**	(31)	30	—	**(92)**	(2)	(13)	
Net gains on property transactions	**1**	—	—	—	**1**	—	—	—
Minority interest expense	**(4)**	—	—	—	**(4)**	—	—	—
Equity in earnings (losses) of affiliates	**1**	—	—	(2)	**(1)**	—	—	—

INCOME (LOSS) BEFORE INCOME TAXES	**28**	(2)	(1)	1	**26**	3	(13)	
Benefit from (provision for) income taxes	**(1)**	(1)	—	—	**(2)**	—	—	-
INCOME (LOSS) FROM CONTINUING OPERATIONS	**27**	(3)	(1)	1	**24**	3	(13)	
Less: Distributions on preferred units	**(6)**	—	—	—	**(6)**	—	—	-
Net income (loss) from continuing operations available to common unitholders	**$ 21**	$ (3)	$ (1)	$ 1	**$ 18**	$ 3	$ (13)	$
Basic earnings (loss) from continuing operations per unit	**$ 0.05**	$ (0.02)	$ (0.01)	$ 0.01	**$ 0.03**			
Diluted earnings (loss) from continuing operations per unit	**$ 0.05**	$ (0.02)	$ (0.01)	$ 0.01	**$ 0.03**			
Weighted average basic common units	**397.5**	133.5	133.5	133.5	**531.0**			2
Weighted average diluted common units	**398.4**	133.5	133.5	133.5	**531.9**			2

See Notes to Unaudited Pro Forma Statements of Operations.

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HOST HOTELS & RESORTS, L.P.
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2005
(IN MILLIONS, EXCEPT PER UNIT AMOUNTS)

		A	B	C	D	E	F	G	H	I
	Host LP Historical Income Statement	**Starwood Portfolio Historical**	**Starwood Portfolio Adjustments**	**European Joint Venture**	**Host LP Pro Forma for Starwood Acquisition**	**Probable 2006 Acquisition**	**Series P Senior Notes Issuance**	**Convertible Subordinated Debentures' Conversion**	**2005 Acquisitions**	**2005 Sale of Courtyard by Marriott Joint Venture**
REVENUES										
Rooms	**$ 2,282**	$ 718	$ (18)	$ (111)	**$ 2,871**	$ 39	$ —	$ —	$ 28	$ —
Food and beverage	**1,168**	351	(14)	(64)	**1,441**	39	—	—	14	—
Other	**246**	77	(2)	(12)	**309**	15	—	—	2	—
Total hotel sales	**3,696**	1,146	(34)	(187)	**4,621**	93	—	—	44	—
Rental income	**111**	—	—	—	**111**	—	—	—	—	—
Total revenues	**3,807**	1,146	(34)	(187)	**4,732**	93	—	—	44	—
EXPENSES										
Rooms	**550**	198	(3)	(35)	**710**	9	—	—	4	—
Food and beverage	**866**	259	(10)	(47)	**1,068**	25	—	—	11	—
Hotel departmental expenses	**1,013**	290	(13)	(48)	**1,242**	10	—	—	8	—
Management fees	**167**	30	23	(9)	**211**	4	—	—	3	—
Other property-level expenses	**286**	67	—	(5)	**348**	19	—	—	4	—
Depreciation and amortization	**360**	101	14	(20)	**455**	13	—	—	6	—
Corporate and other expenses	**67**	7	(3)	(3)	**68**	—	—	—	—	—
Gain on insurance settlement	**(9)**	—	—	—	**(9)**	—	—	—	—	—

Total operating costs and expenses	**3,300**	952	8	(167)	**4,093**	80	—	—	36	—
OPERATING PROFIT	**507**	194	(42)	(20)	**639**	13	—	—	8	—
Interest income	**21**	—	—	—	**21**	—	—	—	—	—
Interest expense	**(444)**	(91)	85	—	**(450)**	(7)	(55)	34	—	—
Net gains on property transactions	**80**	—	—	—	**80**	—	—	—	—	(69)
Gain on foreign currency and derivative contracts	**2**	—	—	—	**2**	—	—	—	—	—
Minority interest expense	**(7)**	—	—	—	**(7)**	—	—	—	—	—
Equity in earnings (losses) of affiliates	**(1)**	—	—	(1)	**(2)**	—	—	—	—	4
INCOME (LOSS) BEFORE INCOME TAXES	**158**	103	43	(21)	**283**	6	(55)	34	8	(65)
Benefit from (provision for) income taxes	**(25)**	(5)	—	2	**(28)**	—	—	—	—	26
INCOME (LOSS) FROM CONTINUING OPERATIONS	**133**	98	43	(19)	**255**	6	(55)	34	8	(39)
Less: Distributions on preferred units	**(27)**	—	—	—	**(27)**	—	—	—	—	—
Issuance costs of redeemed preferred units	**(4)**	—	—	—	**(4)**	—	—	—	—	—
Net income (loss) from continuing operations available to common unitholders	**$ 102**	$ 98	$ 43	$ (19)	**$ 224**	$ 6	$ (55)	$ 34	$ 8	$ (39)
Basic earnings (loss) from continuing operations per unit	**$ 0.27**	$ 0.73	$ 0.32	$ (0.14)	**$ 0.44**					
Diluted earnings (loss) from continuing operations per unit	**$ 0.27**	$ 0.73	$ 0.32	(0.14)	**$ 0.44**					
Weighted average basic common units	**373.3**	133.5	133.5	133.5	**506.8**			30.8		
Weighted average diluted common units	**375.8**	133.5	133.5	133.5	**509.3**			30.8		

See Notes to Unaudited Pro Forma Statements of Operations.

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HOST HOTELS & RESORTS, L.P.
NOTES TO THE UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

A. Represents the historical results of operations for the Starwood portfolio.

B. Represents certain adjustments to the historical results of operations for the Starwood portfolio including:

- An adjustment to depreciation expense for property and equipment to reflect expected depreciation based on Host LP's steppe
- An adjustment to eliminate interest expense for debt not assumed in the transaction;
- An adjustment to management fee expense to reflect the new license and operating agreements under which the properties will transactions;
- An adjustment to reduce the historical corporate expenses of the Starwood portfolio to reflect the incremental corporate expens result of the acquisition;
- An adjustment to reflect the effect of the acquisition of the Starwood portfolio on income taxes; and
- An adjustment to eliminate the operations of two hotels located in Fiji, which were included in the Acquired Business Financia Starwood.

C. Represents the elimination of the operations and owner expenses of the Starwood portfolio related to the five hotels acquired by the approximately 32.1% of the general and limited partnership interests, and the Sheraton Warsaw Hotel & Towers which we contribut $1 million and $2 million as equity in losses of affiliates for the full year 2005 and the quarter ended March 24, 2006, respectively, t operations of the joint venture.

D. Represents our pro forma statement of operations as adjusted to reflect the acquisition of the Starwood portfolio.

E. Represents the historical results of operations of The Westin Kierland Resort & Spa which we expect to acquire in the third quarter historical results were made, including:

- An adjustment to depreciation expense for property and equipment to reflect expected depreciation based on Host LP's steppe
- An adjustment to management fee expense to reflect the new license and operating agreement under which the property will o and
- An adjustment to reduce historical corporate expenses of the hotel to reflect incremental corporate expenses expected to be inc acquisition.

F. Represents the interest expense, including the related amortization of deferred financing fees, for the $800 million of 6 3/4% Series P

G. Represents the adjustment to decrease interest expense due to the conversion or redemption by Host of the Convertible Subordinatec (including approximately $2 million of Convertible Subordinated Debentures redeemed for cash in the second quarter of 2006) into (approximately 24 million of which were converted in 2006) of Host common stock including the elimination of the related amortiz result of these transactions, we issued 30.8 million common OP units to Host and eliminated our Convertible debt obligation to Host

H. Represents the adjustment to record the historical revenues and operating expenses associated with the September 2005 purchase of Capitol Hill.

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I. Represents the adjustment to eliminate the non-recurring gain of $69 million associated with the sale of 85% of our interest in CBM adjustment to equity in earnings (losses) of affiliates related to our current percentage ownership in the joint venture and the related

J. Represents the adjustment to record interest expense, including the related amortization of deferred financing fees, as a result of the Series N senior notes in March 2005 and the issuance of $135 million Canadian Dollar mortgage debt ($116 million U.S. Dollars) w 2006.

K. Represents the adjustment to record interest expense (including the prepayment premiums and the recognition of deferred financing to the prepayment, redemption or discharge of the following debt in 2005 and 2006:

- $84 million of 8.39% mortgage debt on the Boston Marriott Copley Place;
- $136 million of 7 7/8% Series B senior notes;
- $300 million of 8 3/8% Series E senior notes;
- $140 million of 9% mortgage debt on two Ritz-Carlton hotels;
- $169 million of 7 7/8% Series B senior notes;
- $20 million of 8.35% mortgage associated with the sale of the Hartford Marriott at Farmington; and
- $19 million of variable rate mortgage debt with a weighted average interest rate of 5.76% associated with certain of our Canad

L. Represents the adjustment to record the effect of distributions paid on preferred OP units and issuance costs of redeemed preferred C 4 million 10% Class B preferred OP units in May 2005 and the redemption of 5.98 million Class C preferred OP units on May 19, 2

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DESCRIPTION OF OUR OTHER INDEBTEDNESS

Credit Facility

General. On September 10, 2004, we entered into an amended and restated credit facility. The credit facility replaced our prior credit faci commitments in the amount of $575 million. The credit facility also includes sub-commitments for the issuance of letters of credit in an agg certain of our Canadian subsidiaries in Canadian Dollars in an aggregate amount of $150 million. The credit facility has an initial scheduled option to extend the maturity for an additional year if certain conditions are met at the time of the initial scheduled maturity. We also have t credit facility by up to $100 million to the extent that any one or more lenders, whether or not currently party to the credit facility, commits March 24, 2006, we had no amounts outstanding under our credit facility.

As with the prior facility, the debt under the amended credit facility is guaranteed by certain of our existing subsidiaries and currently is sec many of our subsidiaries. The guarantees and pledges ratably benefit our credit facility as well as the notes outstanding under our senior no and interest rate swap agreements and other hedging agreements with lenders that are parties to the credit facility. As with the prior facility, in the event that our leverage ratio falls below 6.0x for two consecutive fiscal quarters.

Dual Tranche Structure. Unlike our prior facility, the revolving loan commitment under the amended credit facility is divided into two se A tranche of $385 million and (2) a Revolving Facility B tranche of $190 million. Subject to compliance with the facility's financial coven under Revolving Facility A vary depending on our leverage ratio, with $385 million being available when our leverage ratio is less than 6.5 leverage ratio equals or exceeds 6.5x but is less than 6.75x, $150 million being available when our leverage ratio equals or exceeds 6.75x b available when our leverage ratio equals or exceeds 7.0x. By contrast, the entire amount of Revolving Facility B is available for borrowing coverage ratio equals or exceeds 1.5x and our leverage ratio does not exceed levels ranging from 7.5x to 7.0x. Specifically, prior to the end permitted to make borrowings and maintain amounts outstanding under Revolving Facility B so long as our leverage ratio is not in excess c applicable to Revolving Facility B is then reduced to 7.25x from the end of the third quarter of 2007 until the day prior to end of our third q thereafter.

Financial Covenants. We are subject to different financial covenants depending on whether amounts are borrowed under Revolving Facil permitted to convert amounts borrowed under either tranche into amounts borrowed under the other tranche. While the financial covenants generally comparable to those contained in our prior facility (including covenants for leverage, fixed charge coverage and unsecured interes applicable to Revolving Facility B are limited to leverage and unsecured interest coverage, and are set at less restrictive levels than the corr Revolving Facility A. As a result of this structure, we have gained flexibility to make and maintain borrowings in circumstances where adv could have prohibited the maintenance of borrowings under the prior facility. The financial covenants for the Revolving Facility A and Rev are no borrowings under the respective tranche. Hence, so long as there are no amounts outstanding we are not in default of the credit facili covenants and we do not lose the potential to draw under the amended credit facility in the future if we were ever to come back into compli in compliance with all our covenants as of March 24, 2006.

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The following table summarizes the financial tests contained in the credit facility through 2007:

Year	Facility A—Financial Cover	
	Minimum unsecured interest coverage ratio	Maximum leverage ra
2005	1.50	7
2006	1.50	6
2007	1.55	6

Quarter	Facility B—Financial Covenant Levels	
	Minimum unsecured interest coverage ratio	Maximum leverage ra
First Quarter 2005 to Second Quarter 2007	1.50	7
Third Quarter 2007 to Fourth Quarter 2007	1.50	7

Interest and Fees. We pay interest on borrowings under the Revolving Facility A at floating interest rates plus a margin (which, in the cas from 2.00% to 3.00%) that is set with reference to our leverage ratio. Borrowings under Revolving Facility B are subject to a margin that is margin applicable to Revolving Facility A borrowings and .75% higher when our leverage ratio is greater than 7.0x. As with the prior facili amended credit facility remain unused, we pay a quarterly commitment fee on the unused portion of the loan commitment.

Other Covenants. Our amended credit facility imposes restrictions on customary matters that were also restricted in our prior facility, suc acquisitions, investments, the incurrence of debt and the payment of dividends. While such restrictions are generally similar to those contai certain covenants to become less restrictive at any time that our leverage ratio falls below 6.0x. In particular, at any time that our leverage r to limitations on capital expenditures, and the limitations on acquisitions, investments and dividends will be replaced by the generally less r senior notes indenture.

Senior Notes and Debentures

As of March 24, 2006, we had seven series of existing senior notes outstanding (including our Exchangeable Senior Debentures discussed b billion:

7 7/8% Series B senior notes due 2008 (1)
9 1/4% Series G senior notes due 2007

9 1/2% Series I senior notes due 2007	
7 1/8% Series K senior notes due 2013	
7% Series M senior notes due 2012	
6 3/8% Series O senior notes due 2015	
3.25% Exchangeable Senior Debentures due 2024	
Total	

(1) The Series B senior notes were redeemed on May 15, 2006 with proceeds from the offering of the Series P senior

Under the terms of our senior notes indenture, our senior notes are equal in right of payment with all of the Operating Partnership's unsubo subordinated obligations of the Operating

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Partnership. The notes outstanding under our senior notes indenture are guaranteed by certain of our existing subsidiaries and currently are
many of our subsidiaries. The guarantees and pledges ratably benefit the notes outstanding under our senior notes indenture, as well as our
interest rate swap agreements and other hedging agreements with lenders that are parties to the credit facility.

Covenants and restrictions under the indenture applicable to our Series G and Series I senior notes are substantially the same as the covenar
Q senior notes that are summarized below in “Description of Series Q Senior Notes” except that, under the covenants applicable to such exi

- we are not specifically permitted to incur indebtedness pursuant to clause (l), (m) or (n) of paragraph (4) of the covenant titled and Issuance of Disqualified Stock”;
- the Investments that may be made pursuant to clause (3) of the definition of “Permitted Investments” may not exceed 5% of To
- the declaration or payment of dividends or other distributions by all restricted subsidiaries of Host LP that qualify as a REIT, n year, is not specifically excluded from the definition of “Restricted Payment;”
- upon the Series G and Series I senior notes being rated Investment Grade, the covenant titled “Limitation on Incurrences of Inc Stock,” will continue to apply to such series, but if the Series Q notes are rated Investment Grade, that covenant will no longer
- we are able to make restricted payments representing preferred stock distributions only if we have a Consolidated Coverage Ra is applicable to the Series P senior notes; and
- defaults under our other Indebtedness exceeding $50 million in the aggregate will trigger a default under such existing senior n clause (5)(b) of the Series Q senior notes events of default.

The covenants and restrictions under the indenture applicable to our Series K, Series M and Series O senior notes are substantially the same
applicable to the Series Q senior notes that are summarized below in “Description of Series Q Senior Notes” except that, under the covenan

- we are not specifically permitted to incur indebtedness pursuant to clause (m) of paragraph (4) of the covenant titled “Limitatio Issuance of Disqualified Stock;”
- upon the Series K, Series M and Series O senior notes being rated investment grade, the covenant titled “Limitation on Incurre Disqualified Stock,” will continue to apply to such series, but if the Series Q notes are rated Investment Grade, that covenant w notes;
- we are only permitted to incur $100 million of indebtedness pursuant to clause (n) of paragraph (4) of the covenant titled “Lim Issuance of Disqualified Stock,” as opposed to $150 million under same clause for the Series Q senior notes;
- the declaration or payment of dividends or other distributions by all restricted subsidiaries of Host LP that qualify as a REIT, n year, is not specifically excluded from the definition of “Restricted Payment;”

- the amount of Secured Indebtedness that we may incur even when we are below the consolidated EBITDA-to-interest expense and permanently reduce

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Indebtedness outstanding under the Credit Facility is $300 million, instead of $400 million as provided in clause (l) of the Serie
"Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock;" and

- defaults under our other Indebtedness exceeding $50 million in the aggregate will trigger a default under such existing senior n clause (5)(b) of the Series Q senior notes events of default.

The covenants and restrictions under the indenture to the Series Q senior notes also provide us with more flexibility than those applicable to divide items of indebtedness incurred among various permitted debt baskets provided under paragraph (4) of the covenant titled "Limitation Issuance of Disqualified Stock" and to later reclassify all or a portion of such items of indebtedness among such permitted debt baskets in a Additionally, under the terms of the Series Q senior notes, we have the ability to reclassify indebtedness incurred under the "general permit and (n) of paragraph (4) of the covenant titled "Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock."

Notwithstanding the flexibility provided to us in the covenants and restrictions under the indenture applicable to the Series Q senior notes, s outstanding, our ability to benefit from the additional flexibility is likely to be limited.

On March 16, 2004, we issued $500 million of 3.25% Exchangeable Senior Debentures and received proceeds of $484 million, net of unde issue discount. These debentures were issued under our senior notes indenture, and are the only series of senior notes that are exchangeable Exchangeable Senior Debentures mature on April 15, 2024 and are equal in right of payment with all of our unsubordinated debt. Interest is January 15, April 15, July 15 and October 15 of each year. We can redeem for cash all, or part of, the Exchangeable Senior Debentures at a upon 30 days notice at the applicable redemption price as set forth in the indenture. Holders have the right to require us to repurchase the E April 15, 2010, April 15, 2014 and April 15, 2019 at the issue price. The Exchangeable Senior Debentures currently are exchangeable into s 56.9697 shares for each $1,000 of principal amount of the debentures, or a total of approximately 28 million shares, which is equivalent to a Host's common stock. Upon issuance of such shares by Host, we will issue to Host the number of OP units equal to the number of shares of exchange for the Exchangeable Senior Debentures. The exchange rate may be adjusted under certain circumstances, including the payment may exchange their Exchangeable Senior Debentures prior to maturity under certain conditions, including at any time at which the closing s than 120% of the exchange price per share, for at least 20 of 30 trading days. The Exchangeable Senior Debentures and the common stock i have not been registered under the Securities Act and may not be offered or sold except to qualified institutional buyers, as defined. Host ha currently is effective with respect to the resale of its common stock issuable upon exchange of the debentures.

Mortgage Debt

General. As of March 24, 2006, we had 27 assets that were secured by mortgage debt. Substantially all of our mortgage debt is recourse s of fraud, misapplication of funds and other customary recourse provisions. As of December 31, 2005, secured debt represented approximate aggregate secured debt had an average interest rate of 7.8% and an average maturity of 4.2 years. Over time, we expect to reduce the amoun our total debt. We may refinance secured debt with other financing alternatives, such as senior notes, although there can be no assurances th

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As a result of the decline in operations of our properties in 2002 and 2003, restrictive covenants on eight of our hotel properties secured by
refer to as the CMBS Loan, were triggered. These hotel properties are the New York Marriott Marquis Times Square, the Hyatt Regency Sa
Cambridge, Overlooking Boston, the Hyatt Regency Reston, the Hyatt Regency Boston, the Swissôtel The Drake, New York, The Westin F
Chicago, which we refer to as the CMBS Portfolio. The CMBS Loan contains a provision that requires the mortgage servicer to retain certa
Portfolio after payment of debt service if net cash flow after payment of taxes, insurance, ground rent and reserves for furniture, fixtures an
declines below $96 million. This provision was triggered beginning in the third quarter of 2002 and remained in effect until the CMBS Port
cash flow for two consecutive quarters, at which point, the cash that had been escrowed will be returned to us. As of the end of the third qua
properties for the past two quarters met the levels required to release the escrowed funds under the CMBS loan and on October 31, 2005 esc
approximately $71 million were released to us. Additionally, in conjunction with the sale of the Swissôtel The Drake, New York in March 2
securing the CMBS loan and the recently acquired Hyatt Regency Washington was substituted as collateral.

During January 2006, we issued mortgage debt in the amount of $135 million Canadian Dollars ($116 million US Dollars based on the exch
fixed interest rate of 5.195%, which is secured by four of our Canadian properties and matures on March 1, 2011. On January 13, 2006, a p
the $20 million outstanding balance on our credit facility.

Convertible Debt Obligation to Host Hotels & Resorts, Inc.

On January 11, 2006, Host announced its intention to exercise its option to cause the conversion rights of the remaining Convertible Subord
February 10, 2006. Between January 1, 2006 and February 10, 2006, $368 million of Convertible Subordinated Debentures and correspond
converted into 24 million shares of Host common stock. As a result, we issued 24 million OP units to Host and reduced our Convertible deb
Inc. by $368 million. As of March 24, 2006, we had approximately $2 million of Convertible Subordinated Debentures held by third parties
Convertible Subordinated Debentures held by related parties outstanding. On April 5, 2006, we redeemed the remaining $19 million of outs
Debentures for cash.

Derivative Instruments

On December 20, 2001, we entered into a 5-year interest rate swap agreement, which was effective on January 15, 2002 and matures in Jan
Series I senior notes to floating rate debt. Under the swap, we receive fixed-rate payments of 9.5% and pay floating-rate payments based on
(6.9% at December 31, 2004) on a $450 million notional amount, which is equal to the current amount of outstanding Series I senior notes.
as a fair value hedge for both financial reporting and tax purposes and the amounts paid or received under the swap agreement will be recog
adjustment to interest expense. Changes in the fair value of the swap and the Series I senior notes are reflected in the balance sheet as offset
statement effect. The fair value of the interest rate swap at December 31, 2005 was approximately $1 million.

On August 21, 2003, we entered into two four-year interest rate swap agreements, which mature October 2007, effectively converting our S
Under the swaps, we receive fixed-rate payments of 9.25% and we make floating-rate payments based on six-month LIBOR plus 590 basis
$242 million notional amount, which is equal to the current amount of outstanding Series G senior notes. We have designated the interest ra

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financial reporting and tax purposes and the amounts paid or received under the swap agreements will be recognized over the life of the agr
expense. Changes in the fair value of the swaps and our Series G senior notes are reflected in the balance sheet as offsetting changes and ha
value of the interest rate swaps at December 31, 2005 was approximately $(6) million.

In connection with the refinancing of the mortgage debt secured by the JW Marriott, Washington, D.C. in September 2003, we purchased a
of $88 million, which capped the floating interest rate at 8.1% for the first two years of the loan. Upon the expiration of the interest rate cap
similar interest rate cap that caps the floating interest rate of the loan at 8.1% through September 2006. The cap represents a derivative that
gains and losses from changes in the market value of the cap are recorded in gain (loss) on foreign currency and derivative contracts. The fa
immaterial at December 31, 2005.

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DESCRIPTION OF SERIES Q SENIOR NOTES

We will issue the Series Q senior notes pursuant to an indenture dated as of August 5, 1998 by and among Host Hotels & Resorts, L.P., the
and The Bank of New York, as trustee, as amended or supplemented from time to time (the "*Indenture*"). The terms of the Indenture includ
reference to the Trust Indenture Act of 1939, as amended. The following description is a summary of the material provisions of the Indentu
Pledge and Security Agreement dated as of September 10, 2004 as amended through the date hereof (the "*Pledge Agreement*"), which gove
the obligations on the Series Q senior notes and the registration rights agreement to be dated as of the date the Series Q senior notes are firs
Agreement"), by and among the Company, the Subsidiary Guarantors and the initial purchasers of the Series Q senior notes. It does not rest
urge you to read the Indenture, the Registration Rights Agreement and the Pledge Agreement because they, and not this description, define
senior notes. You may obtain copies of the Indenture, the Registration Rights Agreement and the Pledge Agreement from Host Hotels & R
how to obtain these documents by looking at the section of this prospectus titled "Where You Can Find More Information." You can find th
description under the subheading "Certain Definitions." For purposes of this section, references to "we," "our," or "us" include only Host H
accordance with the terms of the Indenture and not our subsidiaries.

General

We will initially issue $800 million aggregate principal amount of Series Q senior notes. The Indenture will provide, in addition to the $800
Series Q senior notes being issued on the Series Issue Date, for the issuance of additional Series Q senior notes having identical terms and c
offered hereby (the "*Additional Notes*"), subject to compliance with the terms of the Indenture, including the covenant "Limitation on Incur
Disqualified Stock." The aggregate principal amount of Series Q senior notes and Additional Notes will be unlimited in aggregate principal
Additional Notes would be issued on the same terms as the Series Q senior notes and would constitute part of the same series of securities a
vote together as one series on all matters with respect to the Series Q senior notes. All references to Series Q senior notes herein include the
otherwise.

The Series Q senior notes will mature on June 1, 2016. Interest on the Series Q senior notes will accrue at the rate of 6 3/4% per annum and
arrears on June 1 and December 1, commencing on December 1, 2006. We will make each interest payment to the holders of record of the S
preceding May 15 and November 15.

The Series Q senior notes offered hereby will be our senior, general obligations. The Series Q senior notes offered hereby will be initially s
of certain of our subsidiaries, which Capital Stock also equally and ratably secures our obligation under the Credit Facility, the Existing Ser
ranking on an equitable and ratable basis with the Series Q senior notes. See "—Security."

The Existing Senior Notes are, and the Series Q senior notes offered hereby will be jointly and severally guaranteed on a senior basis by the
the Subsidiary Guarantors with respect to these senior notes, and the aforementioned pledges of equity interests, are subject to release upon

The covenants and restrictions under the indenture that are applicable to the Series Q senior notes provide us with more flexibility in a num
the material ways that the terms of the Series Q senior notes differ from those applicable to our Existing Senior Notes, see the discussion ur

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"Description of Other Indebtedness—Senior Notes and Debentures". Notwithstanding this flexibility provided to us, so long as any of our E
our ability to fully benefit from the additional flexibility is likely to be limited.

Interest on any series of senior notes issued under the Indenture is or will be calculated on the basis of a 360-day year consisting of twelve 3
will be issued only in fully registered form, without coupons, in denominations of $1,000 and integral multiples thereof. Principal of, premi
senior notes will be payable at the office or agency maintained by us for such purpose, in the Borough of Manhattan, The City of New York
payment of interest may be made by check mailed to the holders of any Series Q senior notes at the addresses set forth upon our registry bo
certificated Series Q senior notes will be entitled to receive interest payments (other than at maturity) by wire transfer of immediately availa
instructions have been received in writing by the trustee not less than 15 days prior to the applicable interest payment date. Such wire instru
remain in effect until revoked by such holder. No service charge will be made for any registration of transfer or exchange of Series Q senior
sum sufficient to cover any tax or other governmental charge payable in connection therewith. Until we designate otherwise our office or ag
the trustee presently located at 101 Barclay Street, New York, New York 10286.

Guarantees

The Series Q senior notes offered hereby will be fully and unconditionally guaranteed as to principal, premium, if any, and interest, jointly
Guarantors. If we default in the payment of the principal of, or premium, if any, or interest on, a guaranteed series of senior notes issued un
shall become due, whether upon maturity, acceleration, call for redemption, Change of Control, offer to purchase or otherwise, without the
holder, the Subsidiary Guarantors shall be required promptly to make such payment in full. The Indenture provides that the Subsidiary Gua
obligations as guarantors under such series of senior notes under certain circumstances. The obligations of the Subsidiary Guarantors will b
such obligations being construed as fraudulent conveyances under applicable law.

Each of our current and future Restricted Subsidiaries that subsequently guarantee any of our Indebtedness (the "*Guaranteed Indebtedness*"
will be required to guarantee the Series Q senior notes offered hereby and any other series of senior notes guaranteed under the Indenture. I
passu in right of payment with the senior notes, then the guarantee of such Guaranteed Indebtedness shall be *pari passu* in right of payment
to, the Subsidiary Guarantee or (B) subordinated in right of payment to the senior notes, then the guarantee of such Guaranteed Indebtednes
payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated in right of payment to the senio

Subject to compliance with the preceding paragraph, the Indenture also provides that any guarantee by a Subsidiary Guarantor shall be auto
upon (1) the sale or other disposition of Capital Stock of the Subsidiary Guarantor, if, as a result of such sale or disposition, such Subsidiary
(2) the consolidation or merger of any such Subsidiary Guarantor with any Person other than us or any of our Subsidiaries, if, as a result of
Subsidiary Guarantor ceases to be our Subsidiary, (3) a Legal Defeasance or Covenant Defeasance, or (4) the unconditional and complete re
its guarantee of all Guaranteed Indebtedness.

Security

Our obligation to pay the principal of, premium, if any, and interest on the Series Q senior notes will be secured by a pledge of the Capital S
subsidiaries, which pledge is, and

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will be, shared equally and ratably with the Credit Facility, the Existing Senior Notes and certain other of our Indebtedness ranking *pari pa*
senior notes, including, unless otherwise provided for in the applicable supplemental indenture, any series of senior notes issued under the I
provides that, unless otherwise provided in a supplemental indenture with respect to a series of senior notes, the Capital Stock of each Restr
pledged to secure the Credit Facility also will be pledged to secure each such series of senior notes on an equal and ratable basis with respec
and any other *pari passu* Indebtedness secured by such Capital Stock, provided, however, that any shares of the Capital Stock of any Restri
required to be pledged to secure any such series of senior notes if the pledge of or grant of a security interest in such shares is prohibited by
Americas (the administrative agent under the Credit Facility) currently serves as the collateral agent with respect to such stock pledge, subj
circumstances. So long as the Credit Facility is in effect, the lenders under the Credit Facility will have the right to direct the manner and m
respect to the stock pledge. Any proceeds realized on a sale or disposition of collateral would be applied first to expenses of, and other obli
second, pro rata to outstanding principal and interest of the secured Indebtedness, and third, pro rata to other secured obligations.

Upon the complete and unconditional release of the pledge of any such Capital Stock in favor of the Credit Facility, the pledge of such Cap
shall be released; provided that should the obligations of the Operating Partnership under the Credit Facility subsequently be secured by a p
the Operating Partnership must cause such Capital Stock to be pledged ratably and with at least the same priority for the benefit of holders

Ranking

The Series Q senior notes offered hereby will be our senior, general obligations, ranking, *pari passu* in right of payment with any of our oth
Indebtedness, including, without limitation, the Existing Senior Notes and our obligations under the Credit Facility. Under the terms of the
Series K, Series M and Series O senior notes, we and the Subsidiary Guarantors are permitted to incur up to $300 million ($400 million in t
Secured Indebtedness, even when we are below the consolidated EBITDA-to-interest expense “coverage” ratio of at least 2.0 to 1.0, which
this new secured debt, so long as the proceeds are used to repay and permanently reduce indebtedness outstanding under our Credit Facility
be secured by assets that do not also secure the Series Q senior notes, or the related Subsidiaries Guarantees thereof, the Series Q senior not
thereof effectively will be subordinated to up to $400 million of borrowings under our Credit Facility that are repaid with the proceeds of su
the value of the assets securing such Secured Indebtedness. Under the indenture terms governing our outstanding Series B, Series G and Se
specifically permitted to incur the aforementioned Secured Indebtedness and, therefore, for so long as any of these series of senior notes rem
to incur such indebtedness to the extent otherwise permitted by the covenants applicable to those series of senior notes. As adjusted to give
of the use of proceeds described herein, there will be outstanding $2.5 billion of Series K, Series M, Series O and Series Q senior notes con
of this Secured Indebtedness and $823 million (excluding $(5) million for the fair value of interest rate swaps for the Series G and I senior n
Series G and Series I senior notes which do not permit such incurrence of Secured Indebtedness.

The Series Q senior notes offered hereby will be senior to all of our subordinated obligations. Each of the Subsidiary Guarantees of the Exi
guaranteed senior notes, including the Series Q senior notes offered hereby, will rank, subject to the limitations described above, *pari passu*
unsubordinated Indebtedness, and senior to all current and future subordinated Indebtedness, of the Subsidiary Guarantors subject to the Su
circumstances, to incur up to

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$400 million of Secured Indebtedness even while below the 2.0 to 1.0 consolidated EBITDA-to-interest expense “coverage” ratio, the proc
permanently reduce Indebtedness outstanding under the Credit Facility as described above. Holders of the Series Q senior notes will be dire
by virtue of such Guarantees of the Series Q senior notes.

Optional Redemption

At any time prior to June 1, 2011, upon not less than 30 nor more than 60 days’ notice, we may redeem the Series Q senior notes in whole o
100% of the principal amount thereof plus the Make-Whole Premium, together with accrued and unpaid interest thereon, if any, to the appli
right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the applicable r
holders of Series Q senior notes of such a redemption need not set forth the redemption price of such Series Q senior notes but need only se
in the immediately preceding sentence. The redemption price, calculated as aforesaid, should be set forth in an Officer’s Certificate delivere
Day prior to the redemption date.

At any time on or after June 1, 2011, upon not less than 30 days nor more than 60 days notice, we may redeem the Series Q senior notes fo
the following redemption prices (expressed as percentages of the principal amount) if redeemed during the 12-month period commencing J
case together with accrued and unpaid interest, if any, thereon to the applicable redemption date (subject to the right of holders of record on
interest due on an interest payment date that is on or prior to the applicable redemption date):

Year
2011
2012
2013
2014 and thereafter

Prior to June 1, 2009, we may redeem from time to time up to 35% of the aggregate principal amount of the Series Q senior notes outstandi
of the principal amount thereof, together with accrued and unpaid interest thereon, if any, to the applicable redemption date (subject to the r
record date to receive interest due on an interest payment date that is on or prior to the applicable redemption date) with the Net Cash Proce
provided, that at least 65% of the aggregate principal amount of the Series Q senior notes originally issued on the Series Issue Date remain
provided further that such redemption shall occur within 90 days after the date on which any such Equity Offering is consummated.

No sinking fund is provided for the Series Q senior notes.

Notice and Selection

Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of
registered address.

Series Q senior notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases
for redemption.

In the case of a partial redemption of the Series Q senior notes, selection of the Series Q senior notes or portions thereof for redemption sha
in such manner as it shall deem appropriate and fair and in such manner as complies with any applicable legal requirements; provided howe

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that if a partial redemption is made with the proceeds of an Equity Offering, selection of the Series Q notes or portion thereof, as applicable
trustee only on a pro rata basis, unless such method is otherwise prohibited.

Certain Definitions

Set forth below are certain defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture fo
well as any other capitalized term used herein for which no definition is provided.

"*Acquired Indebtedness*" means Indebtedness or Disqualified Stock of a Person:

(1) existing at the time such Person becomes a Restricted Subsidiary of the Company; or

(2) assumed in connection with an Asset Acquisition and not incurred in connection with or in contemplation or anticipation of s

provided that Indebtedness of such Person which is redeemed, defeased (including the deposit of funds in a valid trust for the exclusive ben
sufficient to repay such Indebtedness in accordance with its terms), retired or otherwise repaid at the time of or immediately upon consumm
Person becomes a Restricted Subsidiary or such Asset Acquisition shall not be Acquired Indebtedness.

"*Adjusted Total Assets*" means, for any Person, the Total Assets for such Person and its Restricted Subsidiaries as of any Transaction Date,
the proceeds of the Incurrence of Indebtedness and issuance of Disqualified Stock on the Transaction Date.

"*Affiliate*" means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Compan
"control" means the power to direct the management and policies of a Person, directly or through one or more intermediaries, whether thro
contract, or otherwise; provided that:

(1) a beneficial owner of 10% or more of the total voting power normally entitled to vote in the election of directors, managers o
purposes be deemed to constitute control;

(2) the right to designate a member of the Board of a Person or a Parent of that Person will not, by itself, be deemed to constitute

(3) Marriott International and its Subsidiaries shall not be deemed to be Affiliates of the Company or its Parent or Restricted Sub

"*Asset Acquisition*" means:

(1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall b
merged or consolidated into or with the Company or any of its Restricted Subsidiaries; or

(2) an acquisition by the Company or any of its Restricted Subsidiaries from any other Person that constitutes all or substantially
one or more real estate properties, of such Person.

"*Asset Sale*" means any sale, transfer or other disposition (including by way of merger, consolidation or sale-leaseback transaction) in one t transactions by the Company or any of its Restricted Subsidiaries to any Person other than the Company or any of its Restricted Subsidiarie

(1) all or any of the Capital Stock of any Restricted Subsidiary (including by issuance of such Capital Stock);

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(2) all or substantially all of the property and assets of an operating unit or business of the Company or any of its Restricted Sub

(3) any other property and assets of the Company or any of its Restricted Subsidiaries (other than Capital Stock of a Person whic the ordinary course of business of the Company or such Restricted Subsidiary and, in each case, that is not governed by the c "Consolidation, Merger and Sale of Assets";

provided that "Asset Sale" shall not include:

(a) sales or other dispositions of inventory, receivables and other current assets;

(b) sales, transfers or other dispositions of assets with a fair market value not in excess of $10 million in any transaction or serie

(c) leases of real estate assets;

(d) Permitted Investments (other than Investments in Cash Equivalents) or Restricted Investments made in accordance with the " covenant;

(e) any transaction comprising part of the REIT Conversion; and

(f) any transactions that, pursuant to the "Limitation of Asset Sales" covenant, are defined not to be an Asset Sale.

"*Average Life*" means at any date of determination with respect to any debt security, the quotient obtained by dividing:

(1) the sum of the products of:

(a) the number of years (calculated to the nearest one-twelfth) from such date of determination to the date of each succe payment of such debt security; and

(b) the amount of such principal (or redemption) payment;

by:

(2) the sum of all such principal (or redemption) payments.

"*Blackstone Acquisition*" means the acquisition by the Operating Partnership from The Blackstone Group, a Delaware limited partnership, a Blackstone Real Estate Partners, a Delaware limited partnership, of certain hotel properties, mortgage loans and other assets together with t

"*Board*" means:

(1) with respect to any corporation, the board of directors of such corporation or any committee of the board of directors of such
any particular matter, to exercise the power of the board of directors of such corporation;

(2) with respect to any partnership, any partner (including, without limitation, in the case of any partner that is a corporation, the
any authorized committee thereof) with the authority to cause the partnership to act with respect to the matter at issue;

(3) in the case of a trust, any trustee or board of trustees with the authority to cause the trust to act with respect to the matter at is

(4) in the case of a limited liability company (an "*LLC*"), the managing member, management committee or other Person or grou
act with respect to the matter at issue; and

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(5) with respect to any other entity, the Person or group exercising functions similar to a board of directors of a corporation.

"*Business Day*" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New
obligated by law or executive order to close.

"*Capital Contribution*" means any contribution to the equity of the Company for which no consideration is given, or if given, consists only
(or, if other consideration is given, only the value of the contribution in excess of such other consideration).

"*Capital Stock*" means, with respect to any Person, any and all shares, interests, participations, or other equivalents (however designated, w
partnership interests, whether general or limited, in the equity of such Person, whether outstanding on the Closing Date or issued thereafter,
Common Stock, Preferred Stock and Units.

"*Capitalized Lease*" means, as applied to any Person, any lease of any property (whether real, personal or mixed) of which the discounted p
such Person as lessee, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"*Capitalized Lease Obligations*" means the discounted present value of the rental obligations under a Capitalized Lease as reflected on the
accordance with GAAP.

"*Cash Equivalent*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality
credit of the United States of America are pledged in support thereof);

(2) time deposits, bankers acceptances and certificates of deposit and commercial paper issued by the Parent of any domestic co
having capital and surplus in excess of $500 million and commercial paper issued by others rated at least A-2 or the equivale
equivalent thereof by Moody's;

(3) marketable direct obligations issued by the District of Columbia or any state of the United States of America or any political
thereof bearing (at the time of investment therein) one of the two highest ratings obtainable from either S&P or Moody's; an

(4) liquid investments in money market funds substantially all of the assets of which are securities of the type described in claus

provided that the securities described in clauses (1) through (3) inclusive have a maturity of one year or less after the date of acquisition.

"*Change of Control*" means:

(1) any sale, transfer or other conveyance, whether direct or indirect, of all or substantially all of the assets of the Company or H
is a Parent of the Company immediately prior to such transaction or series of related transactions), on a consolidated basis, ir
transactions, if, immediately after giving effect to such transaction, any "person" or "group" (as such terms are used for purp
Exchange Act, whether or not applicable) other than an Excluded Person is or becomes the "beneficial owner," directly or in
voting power in the aggregate normally entitled to vote in the election of directors, managers, or trustees, as applicable, of the

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(2) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or n
Person is or becomes the "beneficial owner," directly or indirectly, of more than 50% of the total voting power in the aggreg
Company (or Host or HMC for so long as Host or HMC is a Parent of the Company immediately prior to such transaction or
outstanding normally entitled to vote in elections of directors, managers or trustees, as applicable;

(3) during any period of 12 consecutive months after the Issue Date (for so long as Host or HMC is a Parent of the Company im
series of related transactions), Persons who at the beginning of such 12-month period constituted the Board of Host or HMC
election was approved by a vote of a majority of the Persons then still comprising the Board who were either members of the
whose election, designation or nomination for election was previously so approved) cease for any reason to constitute a majo
applicable, then in office; or

(4) HMC ceases to be a general partner of the Operating Partnership or ceases to control the Company;

provided, *however*, that neither:

(x) the pro rata distribution by Host to its shareholders of shares of the Company or shares of any of Host's or HMC's c

(y) the REIT Conversion (or any element thereof);

shall, in and of itself, constitute a Change of Control for purposes of this definition.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Rating Decline.

"*Closing Date*" means August 5, 1998.

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

"*Common Stock*" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, v
no preference on liquidation or with respect to distributions over any other class of Capital Stock, including partnership interests, whether g
whether outstanding on the Closing Date or issued thereafter, including, without limitation, all series and classes of common stock.

"*Company*" means Host Hotels & Resorts, L.P., and its successors and assigns (and, from the Issue Date to the consummation of the Merge
successors and assigns).

"*Consolidated*" or "*consolidated*" means, with respect to any Person, the consolidation of the accounts of the Restricted Subsidiaries (inclu
Restricted Entities) of such Person with those of such Person; provided that:

(1) "*consolidation*" will not include consolidation of the accounts of any other Person other than a Restricted Subsidiary of such

(2) "*consolidation*" will include consolidation of the accounts of any Non-Consolidated Restricted Entities, whether or not such permitted under GAAP;

(it being understood that the accounts of such Person's Consolidated Subsidiaries shall be consolidated only to the extent of such Person's p

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The terms "*consolidated*" and "*consolidating*" have correlative meanings to the foregoing.

"*Consolidated Coverage Ratio*" of any Person on any Transaction Date means the ratio, on a pro forma basis, of:

(1) the aggregate amount of Consolidated EBITDA of such Person attributable to continuing operations and businesses (exclusiv and businesses permanently discontinued or disposed of) for the Reference Period,

to:

(2) the aggregate Consolidated Interest Expense of such Person (exclusive of amounts attributable to operations and businesses p but only to the extent that the obligations giving rise to such Consolidated Interest Expense would no longer be obligations c Interest Expense subsequent to the Transaction Date) during the Reference Period;

provided that for purposes of such calculation:

(a) acquisitions of operations, businesses or other income-producing assets (including any reinvestment of disposition proceeds i not disposed on the Transaction Date) which occurred during the Reference Period or subsequent to the Reference Period an be assumed to have occurred on the first day of the Reference Period;

(b) transactions giving rise to the need to calculate the Consolidated Coverage Ratio shall be assumed to have occurred on the fi

(c) the incurrence of any Indebtedness or issuance of any Disqualified Stock during the Reference Period or subsequent to the R Transaction Date (and the application of the proceeds therefrom to the extent used to refinance or retire other Indebtedness o as of and not disposed on the Transaction Date) shall be assumed to have occurred on the first day of such Reference Period;

(d) the Consolidated Interest Expense of such Person attributable to interest on any Indebtedness or dividends on any Disqualifie dividend) rate shall be computed on a pro forma basis as if the average rate in effect from the beginning of the Reference Per applicable rate for the entire period, unless such Person or any of its Subsidiaries is a party to an Interest Swap or Hedging O the 12-month period immediately following the Transaction Date) that has the effect of fixing the interest rate on the date of (whether higher or lower) shall be used; and

(e) whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings related thereto and the associated with any Indebtedness Incurred in connection therewith, the pro forma calculation shall be determined in good fai officer of the Company.

"*Consolidated EBITDA*" means, for any Person and for any period, the Consolidated Net Income of such Person for such period adjusted to net revenues in determining Consolidated Net Income), without duplication:

(1) the sum of:

(a) Consolidated Interest Expense;

(b) provisions for taxes based on income (to the extent of such Person’s proportionate interest therein);

(c) depreciation and amortization expense (to the extent of such Person’s proportionate interest therein);

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(d) any other noncash items reducing the Consolidated Net Income of such Person for such period (to the extent of such

(e) any dividends or distributions during such period to such Person or a Consolidated Subsidiary (to the extent of such such Person from any other Person which is not a Restricted Subsidiary of such Person or which is accounted for by accounting (other than a Non-Consolidated Restricted Entity), to the extent that:

1. such dividends or distributions are not included in the Consolidated Net Income of such Person for such peri

2. the sum of such dividends and distributions, plus the aggregate amount of dividends or distributions from suc have been included in Consolidated EBITDA pursuant to this clause (e), do not exceed the cumulative net inc the equity interests of the Person (or Restricted Subsidiary of the Person) whose Consolidated EBITDA is be

(f) any cash receipts of such Person or a Consolidated Subsidiary of such Person (to the extent of such Person's propor that represent items included in Consolidated Net Income of such Person for a prior period which were excluded fro for such prior period by virtue of clause (2) of this definition; and

(g) any nonrecurring expenses incurred in connection with the REIT Conversion,

minus:

(2) the sum of:

(a) all non-cash items increasing the Consolidated Net Income of such Person (to the extent of such Person's proportion

(b) any cash expenditures of such Person or a Consolidated Subsidiary of such Person (to the extent of such Person's pr period to the extent such cash expenditures (i) did not reduce the Consolidated Net Income of such Person or a Cons such period and (ii) were applied against reserves or accruals that constituted noncash items reducing the Consolida Consolidated Subsidiary of such Person (to the extent of such Person's proportionate interest therein) when reserved

all as determined on a consolidated basis for such Person and its Consolidated Subsidiaries (it being understood that the accounts of such P consolidated only to the extent of such Person's proportionate interest therein).

"*Consolidated Interest Expense*" of any Person means, for any period, the aggregate amount (without duplication and determined in each c

(1) interest expensed or capitalized, paid, accrued, or scheduled to be paid or accrued, as determined (including, in accordance w attributable to Capitalized Lease Obligations but excluding the amortization of fees or expenses incurred in order to consumm indenture or to establish the Credit Facility), of such Person and its Consolidated Subsidiaries during such period, including:

(a) original issue discount and noncash interest payments or accruals on any Indebtedness;

(b) the interest portion of all deferred payment obligations; and

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(c) all commissions, discounts and other fees and charges owed with respect to bankers' acceptances and letters of cred Hedging Obligations, in each case to the extent attributable to such period; and

(2) dividends accrued or payable by such Person or any of its Consolidated Subsidiaries in respect of Disqualified Stock (other t Person to such Person or, to the extent of such Person's proportionate interest therein, such Person's Restricted Subsidiaries)

provided, however, that any such interest, dividends or other payments or accruals (referenced in clauses (1) or (2)) of a Consolidated Subsi included only to the extent of the proportionate interest of the referent Person in such Consolidated Subsidiary.

For purposes of this definition:

(x) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by the Compa Capitalized Lease Obligation in accordance with GAAP; and

(y) interest expense attributable to any Indebtedness represented by the guaranty by such Person or a Restricted Subsidiary of su Person shall be deemed to be the interest expense attributable to the Indebtedness guaranteed.

"*Consolidated Net Income*" means, with respect to any Person for any period, the net income (or loss) of such Person and its Consolidated on a consolidated basis (it being understood that the net income of Consolidated Subsidiaries shall be consolidated with that of a Person on interest of such Person in such Consolidated Subsidiaries); *provided that:*

(1) net income (or loss) of any other Person which is not a Restricted Subsidiary of the Person, or that is accounted for by such s accounting (other than a Non-Consolidated Restricted Entity), shall be included only to the extent of the amount of dividend Person or a Restricted Subsidiary of such Person;

(2) the net income (or loss) of any other Person acquired by such specified Person or a Restricted Subsidiary of such Person in a period prior to the date of such acquisition shall be excluded;

(3) all gains and losses which are either extraordinary (as determined in accordance with GAAP) or are either unusual or nonrec other disposition of assets or from the issuance or sale of any Capital Stock) shall be excluded; and

(4) the net income, if positive, of any of such Person's Consolidated Subsidiaries other than Consolidated Subsidiaries that are n the declaration or payment of dividends or similar distributions is not at the time permitted by operation of the terms of its c instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Consolidated Subsidiary sha case of exclusions from Consolidated Net Income set forth in clauses (2), (3) and (4), such amounts shall be excluded only t net income (or loss) on a consolidated basis and without duplication.

"*Consolidated Subsidiary*" means, for any Person, each Restricted Subsidiary of such Person (including each Non-Consolidated Restricted

"*Conversion Date*" means December 29, 1998.

"*Credit Facility*" means the credit facility established pursuant to the Credit Agreement, dated as of September 10, 2004 among the Compa
thereto, the lenders party thereto and

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Deutsche Bank Trust Company Americas, as Administrative Agent, together with all other agreements, instruments and documents execute
connection therewith, in each case as such agreements, instruments or documents may be amended, supplemented, extended, renewed, repl
from time to time (including by way of adding Subsidiaries of the Company as additional borrowers or guarantors thereof), whether by the
of lenders (including by means of sales of debt securities to institutional investors) but excluding Indebtedness incurred under clause (l) of p
"Limitation on Incurrences of Indebtedness and Issuance of Disqualified Stock."

"*Currency Agreement*" means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means except as set forth below, with respect to any Person, Capital Stock of that Person that by its terms or otherwise

(1) required to be redeemed on or prior to the Stated Maturity of the notes for cash or property other than Qualified Capital Stoc

(2) redeemable for cash or property other than Qualified Capital Stock at the option of the holder of such class or series of Capita
Maturity of the notes; or

(3) convertible into or exchangeable mandatorily or at the option of the holder for Capital Stock referred to in clause (1) or (2) al
Restricted Subsidiary having a scheduled maturity prior to the Stated Maturity of the notes;

provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to re
such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the notes shall no
"asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock th
"Limitation on Asset Sales" and "Repurchase of Notes at the Option of Holders upon a Change of Control Triggering Event" covenants des
specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repu
repurchased pursuant to the "Limitation on Asset Sales" and "Repurchase of Notes at the Option of Holders upon a Change of Control Trig

With respect to Capital Stock of a Restricted Subsidiary only, the amount thereof issued to Persons (other than the Company or any of its R
Persons' Pro Rata Share of such Capital Stock shall be deemed to be Disqualified Stock for purposes of determining the amount of Disqual
Restricted Subsidiaries.

Notwithstanding anything to the contrary contained in this definition:

(a) the QUIPs are not Disqualified Stock;

(b) any Capital Stock issued by the Operating Partnership to HMC shall not be deemed to be Disqualified Stock solely by reason
Company to make a payment to it sufficient to enable HMC to satisfy its concurrent obligation with respect to Capital Stock
HMC would not constitute Disqualified Stock; and

(c) no Capital Stock shall be deemed to be Disqualified Stock as the result of the right of the holder thereof to request redemptio
Stock (or the Parent of such issuer) has the right to satisfy such redemption obligations by the issuance of Qualified Capital S

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"*E&P Distribution*" means:

(1) one or more distributions to the shareholders of Host and/or HMC of:

(a) shares of SLC; and

(b) cash, securities or other property, with a cumulative aggregate value equal to the amount estimated in good faith by necessary to assure that Host and HMC have distributed the accumulated earnings and profits (as referenced in Sect of the last day of the first taxable year for which HMC's election to be taxed as a REIT is effective; and

(2) the distributions from the Operating Partnership to:

(a) HMC necessary to enable HMC to make the distributions described in clause (1; and

(b) holders of Units (other than HMC) required as a result of or a condition to such distributions made pursuant to claus

"*Equity Offering*" means any public or private sale of (i) Qualified Capital Stock by the Company or (ii) Capital Stock by HMC where the contributed to the Company as a Capital Contribution substantially concurrently therewith, and in each case, other than public offerings reg

"*Excluded Person*" means, in the case of the Company, Host, HMC or any Wholly Owned Subsidiary of Host or HMC.

"*Exempted Affiliate Transaction*" means:

(1) employee compensation arrangements approved by a majority of independent (as to such transactions) members of the Boar

(2) payments of reasonable fees and expenses to the members of the Board;

(3) transactions solely between the Company and any of its Subsidiaries or solely among Subsidiaries of the Company;

(4) Permitted Tax Payments;

(5) Permitted Sharing Arrangements;

(6) Procurement Contracts;

(7) Operating Agreements;

(8) Restricted Payments permitted under the "Limitation on Restricted Payments" covenant; and

(9) any and all elements of the REIT Conversion.

"*Existing Senior Notes*" means amounts outstanding from time to time of:

(1) the 9 1/4% Senior Notes due 2007;
(2) the 9 1/2% Senior Notes due 2007;
(3) the 7 1/8% Senior Notes due 2013;
(4) the 7% Senior Notes due 2012;
(5) the 6 3/8% Senior Notes due 2015; and
(6) the 3.25% Exchangeable Senior Debentures due 2024.

in each case not in excess of amounts outstanding immediately following the Series Issue Date of the Series Q senior notes, less amounts re

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"*Fair market value*" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no cor
willing buyer under no compulsion to buy, as determined:

(1) in good faith by the Board of the Company or the applicable Subsidiary involved in such transaction; or

(2) by an appraisal or valuation firm of national or regional standing selected by the Company or such Subsidiary, with experien
properties or assets of the type for which fair market value is being determined.

"*Fifty Percent Venture*" means a Person:

(1) in which the Company owns (directly or indirectly) at least 50% of the aggregate economic interests;

(2) in which the Company or a Restricted Subsidiary participates in control as a general partner, a managing member or through

(3) which is not consolidated for financial reporting purposes with the Company under GAAP.

"*FF&E*" means furniture, fixtures and equipment, and other tangible personal property other than real property.

"*Foreign Subsidiary*" means any Restricted Subsidiary that is not organized under the laws of the United States of America or any State the
direct or indirect Subsidiary of such Restricted Subsidiary.

"*Funds From Operations*" for any period means the Consolidated Net Income of the Company and its Restricted Subsidiaries for such peri
restructurings and sales of property, plus depreciation of real estate assets and amortization related to real estate assets and other non-cash c
adjustments for unconsolidated partnerships and joint ventures plus minority interests, if applicable (it being understood that the accounts o
shall be consolidated only to the extent of such Person's proportionate interest therein).

"*GAAP*" means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including, with
opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements
Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profes

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly Guaranteeing any Indebtedness of any othe
generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (w
arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services (unless such purchase arrar
are entered into in the ordinary course of business), to take-or-pay, or to maintain financial statement conditions or otherw

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to p
thereof (in whole or in part);

provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "G corresponding meaning.

"*HMH Properties*" means HMH Properties, Inc., a Delaware corporation, which was merged into the Operating Partnership on December 1

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"*Host*" means, solely for purposes of this Description of Series Q Senior Notes, Host Marriott Corporation, a Delaware corporation and the Issue Date, and its successors and assigns. (Elsewhere in this prospectus references to "Host" are to Host Hotels & Resorts, Inc., a Marylan

"*HMC*" means Host Hotels & Resorts, Inc., a Maryland corporation and the successor by merger to Host, which is the sole general partner REIT Conversion, and its successors and assigns.

"*HMC Merger*" means the merger of Host with and into HMC, with HMC surviving the merger, which merger occurred on December 29,

"*Incur*" means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect t or become responsible for, the payment of, contingently or otherwise, such Indebtedness (including Acquired Indebtedness); provided that accretion of original issue discount shall be considered an Incurrence of Indebtedness.

"*Indebtedness*" of any Person means, without duplication:

(1) all liabilities and obligations, contingent or otherwise, of such Person:

(a) in respect of borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person

(b) evidenced by bonds, notes, debentures or similar instruments;

(c) representing the balance deferred and unpaid of the purchase price of any property or services, except those incurre would constitute ordinarily a trade payable to trade creditors;

(d) evidenced by bankers' acceptances;

(e) for the payment of money relating to a Capitalized Lease Obligation; or

(f) evidenced by a letter of credit or a reimbursement obligation of such Person with respect to any letter of credit;

(2) all net obligations of such Person under Interest Swap and Hedging Obligations; and

(3) all liabilities and obligations of others of the kind described in the preceding clause (1) or (2) that such Person has guarantee which are secured by any assets or property of such Person.

"*Interest Swap and Hedging Obligation*" means any obligation of any Person pursuant to any interest rate swaps, caps, collars and similar a fluctuations in interest rates. For purposes of the Indenture, the amount of such obligations shall be the amount determined in respect there ended fiscal quarter of such Person, based on the assumption that such obligation had terminated at the end of such fiscal quarter, and in ma agreement relating to such obligation provides for the netting of amounts payable by and to such Person thereunder or if any such agreeme of amounts by and to such Person, then in each such case, the amount of such obligations shall be the net amount so determined, plus any p

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"*Investment*" in any Person means any direct or indirect advance, loan or other extension of credit (including without limitation by way of C
excluding advances to customers in the ordinary course of business that are, in conformity with GAAP, recorded as accounts receivable on
Company and its Restricted Subsidiaries) or capital contribution to (by means of any transfer of cash or other property (tangible or intangib
or services solely for the account or use of others, or otherwise), or any purchase or acquisition of Capital Stock, bonds, notes, debentures o
Person and shall include the designation of a Restricted Subsidiary to be an Unrestricted Subsidiary or a Non-Consolidated Entity.

For purposes of the definition of "Unrestricted Subsidiary" and the "Limitation on Restricted Payments" covenant described below:

(1) "*Investment*" shall include the proportionate share of the Company and its Restricted Subsidiaries in the fair market value of liabilities to the Company or any of its Restricted Subsidiaries)) of any Restricted Subsidiary at the time such Restricted Subs Subsidiary or Non-Consolidated Entity;

(2) the proportionate share of the Company and its Restricted Subsidiaries in the fair market value of the assets (net of liabilities any of its Restricted Subsidiaries)) of any Unrestricted Subsidiary or Non-Consolidated Entity at the time that such Unrestric Entity is designated a Restricted Subsidiary shall be considered a reduction in outstanding Investments; and

(3) any property transferred to or from an Unrestricted Subsidiary or Non-Consolidated Entity shall be valued at its fair market v

"*Investment Grade*" means a rating of the notes by both S&P and Moody's, each such rating being in one of such agency's four highest ger
investment grade (i.e., currently BBB—(or the equivalent) or higher by S&P and Baa3 (or the equivalent) or higher by Moody's); provided
available; provided, further, that in the event Moody's or S&P is no longer in existence for purposes of determining whether the notes are ra
organization may be replaced by a nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) des
shall be given to the Trustee.

"*Issue Date*" means August 5, 1998.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien, privilege, hypothecation, other encumbrance or charge of any kin
conditional sale or other title retention agreement or lease in the nature thereof or any agreement to give any security interest) upon or with
owned or hereinafter acquired.

"*Limited Partner Note*" means an unsecured note of the Operating Partnership which a limited partner of a Public Partnership elected to rec
Mergers instead of or in exchange for Units.

"*Make-Whole Premium*" means, with respect to any note at any redemption date, the excess, if any, of (a) the present value of the sum of th
that would be payable on such note on June 1, 2011, as set forth under "Optional Redemption," and all remaining interest payments (not inc
interest accrued as of the redemption date) to and including June 1, 2011, discounted on a semi-annual bond equivalent basis from such mat
annum interest rate equal to the sum of the Treasury Yield (determined on the Business Day immediately preceding the date of such redemp
principal amount of the note being redeemed.

"*Marriott International*" means Marriott International, Inc., a Delaware corporation, and its successors and assigns.

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"*Merger*" means the merger of HMH Properties with and into the Operating Partnership, with the Operating Partnership as the surviving en
16, 1998.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Cash Proceeds*" means:

(1) with respect to any Asset Sale other than the sale of Capital Stock of a Restricted Subsidiary, the proceeds of such Asset Sale including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, form of cash or Cash Equivalents (except to the extent such obligations are financed or sold with recourse to the Company o proceeds from the conversion of other property received when converted to cash or Cash Equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banke

(b) provisions for all Taxes (including Taxes of HMC) actually paid or payable as a result of such Asset Sale by the Co taken as a whole;

(c) payments made to repay Indebtedness (other than Indebtedness subordinated in right of payment to the notes or a S obligations outstanding at the time of such Asset Sale that either (I) is secured by a Lien on the property or assets so of such sale;

(d) amounts reserved by the Company and its Restricted Subsidiaries against any liabilities associated with such Asset pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities und associated with such Asset Sale, all as determined on a consolidated basis in conformity with GAAP; and

(e) any Permitted REIT Distributions related to such Asset Sale;

(*provided, however*, that with respect to an Asset Sale by any Person other than the Company or a Wholly Owned Subsidiary, Net Cash Pro multiplied by the Company's (direct or indirect) percentage ownership interest in such Person); and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Cash Equiv deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when receive (except to the extent such obligations are financed or sold with recourse to the Company or any of its Restricted Subsidiaries other property received when converted to cash or Cash Equivalents, net of attorney's fees, accountant's fees, underwriters' commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of tax paid o however, that with respect to an issuance or sale by any Person other than the Company or a Wholly Owned Subsidiary, Net multiplied by the Company's (direct or indirect) percentage ownership interest in such Person).

"*Net Investments*" means, with respect to any referenced category or group of Investments:

(1) the aggregate amount of such Investments made by the Company and its Restricted Subsidiaries (to the extent of the Compar
Restricted Subsidiaries) on or subsequent to the Issue Date;

minus:

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(2) the aggregate amount of any dividends, distributions, sales proceeds or other amounts received by the Company and its Restr Company's proportionate interest in such Restricted Subsidiaries) in respect of such Investments on or subsequent to the Issu

and, in the event that any such Investments are made, or amounts are received, in property other than cash, such amounts shall be the fair m

"*Non-Conforming Assets*" means various assets (principally comprising partnership or other interests in hotels which are not leased, certain Subsidiaries own interests, and certain FF&E relating to hotels owned by the Operating Partnership and its Subsidiaries) which assets, if ow jeopardize HMC's status as a REIT.

"*Non-Consolidated Entity*" means a Non-Controlled Entity or a Fifty Percent Venture which is neither a Non-Consolidated Restricted Entit

"*Non-Consolidated Restricted Entity*" means a Non-Controlled Entity or a Fifty Percent Venture which has been designated by the Compar Restricted Subsidiary and which designation has not been revoked (by notice to the Trustee). Revocation of a previous designation of a Non Venture as a Non-Consolidated Restricted Entity shall be deemed to be a designation of such entity to be a Non-Consolidated Entity.

"*Non-Controlled Entity*" means a taxable corporation in which the Operating Partnership owns (directly or indirectly) 90% or more of the e of the Voting Stock and whose assets consist primarily of Non-Conforming Assets.

"*Offering*" means the offering of the notes for sale by the Company.

"*Officer's Certificate*" means a certificate signed on behalf of the Company or Subsidiary Guarantor, as applicable, by an officer of the Con applicable, who must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of th Guarantor, as applicable.

"*Old Notes*" means the approximately $35 million aggregate principal amount of four series of Indebtedness of Host outstanding on the Issu

"*Operating Agreements*" means the asset or property management agreements, franchise agreements, lease agreements and other similar ag Subsidiary Guarantor or any of their respective Restricted Subsidiaries, on the one hand, and Marriott International, SLC or another entity e experience with the operation of such similar properties, on the other, relating to the operation of the real estate properties owned by the Co of their respective Restricted Subsidiaries, provided that the management of the Company determines in good faith that such arrangements Restricted Subsidiary.

"*Operating Partnership*" means Host Hotels & Resorts, L.P., a Delaware limited partnership.

"*Parent*" of any Person means a corporation which at the date of determination owns, directly or indirectly, a majority of the Voting Stock Person.

"*Partnership Mergers*" means the merger of one of more Subsidiaries of the Operating Partnership into one or more of the Public Partnersh

"*Paying Agent*" means, until otherwise designated, the Trustee.

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"*Permitted Investment*" means any of the following:

(1) an Investment in Cash Equivalents;

(2) Investments in a Person substantially all of whose assets are of a type generally used in a Related Business (an "*Acquired Pe*

(a) the Acquired Person immediately thereupon is or becomes a Restricted Subsidiary of the Company; or

(b) the Acquired Person immediately thereupon either (I) is merged or consolidated with or into the Company or any of surviving Person is the Company or a Restricted Subsidiary of the Company or (II) transfers or conveys all or subst into, the Company or any of its Restricted Subsidiaries;

(3) an Investment in a Person, provided that:

(a) such Person is principally engaged in a Related Business;

(b) the Company or one or more of its Restricted Subsidiaries participates in the management of such Person, as a gene governing board or otherwise; and

(c) any such Investment shall not be a Permitted Investment if, after giving effect thereto, the aggregate amount of Net on this clause (3) subsequent to the Issue Date would exceed 10% of Total Assets;

(4) Permitted Sharing Arrangement Payments;

(5) securities received in connection with an Asset Sale so long as such Asset Sale complied with the Indenture including the co only to the extent the fair market value of such securities and all other non-cash and non-Cash Equivalent consideration recei paragraph of the "Limitation on Asset Sales" covenant);

(6) Investments in the Company or in Restricted Subsidiaries of the Company;

(7) Permitted Mortgage Investments;

(8) any Investments constituting part of the REIT Conversion; and

(9) any Investments in a Non-Consolidated Entity, provided that (after giving effect to such Investment) the total assets (before d Consolidated Entities attributable to the Company's proportionate ownership interest therein, plus an amount equal to the Ne reliance upon clause (3) above, does not exceed 20% of the total assets (before depreciation and amortization) of the Compar the extent of the Company's proportionate ownership interest therein).

"Permitted Lien" means any of the following:

(1) Liens imposed by governmental authorities for taxes, assessments or other charges where nonpayment thereof is not subject t good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the Comp

(2) statutory liens of carriers, warehousemen, mechanics, materialmen, landlords, repairmen or other like Liens arising by operat business, provided that:

(a) the underlying obligations are not overdue for a period of more than 30 days; and

(b) such Liens are being contested in good faith and by appropriate proceedings and adequate reserves with respect ther Company in accordance with GAAP;

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(3) Liens securing the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and other obligations of a like nature incurred in the ordinary course of business;

(4) easements, rights-of-way, zoning, similar restrictions and other similar encumbrances or title defects which, singly or in the a detract from the value of the property, subject thereto (as such property is used by the Company or any of its Restricted Subs conduct of the business of the Company or any of its Restricted Subsidiaries;

(5) Liens arising by operation of law in connection with judgments, only to the extent, for an amount and for a period not resulti thereto;

(6) pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insur legislation; and

(7) Liens securing on an equal and ratable basis the notes and any other Indebtedness.

"Permitted Mortgage Investment" means an Investment in Indebtedness secured by real estate assets or Capital Stock of Persons (other tha Subsidiaries) owning such real estate assets provided that:

(1) the Company is able to consolidate the operations of the real estate assets in its GAAP financial statements;

(2) such real estate assets are owned by a partnership, LLC or other entity which is controlled by the Company or a Restricted Su member or through similar means; or

(3) the aggregate amount of such Permitted Mortgage Investments (excluding those referenced in clauses (1) and (2) above), det was made, does not exceed 10% of Total Assets after giving effect to such Investment.

"Permitted REIT Distributions" means, so long as HMC believes in good faith after reasonable diligence that HMC qualifies as REIT unde any dividend or the making of any distribution:

(1) to HMC equal to the greater of:

(A) the amount estimated by HMC in good faith after reasonable diligence to be necessary to permit HMC to distribute calendar year (whether made during such year or after the end thereof) 100% of the "real estate investment trust tax of Code Section 857(b)(2), determined without regard to deductions for dividends paid and the exclusions set forth and (F) but including therein all net capital gains and net recognized built-in gains within the meaning of Treasury I such gains might otherwise be excluded or excludable therefrom); or

(B) the amount that is estimated by HMC in good faith after reasonable diligence to be necessary either to maintain HM any calendar year or to enable HMC to avoid the payment of any tax for any calendar year that could be avoided by shareholders, with such distributions to be made as and when determined by HMC, whether during or after the end in either the case of (A) or (B) if:

(a) the aggregate principal amount of all outstanding Indebtedness (other than the QUIPs Debt) of the Company and its
basis at such time is less than 80% of Adjusted Total Assets of the Company; and

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(b) no Default or Event of Default shall have occurred and be continuing; and

(2) to any Person in respect of any Units, which distribution is required as a result of or a condition to the distribution or paymen HMC.

"Permitted REIT Payments" means, without duplication, payments to HMC and its Subsidiaries that hold only Qualified Assets in an amou HMC and such Subsidiaries to pay all of their operating expenses and other general corporate expenses and liabilities (including any reason

"Permitted Sharing Arrangements" means any contracts, agreements or other arrangements between the Company and/or one or more of it Company and/or one or more Subsidiaries of such Parent, pursuant to which such Persons share centralized services, establish joint payroll jointly or otherwise make payments with respect to goods or services on a joint basis, or allocate corporate expenses (other than taxes based Permitted Sharing Arrangements are, in the determination of management of the Company, the Subsidiary Guarantors, or their Restricted S Company, the Subsidiary Guarantors, or their Restricted Subsidiaries and (ii) the liabilities of the Company, the Subsidiary Guarantors and Permitted Sharing Arrangements are determined in good faith and on a reasonable basis).

"Permitted Sharing Arrangements Payment" means payments under Permitted Sharing Arrangements.

"Permitted Tax Payments" means payment of any liability of the Company, Host, HMC or any of their respective Subsidiaries for Taxes.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, u or any agency or political subdivision thereof.

"Preferred Stock" means, with respect to any Person, any and all shares, interests, participation or other equivalents (however designated, v a preference on liquidation or with respect to distributions over any other class of Capital Stock, including preferred partnership interests, w Person's preferred or preference stock, whether outstanding on the Closing Date or issued thereafter, including, without limitation, all series preference stock.

"Private Partnership" means a partnership (other than a Public Partnership) or limited liability company that owns one or more full service Conversion, was partially but not Wholly Owned by Host or one of its Subsidiaries.

"Private Partnership Acquisition" means the acquisition by the Operating Partnership or a Restricted Subsidiary thereof from unaffiliated p partnership interests in such Private Partnerships in exchange for Units or the assets of such Private Partnerships by merger or conveyance i

"Procurement Contracts" means contracts for the procurement of goods and services entered into in the ordinary course of business and co

"Pro Rata Share" means "PRS" where:

PRS equals CR divided by TC multiplied by OPTC

where:

CR equals the redemption value of such Capital Stock in the issuing Restricted Subsidiary held in the aggregate by the Company an

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TC equals the total contribution to the equity of the issuing Restricted Subsidiary made by the Company and its Restricted Subsidiar

OPTC equals the total contribution to the equity of the issuing Restricted Subsidiary made by other Persons.

"Public Partnerships" mean, collectively:

(1) Atlanta Marriott Marquis II Limited Partnership, a Delaware limited partnership (with which HMC Atlanta Merger Limited

(2) Desert Springs Marriott Limited Partnership, a Delaware limited partnership (with which HMC Desert Merger Limited Partn

(3) Hanover Marriott Limited Partnership, a Delaware limited partnership (with which HMC Hanover Merger Limited Partnersh

(4) Marriott Diversified American Hotels, L.P., a Delaware limited partnership (with which HMC Diversified Merger Limited P

(5) Marriott Hotel Properties Limited Partnership, a Delaware limited partnership (with which HMC Properties I Merger Limite

(6) Marriott Hotel Properties II Limited Partnership, a Delaware limited partnership (with which HMC Properties II Merger Lim

(7) Mutual Benefit Chicago Marriott Suite Hotel Partners, L.P., a Rhode Island limited partnership (with which HMC Chicago M

(8) Potomac Hotel Limited Partnership, a Delaware limited partnership (with which HMC Potomac Merger Limited Partnership

(9) Marriott Suites Limited Partnership, a Delaware limited partnership (with which MS Merger Limited Partnership was merge

or, as the context may require, any such entity together with its Subsidiaries, or any of such Subsidiaries.

"Qualified Assets" means:

(1) Capital Stock of the Company or any of its Subsidiaries or of other Subsidiaries of Host, HMC and each other Parent of the C
assets are direct or indirect interests in Capital Stock of the Company; and

(2) other assets related to corporate operations of Host, HMC and each other Parent of the Company which are de minimus in re
other Parent of the Company and their Restricted Subsidiaries, taken as a whole.

"*Qualified Capital Stock*" means any Capital Stock of the Company that is not Disqualified Stock and, when used in the definition of "Disq
Stock of a Restricted Subsidiary, HMC or any Parent of the Company that is not Disqualified Stock.

"Qualified Exchange" means:

(1) any legal defeasance, redemption, retirement, repurchase or other acquisition of then outstanding Capital Stock or Indebtedn
Issue Date with the Net Cash Proceeds received by the Company from the substantially concurrent sale of Qualified Capital S

(2) any exchange of Qualified Capital Stock for any then outstanding Capital Stock or Indebtedness issued on or after the Issue D

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"*QUIPS*" means the 6 3/4% Convertible Preferred Securities issued by Host Marriott Financial Trust, a statutory business trust.

"*QUIPs Debt*" means the $567 million aggregate principal amount of 6 3/4% convertible subordinated debentures due 2026 of Host, held by
business trust.

"*Rating Agencies*" means (i) S&P and (ii) Moody's or (iii) if S&P or Moody's or both shall not make a rating of all of the notes publicly av
rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody's or both, as the case

"*Rating Category*" means currently:

(1) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories);

(2) with respect to Moody's, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories); and

(3) the equivalent of any such category of S&P or Moody's used in another Rating Agency.

In determining whether the rating of the notes has decreased by one or more gradations, gradations within Rating Categories (currently + ar
the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from BB+
constitute a decrease of one gradation).

"*Rating Date*" means the date which is 90 days prior to the earlier of:

(1) a Change of Control; and

(2) the first public notice of the occurrence of a Change of Control or of the intention by the Company to effect a Change of Cor

"Rating Decline" means the occurrence, on or within 90 days after the earliest to occur of:

(1) a Change of Control; and

(2) the date of the first public notice of the occurrence of a Change of Control or of the intention by any Person to effect a Chang
extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by any of the R

(a) in the event the notes are rated by either Moody's or S&P on the Rating Date as Investment Grade, a decrease in the
Rating Agencies to a rating that is below Investment Grade; or

(b) in the event the notes are rated below Investment Grade by both Rating Agencies on the Rating Date, a decrease in t
Agency by one or more gradations (including gradations with Rating Categories as well as between Rating Categori

"Real Estate Assets" means real property and all FF&E associated or used in connection therewith.

"Reference Period" with regard to any Person means the four full fiscal quarters ended immediately preceding any date upon which any de
terms of the securities or the indenture.

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"Refinancing Indebtedness" means Indebtedness or Disqualified Stock:

(1) issued in exchange for, or the proceeds from the issuance and sale of which are used substantially concurrently to repay, rede
or otherwise retire for value, in whole or in part; or

(2) constituting an amendment, modification or supplement to, or a deferral or renewal of ((1) and (2) above are, collectively, a "
Disqualified Stock in a principal amount (or accreted value, if applicable) or, in the case of Disqualified Stock, liquidation pr

(a) the principal amount (or accreted value, if applicable) or, in the case of Disqualified Stock, liquidation preference, o
so refinanced; plus

(b) all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therew

provided that Refinancing Indebtedness (other than a revolving line of credit from a commercial lender or other Indebtedness whose procee
credit from a commercial lender to the extent such revolving line of credit or other Indebtedness was not put in place for purposes of evadin
definition) shall:

(x) not have an Average Life shorter than the Indebtedness or Disqualified Stock to be so refinanced at the time of such

(y) be subordinated in right of payment to the rights of holders of the notes if the Indebtedness or Disqualified Stock to

"REIT Conversion" means the various transactions which were carried out in connection with Host's conversion to a REIT, as generally de
including without limitation:

(1) the contribution to the Operating Partnership and its Subsidiaries of substantially all of the assets (excluding the assets of SL

(2) the assumption by the Operating Partnership and/or its Subsidiaries of substantially all of the liabilities of Host and its other S
limitation, the QUIPs Debt and the Old Notes);

(3) the Partnership Mergers;

(4) the Private Partnership Acquisitions;

(5) the issuance of Limited Partner Notes in connection with the foregoing;

(6) the Blackstone Acquisition;

(7) the contribution, prior to or substantially concurrent with the Conversion Date, to Non-Controlled Entities of Non-Conformin

(8) the leases to SLC or Subsidiaries of SLC of the hotels owned by the Operating Partnership and its Subsidiaries;

(9) the HMC Merger;

(10) the E&P Distribution; and

(11) such other related transactions and steps, occurring prior to or substantially concurrent with or within a reasonable time after reasonably necessary to complete the above transactions or otherwise to permit HMC to elect to be treated as a REIT for Fed

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"Related Business" means the businesses conducted (or proposed to be conducted) by the Company and its Restricted Subsidiaries as of th
that in the good faith judgment of the Board of the Company are materially related businesses or real estate related businesses. Without lim
Related Business shall include the ownership and operation of lodging properties.

"Restricted Investment" means, in one or a series of related transactions, any Investment, other than a Permitted Investment.

"Restricted Payment" means, with respect to any Person (but without duplication):

(1) the declaration or payment of any dividend or other distribution in respect of Capital Stock of such Person or the Parent or ar

(2) any payment on account of the purchase, redemption or other acquisition or retirement for value of Capital Stock of such Per
Subsidiary of such Person;

(3) other than with the proceeds from the substantially concurrent sale of, or in exchange for, Refinancing Indebtedness, any pur
retirement for value of, any payment in respect of any amendment of the terms of or any defeasance of, any Subordinated Inc
Person or the Parent or a Restricted Subsidiary of such Person prior to the scheduled maturity, any scheduled repayment of p
payment, as the case may be, of such Indebtedness;

(4) any Restricted Investment by such Person; and

(5) the payment to any Affiliate (other than the Company or its Restricted Subsidiaries) in respect of taxes owed by any consolic
Subsidiary of such Person and such Affiliate are members;

provided, however, that the term "Restricted Payment" does not include:

(a) any dividend, distribution or other payment on or with respect to Capital Stock of the Company to the extent payabl
Stock;

(b) any dividend, distribution or other payment to the Company, or to any of the Subsidiary Guarantors, by the Compar

(c) Permitted Tax Payments;

(d) the declaration or payment of dividends or other distributions by any Restricted Subsidiary of the Company, provid
Company (or a Subsidiary of the Company, as applicable) on a pro rata basis (and in like form) with all dividends a

(e) the retirement of Units upon conversion of such Units to Capital Stock of HMC;

(f) any transactions comprising part of the REIT Conversion;

(g) any payments with respect to Disqualified Stock or Indebtedness at the stated time and amounts pursuant to the orig such obligations;

(h) Permitted REIT Payments;

(i) payments in accordance with the existing terms of the QUIPS; and

(j) the declaration or payment of dividends or other distributions by any Restricted Subsidiary of the Company that qua million in any calendar year by all such Restricted Subsidiaries.

and *provided*, *further*, that any payments of bona fide obligations of the Company or any Restricted Subsidiary shall not be deemed to be R fact of another Person's co-obligation with respect thereto.

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"Restricted Subsidiary" means any Subsidiary of the Company other than (i) an Unrestricted Subsidiary or (ii) a Non-Consolidated Entity.

"S-4 Registration Statement" means the registration statement of the Operating Partnership on Form S-4, filed with the Commission on Jur

"Secured Indebtedness" means any Indebtedness or Disqualified Stock secured by a Lien (other than Permitted Liens) upon the property of or any of their respective Restricted Subsidiaries.

"Series Issue Date" means with respect to any series of Indebtedness issued under the Indenture, the date any notes of such series are first i

"Significant Subsidiary" means any Subsidiary which is a "significant subsidiary" of the Company within the meaning of Rule 1-02(w) of Commission as in effect as of the Issue Date.

"SLC" means HMC Senior Communities, Inc., a Delaware corporation, and its successor Crestline Capital Corporation, a Maryland corpor

"S&P" means Standard & Poor's Ratings Services and its successors.

"Stated Maturity" means:

(1) with respect to any debt security, the date specified in such debt security as the fixed date on which the final installment of pr payable and

(2) with respect to any scheduled installment of principal of or interest on any debt security, the date specified in such debt secur installment is due and payable.

"Subordinated Indebtedness" means Indebtedness of the Company or a Subsidiary Guarantor that is expressly subordinated in right of payr Guarantee thereof, as applicable.

"Subsidiary" means, with respect to any Person:

(1) any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting such Person, by such Person and one or more Subsidiaries of such Person or by one or more Subsidiaries of such Person, or t consolidated with those of such Person in its consolidated financial statements in accordance with GAAP, if such statements

(2) any partnership:

(a) in which such Person or one or more Subsidiaries of such Person is, at the time, a general partner and owns alone or the partnership interest; or

(b) in which such Person or one or more Subsidiaries of such Person is, at the time, a general partner and which is contr sufficient to permit its financial statements to be consolidated with the financial statements of such Person in confor statements of which are so consolidated;

(3) any Non-Controlled Entity; and

(4) any Fifty Percent Venture.

"Subsidiary Guarantee" means a Guarantee by each Subsidiary Guarantor for payment of principal, premium and interest on the notes by s Subsidiary Guarantee will be a senior obligation of the Subsidiary Guarantor and will be full and unconditional regardless of the enforceabi

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"Subsidiary Guarantors" means:

(1) the current Subsidiary Guarantors identified in the following sentence; and

(2) any Future Subsidiary Guarantors that become Subsidiary Guarantors pursuant to the terms of the indenture;

but in each case excluding any Persons whose guarantees have been released pursuant to the terms of the indenture.

The current Subsidiary Guarantors are:

(1) Airport Hotels LLC
(2) Host of Boston, Ltd.
(3) Host of Houston, Ltd
(4) Host of Houston 1979
(5) HMC Retirement Properties, L.P.
(6) HMH Marina LLC
(7) HMC Atlanta LLC
(8) HMC BCR Holdings LLC
(9) HMC Burlingame LLC
(10) HMC Capital LLC
(11) HMC Capital Resources LLC
(12) HMC Park Ridge LLC
(13) Host Park Ridge LLC
(14) HMC Suites LLC
(15) HMC Suites Limited Partnership
(16) PRM LLC
(17) Wellsford-Park Ridge HMC Hotel Limited Partnership
(18) YBG Associates LLC
(19) HMC Chicago LLC
(20) HMC Desert LLC
(21) HMC Palm Desert LLC
(22) HMC Diversified LLC
(23) HMC East Side LLC
(24) East Side Hotel Associates, L.P.
(25) HMC East Side II LLC
(26) HMC Gateway LLC
(27) HMC Grand LLC
(28) HMC Hanover LLC
(29) HMC Hartford LLC
(30) HMC Hotel Development LLC

(31) HMC HPP LLC
(32) HMC IHP Holdings LLC
(33) HMC Manhattan Beach LLC
(34) HMC Market Street LLC
(35) New Market Street LP
(36) HMC Georgia LLC
(37) HMC Mexpark LLC
(38) HMC Polanco LLC
(39) HMC NGL LLC
(40) HMC OLS I L.P.
(41) HMC OP BN LLC

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(42) HMC Pacific Gateway LLC
(43) HMC PLP LLC
(44) Chesapeake Hotel Limited Partnership
(45) HMC Potomac LLC
(46) HMC Properties I LLC
(47) HMC Properties II LLC
(48) HMC SBM Two LLC
(49) HMC Seattle LLC
(50) HMC SFO LLC
(51) HMC Swiss Holdings LLC
(52) HMH General Partner Holdings LLC
(53) HMH Norfolk LLC
(54) HMH Norfolk, L.P.
(55) HMH Pentagon LLC
(56) HMH Restaurants LLC
(57) HMH Rivers LLC
(58) HMH Rivers, L.P.
(59) HMH WTC LLC
(60) Host La Jolla LLC
(61) City Center Hotel Limited Partnership
(62) Times Square LLC
(63) Ivy Street LLC
(64) Market Street Host LLC
(65) Philadelphia Airport Hotel LLC
(66) PM Financial LLC
(67) PM Financial LP
(68) HMC Property Leasing LLC
(69) HMC Host Restaurants LLC
(70) Santa Clara HMC LLC
(71) S.D. Hotels LLC
(72) Times Square GP LLC
(73) Durbin LLC
(74) HMC HT LLC
(75) HMC JWDC LLC
(76) HMC OLS I LLC
(77) HMC OLS II L.P.
(78) HMC/Interstate Manhattan Beach, L.P.
(79) Ameliatel
(80) HMC Amelia I LLC
(81) HMC Amelia II LLC
(82) Rockledge Hotel LLC

(83) Fernwood Hotel LLC
(84) HMC Copley LLC
(85) HMC Headhouse Funding LLC
(86) Ivy Street Hopewell LLC
(87) HMC Diversified American Hotels, L.P.
(88) Potomac Hotel Limited Partnership
(89) HMC AP GP LLC
(90) HMC AP LP
(91) HMC AP Canada Company
(92) HMC Toronto Airport GP LLC
(93) HMC Toronto Airport LP

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(94) HMC Toronto EC GP LLC
(95) HMC Toronto EC LP
(96) HMC Charlotte GP LLC
(97) HMC Charlotte LP
(989) HMC Charlotte (Calgary) Company
(99) Calgary Charlotte Partnership
(100) Calgary Charlotte Holdings Company
(101) HMC Grace (Calgary) Company
(102) HMC Maui LLC
(103) HMC Kea Lani LLC
(104) HMC Chicago Lakefront LLC
(105) HMC Lenox LLC
(106) HMC O'Hare Suites Ground LLC
(107) HMC Toronto Air Company
(108) HMC Toronto EC Company
(109) Host Realty Partnership, L.P.
(110) Host Houston Briar Oaks, LP
(111) Cincinnati Plaza LLC
(112) Host Cincinnati II LLC
(113) Host Cincinnati Hotel LLC
(114) Host Financing LLC
(115) Host Fourth Avenue LLC
(116) Host Indianapolis I LLC
(117) Host Los Angeles LLC
(118) Host Mission Hills, L.L.C.
(119) Host Mission Hills II LLC
(120) Host Mission Hills Hotel LLC
(121) Host Needham LLC
(122) Host Needham II LLC
(123) Host Needham Hotel LLC
(124) Host Realty LLC
(125) Host Realty Company LLC
(126) Host Realty Hotel LLC
(127) Host Tucson LLC
(128) Host Waltham LLC
(129) Host Waltham II LLC
(130) Host Waltham Hotel LLC
(131) HST LT LLC
(132) HST I LLC
(133) Mission Hills TPP LLC
(134) Needham TPP LLC

(135) South Coast Host Hotel LLC
(136) Starlex LLC
(137) Tampa TPP LLC
(138) Tucson TPP LLC

"Subsidiary Indebtedness" means, without duplication, all Unsecured Indebtedness (including Guarantees (other than Guarantees by Restri Indebtedness)) of which a Restricted Subsidiary other than a Subsidiary Guarantor is the obligor. A release of the Guarantee of a Subsidiary Subsidiary shall be deemed to be an Incurrence of Subsidiary Indebtedness in amount equal to the Company's proportionate interest in the Subsidiary Guarantor.

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"Tax" or *"Taxes"* means all Federal, state, local, and foreign taxes, and other assessments of a similar nature (whether imposed directly or
interest, additions to tax, or penalties applicable thereto, imposed by any domestic or foreign governmental authority responsible for the adı

"Total Assets" means the sum of:

(1) Undepreciated Real Estate Assets; and

(2) all other assets (excluding intangibles) of the Company, the Subsidiary Guarantors, and their respective Restricted Subsidiari being understood that the accounts of Restricted Subsidiaries shall be consolidated with those of the Company only to the ex interest therein).

"Total Unencumbered Assets" as of any date means the sum of:

(1) Undepreciated Real Estate Assets not securing any portion of Secured Indebtedness; and

(2) all other assets (but excluding intangibles and minority interests in Persons who are obligors with respect to outstanding secu Guarantors and their respective Restricted Subsidiaries not securing any portion of Secured Indebtedness, determined on a co the accounts of Restricted Subsidiaries shall be consolidated with those of the Company only to the extent of the Company's

"Transaction Date" means, with the respect to the Incurrence of any Indebtedness or issuance of Disqualified Stock by the Company or an
such Indebtedness is to be Incurred or such Disqualified Stock is to be issued and, with respect to any Restricted Payment, the date such Re

"Treasury Yield" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as co
recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the date fixe
Release is no longer published, any publicly available source of similar data)) most nearly equal to the then remaining average life of the no
notes is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury yielc
(calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields a
the notes is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity

"Undepreciated Real Estate Assets" means, as of any date, the cost (being the original cost to the Company, the Subsidiary Guarantors or a
Subsidiaries plus capital improvements) of real estate assets of the Company, the Subsidiary Guarantors and their respective Restricted Sub
and amortization of such real estate assets, determined on a consolidated basis (it being understood that the accounts of Restricted Subsidiar
Company only to the extent of the Company's proportionate interest therein).

"Units" means the limited partnership units of the Operating Partnership.

"Unrestricted Subsidiary" means any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subs
the manner provided below. The Board of the Company may designate any Subsidiary (including any newly acquired or newly formed Sub
Unrestricted Subsidiary, unless such Subsidiary owns any Capital Stock of the Company, the

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Subsidiary Guarantors or any of their respective Restricted Subsidiaries (other than the designated Subsidiary and any other Subsidiary con
Unrestricted Subsidiary); *provided* that:

(1) any Guarantee by the Company, the Subsidiary Guarantors or any of their respective Restricted Subsidiaries (other than the c
Subsidiary concurrently being designated as an Unrestricted Subsidiary) of any Indebtedness of the Subsidiary being so desig
such Indebtedness and an "Investment" by the Company, the Subsidiary Guarantors or such Restricted Subsidiaries at the tin

(2) either:

(a) the Subsidiary to be so designated has total assets of $1,000 or less; or

(b) if such Subsidiary has assets greater than $1,000, such designation would not be prohibited under the "Limitation or
described below; and

(3) if applicable, the Incurrence of Indebtedness and the Investment referred to in clause (1) of this proviso would be permitted u
Indebtedness and Issuances of Disqualified Stock" and "Limitation on Restricted Payments" covenants.

The Board of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that:

(1) no Default or Event of Default shall have occurred and be continuing at the time of or after giving effect to such designation;

(2) all Liens, Indebtedness and Disqualified Stock of such Unrestricted Subsidiary outstanding immediately after such designatio
such time, have been permitted to be Incurred, granted or issued and shall be deemed to have been Incurred, granted or issue

Any such designation by the Board of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the Boa
designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Unsecured Indebtedness*" means any Indebtedness or Disqualified Stock of the Company, the Subsidiary Guarantors or any of their respec
Secured Indebtedness.

"*Voting Stock*" means with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of d
members of the governing body of such Person.

"*Wholly Owned*" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsid
shares or Investments by individuals mandated by applicable law) by such Person and/or one or more Wholly Owned Subsidiaries of such P

Covenants

The following covenants apply to the Series Q senior notes being offered pursuant to this prospectus:

Repurchase of Notes at the Option of the Holder Upon a Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, each holder of notes will have the right to require us to repurchase all or any multiple thereof) of such holder's notes pursuant to the unconditional, irrevocable offer to purchase described below (the "*Change of Contr* 101% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase (the "*Change of Control P* 45 Business Days after the occurrence of such Change of Control Triggering Event (the "*Change of Control Payment Date*").

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On or before the Change of Control Payment Date, we will:

(1) accept for payment notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent cash sufficient to pay the Change of Control Payment (together with accrued and unpaid inter

(3) deliver to the trustee notes so accepted together with an Officer's Certificate listing the aggregate principal amount of the no us.

The Paying Agent will promptly mail to the holders of notes so accepted payment in an amount equal to the Change of Control Payment, a and mail or deliver (or cause to be transferred by book entry) to such holders a new note equal in principal amount to any unpurchased port each such new note will be in a principal amount of $1,000 or an integral multiple thereof. Any notes not so accepted will be promptly mai thereof. We will publicly announce the results of the Change of Control Offer on or as soon as practicable after the consummation thereof.

The provisions of the indenture relating to a Change of Control Triggering Event may not afford the holders protection in the event of a hig restructuring, merger, spin-off or similar transaction that may adversely affect holders, if such transaction does not constitute a Change of C addition, we may not have sufficient financial resources available to fulfill our obligation to repurchase the notes upon a Change of Control

Any Change of Control Offer will be made in compliance with all applicable laws, rules and regulations, including, if applicable, Regulatio of 1934, as amended, and the rules thereunder and all other applicable Federal and state securities laws.

Limitation on Incurrences of Indebtedness and Issuance of Disqualified Stock

(1) Except as set forth below, we will not and neither the Subsidiary Guarantors nor any of our or their respective Restricted Sub any Indebtedness (including Acquired Indebtedness) or issue any Disqualified Stock. Notwithstanding the foregoing sentenc issuance, after giving effect to, on a pro forma basis, such Incurrence or issuance and the receipt and application of the proce

(a) the aggregate amount of all outstanding Indebtedness (other than the QUIPs Debt) and our Disqualified Stock and t Guarantors and our and their respective Restricted Subsidiaries (including amounts of Refinancing Indebtedness ou hereof or otherwise), determined on a consolidated basis (it being understood that the amounts of Indebtedness and Subsidiaries shall be consolidated with ours only to the extent of our proportionate interest in such Restricted Subsi or equal to 65% of our Adjusted Total Assets; and

(b) our Consolidated Coverage Ratio would be greater than or equal to 2.0 to 1.0, we and our Restricted Subsidiaries m Disqualified Stock.

(2) In addition to the foregoing limitations set forth in (1) above, except as set forth below, we, the Subsidiary Guarantors and ou not Incur any Secured Indebtedness or Subsidiary Indebtedness. Notwithstanding the foregoing sentence, if, immediately afte additional Secured Indebtedness and/or Subsidiary Indebtedness and the application of the proceeds thereof, the aggregate ar Indebtedness and Subsidiary Indebtedness and all outstanding Secured Indebtedness and Subsidiary Indebtedness of the Subs respective Restricted Subsidiaries

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(including amounts of Refinancing Indebtedness outstanding pursuant to paragraph (4)(c) hereof or otherwise), determined or
that the amounts of Secured Indebtedness and Subsidiary Indebtedness of Restricted Subsidiaries shall be consolidated with o
interest in such Restricted Subsidiaries), without duplication, is less than or equal to 45% of our Adjusted Total Assets, we an
such Secured Indebtedness and/or Subsidiary Indebtedness.

(3) In addition to the limitations set forth in (1) and (2) above, we, the Subsidiary Guarantors and our and their respective Restric
Total Unencumbered Assets of not less than 125% of the aggregate outstanding amount of the Unsecured Indebtedness (othe
amounts of Refinancing Indebtedness outstanding pursuant to paragraph (4)(c) hereof or otherwise) determined on a consolid
Unsecured Indebtedness of the Restricted Subsidiaries shall be consolidated with ours only to the extent of our proportionate

(4) Notwithstanding paragraphs (1) or (2), we, the Subsidiary Guarantors and our and their respective Restricted Subsidiaries (ex
issue each and all of the following:

(a) Indebtedness outstanding (including Indebtedness issued to replace, refinance or refund such Indebtedness) under th
aggregate principal amount, together with all Indebtedness Incurred pursuant to clause (l) and (n) of this paragraph (
amount repaid subsequent to the Series Issue Date as provided under the "Limitation on Asset Sales" covenant (incl
similar arrangement, such commitment is permanently reduced by such amount);

(b) Indebtedness or Disqualified Stock owed:

a) to us; or

b) to any Subsidiary Guarantor; provided that any event which results in any Restricted Subsidiary holding such
ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Disqualified Stock (
Guarantor) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness or issuance of Dis
clause (b);

(c) Refinancing Indebtedness with respect to outstanding Indebtedness (other than Indebtedness Incurred under clause (
paragraph) and any refinancings thereof;

(d) Indebtedness:

(i) in respect of performance, surety or appeal bonds Incurred in the ordinary course of business;

(ii) under Currency Agreements and Interest Swap and Hedging Obligations; provided that such agreements:

(A) are designed solely to protect us, the Subsidiary Guarantors or any of our or their Restricted S
currency exchange rates or interest rates; and

(B) do not increase the Indebtedness of the obligor outstanding, at any time other than as a result c
exchange rates or interest rates or by reason of fees, indemnities and compensation payable th

(iii) arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, c
surety bonds or performance bonds securing any of our obligations or any obligations of the Subsidiary Gua
Subsidiaries pursuant to such agreements, in any case Incurred in connection with the disposition of any bus
(other than

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Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restr
financing such acquisition), in an amount not to exceed the gross proceeds actually received by us, the Subsidiar
Restricted Subsidiaries on a consolidated basis in connection with such disposition;

(e) our Indebtedness, to the extent the net proceeds thereof are promptly:

(i) used to purchase all of the notes tendered in a Change of Control Offer made as a result of a Change of Cont

(ii) deposited to defease the notes as described below under "Legal Defeasance and Covenant Defeasance";

(f) Guarantees of the notes and Guarantees of our Indebtedness or Indebtedness of any of the Subsidiary Guarantors by
Subsidiaries; provided the guarantee of such Indebtedness is permitted by and made in accordance with the terms of
incurrence of such underlying Indebtedness or at the time such guarantor becomes a Restricted Subsidiary;

(g) Indebtedness evidenced by the notes and the Guarantees thereof and represented by the indenture up to the amounts
Date;

(h) the QUIPs Debt;

(i) Limited Partner Notes; and

(j) Indebtedness Incurred pursuant to the Blackstone Acquisition and any Indebtedness of Host, its Subsidiaries, a Publ
incurred in connection with the REIT Conversion;

(k) Acquired Indebtedness assumed in connection with an Asset Acquisition if, on the date of any such Incurrence, the
Person or asset or assets so acquired would be greater than or equal to 2.0 to 1.0; *provided however*, that an acquisit
the definition of "Asset Acquisition," will be deemed to be an acquisition of a Person for purposes of determining s

(l) Secured Indebtedness in an aggregate principal amount (or accreted value, if applicable) at any time outstanding, no
however, that (i) the Incurrence of such Secured Indebtedness is otherwise permitted pursuant to paragraph (2) abov
Indebtedness are used substantially concurrently to repay and permanently reduce Indebtedness outstanding under t
case of a revolver or similar arrangement, such commitment is permanently reduced by such amount); *provided furt*
in reliance on this clause (l), together with all Indebtedness Incurred pursuant to clause (a) and (n) of this paragraph
aggregate principal amount (or accreted value, if applicable), of $1.5 billion, less any amount repaid subsequent to t
"Limitation on Asset Sales" covenant (including that, in the case of a revolver or similar arrangement, such commit
amount);

(m) Indebtedness Incurred by Foreign Subsidiaries in an aggregate principal amount (or accreted value, as applicable) at
million; and

(n) additional Indebtedness in an aggregate principal amount (or accreted value, if applicable) at any time outstanding, *however*, that Indebtedness Incurred in reliance on this clause (n), together with all Indebtedness Incurred pursuant not at any time exceed an aggregate principal amount (or accreted value, if applicable), of $1.5 billion, less any amo Date as provided under the "Limitation on Asset Sales" covenant (including that, in the case of a revolver or similar permanently reduced by such amount).

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(5) For purposes of determining any particular amount of Indebtedness under this covenant:

(a) Indebtedness Incurred under the Credit Facility on or prior to the Issue Date shall be treated as Incurred pursuant to
covenant; and

(b) Guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the c
shall not be included as additional Indebtedness.

(6) For purposes of determining compliance with this covenant:

(a) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of
clauses, the Company, in its sole discretion, shall classify such item of Indebtedness (or any portion thereof) at the t
required to include the amount and type of such Indebtedness in one of the above clauses.

(b) the Company will be entitled at the time of Incurrence to divide and classify an item of Indebtedness in more than o
above, and with respect to any Indebtedness Incurred pursuant to any specific clause under paragraph (4) above, the
Incurred reclassify all or a portion of such Indebtedness under a different clause of paragraph (4); and

(c) Indebtedness under clauses (n) and (m) of paragraph (4) of this covenant shall be reclassified automatically as havir
of this covenant if at any date after such Indebtedness is Incurred, such Indebtedness could have been Incurred unde
the extent such Indebtedness could have been so Incurred.

Indebtedness or Disqualified Stock of any Person that is not our Restricted Subsidiary, which Indebtedness or Disqualified Stock is outstan
Restricted Subsidiary (including by designation) or is merged with or into or consolidated with us or one of our Restricted Subsidiaries, sha
issued at the time such Person becomes our Restricted Subsidiary or is merged with or into or consolidated with us, or one of our Restricted
Disqualified Stock which is assumed at the time of the acquisition of any asset shall be deemed to have been Incurred or issued at the time o

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness the Company and the Subsidiary Guarantors n
not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

Limitation on Liens

Neither we, the Subsidiary Guarantors, nor any Restricted Subsidiary shall secure any Indebtedness under the Credit Facility or the Existing
any Lien on their respective properties or assets securing Indebtedness under the Credit Facility or the Existing Senior Notes unless effectiv
equally and ratably with the Lien securing such Indebtedness for so long as Indebtedness under the Credit Facility or Existing Senior Notes

Limitation on Restricted Payments

We will not and the Subsidiary Guarantors will not, and neither we nor the Subsidiary Guarantors will permit any of our or their respective
indirectly, make a Restricted Payment if, at the time of, and after giving effect to, the proposed Restricted Payment:

(1) a Default or Event of Default shall have occurred and be continuing;

(2) we could not Incur at least $1.00 of Indebtedness under paragraph (1) of the “Limitation on Incurrences of Indebtedness and or

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(3) the aggregate amount of all Restricted Payments (the amount, if other than in cash, the fair market value of any property used
Date shall exceed the sum of, without duplication:

(a) 95% of the aggregate amount of the Funds From Operations (or, if the Funds From Operations is a loss, minus 100%
cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter i
on the last day of the last fiscal quarter preceding the Transaction Date;

(b) 100% of the aggregate Net Cash Proceeds received by us after the Issue Date from the issuance and sale permitted b
than Disqualified Stock) to a Person who is not our Subsidiary including from an issuance to a Person who is not ou
other rights to acquire our Capital Stock (in each case, exclusive of any Disqualified Stock or any options, warrants
option of the holder, or are required to be redeemed, prior to the Stated Maturity of the notes or Equity Offerings to
compliance with the provisions set forth under the caption "Optional Redemption"), and the amount of any of our In
subordinate in right of payment to the notes) that was issued and sold for cash upon the conversion of such Indebted
Stock (other than Disqualified Stock), or otherwise received as Capital Contributions, exclusive of Capital Contribu
compliance with the provisions set forth under the caption "Optional Redemption";

(c) an amount equal to the net reduction in Investments (other than Permitted Investments) in any Person other than a R
resulting from payments of interest on Indebtedness, dividends, repayments of loans or advances, or other transfers
Restricted Subsidiaries or from the Net Cash Proceeds from the sale of any such Investment (except, in each case, to
are included in the calculation of Funds From Operations) or from designations of Unrestricted Subsidiaries or Non
Subsidiaries (valued in each case as provided in the definition of "Investments");

(d) the fair market value of noncash tangible assets or Capital Stock (other than ours or that of the our Parent) represent
Issue Date in exchange for an issuance of Qualified Capital Stock; and

(e) the fair market value of noncash tangible assets or Capital Stock (other than ours or that of our Parent) representing
Capital Contribution to us after the Issue Date.

Notwithstanding the foregoing, (A) for purposes of determining whether we, the Subsidiary Guarantors and our and their respective Restric
Payment representing the declaration or payment of any dividend or other distribution in respect of Capital Stock of such Person or the Pare
Person constituting Preferred Stock, our Consolidated Coverage Ratio contemplated by clause (b) of paragraph (1) of the "Limitations on In
Disqualified Stock" covenant, shall be greater than or equal to 1.7 to 1 and (B) we may make Permitted REIT Distributions.

We estimate that as of March 24, 2006, the sum of the amounts referenced in clauses (a) through (e) above was approximately $4.8 billion.

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Limitation on Dividend and Other Payment Restrictions Affecting Subsidiary Guarantors

Neither we nor the Subsidiary Guarantors will create or otherwise cause or suffer to exist or become effective any consensual encumbrance
any Subsidiary Guarantor to:

(1) pay dividends or make any other distributions permitted by applicable law on any Capital Stock of such Subsidiary Guaranto
Subsidiaries;

(2) pay any Indebtedness owed to us or any Subsidiary Guarantor;

(3) make loans or advances to us or any Subsidiary Guarantor; or

(4) transfer its property or assets to us or any Subsidiary Guarantor.

The foregoing provisions shall not prohibit any encumbrances or restrictions:

(1) imposed under the indenture as in existence immediately following the Issue Date or under the Credit Facility, and any exten
replacements of such agreements; *provided* that the encumbrances and restrictions in any such extensions, refinancings, rene
in any material respect to the holders than those encumbrances or restrictions that are then in effect and that are being extend

(2) imposed under any applicable documents or instruments pertaining to any Secured Indebtedness (and relating solely to asset
proceeds from or generated by such assets);

(3) existing under or by reason of applicable law;

(4) existing with respect to any Person or the property or assets of such Person acquired by us or any Restricted Subsidiary, exis
incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or ass
or the property or assets of such Person so acquired;

(5) in the case of clause (4) of the first paragraph of this covenant, (a) that restrict in a customary manner the subletting, assignm
that is a lease, license, conveyance or contract or similar property or asset, (b) existing by virtue of any transfer of, agreemen
to, or Lien on, any of our property or assets or any property or assets of any Restricted Subsidiary not otherwise prohibited b
in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract f
the value of property or assets of any Restricted Subsidiary in any manner material to us and our Restricted Subsidiaries, tak

(6) with respect solely to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or
the Capital Stock of, or property and assets of, such Restricted Subsidiary;

(7) contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was issued if (a) the encur
event of a payment default or a default with respect to a financial covenant contained in such Indebtedness or agreement, (b)
materially more disadvantageous to the holders of the notes than is customary in comparable financings (as determined by us
encumbrance or restriction will not materially affect our ability to make principal or interest payments on the notes; or

(8) in connection with and pursuant to permitted refinancings thereof, replacements of restrictions imposed pursuant to clause (4
restrictive than those being replaced and do not apply to any other Person or assets other than those that would have been cov
Indebtedness so refinanced.

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Nothing contained in this covenant shall prevent us, the Subsidiary Guarantors or any of our or their respective Restricted Subsidiaries from

(a) creating, incurring, assuming or suffering to exist any Permitted Liens or Liens not prohibited by the "Limitation on Liens" c

(b) restricting the sale or other disposition of our property or assets or property or assets of any of our Restricted Subsidiaries tha of or any of our Restricted Subsidiaries in accordance with the terms of such Indebtedness or any related security document.

Limitation on Transactions with Affiliates

Neither we, the Subsidiary Guarantors, nor any of our or their respective Restricted Subsidiaries will be permitted to, directly or indirectly, transaction or series of transactions (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the renderi Affiliates or any Affiliate of any of our Restricted Subsidiaries ("*Affiliate Transactions*"), other than Exempted Affiliate Transactions, exce favorable to us, the Subsidiary Guarantor or such Restricted Subsidiary than could be obtained, at the time of such transaction or, if such tra agreement, at the time of the execution of the agreement providing therefor, in a comparable arm's length transaction with a Person that is r

The foregoing limitation does not limit, and shall not apply to:

(1) transactions approved by a majority of our Board;

(2) the payment of reasonable and customary fees and expenses to members of our Board who are not our employees;

(3) any Restricted Payments not prohibited by the "Limitation on Restricted Payments" covenant or any payments specifically e Payments; and

(4) Permitted REIT Payments.

Notwithstanding the foregoing, any Affiliate Transaction or series of related Affiliate Transactions, other than Exempted Affiliate Transact related transactions specified in any of clauses (2) through (4) of the preceding paragraph:

(a) with an aggregate value in excess of $10 million must first be approved pursuant to a Board Resolution by a majority of our matter of the transaction; and

(b) with an aggregate value in excess of $25 million, will require us to obtain a favorable written opinion from an independent fi to the fairness from a financial point of view of such transaction to us, such Subsidiary Guarantor or such Restricted Subsidi transaction or related real estate transactions with an aggregate value in excess of $25 million but not in excess of $50 millio from an independent, qualified real estate appraiser that the consideration received in connection with such transaction is fai Restricted Subsidiary.

Limitation on Asset Sales

We will not and the Subsidiary Guarantors will not, and neither we nor the Subsidiary Guarantors will permit any of our or their respective
any Asset Sale, unless:

(1) the consideration received by us, the Subsidiary Guarantor or such Restricted Subsidiary is at least equal to the fair market va
determined by our Board, in good faith; and

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(2) at least 75% of the consideration received consists of cash, Cash Equivalents and/or real estate assets; *provided* that, with res properties, up to 75% of the consideration may consist of indebtedness of the purchaser of such real estate properties so long priority Lien on the real estate property or properties sold; and *provided* that, for purposes of this clause (2) the amount of:

(a) any Indebtedness (other than Indebtedness subordinated in right of payment to the notes or a Subsidiary Guarantee) (and is either repaid or assumed by the transferee of the related assets) by virtue of such Asset Sale and which is sec sold; and

(b) any securities or other obligations received by us, any Subsidiary Guarantor or any such Restricted Subsidiary from converted by us, the Subsidiary Guarantor or such Restricted Subsidiary into cash (or as to which we, any Subsidiar has received at or prior to the consummation of the Asset Sale a commitment (which may be subject to customary c investment, merchant or commercial bank to convert into cash within 90 days of the consummation of such Asset S converted into cash within such 90-day period) will be deemed to be cash.

In the event that the aggregate Net Cash Proceeds received by us, any Subsidiary Guarantors or such Restricted Subsidiaries from one or m Closing Date in any period of 12 consecutive months (such 12 consecutive month period, an "*Asset Sale Period*") exceed 1% of Total Asse commencement of such Asset Sale Period for which a consolidated balance sheet of the Company and its Restricted Subsidiaries has been f Commission or provided to the trustee pursuant to the "Reports" covenant), then during the period commencing 180 days prior to the comm running through the date that is 12 months after the date Net Cash Proceeds so received exceeded 1% of Total Assets, an amount equal to t such Asset Sale Period must have been or must be:

(1) invested in or committed to be invested in, pursuant to a binding commitment subject only to reasonable, customary closing to the Net Cash Proceeds are, in fact, so invested, within an additional 180 days:

(a) fixed assets and property (other than notes, bonds, obligations and securities) which in the good faith reasonable ju constitute or be part of our Related Business or a Related Business of the Subsidiary Guarantor or such Restricted S Restricted Subsidiary) immediately following such transaction;

(b) Permitted Mortgage Investments; or

(c) a controlling interest in the Capital Stock of an entity engaged in a Related Business; *provided* that concurrently wit this subsection, such entity becomes a Restricted Subsidiary; or

(2) used to repay and permanently reduce Indebtedness outstanding under the Credit Facility (including that, in the case of a rev commitment is permanently reduced by such amount).

Pending the application of any such Net Cash Proceeds as described above, we may invest such Net Cash Proceeds in any manner that is no Cash Proceeds from Asset Sales that are not or were not applied or invested as provided in the first sentence of this paragraph (including an committed to be invested as provided in such sentence but which are not in fact invested within the time period provided) will be deemed t

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Within 30 days following each date on which the aggregate amount of Excess Proceeds exceeds $25 million, we will make an offer to purc
holders of any of our other Indebtedness ranking pari passu with the notes from time to time outstanding with similar provisions requiring u
such Indebtedness with the proceeds from such Asset Sale, on a pro rata basis, an aggregate principal amount (or accreted value, as applica
equal to the Excess Proceeds on such date, at a purchase price in cash equal to 100% of the principal amount (or accreted value, as applicab
Indebtedness, plus, in each case, accrued interest (if any) to the Payment Date. To the extent that the aggregate amount of notes and other s
Asset Sale Offer is less than the Excess Proceeds, we may use any remaining Excess Proceeds for general corporate purposes. If the aggreg
applicable) of notes and such other Indebtedness tendered pursuant to an Asset Sale Offer exceeds the amount of Excess Proceeds, the note
Indebtedness shall be selected on a *pro rata* basis. Upon completion of such Offer to Purchase, the amount of Excess Proceeds shall be rese

Notwithstanding, and without complying with, any of the foregoing provisions:

(1) we, the Subsidiary Guarantors and our and their respective Restricted Subsidiaries may, in the ordinary course of business, c
otherwise dispose of inventory acquired and held for resale in the ordinary course of business;

(2) we, the Subsidiary Guarantors and our and their respective Restricted Subsidiaries may convey, sell, lease, transfer, assign o
and in accordance with the “Consolidation, Merger and Sale of Assets” and “Limitation on Merger of Subsidiary Guarantors
covenants in the indenture;

(3) we, the Subsidiary Guarantors and our and their respective Restricted Subsidiaries may sell or dispose of damaged, worn out
course of business so long as such property is no longer necessary for the proper conduct of our business or the business of t
Subsidiary, as applicable; and

(4) we, the Subsidiary Guarantors and our and their respective Restricted Subsidiaries may exchange assets held by us, the Subs
Subsidiary for one or more real estate properties and/or one or more Related Businesses of any Person or entity owning one o
more Related Businesses; *provided* that our Board has determined in good faith that the fair market value of the assets recei
fair market value of the assets exchanged by us.

No transaction listed in clauses (1) through (4) inclusive shall be deemed to be an “Asset Sale.”

Limitation on Merger of Subsidiary Guarantors and Release of Subsidiary Guarantors

No Subsidiary Guarantor shall consolidate or merge with or into (whether or not such Subsidiary Guarantor is the surviving Person) anothe
another Subsidiary Guarantor), unless:

(1) subject to the provisions of the following paragraph, the Person formed by or surviving any such consolidation or merger (if
assumes all the obligations of such Subsidiary Guarantor pursuant to a supplemental indenture in form reasonably satisfacto
Person shall unconditionally and fully guarantee, on a senior basis, all of such Subsidiary Guarantor’s obligations under suc
the indenture on the terms set forth in the indenture; and

(2) immediately before and immediately after giving effect to such transaction on a pro forma basis, no Default or Event of Def

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Notwithstanding the foregoing, the Guarantee of the notes by a Subsidiary Guarantor shall be automatically released upon:

(a) The sale or other disposition of Capital Stock of such Subsidiary Guarantor if, as a result of such sale or disposition, such Su
Subsidiary;

(b) the consolidation or merger of any such Subsidiary Guarantor with any Person other than us or any of our Subsidiaries if, as
such Subsidiary Guarantor ceases to be our Subsidiary;

(c) a Legal Defeasance or Covenant Defeasance; or

(d) the unconditional and complete release of such Subsidiary Guarantor from its Guarantee of all Guaranteed Indebtedness.

Limitation on Status as Investment Company

The indenture prohibits us and our Restricted Subsidiaries from being required to register as an "investment company" (as that term is defin
1940, as amended).

Covenants upon Attainment and Maintenance of an Investment Grade Rating

The covenants "—Limitation on Incurrences of Indebtedness and Issuance of Disqualified Stock," "—Limitation on Liens," "—Limitation
on Dividend and other Payment Restrictions Affecting Subsidiary Guarantors," "—Limitation on Transactions with Affiliates" and "—Lim
applicable in the event, and only for so long as, the Series Q senior notes are rated Investment Grade.

Notwithstanding the foregoing, in the event that one or both of the Rating Agencies withdraws its ratings or downgrades the ratings assigne
required Investment Grade, the foregoing covenants will be reinstated as of and from the date of such withdrawal or ratings downgrade. Ca
on Restricted Payments" covenant will be made as if the "Limitations on Restricted Payments" covenant had been in effect since the Issue
Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be n
will ever achieve an Investment Grade rating or that any such rating will be maintained.

Reports

Whether or not we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, we shall deliver to the trustee and t
would have been required to file such with the Commission, annual and quarterly financial statements substantially equivalent to financial s
in reports filed with the Commission if we were subject to the requirements of Section 13 or 15(d) of the Exchange Act, including, with res
thereon by our certified independent public accountants, as such would be required in such reports to the Commission, and, in each case, to
and analysis of financial condition and results of operations which would be so required. Whether or not required by the rules and regulatio
of all such information and reports with the Commission for public availability and will make such information available to securities analy
request.

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Events of Default

An Event of Default with respect to the Series Q senior notes is defined as:

(1) our failure to pay any installment of interest on the notes of that series as and when the same becomes due and payable and t
days;

(2) our failure to pay all or any part of the principal of, or premium, if any, on, the notes of that series when and as the same bec
redemption, by acceleration or otherwise;

(3) our failure or the failure by any Subsidiary Guarantor to observe or perform any other covenant or agreement contained in th
Indenture with respect to that series of senior notes and, subject to certain exceptions, the continuance of such failure for a pe
given to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the senior n

(4) certain events of bankruptcy, insolvency or reorganization in respect of the Company or any of its Significant Subsidiaries;

(5) a default in (a) our Secured Indebtedness or the Secured Indebtedness of any of our Restricted Subsidiaries with an aggregat
Total Assets, or (b) our other Indebtedness or other Indebtedness of any of our Restricted Subsidiaries with an aggregate prin
either case, (A) resulting from the failure to pay principal or interest when due (after giving effect to any applicable extensio
result of which the maturity of such Indebtedness has been accelerated prior to its final Stated Maturity;

(6) final unsatisfied judgments not covered by insurance aggregating in excess of 0.5% of Total Assets, at any one time rendere
Subsidiaries and not stayed, bonded or discharged within 60 days; and

(7) any other Event of Default with respect to note of that series, which is specified in a Board Resolution, a supplemental inden
accordance with the indenture.

The Indenture provides that if a Default occurs and is continuing, the trustee must, within 90 days after the occurrence of such default, give
default; *provided* that the trustee may withhold from holders of the senior notes notice of any continuing Default or Event of Default (excep
to the payment of principal or interest on the senior notes of that series) if it determines that withholding notice is in their interest.

If an Event of Default with respect to the senior notes of any series occurs and is continuing (other than an Event of Default specified in cla
the trustee or the holders of 25% in aggregate principal amount of the senior notes of that series then outstanding, by notice in writing to us
"*Acceleration Notice*"), may declare all principal, determined as set forth below, and accrued interest thereon to be due and payable immed
clause (4) above relating to us occurs, all principal and accrued interest thereon will be immediately due and payable on all outstanding sen
declaration or other act on the part of trustee or the holders. The holders of a majority in aggregate principal amount of senior notes of any s
such acceleration if all existing Events of Default with respect to the senior notes of such series, other than the non-payment of the principa
senior notes of that series which have become due solely by such acceleration, have been cured or waived. Subject to certain limitations, ho
the then outstanding senior notes of a series may direct the trustee in its exercise of any trust or power with respect to such series.

The holders of a majority in aggregate principal amount of the senior notes of a series at the time outstanding may waive on behalf of all the series, except a default with respect to any provision requiring supermajority approval to amend, which default may only be waived by such

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supermajority with respect to such series, and except a default in the payment of principal of or interest on any senior note of that series not
covenant or provision which cannot be modified or amended without the consent of the holder of each outstanding senior note of that series

Subject to the provisions of the Indenture relating to the duties of the trustee, the trustee will be under no obligation to exercise any of its ri
request, order or direction of any of the holders, unless such holders have offered to the trustee reasonable security or indemnity. Subject to
applicable law, the holders of a majority in aggregate principal amount of the senior notes of any series at the time outstanding will have th
place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee, with r

Consolidation, Merger and Sale of Assets

We will not merge with or into, or sell, convey, or transfer, or otherwise dispose of all or substantially of our property and assets (as an enti
transaction or a series of related transactions) to any Person or permit any Person to merge with or into us, unless:

(1) either we shall be the continuing Person or the Person (if other than us) formed by such consolidation or into which we are m
assets of ours shall be an entity organized and validly existing under the laws of the United States of America or any state or
assume, by a supplemental indenture, executed and delivered to the trustee, all of our obligations, on the notes and under the

(2) immediately after giving effect, on a pro forma basis, to such transaction, no Default or Event of Default shall have occurred

(3) we will have delivered to the trustee an Officer's Certificate and an Opinion of Counsel, in each case stating that such consol
supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such tra

Upon any consolidation or merger or any transfer of all or substantially all of our assets, in accordance with the foregoing, the successor Pe
which we are merged or to which such transfer is made, shall succeed to, be substituted for, and may exercise every one of our rights and p
effect as if such successor Person had been named therein as the Company and we shall be released from the obligations under the Series Q

Legal Defeasance and Covenant Defeasance

We may, at our option, elect to have our obligations and the obligations of the Subsidiary Guarantors discharged with respect to the outstan
Defeasance"). Such Legal Defeasance means that we shall be deemed to have paid and discharged the entire indebtedness represented, and
effect as to all outstanding senior notes of such series and Guarantees thereof, except as to:

(1) rights of holders to receive payments in respect of the principal of, premium, if any, and interest on such senior notes when s
funds;

(2) our obligations with respect to such senior notes concerning issuing temporary senior notes, registration of senior notes, muti
notes, and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trust, duties, and immunities of the trustee, and our and the Subsidiary Guarantors' obligations in connecti

(4) the Legal Defeasance provisions of the Indenture.

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In addition, we may, at our option and at any time, elect, with respect to any series of senior notes, to have our obligations and the obligatio
with respect to certain covenants that are described in the Indenture ("*Covenant Defeasance*") and thereafter any failure to comply with suc
or Event of Default with respect to the senior notes of such series. In the event Covenant Defeasance occurs, certain events (not including n
rehabilitation and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the s

In order to exercise either Legal Defeasance or Covenant Defeasance, with respect to any series of senior notes:

(1) we must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the senior notes of such series, U.S. leg securities or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of in principal of, premium, if any, and interest on such senior notes on the stated date for payment thereof or on the redemption d principal of, premium, if any, or interest on such senior notes;

(2) in the case of the Legal Defeasance, we shall have delivered to the trustee an opinion of counsel in the United States reasonal (A) we have received from, or there has been published by the Internal Revenue Service, a ruling or (B) since the date of the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm t not recognize income, gain or loss for Federal income tax purposes as a result of such Legal Defeasance and will be subject t amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, we shall have delivered to the trustee an opinion of counsel in the United States reasona that the holders of such senior notes will not recognize income, gain or loss for Federal income tax purposes as a result of su subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if occurred;

(4) no Default or Event of Default shall have occurred with respect to such series and be continuing on the date of such deposit o bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under the In or instrument to which we or any of our Restricted Subsidiaries is a party or by which we or any of our Restricted Subsidiari

(6) we shall have delivered to the trustee an Officer's Certificate stating that the deposit was not made by us with the intent of pr over any of our other creditors or with the intent of defeating, hindering, delaying or defrauding any of our other creditors or

(7) we shall have delivered to the trustee an Officer's Certificate stating that the conditions precedent provided for have been co

Amendments, Supplements and Waivers

The Indenture contains provisions permitting us, the Subsidiary Guarantors and the trustee to enter into a supplemental indenture for certai
the holders. Subject to certain limited exceptions, modifications and amendments of the Indenture or any supplemental indenture with respe
us, the Subsidiary Guarantors and the trustee with the consent of the holders of not less than a majority in aggregate principal amount of the
(except that any amendments or supplements to the provisions relating to security interests or with respect to the Guarantees

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of the Subsidiary Guarantors shall require the consent of the holders of not less than 66 2/3% of the aggregate principal amount of the senio
outstanding); *provided* that no such modification or amendment may, without the consent of each holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any senior note;

(2) reduce the principal amount of, or premium, if any, or interest on, any senior note;

(3) change the place of payment of principal of, or premium, if any, or interest on, any senior note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redem any senior note;

(5) reduce the above-stated percentages of outstanding senior notes the consent of whose holders is necessary to modify or amen

(6) waive a default in the payment of principal of, premium, if any, or interest on the senior notes (except a rescission of accelera waiver of the payment default that resulted from such acceleration);

(7) alter the provisions relating to the redemption of the senior notes at our option;

(8) reduce the percentage or aggregate principal amount of outstanding senior notes the consent of whose holders is necessary fo provisions of the Indenture or for waiver of certain defaults; or

(9) make the senior notes subordinate in right of payment to any other Indebtedness.

No Personal Liability of Partners, Stockholders, Officers, Directors

No recourse for the payment of the principal of, premium, if any, or interest on any of the Series Q senior notes or for any claim based there recourse under or upon any obligation, covenant or agreement of the Company, or the Subsidiary Guarantors in the Indenture, or in any of t creation of any Indebtedness represented thereby, shall be had against any incorporator, partner, stockholder, officer, director, employee or Subsidiary Guarantors or of any successor Person thereof. Each holder, by accepting the Series Q senior notes, waives and releases all such

Concerning the Trustee

The Indenture provides that, except during the continuance of a Default, the trustee will not be liable, except for the performance of such du Indenture. If an Event of Default has occurred and is continuing, the trustee will use the same degree of care and skill in its exercise of the r Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture and provisions of the Trust Indenture Act of 1939, as amended, incorporated by reference therein, contain limitations on the creditor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as securit engage in other transactions; provided that if it acquires any conflicting interest, it must eliminate such conflict or resign.

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Exchange Offer; Registration Rights

We have filed a registration statement to comply with our obligations under the registration rights agreement to register the issuance of the
Offer."

In the event that (1) any law or applicable interpretations of the staff of the Commission does not permit us to effect the exchange offer or (
offer is not consummated within 260 calendar days after the initial issuance date of the Series P senior notes, we and the subsidiary guarant
promptly as reasonably practicable file a shelf registration statement covering resales of the Series P senior notes, (b) use their reasonable b
statement to be declared effective under the Securities Act and (c) use their reasonable best efforts to keep effective the shelf registration st
the issue date or such shorter period ending when all Series P senior notes covered by the shelf registration statement have been sold in the
the shelf registration statement or when the Series P senior notes become eligible for resale pursuant to Rule 144 under the Securities Act w
will, in the event of the filing of the shelf registration statement, provide to each holder of the Series P senior notes copies of the prospectus
statement, notify each such holder when the shelf registration statement has become effective and take certain other actions as are required
P senior notes. A holder of Series P senior notes that sells its Series P senior notes pursuant to the shelf registration statement generally will
security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions u
such sales and will be bound by the provisions of the registration rights agreement that are applicable to such a holder (including certain inc
thereunder). In addition, each holder of the Series P senior notes will be required to deliver information to be used in connection with the sh
comments on the shelf registration statement within the time periods set forth in the registration rights agreement in order to have their Seri
registration statement and to benefit from the provisions regarding any increase in interest applicable to the Series P senior notes set forth in

Although we have filed a registration statement with respect to the exchange of the Series P senior notes for Series Q senior notes, and we i
statement described above, to the extent required, there can be no assurance that such registration statements will be filed, or, if filed, that th
the registration statements described above is filed on or before the date specified for such filing, (b) neither of such registration statements
on or prior to the date specified for such effectiveness, (c) an exchange offer registration statement becomes effective, but we and the subsi
exchange offer within 260 days of the initial issuance date for the Series P senior notes, or (d) the shelf registration statement is declared ef
or usable in connection with resales of Series P senior notes during the period specified in the registration rights agreement (each such even
above a "*Registration Default*"), then we and the subsidiary guarantors will pay liquidated damages to each holder of Series P senior notes,
immediately following the occurrence of such Registration Default in an amount equal to $.05 per week per $1,000 principal amount of Ser
Upon a Registration Default, liquidated damages will accrue at the rate specified above until such Registration Default is cured and the amo
increase by an additional $.05 per week per $1,000 principal amount of Series P senior notes with respect to each subsequent 90-day period
cured, up to a maximum amount of liquidated damages of $.30 per week per $1,000 principal amount of Series P senior notes (regardless o
Registration Default is outstanding). All accrued liquidated damages will be paid by us and the subsidiary guarantors on each interest paym
immediately available funds or by mailing checks to their registered addresses if no such accounts have been specified.

Notwithstanding the foregoing, we may issue a notice that the shelf registration statement is unusable pending the announcement of a mater
any notice suspending use of the

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shelf registration statement required under applicable securities laws to be issued and, in the event that the aggregate number of days in any
which all such notices are issued and effective does not exceed 30 days in the aggregate, then the liquidated damages payable with respect t
incurred as described above.

The summary herein of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is quali
the registration rights agreement, a copy of which will be made available from us upon request.

Book-Entry; Delivery; Form and Transfer

The Series Q senior notes initially will be in the form of one or more registered global notes without interest coupons. Upon issuance, the g
trustee, as custodian for DTC in New York, New York, and registered in the name of DTC or its nominee for credit to the accounts of DTC
participants (each as defined in the following section "*Depository Procedures*").

Transfer of beneficial interests in any global notes will be subject to the applicable rules and procedures of DTC and its direct participants c
from time to time.

The global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee in c
interests in the global notes may be exchanged for notes in certificated form in certain limited circumstances. See "Transfer of Interests in G

Initially, the trustee will act as paying agent and registrar. The notes may be presented for registration of transfer and exchange at the office

Depository Procedures

DTC has advised us that DTC is a limited-purpose trust company created to hold securities for its participating organizations, called the "di
clearance and settlement of transactions in those securities between direct participants through electronic book-entry changes in accounts of
include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to DTC's syste
clear through or maintain a direct or indirect custodial relationship with a direct participant, called the "Indirect Participants". DTC may ho
persons only through the direct participants or indirect participants and such other person's ownership interest and transfer of ownership int
of the direct participant and/or indirect participant and not on the records maintained by DTC.

DTC has also advised us that, pursuant to DTC's procedures, (1) upon issuance of the Global Notes, DTC will credit the accounts of the di
principal amount of the global notes, and (2) DTC will maintain records of the ownership interests of such direct participants in the global n
interests by and between direct participants, DTC will not maintain records of the ownership interests of, or the transfer of ownership intere
other owners of beneficial interests in the global notes. Direct participants and indirect participants must maintain their own records of the c
ownership interests by and between, indirect participants and other owners of beneficial interests in the global notes.

Investors in the global notes may hold their interests therein directly through DTC if they are direct participants in DTC or indirectly throug
in DTC. All ownership interests in any global notes may be subject to the procedures and requirements of DTC.

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The laws of some states in the United States require that certain persons take physical delivery in definitive, certificated form, of securities the ability to transfer beneficial interests in a global note to such persons. Because DTC can act only on behalf of direct participants, which participants and others, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that otherwise take actions in respect of such interests, may be affected by the lack of physical certificates evidencing such interests. For certain the notes, see "—Transfers of Interests in Global Notes for Certificated Notes."

Except as described in "—Transfers of Interests in Global Notes for Certificated Notes" owners of beneficial interests in the global their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or hold purpose.

Under the terms of the Indenture, we, the subsidiary guarantors and the trustee will treat the persons in whose names the Series Q senior no senior notes represented by global notes) as the owners thereof for the purpose of receiving payments and for any and all other purposes wh principal, premium, liquidated damages, if any, and interest on global notes registered in the name of DTC or its nominee will be payable b registered holder under the Indenture. Consequently, none of us, the subsidiary guarantors or the trustee or any agent of ours, the subsidiary any responsibility or liability for (1) any aspect of DTC's records or any direct participant's or indirect participant's records relating to or p ownership interests in the global notes or for maintaining, supervising or reviewing any of DTC's records or any direct participant's or Indi beneficial ownership interests in any global note or (2) any other matter relating to the actions and practices of DTC or any of its direct part

DTC has advised us that its current payment practice (for payments of principal, interest and the like) with respect to securities such as the relevant direct participants with such payment on the payment date in amounts proportionate to such direct participant's respective ownersh on DTC's records. Payments by direct participants and indirect participants to the beneficial owners of the notes will be governed by standi between them and will not be the responsibility of DTC, the trustee, us or the subsidiary guarantors. None of us, the subsidiary guarantors o by DTC or its direct participants or indirect participants in identifying the beneficial owners of the notes, and we and the trustee may conclu relying on instructions from DTC or its nominee as the registered owner of the notes for all purposes.

The global notes will trade in DTC's "Same-Day Funds Settlement System" and, therefore, transfers between direct participants in DTC wi procedures, and will be settled in immediately available funds. Transfers between indirect participants who hold an interest through a direct with the procedures of such direct participant but generally will settle in immediately available funds.

DTC has advised that it will take any action permitted to be taken by a holder of notes only at the direction of one or more direct participan notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such direct participant or di direction. However, if there is an Event of Default under the notes, DTC reserves the right to exchange global notes (without the direction o for legended notes in certificated form, and to distribute such certificated forms of notes to its direct participants. See "—Transfers of Intere Notes."

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The information in this section concerning DTC and its book-entry system has been obtained from sources that we believe to be reliable, bu accuracy.

Transfers of Interests in Global Notes for Certificated Notes

An entire global note may be exchanged for definitive notes in registered, certificated form without interest coupons if (1) DTC (x) notifies continue as depository for the global notes and we thereupon fail to appoint a successor depository within 90 days or (y) has ceased to be a Exchange Act, (2) we, at our option, notify the trustee in writing that we elect to cause the issuance of certificated notes or (3) upon the requ of the outstanding principal amount of notes, if there shall have occurred and be continuing a Default or an Event of Default with respect to notify the trustee in writing that, upon surrender by the direct participants and indirect participants of their interest in such global note, certi that such direct participants and indirect participants and DTC identify as being the beneficial owner of the related notes.

Beneficial interests in global notes held by any direct participant or indirect participant may be exchanged for certificated notes upon reques itself or on behalf of an indirect participant), and to the trustee in accordance with customary DTC procedures, certificated notes delivered i any global notes will be registered in the names, and issued in any approved denominations, requested by DTC on behalf of such direct part accordance with DTC's customary procedures).

None of us, the subsidiary guarantors or the trustee will be liable for any delay by the holder of any global notes or DTC in identifying the b trustee may conclusively rely on, and will be protected in relying on, instructions from the holder of the global note or DTC for all purposes

Same Day Settlement and Payment

The Indenture will require that payments in respect of the Series Q senior notes represented by the Global Notes (including principal, premi damages, if any) be made by wire transfer of immediately available same day funds to the accounts specified by the holder of interests in su Certificated Notes, the Operating Partnership will make all payments of principal, premium, if any, interest and liquidated damages, if any, same day funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each such holder's secondary trading in the Certificated Notes will also be settled in immediately available funds.

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CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES

The following discussion is a summary of the material U.S. federal income tax considerations relevant to the exchange of the Series P senic The discussion is based upon the Code, U.S. Treasury Regulations issued thereunder, IRS rulings and pronouncements and judicial decisior to change at any time. Any such change may be applied retroactively in a manner that could adversely affect a holder of the Series Q senior all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to hold financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, tax-exempt organizatio notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, the effect of any applicable state discussed. The discussion deals only with Series Q senior notes held as "capital assets" within the meaning of Section 1221 of the Code.

We have not sought and will not seek any rulings from the IRS with respect to the matters discussed below. There can be no assurance that concerning the tax consequences of the exchange of the Series P senior notes for the Series Q senior notes pursuant to this exchange offer o sustained.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH REGARD TO THE APPLICATION OF TH BELOW TO THEIR PARTICULAR SITUATIONS AS WELL AS THE APPLICATION OF ANY STATE, LOCAL, FOREIGN OR OTH AND ESTATE TAX LAWS.

Exchange of the Series P Senior Notes for the Series Q Senior Notes

The exchange of the Series P senior notes for the Series Q senior notes in the exchange offer will not be treated as an "exchange" for Feder Q senior notes will not be considered to differ materially in kind or extent from the Series P senior notes. Accordingly, the exchange will no income tax purposes. Moreover, the Series Q senior notes will have the same tax attributes as the Series P senior notes and the same tax co senior notes have to holders, including without limitation, the same issue price, adjusted issue price, adjusted tax basis and holding period.

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PLAN OF DISTRIBUTION

If you are a broker-dealer that receives Series Q senior notes for your own account pursuant to the exchange offer, you must acknowledge t connection with any resale of such Series Q senior notes. This prospectus, as it may be amended or supplemented from time to time, may b Q senior notes received in exchange for Series P senior notes where such Series P senior notes were acquired as a result of market-making a extent any broker-dealer participates in the exchange offer and so notifies us, we have agreed that we will make this prospectus, as amendec broker-dealer for use in connection with resales, and will promptly send additional copies of this prospectus and any amendment or supplen dealer that requests those documents in the letter of transmittal.

- We will not receive any proceeds from any sale of Series Q senior notes by broker-dealers.
- Series Q senior notes received by broker-dealers for their own account pursuant to the exchange offer may be sold from time to over-the-counter market, in negotiated transactions, through the writing of options on the Series Q senior notes or a combinatio market prices at the time of resale, at prices related to such prevailing market prices or at negotiated prices.
- Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form o such broker-dealer or the purchasers or any such Series Q senior notes.
- Any broker-dealer that resells Series Q senior notes that were received by it for its own account pursuant to the exchange offer in a distribution of such Series Q senior notes may be deemed to be an "underwriter" within the meaning of the Securities Act, Series Q senior notes and any commissions or concessions received by any such persons may be deemed to be underwriting co
- The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will n "underwriter" within the meaning of the Securities Act.

We have agreed to pay all expenses incident to the exchange offer (other than commissions and concessions of any broker-dealer), subject t provide indemnification against certain liabilities, including certain liabilities that may arise under the Securities Act, to broker-dealers that notes and exchange Series P senior notes in the exchange offer for Series Q senior notes.

By its acceptance of the exchange offer, any broker-dealer that receives Series Q senior notes pursuant to the exchange offer hereby agrees in connection with the sale or transfer of Series Q senior notes. It also agrees that, upon receipt of notice from us of the happening of any ev prospectus untrue in any material respect or which requires the making of any changes in this prospectus in order to make the statements th upon us disclosure obligations that may have a material adverse effect on us (which notice we agree to deliver promptly to such broker-deal of this prospectus until we have notified such broker-dealer that delivery of this prospectus may resume and has furnished copies of any am to such broker-dealer.

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VALIDITY OF SECURITIES

Certain legal matters relating to the securities offered hereby were passed upon for us by Latham & Watkins LLP, Washington, D.C. and ce validity of the guarantees under New York law are being passed upon for us by Dorsey & Whitney LLP; Bingham McCutchen LLP; Kane, Hanson O'Reilly Matheson; Ruden, McClosky, Smith, Schuster & Russell, P.A. and Blake, Cassels & Graydon LLP as set forth in and lim exhibits to this registration statement.

EXPERTS

The consolidated financial statements and schedule of real estate and accumulated depreciation of Host Hotels & Resorts, L.P. as of Decem the years in the three-year period ended December 31, 2005, have been included herein and in the registration statement in reliance upon th registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The combined financial statements of Acquired Businesses at December 31, 2005 and 2004, and for each of the three years in the period en Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set fort elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of a registration statement on Form S-4 we have filed with the Commission under the Securities Act. This prospectu set forth in the registration statement. For further information about us and the Series Q senior notes, you should refer to the registration sta material provisions of contracts and other documents relating to the Series Q senior notes. Since this prospectus may not contain all of the i you should review the full text of these documents. We have filed these documents as exhibits to our registration statement.

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended, and file annual, quarterly a other information with the Commission. Copies of this information may be found on Host's website (http://www.hosthotels.com). You may information we file with the Commission at the public reference room of the Commission, Room 100 F Street, N.E., Washington, D.C. 205 SEC-0330 for further information. In addition, the Commission maintains a website (http:/www.sec.gov) that contains such reports and oth may inspect reports and other information we file at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 1

You should rely only on the information provided in this prospectus. We have not authorized anyone else to provide you with different info information in this prospectus is accurate as of any date other than the dates on the front of this documents.

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INDEX TO FINANCIAL STATEMENTS

The following financial information is included on the pages indicated:

Host Hotels & Resorts, L.P.

Acquired Businesses

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Partners
Host Hotels & Resorts, L.P.:

We have audited the accompanying consolidated balance sheets of Host Hotels & Resorts, L.P. and subsidiaries as of December 31, 2005 a statements of operations, partners' capital and comprehensive income (loss), and cash flows for each of the years in the three-year period en with our audits of the consolidated financial statements, we also have audited the financial statement schedule of real estate and accumulate financial statements and financial statement schedule are the responsibility of the Partnership's management. Our responsibility is to expres financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those stan audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimat evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Host of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to th taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

McLean, Virginia
March 3, 2006, except as to notes 1, 10, 12, 16, 19, and 20,
which are as of June 13, 2006

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2005 and 2004
(in millions)

ASSETS
Property and equipment, net
Assets held for sale
Due from managers
Investments in affiliates
Deferred financing costs, net
Furniture, fixtures and equipment replacement fund
Other
Restricted cash
Cash and cash equivalents
Total assets
LIABILITIES AND PARTNERS' CAPITAL
Debt
Senior notes, including $493 million and $491 million, net of discount, of Exchangeable Senior Debentures, respectively
Mortgage debt
Convertible debt obligation to Host Hotels & Resorts, Inc.
Other
Total debt
Accounts payable and accrued expenses
Liabilities associated with assets held for sale
Other
Total liabilities
Minority interest
Limited partnership interests of third parties at redemption value (representing 20.0 million units and 21.0 million units at December 31, respectively)
Partners' Capital
General partner

Cumulative redeemable preferred limited partner	
Limited partner	
Accumulated other comprehensive income	
Total partners’ capital	
Total liabilities and partners’ capital	

See Notes to Consolidated Financial Statements.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2005, 2004 and 2003
(in millions)

REVENUES
Rooms
Food and beverage
Other
Total hotel sales
Rental income
Other income
Total revenues
EXPENSES
Rooms
Food and beverage
Hotel departmental expenses
Management fees
Other property-level expenses
Depreciation and amortization
Corporate and other expenses
Gain on insurance settlement
Total operating costs and expenses
OPERATING PROFIT
Interest income
Interest expense
Net gains on property transactions
Gain (loss) on foreign currency and derivative contracts
Minority interest expense
Equity in losses of affiliates
INCOME (LOSS) BEFORE INCOME TAXES

Benefit from (provision for) income taxes
INCOME (LOSS) FROM CONTINUING OPERATIONS
Income from discontinued operations.
NET INCOME (LOSS)
Less: Distributions on preferred units
Issuance costs of redeemed preferred units
NET INCOME (LOSS) AVAILABLE TO COMMON UNITHOLDERS
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON UNIT:
Continuing operations
Discontinued operations
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON UNIT

See Notes to Consolidated Financial Statements.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL AND COMPREHENSIVE INCOME (LOSS)

Years Ended December 31, 2005, 2004 and 2003 (in millions)

OP Units Outstanding					
Preferred	**Common**		**Preferred Limited Partner**	**General Partner**	**Limit Partr**
14.1	264.8	Balance, December 31, 2002	$ 339	$ 1	$ 1,1
—	—	Net income	—	—	
—	—	Other comprehensive income (loss):			
—	—	Foreign currency translation adjustment	—	—	
—	—	Foreign currency forward contracts	—	—	
—	—	Realized loss on foreign currency forward contracts	—	—	
—	—	Unrealized gain on HM Services common stock to net income	—	—	
—	—	Comprehensive income			
—	1.4	Units issued to Host for the comprehensive stock and employee stock purchase plans	—	—	
—	—	Distributions on preferred OP units	—	—	
—	4.2	Redemptions of limited partnership interests of third parties	—	—	
—	51.0	Issuance of common OP units	—	—	5
—	—	Distributions on preferred OP units	—	—	(
—	—	Market adjustment to record preferred and common OP units of third parties at redemption value	—	—	(
14.1	321.4	Balance, December 31, 2003	339	1	1,5
—	—	Net loss	—	—	
—	—	Other comprehensive income (loss):			
		Foreign currency translation adjustment	—	—	
—	—	Foreign currency forward contracts	—	—	
—	—	Unrealized loss on HM Services common stock to net income	—	—	
—	—	Comprehensive loss			
—	2.4	Units issued to Host for the stock and comprehensive employee stock purchase plans	—	—	
—	—	Distributions on common OP units	—	—	(
—	—	Distributions on preferred OP units	—	—	(
—	2.6	Redemptions of limited partnership interests of third parties	—	—	
4.0	—	Issuance of Class E Preferred OP units	98	—	

(4.1)	—	Redemption of Class A Preferred OP units	(100)	—	
—	25.0	Issuance of common OP units	—	—	3
—	—	Market adjustment to record preferred and common OP units of third parties at redemption value	—	—	(
14.0	351.4	Balance, December 31, 2004	337	1	1,7
—	—	Net income	—	—	1
—	—	Other comprehensive income (loss):			
		Foreign currency translation adjustment	—	—	
—	—	Unrealized loss on HM Services common stock to net income	—	—	
—	—	Comprehensive income			
—	1.7	Units issued to Host for the comprehensive stock and employee stock purchase plans	—	—	
—	—	Distributions on common OP units	—	—	(1
—	—	Distributions on preferred OP units	—	—	(
—	1.1	Redemptions of limited partnership interests of third parties	—	—	
(4.0)	—	Redemption of Class B Preferred units	(96)	—	
—	6.8	Issuance of common OP units	—	—	1
—	—	Market adjustment to record preferred and common OP units of third parties at redemption value	—	—	(
10.0	361.0	Balance, December 31, 2005	$ 241	$ 1	$ 1,8

See Notes to Consolidated Financial Statements.

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HOST HOTELS AND RESORTS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2005, 2004 and 2003
(in millions)

OPERATING ACTIVITIES
Net income (loss)
Adjustments to reconcile to cash provided by operations:
Discontinued operations:
Gain on dispositions
Depreciation
Depreciation and amortization
Amortization of deferred financing costs
Income taxes
Net gains on property transactions
(Gain) loss on foreign currency and derivative contracts
Equity in losses of affiliates
Minority interest expense
Change in due from managers
Change in accrued interest payable
Changes in other assets
Changes in other liabilities
Cash provided by operating activities
INVESTING ACTIVITIES
Proceeds from sales of assets, net
Proceeds from the sale of interest in CBM Joint Venture, LLC, net of expenses
Disposition of World Trade Center hotel
Acquisitions
Distributions from equity investments
Capital expenditures:
Renewals and replacements
Repositionings and other investments
Change in furniture, fixtures and equipment replacement fund
Note receivable collections
Other

Cash used in investing activities	
FINANCING ACTIVITIES	
Financing costs	
Issuances of debt	
Draw on credit facility, net of repayments	
Debt prepayments	
Prepayment of Canadian currency forward contracts	
Scheduled principal repayments	
Issuances of common OP units	
Issuances of cumulative redeemable preferred units, net	
Redemption of cumulative redeemable preferred units	
Distributions on common OP units	
Distributions on preferred units	
Distributions to minority interests	
Change in restricted cash	
Cash provided by (used in) financing activities	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
CASH AND CASH EQUIVALENTS, beginning of year	
CASH AND CASH EQUIVALENTS, end of year	

See Notes to Consolidated Financial Statements.

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HOST HOTELS AND RESORTS, L.P. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2005, 2004 and 2003
(in millions)

Supplemental schedule of noncash investing and financing activities:

During 2005, 2004 and 2003, Host issued 9.6 million, 30.0 million and 56.6 million shares of its common stock, respectively. Of the shares 2005, 6.8 million common shares were issued upon the conversion of 2.1 million Convertible Preferred Securities. For each share of comm equivalent number of OP units to Host.

During 2005, 2004 and 2003, minority partners converted operating partnership units ("OP units") valued at $19 million, $35 million and $ approximately 1.1 million, 2.6 million and 4.2 million shares, respectively, of Host common stock.

On January 3, 2005, we transferred $47 million of preferred units of Vornado Realty Trust, which we had purchased on December 30, 2004 interest in a consolidated partnership.

On January 6, 2005, we sold the Hartford Marriott at Farmington for a purchase price of approximately $25 million, including the assumpti mortgage debt by the buyer.

On September 22, 2004, we acquired the Scottsdale Marriott at McDowell Mountains, for a purchase price of approximately $58 million, in $34 million in mortgage debt.

During June 2003, we acquired the remaining general partner interest and the preferred equity interest held by outside partners in the JW M approximately $3 million. We also became the sole limited partner after the partnership foreclosed on a note receivable from the other limit consolidating the partnership and recorded $95 million of mortgage debt secured by the hotel and property and equipment of approximately

See Notes to Consolidated Financial Statements.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Business

On April 17, 2006, the partnership changed its name from Host Marriott, L.P. to Host Hotels & Resorts, LP a Delaware limited partnership, umbrella partnership structure with Host Hotels & Resorts, Inc. formerly Host Marriott Corporation, or Host, as the sole general partner, is Host operates as a self-managed and self-administered real estate investment trust, or REIT, with its operations conducted solely through us Host holds approximately 96% of the partnership interests, or OP units.

As of December 31, 2005, we owned, or had controlling interests in, 107 luxury and upper-upscale, full-service hotel lodging properties loc Toronto and Calgary, Canada and Mexico City, Mexico operated primarily under the Marriott®, Ritz-Carlton®, Hyatt®, Fairmont®, Four Sea names. Of these properties, 89 are managed or franchised by Marriott International, Inc. and its subsidiaries, or Marriott International.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Host LP and its subsidiaries and controlled affiliates. We cons factors determining control) when we own over 50% of the voting shares of another company or, in the case of partnership investments, wh partnership interest. The control factors we consider include the ability of minority stockholders or other partners to participate in or block r determine that we are an owner in a variable interest entity within the meaning of the Financial Accounting Standards Board, or FASB, rev "Consolidation of Variable Interest Entities" and that our variable interest will absorb a majority of the entity's expected losses if they occu expected residual returns if they occur, or both, then we will consolidate the entity. All material intercompany transactions and balances hav

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or GA estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the d reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Earnings (Loss) Per Unit

Basic earnings (loss) per unit is computed by dividing net income (loss) available to common OP unitholders as adjusted for potentially dilu
number of common OP units outstanding. Diluted earnings (loss) per unit is computed by dividing net income (loss) available to common C
dilutive securities, by the weighted average number of common OP units outstanding plus other potentially dilutive securities. Dilutive secu
Host for Host common shares granted under comprehensive stock plans, preferred OP units held by minority partners, other minority intere
limited partnership interests to common OP units and the Convertible Preferred Securities and the Exchangeable Senior Debentures. No eff
anti-dilutive.

	Year ended De				
	2005			200	
	Income	Units	Per Unit Amount	Income	Unit
	(in millions, except p				
Net income (loss)	$ 173	373.3	$ .46	$ (1)	359.
Distributions on preferred OP units	(27)	—	(.07)	(37)	—
Issuance costs of redeemed preferred OP units (1)	(4)	—	(.01)	(4)	—
Basic earnings (loss) available to common unitholders	142	373.3	.38	(42)	359.
Assuming distribution of units to Host for Host shares granted under its comprehensive stock plan, less shares assumed purchased at average market price	—	2.5	—	—	—
Diluted earnings (loss) available to common unitholders	$ 142	375.8	$ .38	$ (42)	359.

(1) Represents the original issuance costs associated with the Class B preferred units in 2005 and the Class A preferred units in 2004.

Property and Equipment

Property and equipment is recorded at cost. For newly developed properties, cost includes interest and real estate taxes incurred during deve
and improvements and capital leases are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed usi
estimated useful lives of the assets, generally 40 years for buildings and three to ten years for furniture and equipment. Leasehold improven
lease term or the useful lives of the related assets.

We capitalize certain inventory (such as china, glass, silver, linen) at the time of a hotel opening, or when significant inventory is purchased

renovation or when the number of rooms or meeting space at a hotel is expanded). These amounts are then fully amortized over the estimat
replacement purchases are expensed when opened and placed in service. Food and beverage inventory items are recorded at the lower of FI
utilized.

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

We assess impairment of our real estate properties based on whether it is probable that estimated undiscounted future cash flows from each
book value. If a property is impaired, a loss is recorded for the difference between the fair value and net book value of the hotel.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

We will classify a hotel as held for sale when the sale of the asset is probable, will be completed within one year and that actions to comple the sale will be withdrawn. Accordingly, we classify assets as held-for-sale when Host's Board of Directors has approved the sale, a binding been signed under which the buyer has committed a significant amount of nonrefundable cash and no significant financing contingencies e from being completed in a timely manner. If these criteria are met, we will record an impairment loss if the fair value less costs to sell is lo and will cease incurring depreciation. We will classify the loss, together with the related operating results, including interest expense on de to be repaid as a result of the sale, as discontinued operations on our consolidated statement of operations and classify the assets and relate sheet. Gains on sales of properties are recognized at the time of sale or deferred and recognized as income in subsequent periods as conditi expire without further cost to us.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash includes reserves for debt service, real estate taxes, insurance, furniture and fixtures, as well as cash collateral and excess c agreement restrictions and provisions. For purposes of the statement of cash flows, management believes that because these amounts are th loan agreements, it is appropriate to link the changes in restricted cash with the obligation to repay the debt in cash from financing activitie

Minority Interest

Minority interest consists of third party limited partnership interests in consolidated investments of $26 million and $83 million as of Dece have finite lives. Third party partnership interests in consolidated investments that have infinite lives totaled $3 million as of December 31, our partnerships have infinite lives as defined in SFAS 150.

Income Taxes

Host LP is not a tax paying entity. However, under our partnership agreement we are required to reimburse Host for any tax payments Hos information included herein represents disclosures regarding Host. As a result of our requirement to reimburse Host for these liabilities, su included in our financial statements.

We account for income taxes in accordance with SFAS 109 "Accounting for Income Taxes." Deferred tax assets and liabilities are recogni consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respec liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or s and liabilities from a change in tax rates is recognized in earnings in the period when the new rate is enacted.

Host has elected to be treated as a REIT under the provisions of the Internal Revenue Code and, as such, is not subject to federal income ta
taxable income annually to their

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

shareholders and comply with certain other requirements. In addition to paying federal and state taxes on any retained income, Host is subj certain assets. Additionally, Host's consolidated taxable REIT subsidiaries are subject to federal, state and foreign income tax. The consoli includes the tax provision related to the operations of the taxable REIT subsidiaries, state taxes on undistributed taxable income, and our fo respective subsidiaries.

Deferred Charges

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

Foreign Currency Translation

As of December 31, 2005, our foreign operations consist of four properties located in Canada and one property located in Mexico. The ope in the local currency and then translated to U.S. dollars using the average exchange rates for the period. The assets and liabilities of the pro the exchange rate in effect at the balance sheet date. The resulting translation adjustments are reflected in accumulated other comprehensiv

Revenues

Our consolidated results of operations reflect revenues and expenses of our hotels. Revenues are recognized when the services are provided

Other Comprehensive Income (Loss)

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

Unrealized gain on HM Services common stock	
Foreign currency translation	
Total accumulated other comprehensive income	

Derivative Instruments

We have interest rate swaps and interest rate caps which are considered derivative instruments. If the requirements for hedge accounting ar these agreements are recognized over the life of the agreements as adjustments to interest expense, and the fair value of the derivatives is re sheet, with offsetting adjustments or charges recorded to the underlying debt. Otherwise the instruments are marked to market, and the gain market value of the contracts are recorded in loss on foreign currency and derivative contracts. Upon early termination of an interest rate sw amortized as adjustments to interest expense of the related debt over the remaining period covered by the terminated swap.

We are also subject to exposure from fluctuations in foreign currencies relating to our properties located in Canada and in Mexico City. We contracts related to the Canadian properties, which are considered derivative instruments. Gains and losses on contracts that meet the requir on the balance sheet at fair value, with offsetting changes recorded to accumulated other

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

comprehensive income. During 2003, these contracts no longer met the requirements for hedge accounting and have thereafter been marked loss on foreign currency and derivative contracts in the accompanying statement of operations. See Note 4 for further discussion of these co

Business Combinations

We account for business combinations under the purchase method of accounting. As a result, all assets and liabilities of an acquired entity w

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. with various high credit-quality financial institutions. We perform periodic evaluations of the relative credit standing of these financial insti exposure with any one institution.

Accounting for Stock-Based Compensation

At December 31, 2005, Host maintained two stock-based employee compensation plans, which are described more fully in Note 8. Prior to accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Effective January 1, 2002, Host adopted the fair value "Accounting for Stock-Based Compensation," or SFAS 123, and applied it prospectively to all employee awards granted, modified or settle Host's employee stock option plan generally vest over four years. Therefore, the cost related to stock-based employee compensation includ loss for 2005, 2004 and 2003 is less than that which would have been recognized if the fair value based method had been applied to these a SFAS 123. The adoption of SFAS 123 did not change the calculation of stock-based employee compensation costs for shares granted under plans. The following table illustrates the effect on net income (loss) and earnings (loss) per unit if the fair value based method had been app awards in each period.

Net income (loss), as reported	
Add: Total stock-based employee compensation expense included in reported net income (loss), net of related tax effects	
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	-
Pro forma net income (loss)	
Distributions on preferred units	

Issuance costs of redeemed preferred units (1)	-
Pro forma net income (loss) available to common unitholders	
Earnings (loss) per common unit	
Basic and diluted—as reported	
Basic and diluted—pro forma	

(1) Represents the original issuance costs associated with the Class B preferred units in 2005 and the Class A preferred units in 2004.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Application of New Accounting Standards

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment ("FAS 123R"), which requires that the cost resulting from all recognized in the financial statements. The statement requires a public entity to measure the cost of employee services received in exchang on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for whi service. Employee share purchase plans will not result in recognition of compensation cost if certain conditions are met; those conditions a in FAS 123. We adopted the fair value provisions of FAS 123 in 2002 and, therefore, have recognized the costs associated with all share-ba January 1, 2002. The provisions of FAS 123R are effective as of January 1, 2006. The adoption of this standard in 2006 will not have a ma results of operations.

In March 2005, the FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations, an interpretation which clarified the term "conditional asset retirement obligation" as used in FASB Statement No. 143. A conditional asset retirement oblig perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may no obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settl statement, we will recognize the fair value of the liability for the conditional asset retirement obligation when incurred, which is generally development and (or) through the normal operation of the asset, if sufficient information exists to reasonably estimate the fair value of the interpretation did not have a material impact on our financial position or results of operations.

Reclassifications

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

2. Property and Equipment

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

Land and land improvements
Buildings and leasehold improvements
Furniture and equipment
Construction in progress

Less accumulated depreciation and amortization

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

3. Investments in Affiliates

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

	As of Decembe		
	Ownership Interests	Our Investment	Debt
			(in millio
CBM Joint Venture, L.P.	3.6%	$ 7	$841
Tiburon Golf Ventures, L.P.	49%	17	—
Other	1%	—	—
Total		$ 24	$841

	As of Decembe		
	Ownership Interests	Our Investment	Debt
			(in millio
CBM Joint Venture LLC	50%	$ 33	$898
Tiburon Golf Ventures, L.P.	49%	19	—
Other	1%	—	—
Total		$ 52	$898

During March 2005, we sold 85% of our interest in CBM Joint Venture LLC for a sales price of approximately $92 million and recorded a
approximately $41 million. In conjunction with the sale of our interest, CBM Joint Venture LLC was recapitalized and converted into a lim
("CBM Joint Venture"), with Marriott International and Sarofim Realty Advisors. Post-recapitalization, we own a 3.6% limited partner inte
right to cause the partnership to redeem our remaining interest, under certain conditions, between December 2007 and December 2009. The
redeem our remaining interest. None of CBM Joint Venture's debt is recourse to, or guaranteed by, us or any of our subsidiaries.

Each of CBM Joint Venture's 120 hotels is operated by Marriott International pursuant to long-term management agreements. We received million during 2005 and did not receive any distributions from this investment during 2004 and 2003.

We have a 49% limited partner interest in Tiburon Golf Ventures, L.P., which owns the golf club surrounding The Ritz-Carlton, Naples Go
investment were approximately $1 million, $6 million and $1 million in 2005, 2004 and 2003, respectively.

We own minority interests in three partnerships that directly or indirectly own three hotels. The total carrying value of these partnerships is
any guarantees or commitments in relation to these partnerships and all of the debt is non-recourse to us. On December 30, 2004, we sold o
partnership that owns the Budapest Marriott hotel, for approximately $1 million.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Property and equipment, net	
Other assets	
Total assets	
Debt	
Other liabilities	
Equity	
Total liabilities and equity	

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

	200
Total revenues	$ 48
Operating expenses	
Expenses	(34
Depreciation and amortization	(4
Operating profit	8
Interest income	3
Interest expense	(6
Net income (loss)	$ 6

4. Debt

Debt consists of the following:

Series B senior notes, with a rate of 7 7/8% due August 2008
Series E senior notes, with a rate of 8 3/8% due February 2006
Series G senior notes, with a rate of 9 1/4% due October 2007(1)
Series I senior notes, with a rate of 9 1/2% due January 2007(2)
Series K senior notes, with a rate of 7 1/8% due November 2013
Series M senior notes, with a rate of 7% due August 2012
Series O senior notes, with a rate of 6 3/8% due March 2015
Exchangeable Senior Debentures with a rate of 3.25% due April 2024
Senior notes, with an average rate of 9.7% maturing through May 2012
Total senior notes
Mortgage debt (non-recourse) secured by $3.1 billion of real estate assets, with an average interest rate of 7.8% and 7.7% at December 3 2004, respectively, maturing through February 2023 (3)
Credit facility
Convertible debt obligation to Host Hotels & Resorts, Inc. with a rate of 6 3/4% due December 2026
Other
Total debt

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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(1) Includes the fair value of interest rate swap agreements of $(6) million and $1 million as of December 31, 2005 and 2004, respective
(2) Includes the fair value of an interest rate swap agreement of $1 million and $18 million as of December 31, 2005 and 2004, respecti
(3) Excludes $20 million of mortgage debt related to the Hartford Marriott Farmington, that was reclassified as liabilities associated wit 2004. The hotel was sold on January 6, 2005.

Senior Notes

General. Under the terms of our senior notes indenture, our senior notes are equal in right of payment with all of the operating partnershi senior to all subordinated obligations of the operating partnership. The face amount of our outstanding senior notes as of December 31, 200 billion, respectively. The outstanding senior notes balance as of December 31, 2005 and 2004 includes discounts of approximately $11 mill value adjustments for interest rate swap agreements of approximately $(5) million and $19 million, respectively, that are discussed in furth under our senior notes indenture are guaranteed by certain of our existing subsidiaries and are currently secured by pledges of equity interes guarantees and pledges ratably benefit the notes outstanding under our senior notes indenture, as well as our credit facility, certain other se agreements and other hedging agreements with lenders that are parties to the credit facility. The Series K, Series M and Series O indenture additional flexibility to incur debt, utilize asset sale proceeds, make certain investments and pay dividends on our preferred stock. Howeve once all pre-Series K senior notes are repaid or the pre-Series K indenture has been amended to allow for these same provisions. We pay in senior notes semi-annually in arrears of the respective annual rates indicated on the table above.

Restrictive Covenants. Under the terms of the senior notes indenture, our ability to incur indebtedness and pay dividends is subject to rest conditions, including the achievement of an EBITDA-to-interest coverage ratio of at least 2.0x by the operating partnership. This ratio is ca notes indenture and excludes from interest expense items such as interest on our Convertible Subordinated Debentures, call premiums and included in interest expense on our consolidated statement of operations. In addition, the calculation is based on our pro forma results for th the transactions, such as acquisitions, dispositions and financings, as if they occurred at the beginning of the period. Other covenants limiti pay dividends include maintaining total indebtedness (excluding our Convertible Subordinated Debentures) of less than 65% of adjusted to values) and secured indebtedness of less than 45% of adjusted total assets). So long as we maintain the required level of interest coverage a senior notes indenture, we may pay preferred or common dividends and incur additional debt under the senior notes indenture, including de acquisition. Our senior notes indenture also imposes restrictions on customary matters, such as limitations on capital expenditures, acquisiti affiliates and incurrence of liens. As of December 31, 2005, we are in compliance with our senior notes covenants.

Issuances. On March 10, 2005, we issued $650 million of 6 3/8% Series N senior notes due in 2015 and received net proceeds of approxin mature on March 15, 2015 and are equal in right of payment with all of our senior indebtedness and senior to all of our subordinated obliga semi-annually in cash in arrears at the rate of 6 3/8% per year payable on March 15 and September 15. The senior notes are guaranteed by c of our subsidiaries

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

that have also guaranteed our credit facility and other indebtedness. As security for the notes, we have pledged the common equity interests
subsidiaries which also secure, on an equal and ratable basis, our credit facility and approximately $2.4 billion of our other outstanding exis
Series N senior notes were exchanged for $650 million of 6 3/8% Series O senior notes. The terms of the Series O senior notes are substanti
except that the Series O senior notes are registered under the Securities Act of 1933 and are, therefore, freely transferable by the holders.

On August 4, 2004, we issued $350 million of 7% Series L senior notes and received net proceeds of $345 million after discounts, underwr
senior notes mature on August 15, 2012 and are equal in right of payment with all of our other senior indebtedness. Interest is payable semi
August 15 of each year. On September 2, 2004, we used the net proceeds from the issuance of the Series L senior notes and available cash t
Series B senior notes, which is discussed below. In January 2005, the Series L senior notes were exchanged for $350 million of 7 7/8% Serie
M senior notes are substantially identical to the terms of the Series L senior notes, except that the Series M senior notes are registered under
therefore, freely transferable by the holders.

In February 2004, the $725 million 7 1/8% Series J senior notes were exchanged for $725 million of 7 1/8% Series K senior notes. The terms
substantially identical to the terms of the Series J notes, except that the Series K senior notes are registered under the Securities Act of 1933
the holders.

Repayments. In 2005, we used the net proceeds from the Series O senior notes for the following senior note repayments:

- on March 17, 2005, approximately $291 million was used to purchase $280 million of our 8 3/8% Series E senior notes;
- on April 11, 2005, approximately $174 million was used to redeem $169 million of 7 7/8% Series B senior notes and to pay prep
- on April 22, 2005, approximately $21 million was used to discharge the remaining $20 million of 8 3/8% Series E senior notes.

We recorded a loss of $30 million on the early extinguishment of debt in 2005, which includes the payment of call premiums and the accele

During 2004, we redeemed a total of $895 million of our Series B senior notes and $218 million of our Series C senior notes, both of which
Series B senior note redemptions were funded through the proceeds from issuance of our Series L senior notes and the proceeds from issuan
Debentures (discussed below). The redemption of our Series C senior notes was funded by the proceeds from the insurance settlement for th
Center hotel. The terms of our senior notes require the payment of a call premium to holders in exchange for the right to retire this debt in a
a loss of approximately $55 million on the early extinguishment of debt in 2004, which includes the payment of the call premium and the ac
fees.

Exchangeable Senior Debentures. On March 16, 2004, we issued $500 million of 3.25% Exchangeable Senior Debentures and received n
discounts, underwriting fees and expenses. The Exchangeable Senior Debentures mature on April 15, 2024 and are equal in right of paymen

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

unsubordinated debt. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year. We can redeem f Senior Debentures at any time subsequent to April 19, 2009 upon 30 days notice at the applicable redemption price as set forth in the inden to repurchase the Exchangeable Senior Debentures on April 15, 2010, April 15, 2014 and April 15, 2019 at the issue price. The Exchangeab into shares of Host common stock at a rate of 56.1319 shares for each $1,000 of principal amount of the debentures, or a total of approxima to an exchange price of $17.82 per share of Host common stock. The exchange rate is adjusted for, among other things, the payment of divi Holders may exchange their Exchangeable Senior Debentures prior to maturity under certain conditions, including at any time at which the stock is more than 120% of the exchange price per share, for at least 20 of 30 trading days. The Exchangeable Senior Debentures and the H exchange of the debentures have not been registered under the Securities Act and may not be offered or sold except to qualified institutiona

Convertible Debt Obligation to Host Hotels & Resorts, Inc. The obligation for the $387 million of 6$^3/_4$% Convertible Subordinated Debe December 31, 2005, has been included in these financial statements as our debt because upon Host's conversion to a REIT, we assumed pri Debentures of Host underlying the Convertible Preferred Securities (defined below) of the Host Marriott Financial Trust, or the Trust, a wh common securities of the Trust were not contributed to us and therefore the Trust is not consolidated by us. Upon conversion by a Converti issue shares of its common stock which will be delivered to such holder. Upon the issuance of such shares by Host, we will issue to Host th of shares of common stock issued by Host in exchange for the Debentures.

As of December 31, 2005, the Trust held approximately 7.4 million shares of 6$^3/_4$% convertible quarterly income preferred securities, or the liquidation preference of $50 per share (for a total liquidation amount of $370 million). The Convertible Preferred Securities represent an u the Trust. The payment of distributions by the Trust, payments on liquidation of the Trust or the redemption of the Convertible Preferred Se guarantee, when taken together with our obligations under the indenture pursuant to which the Debentures were issued provides a full and u the Convertible Preferred Securities. Proceeds from the issuance of the Convertible Preferred Securities were invested in the Debentures iss the Convertible Preferred Securities and its own common securities (the "Common Securities") and invest the proceeds therefrom in the De financial statements of the Trust are not presented because of our guarantee described above; our management has concluded that such fina investors as the Trust is wholly owned by Host and essentially has no independent operations.

Each of the Convertible Preferred Securities and the related Debentures are convertible at the option of the holder into shares of Host comm Convertible Preferred Security for a total of approximately 24 million shares (equivalent to a conversion price of $15.367 per share of Host convert Debentures pursuant to a notice of conversion by a holder of Convertible Preferred Securities.

Holders of the Convertible Preferred Securities are entitled to receive preferential cumulative cash distributions at an annual rate of 6 $^3/4$% p distribution rate and the distribution and other payment dates for the Convertible Preferred Securities correspond to the interest rate and inte Debentures. We may defer interest payments on the Debentures for a period not to exceed

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20 consecutive quarters. If interest payments on the Debentures are deferred so, too, are payments on the Convertible Preferred Securities. U permitted to declare or pay any cash distributions with respect to its capital stock or debt securities that rank pari passu with or junior to the

Subject to certain restrictions, the Convertible Preferred Securities are redeemable at the Trust's option upon any redemption by us of the D repayment at maturity or as a result of the acceleration of the Debentures upon the occurrence of a default, the Convertible Preferred Securi

During 2005, the holders of 2.1 million Convertible Preferred Securities, with a liquidation value of $105 million, exercised their right to co 6.8 million shares of its common stock. We then issued 6.8 million common OP units to Host and reduced our Convertible debt obligation t $105 million.

Amended and Restated Credit Facility. On September 10, 2004, we entered into an amended and restated credit facility (the "Credit Facil Americas, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Citicorp North America Inc., Société Générale and Caly Documentation Agents and certain other lenders. The revolving loan commitment under the amended credit facility is divided into two sepa tranche of $385 million and (2) a Revolving Facility B tranche of $190 million. Subject to compliance with the facility's financial covenant Revolving Facility A vary depending on our leverage ratio, with $385 million being available when our leverage ratio is less than 6.5x, $30 leverage ratio equals or exceeds 6.5x but is less than 6.75x, $150 million being available when our leverage ratio equals or exceeds 6.75x b available when our leverage ratio equals or exceeds 7.0x. By contrast, the entire amount of Revolving Facility B is available for borrowing coverage ratio equals or exceeds 1.5x and our leverage ratio does not exceed levels ranging from 7.5x to 7.0x. The Credit Facility amends c aggregate revolving loan commitments in the amount of $575 million with an option to increase the amount of the facility by up to $100 mi lenders, whether or not currently party to the Credit Facility, commits to be a lender for such amount. The Credit Facility also includes sub- credit in an aggregate amount of $10 million and loans to our Canadian subsidiaries in Canadian Dollars in an aggregate amount of $150 m scheduled maturity in September 2008. We have an option to extend the maturity for an additional year if certain conditions are met at the t pay interest on borrowings under the Revolving Facility A at floating interest rates plus a margin (which, in the case of LIBOR-based borro is set with reference to our leverage ratio. Borrowings under Revolving Facility B are subject to a margin that is 0.5% higher than the corres Facility A borrowings and .75% higher when our leverage ratio is greater than 7.0x. The rate will vary based on our leverage ratio. We are r fee that will vary based on the amount of unused capacity under the Credit Facility. Currently, the commitment fee is .55% on an annual ba approximately $20 million outstanding under our Credit Facility.

Mortgage Debt

All of our mortgage debt is recourse solely to specific assets except for fraud, misapplication of funds and other customary recourse provisi 23 assets that are secured by mortgage debt, with an average interest rate of 7.8%. Eight of these assets are secured by mortgage debt that c the mortgage servicer or lender to retain and hold in escrow the cash flow after debt service when it declines below specified operating leve discussed below.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Eight of our hotel properties secure a $548 million mortgage loan that is the sole asset of a trust that issued commercial mortgage pass-throu CMBS Loan. These hotels securing the CMBS Loan are the New York Marriott Marquis Times Square, the Hyatt Regency San Francisco A Overlooking Boston, the Hyatt Regency Reston, the Hyatt Regency Boston, Swissôtel The Drake, New York, the Westin Buckhead Atlanta refer to as the CMBS Portfolio. The CMBS Loan contains a provision that requires the mortgage servicer to retain certain excess cash flow of debt service (approximately $64 million) if net cash flow after payment of taxes, insurance, ground rent and reserves for furniture, fixtur months declines below $96 million. This provision was triggered beginning in the third quarter of 2002 and remained in effect until the thir flow met the required thresholds. As a result, on October 31, 2005, approximately $71 million of previously escrowed funds were released

On October 17, 2005, we retired the remaining mortgage secured by two of our Canadian properties with the prepayment of approximately prepayment of the mortgage debt secured by our Canadian properties, we prepaid $140 million, with the net proceeds from the Series O ser two of our properties and had $20 million of mortgage debt assumed by the buyer in conjunction with a property disposition in 2005. Durin million of mortgage debt secured by four of our properties. The prepayment of this debt was made with proceeds from the sale of assets.

In conjunction with the purchase of the Scottsdale Marriott at McDowell Mountains in September 2004, we assumed the outstanding mortg The debt has a fixed rate of interest equal to 6.08% and matures in on December 1, 2008.

Derivative Instruments

Prior to the repayment in October 2005, the mortgage loan on our Canadian properties was denominated in U.S. dollars and the functional c the Canadian dollar. At the time of the origination of the loan, each of the subsidiaries entered into 60 separate currency forward contracts t forward contracts hedged the currency exposure of converting Canadian dollars to U.S. dollars on a monthly basis to cover debt service pay payment. These contracts were designated as cash flow hedges of the debt service and balloon payment and were recorded at fair value on t recorded in accumulated other comprehensive income. During 2003, we prepaid approximately $39 million of the loan and terminated the f prepayments for a payment of approximately $8 million. As a result, substantially all of the forward currency contracts were deemed ineffe recorded a loss on the contracts of approximately $18 million in 2003. Subsequent to the prepayment date, we recorded the increase or decr forward currency contracts in net income (loss) each period. In December 2004, we made an additional $34 million prepayment of the loan foreign currency contracts for approximately $18 million and prepaid the remaining outstanding balance of the loan for approximately $19

On August 21, 2003, we entered into two four-year interest rate swap agreements that mature October 2007, effectively converting our Seri Under the swaps, we receive fixed-rate payments of 9.25% and we make floating-rate payments based on six-month LIBOR plus 590 basis a $242 million notional amount, which is approximately equal to the current amount of outstanding Series G senior notes. We have designa hedges for both financial reporting and tax purposes and the amounts paid or received under the swap agreements will be recognized over t to interest expense. Changes in the fair value of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

swaps and our Series G senior notes are reflected in the balance sheet as offsetting changes and have no income statement effect. The fair v
million and $1 million at December 31, 2005 and 2004, respectively.

On December 20, 2001, we entered into a five-year interest rate swap agreement, which was effective on January 15, 2002 and matures in J
Series I senior notes to floating rate debt. Under the swap, we receive fixed-rate payments of 9.5% and pay floating-rate payments based on
(8.9% at December 31, 2005) on a $450 million notional amount, which is equal to the current amount of outstanding Series I senior notes.
as a fair value hedge for both financial reporting and tax purposes and the amounts paid or received under the swap agreement will be recog
adjustment to interest expense. Changes in the fair value of the swap and the Series I senior notes are reflected in the balance sheet as offset
statement effect. The fair value of this interest rate swap at December 31, 2005 and 2004 was $1 million and $18 million, respectively.

In connection with the refinancing of the mortgage debt secured by the JW Marriott, Washington, D.C. in September 2003, we purchased a
of $88 million, which capped the floating interest rate at 8.1% for the first two years of the loan. Upon the expiration of the interest rate cap
similar interest rate cap that caps the floating interest rate of the loan of 8.1% through September 2006. The caps represent derivatives that a
gains and losses from changes in the market values of the caps are recorded in gain (loss) on foreign currency and derivative contracts. The
immaterial at December 31, 2005 and 2004.

Aggregate Debt Maturities

Aggregate debt maturities at December 31, 2005 are as follows (in millions):

2006	
2007	
2008	
2009	
2010	
Thereafter	
Fair value adjustment for interest rate swaps	
Discount on senior notes	
Capital lease obligations	

Interest

Cash paid for interest, net of amounts capitalized, was $423 million in 2005, $453 million in 2004 and $468 million in 2003. During 2005,
$3 million and $2 million of interest expense related to qualifying property construction activities. We recorded losses, which have been inc
consolidated statement of operations, during 2005 and 2004, of approximately $30 million and $55 million, respectively, on the early exting
prepayment premiums and the acceleration of the related discounts and deferred financing costs. Deferred financing costs, which are includ
million and $70 million, net of accumulated amortization, as of December 31, 2005 and 2004, respectively. Amortization of deferred financ
and $17 million in 2005, 2004 and 2003, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Amortization of property and equipment under capital leases totaled $3 million, $2 million and $3 million in 2005, 2004 and 2003, respecti
amortization on the accompanying consolidated statements of operations.

5. Equity and Partner's Capital

As of December 31, 2005 and 2004, 380.8 million and 372.4 million common OP units, respectively, were outstanding, of which Host held
respectively. In addition, 10.0 million and 14.0 million preferred OP units were outstanding as of December 31, 2005 and 2004, respectivel

Distributions. Host's policy on common dividends is generally to distribute at least 100% of its taxable income, unless otherwise contract
dividends, it will generally pay the quarterly dividend, regardless of the amount of taxable income, unless similarly contractually restricted.
its common and preferred stock are provided through distributions from Host LP.

The table below presents the amount of common and preferred distributions declared as follows:

	2
Common OP units	$
Class A preferred units 10%(1)	
Class B preferred units 10%(2)	
Class C preferred units 10%	2
Class E preferred units 8 7/8%	2

(1) We redeemed all of the outstanding Class A preferred units in August 2004.
(2) We redeemed all of the outstanding Class B preferred units in May 2005.

OP Units. During June 2004, Host sold 25.0 million shares of its common stock at a price to the public of $12.12 per share. The net proce
payment of the underwriting discount and offering expenses. The proceeds were contributed to us in exchange for the issuance of an equiva

During 2005, the holders of 2.1 million Convertible Preferred Securities, with a liquidation value of $105 million, exercised their right to co
6.8 million shares of its common stock. We then issued 6.8 million common OP units to Host and reduced our Convertible debt obligation t
$105 million.

Preferred OP Units. We currently have two classes of preferred units outstanding to third parties: 5,980,000 units of 10% Class C preferr
Class E preferred units. Holders of both classes of the preferred units are entitled to receive cumulative cash distributions at their respective
liquidation preference and are payable quarterly in arrears. On May 20, 2005, we redeemed, at par, all four million units of our 10% Class B
preferred units, for approximately $101 million, including accrued dividends. The fair value of our Class B preferred units (which is equal t

carrying value of the preferred units by approximately $4 million. The $4 million represents the original issuance costs. Accordingly, this a
determination of net income available to common unitholders for the purpose of calculating our basic and diluted units per share.

After March 27, 2006 and June 2, 2009, we have the option to redeem the Class C preferred units and Class E preferred units, respectively,
unpaid distributions to the date of

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

redemption. The preferred unit classes rank senior to the common OP units, and at parity with each other. The preferred unitholders genera
preferred distributions at December 31, 2005 and 2004 were approximately $6 million and $8 million, respectively. Additionally, we have
outstanding that are entitled to receive a yearly distribution of $.84 per unit and are convertible into OP units.

6. Income Taxes

Host LP is not a tax paying entity. However, under the operating partnership agreement we are required to reimburse Host for any tax paym
Accordingly, the tax information included herein represents disclosures regarding Host. As a result of our requirement to reimburse Host fo
related disclosures are included in our financial statements.

In December 1998, Host restructured itself in order to qualify for treatment as a REIT effective January 1, 1999, pursuant to the U.S. Intern
general, a corporation that elects REIT status and meets certain tax law requirements regarding distribution of its taxable income to its stoc
laws and complies with certain other requirements (relating primarily to the nature of its assets and the sources of its revenues) is generally
taxation on its operating income distributed to its shareholders. In addition to paying federal and state taxes on any retained income, we are
sales of certain assets. Additionally, our taxable REIT subsidiaries are subject to federal, state and foreign income tax. The consolidated inc
tax provision related to the operations of the taxable REIT subsidiaries, state taxes paid by Host and the operating partnership, and foreign t
well as each of its respective subsidiaries.

Where required, deferred income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are
between the financial reporting bases of assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwar
be in effect when such amounts are realized or settled. However, deferred tax assets are recognized only to the extent that it is more likely t
consideration of available evidence, including future reversals of existing taxable temporary differences, future projected taxable income ar

Total deferred tax assets and liabilities at December 31, 2005 and 2004 are as follows:

Deferred tax assets
Less: Valuation allowance
Subtotal
Deferred tax liabilities
Net deferred tax asset

We have recorded a valuation allowance under SFAS 109 equal to 100% of our domestic capital loss carryforward and 50% of our foreign
have recorded a valuation allowance equal to 100% of our Mexican net operating loss carryforward and approximately 30% of our Canadia
subsequent reduction in the valuation allowance related to a net operating loss or capital loss carryforward will be recorded as a reduction o

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

of each type of temporary difference and carryforward that gives rise to a significant portion of deferred tax assets and liabilities, net of valu
2005 and 2004 are as follows:

Investment in hotel leases
Deferred gains
Deferred incentive management fees
Accrued related party interest
Net operating loss and capital loss carryforwards
Alternative minimum tax credits
Safe harbor lease investments
Property and equipment depreciation
Investments in affiliates
Notes receivable and accrued interest
Net deferred tax asset

At December 31, 2005, we have aggregate domestic and international net operating loss carryforwards of approximately $107 million, net o
$55 million, which expire through 2024. In addition, we have aggregate domestic and international capital loss carryforwards of approxima
allowance of approximately $6 million as of December 31, 2005, which expire through 2010 for domestic purposes and have an unlimited l

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

Current—Federal
—State
—Foreign
Deferred—Federal
—State

—Foreign

The (provision) benefit for income taxes, including the amounts associated with discontinued operations, were $(26) million, $10 million ar
respectively.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A reconciliation of the statutory federal tax (provision) benefit to our income tax (provision) benefit for continuing operations follows:

Statutory federal tax (provision) benefit
Nontaxable income (loss) of REIT
State income taxes, net of federal tax benefit
Tax contingencies
Tax on foreign source income
Income tax (provision) benefit

Cash paid for income taxes, net of refunds received, was $8 million, $10 million and $21 million in 2005, 2004 and 2003, respectively.

7. Leases

Hotel Leases. We lease our hotels (the "Leases") to a wholly owned subsidiary that qualifies as a taxable REIT subsidiary due to federal i
to derive revenue directly from the operation of a hotel.

Hospitality Properties Trust Relationship. In a series of related transactions in 1995 and 1996, we sold and leased back 53 Courtyard by M
Residence Inn by Marriott ("Residence Inn") properties to Hospitality Properties Trust ("HPT"). These leases, which are accounted for as o
table below, have initial terms expiring through 2012 for the Courtyard properties and 2010 for the Residence Inn properties, and are renew
payments are $55 million annually for the Courtyard properties and $19 million annually for the Residence Inn properties, and additional re
HPT under the terms of the leases.

In 1998, we sublet the HPT properties (the "Subleases") to separate sublessee subsidiaries of Barceló Crestline Corporation (the "Sublessee
HPT lease. The term of each Sublease expires simultaneously with the expiration of the initial term of the HPT lease to which it relates and
corresponding renewal term under the HPT lease, unless either we or the sublessee elect not to renew the Sublease provided, however, that
than all of the Subleases in a particular pool of HPT properties (one for the Courtyard properties and one for the Residence Inn properties).
Sublease consists of the minimum rent payable under the HPT lease and an additional percentage rent payable to us. The percentage rent pa
sufficient to cover the additional rent due under the HPT lease, with any excess being retained by us. The rent payable under the Subleases
maximum amount of $30 million, which is allocated between the two pools of HPT properties.

Other Lease Information. As of December 31, 2005, all or a portion of 34 of our hotels are subject to ground leases, generally with multip
accounted for as operating leases. Certain of these leases contain provisions for the payment of contingent rentals based on a percentage of

also have leases on facilities used in our former restaurant business, some of which we subsequently subleased. These leases and subleases generally for five or 10-year periods. Our lease activities also include leases entered into by our hotels for various types of equipment, such telephone systems. The restaurant and equipment leases

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

are accounted for as either operating or capital leases, depending on the characteristics of the particular lease arrangement. The amortizatio included in depreciation expense in the accompanying consolidated statements of operations.

The following table presents the future minimum annual rental commitments required under non-cancelable leases for which we are the les payments for the operating leases have not been reduced by aggregate minimum sublease rentals from restaurants and the Sublessee of $16 payable to us under non-cancelable subleases.

2006
2007
2008
2009
2010
Thereafter
Total minimum lease payments
Less: amount representing interest
Present value of minimum lease payments

We remain contingently liable on certain leases relating to divested non-lodging properties. Such contingent liabilities aggregated $27 milli management considers the likelihood of any material funding related to these leases to be remote.

Rent expense consists of:

Minimum rentals on operating leases
Additional rentals based on sales
Less: sublease rentals

8. Employee Stock Plans

In connection with Host's conversion to a REIT, we assumed the employee obligations of Host. Upon the issuance of Host common stock u
compensation plans described below, we will issue Host an equal number of OP units. Accordingly, these liabilities and related disclosures
statements.

At December 31, 2005, Host maintained two stock-based compensation plans, the comprehensive stock plan (the "Comprehensive Plan"), v
employees (i) options to purchase Host common stock, (ii) deferred shares of Host common stock and (iii) restricted shares of Host commo
plan. At December 31, 2005, there were approximately 10.6 million shares of common stock reserved and available for issuance under the C

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Prior to 2002, these plans were accounted for according to the provisions of Accounting Principles Board Opinion No. 25 and related interp expense was recognized for stock options issued under the Comprehensive Plan or stock issued under the employee stock purchase plan. Ef expense recognition provisions of SFAS 123 for employee stock options granted on or after January 1, 2002 only. Options granted in fiscal of December 31, 2005, therefore, no expense related to these awards will be recorded upon the implementation of SFAS 123 (revised). As a method, we record compensation expense for employee stock options based on the fair value of the options at the date of grant. We also rec issued under Host's employee stock purchase plan. The implementation of SFAS 123 had no effect on the calculation of compensation expe deferred stock and restricted stock plans.

Employee Stock Options. Employee stock options may be granted to officers and key employees with an exercise price not less than the fa the date of grant. Non-qualified options generally expire up to 15 years after the date of grant. Most options vest ratably over each of the fir grant.

In connection with the Host Marriott Services ("HM Services") spin-off in 1995, outstanding options held by our current and former emplo HM Services stock and the exercise prices of the options were adjusted based on the relative trading prices of shares of the common stock o distribution agreement between Host and HM Services, we originally had the right to receive up to 1.4 million shares of HM Services' com subsequent to exercise of the options held by certain former and current employees of Marriott International. On August 27, 1999, Autogril subsidiary of Autogrill SpA of Italy, acquired HM Services. Since HM Services is no longer publicly traded, all future payments to us will b indicated that the receivable will not be settled in Autogrill SpA stock. As of December 31, 2005 and 2004, the receivable balance was appr respectively, which is included in other assets in the accompanying consolidated balance sheets.

For purposes of the following disclosures required by SFAS 123, the fair value of each stock option granted has been estimated on the date There were no stock options granted for the periods presented. Compensation expense for the stock options is recognized on a straight-line weighted average fair value per option granted during 2002 was $1.41. We recorded compensation expense of $244,000, $280,000 and $27 2003, which represents the expense for stock options granted during 2002.

The following table is a summary of the status of Host's stock option plans that have been approved by its stockholders for the three years e have stock option plans that have not been approved by its stockholders.

	2005		2004	
	Shares (in millions)	Weighted Average Exercise Price	Shares (in millions)	Weighted Average Exercise Price
Balance, at beginning of year	2.6	$ 6	4.5	$ 6
Granted	—	—	—	—
Exercised	(1.1)	6	(1.6)	7

Forfeited/expired	(.1)	6	(.3)	8
Balance, at end of year	1.4	6	2.6	6
Options exercisable at year-end	1.2		2.0	

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes information about stock options at December 31, 2005:

	Options Outstanding		
Range of Exercise Prices	**Shares (in millions)**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**
$ 1 – 3	.6	$ 1	$ 3
4 – 6	.1	3	6
7 – 9	.6	10	8
10 – 12	.1	10	11
13 – 19	—	7	18
	1.4		

Deferred Stock. Deferred stock incentive plan shares granted to officers and key employees after 1990 generally vest over 10 years in ann after the date of grant. Certain employees may elect to defer payments until termination or retirement. We accrue compensation expense on period for the fair market value of the shares on the date of grant, less estimated forfeitures. In 2003, 45,000 shares were granted under this plan in 2004 or 2005. The compensation cost that has been charged against income for deferred stock was not material for all periods prese share granted during 2003 was $8.00. The implementation of SFAS No. 123 had no impact on the calculation of compensation expense for

Restricted Stock. From time to time, Host awards restricted stock shares under the Comprehensive Plan to officers and key executives to b annual installments based on continued employment and the attainment of certain performance criteria. Host recognizes compensation expe fair market value of the shares issued, which is adjusted for fluctuation in the fair market value of its common stock. The number of shares where appropriate, the level of attainment of performance criteria. In 2005, 2004 and 2003, approximately 25,000, 11,000 and 3,203,000 sh key employees under these terms and conditions. Approximately 59,000 and 1,006,000 shares, respectively, were forfeited in 2005 and 200 Host recorded compensation expense of approximately $20 million, $23 million, and $15 million, respectively, in 2005, 2004 and 2003 rela average grant date fair value per share granted during each year was $16.53 in 2005, $12.50 in 2004 and $8.82 in 2003. Under these awards December 31, 2005.

In 2003, Host also started a restricted stock program for its upper-middle management with 40% of the shares automatically vesting on the over two years, subject to continued employment. Host recognizes compensation expense over the vesting period equal to the fair market va common stock. The number of shares granted is adjusted for the level of attainment of performance criteria. During 2005, approximately 90 terms and conditions that had a weighted average grant date fair value of $16.25. Approximately 58,000 shares were issued and 5,000 share recorded approximately $1.4 million of compensation expense related to these shares. Under this award, approximately 73,000 shares were

Employee Stock Purchase Plan. Under the terms of the Host stock purchase plan, eligible employees may purchase Host common stock t
lower of market value at the beginning or

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

end of the plan year, which runs from February 1 through January 31. We record compensation expense for the Host employee stock purch employees' purchase rights, which is estimated using an option-pricing model with the following assumptions for 2005, 2004 and 2003, res 2.9% and 1.3%, volatility of 34%, 34% and 36%, expected life of one year for all periods. We assume a dividend yield of 0% for these gra one year vesting period. For the 2005, 2004 and 2003 plan years, approximately 14,000, 16,000 and 21,000 shares, respectively, were issue those purchase rights granted in 2005, 2004 and 2003 was $4.27, $3.02 and $2.20, respectively. The compensation expense reflected in net presented.

Stock Appreciation Rights. In 1998, 568,408 stock appreciation rights ("SARs") were issued under the Comprehensive Plan to certain dir issued options that were cancelled during the year. The conversion to SARs was completed in order to comply with ownership limits applic REIT. The SARs were fully vested and the grant prices ranged from $1.20 to $2.71 and had a weighted average price of $1.88 as of Decem recognized compensation expense for outstanding SARs as a result of fluctuations in the market price of Host's common stock of $.1 millio respectively. All outstanding SARs were exercised in 2005.

9. Profit Sharing and Postemployment Benefit Plans

We contribute to defined contribution plans for the benefit of employees meeting certain eligibility requirements and electing participation be matched by us is determined annually by Host's Board of Directors. We provide medical benefits to a limited number of retired employe requirements. Payments for these items were not material for the three years ended December 31, 2005.

10. Discontinued Operations

Assets Held For Sale. During December 2005, we entered into definitive, binding agreements to sell two hotels, which were subsequently 2004, we entered into a definitive, binding agreement to sell four hotels, which were all sold in January 2005. We recorded impairment cha to these hotels as of December 31, 2004. We reclassified the assets and liabilities relating to these hotels as held for sale in our consolidated and 2004, respectively, as detailed in the following table (in millions):

Property and equipment, net	
Other assets	
Total assets	
Other liabilities	
Total liabilities	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Dispositions. We sold five hotels in 2006, including the Swissôtel, The Drake New York which was sold on March 31, 2006, five hotels i
hotels in 2003 and abandoned one hotel in 2003. The following table summarizes the revenues, income before taxes, and the gain on dispos
been reclassified to discontinued operations in the consolidated statements of operations for the periods presented (in millions):

Revenues (1)
Income before taxes (1)
Gain on disposals, net of tax

(1) Revenues and income before taxes in 2003 include business interruption proceeds of $170 million related to the New York Marriott

11. Gain on Insurance Settlement

Five of our properties sustained damage from hurricanes during 2005, with two, the New Orleans Marriott and the Fort Lauderdale Marina
required us to temporarily close all or part of these hotels. The current range of estimates to repair the damage at all of the properties is appr
substantially all of which will be covered by insurance. Our insurance coverage for the properties entitles us to receive recoveries for damag
business interruption. Gains resulting from insurance proceeds will not be recognized until all contingencies are resolved. As of December
receivable of approximately $35 million which reflects the book value of the property and equipment written off and repairs and clean-up c
damage which will be covered by insurance. During the fourth quarter of 2005, we received approximately $9 million of business interrupti
operations of the New Orleans Marriott for which all contingencies have been resolved. Accordingly, we have recorded the $9 million as ga
statement of operations.

In 2004, the gain on insurance settlement includes $3 million of business interruption proceeds that we received in connection with the loss
the outbreak of Severe Acute Respiratory Syndrome (SARS).

In 2003, we settled all outstanding issues related to the terrorist attacks of September 11, 2001 with our insurer for the Marriott World Trad
received net proceeds of approximately $372 million. After payment of the existing mortgage, we recorded business interruption proceeds o
World Trade Center hotel and a gain on the settlement of approximately $212 million in 2003. In accordance with SFAS 144, we have recla
business interruption as discontinued operations. Additionally, the New York Financial Center hotel was damaged in the attacks and, as a re
proceeds of approximately $3 million in 2003 as gain on insurance settlement on the statement of operations.

12. Acquisitions

On April 10, 2006, we acquired 25 domestic hotels and three foreign hotels from Starwood Hotels & Resorts Worldwide, Inc., or Starwood
including the merger of Starwood Hotels & Resorts, a Maryland real estate investment trust, or Starwood Trust, with and into a subsidiary o

of Sheraton Holding Corporation and the acquisition of four domestic hotels

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

in a purchase structured to allow Host's subsidiaries to complete like-kind exchange transactions for federal income tax purposes. These tra Master Agreement and Plan of Merger, dated as of November 14, 2005, and amended as of March 24, 2006, (the "Master Agreement") amo Trust and certain of their respective affiliates. Five additional Starwood hotels in Europe and two in Fiji to be acquired by Host pursuant to subject to the resolution of certain notice periods and approvals that were not lapsed or received as of April 10, 2006. The hotels in Europe newly-formed European joint venture as discussed below. The conditions for the acquisition of the Fiji hotels have not yet been satisfied.

For the 28 hotels included in the initial closing, the total consideration paid by Host to Starwood and its shareholders included the issuance shares of Host common stock) to Starwood stockholders, the assumption of $77 million in debt and the payment of approximately $1.0 billi cash acquired from Starwood). An exchange price of Host common stock of $16.97 per share was calculated based on guidance set forth in 12, as the average of the closing prices of Host common stock during the range of trading days from two days before and after the Novemb amount of cash consideration paid under the Master Agreement is subject to adjustments for, among other things, the amount of working ca amount of assumed indebtedness, and certain capital expenditures. For each share of Host common stock issued in the transaction, we issue

In conjunction with the Starwood acquisition, we entered into an Agreement of Limited Partnership, forming a joint venture in The Netherl the Dutch pension fund ("ABP"), and Jasmine Hotels Pte Ltd, a subsidiary of GIC Real Estate Pte Ltd ("GIC RE"), the real estate investme Singapore Investment Corporation Pte Ltd (GIC). The purpose of the joint venture is the acquisition and ownership of six European hotels.

The aggregate size of the joint venture was initially approximately $640 million, including total capital contributions of approximately $22 $71 million has been contributed by us in the form of cash and through the contribution of the Sheraton Warsaw Hotel & Towers, which we newly-formed Dutch BVs (private companies with limited liability), we are a limited partner in the joint venture (together with ABP and G serve as the general partner for the joint venture. The percentage interest of the parties in the joint venture are 19.9% for ABP, 48% for GIC our limited and general partner interests).

On May 3, 2006, the joint venture acquired from Starwood the following four hotels: the Sheraton Roma Hotel & Conference Center, Rom Spain, the Sheraton Skyline Hotel & Conference Centre, Hayes, United Kingdom and The Westin Palace, Milan, Italy. In addition, we cont Towers, Warsaw, Poland to the joint venture. The Westin Europa & Regina, Venice, Italy was acquired by the joint venture on June 13, 20

Pursuant to the agreements, distributions to partners will be made on a pro-rata basis (based on their limited partnership interests) until cert thresholds are met, our general partnership interest will receive an increasing percentage of the distributions. An affiliate of Host LP has en with the joint venture to provide asset management services in return for an annual asset management fee. Host LP or its affiliates will be r related to asset management, including all salaries and employee benefits of employees and related overhead, including rent, utilities, offic clerical functions and other similar overhead expenses.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The initial term of the joint venture is ten years subject to extensions with partner approval. Because of our minority ownership interest and
GIC RE, the joint venture will not be consolidated.

On September 30, 2005, we acquired the 834-room Hyatt Regency Washington on Capitol Hill in Washington, D.C. for a purchase price of

On December 30, 2004, we received approximately $47 million in payment of a note receivable from a minority partner in a consolidated s
request of the minority partner, the partnership purchased preferred units of Vornado Realty Trust (the "Vornado Preferred Units), which w
Vornado Preferred Units are not publicly traded, we have recorded them in other assets at their cost basis in our consolidated balance sheet.
transferred to the minority partner, in redemption of his partnership interest, and we also paid approximately $14 million to a second partne
the partnership. No gain or loss was recognized on this transaction.

On September 22, 2004, we acquired the 270-suite Scottsdale Marriott at McDowell Mountains for a purchase price of approximately $58 r
approximately $34 million of mortgage debt on the hotel. On July 15, 2004, we acquired the 450-suite Fairmont Kea Lani Maui for approxi
we purchased the 455-suite Chicago Embassy Suites, Downtown-Lakefront for approximately $89 million. During November 2003, we acc
Resort and Spa for $321 million.

No pro forma statements of operations have been provided for the acquisitions completed in 2004 and 2005 as the effect of the acquisitions

13. Fair Value of Financial Instruments

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

	2005
	Carrying Amount
Financial assets	
Notes receivable	$ 7
Financial liabilities	
Senior notes (excluding fair value of swaps)	2,562
Exchangeable Senior Debentures	493
Mortgage debt and other, net of capital leases (1)	1,930
Convertible debt obligation to Host Hotels & Resorts, Inc. Convertible Subordinated Debentures	387

(1) Mortgage debt and other, net of capital leases at December 31, 2004, excluded $20 million of mortgage debt, related to the Hartford as held for sale at December 31, 2004. The hotel was sold and the mortgage debt was assumed by the buyer on January 6, 2005.

Notes receivable and other financial assets are valued based on the expected future cash flows discounted at risk-adjusted rates. Valuations the expected future payments discounted

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

at risk-adjusted rates. Senior notes and the Convertible debt obligation to Host Hotels & Resorts, Inc. are valued based on quoted market pr instruments not included in this table are estimated to be equal to their carrying amounts.

14. Relationship with Marriott International

We have entered into various agreements with Marriott International, including the management of the majority of our hotels, as well as fra ventures or partnerships, including the acquisition in 1996 of two full-service properties (one of which was sold on January 30, 2004) in Me acquisition of CBM Joint Venture LLC (see Note 3) and certain limited administrative services.

In 2005, 2004 and 2003, we paid Marriott International $148 million, $129 million and $136 million, respectively, in hotel management fee million, respectively, in franchise fees. Included in the management fees paid are amounts paid to The Ritz-Carlton Hotel Company, LLC (Corporation and Residence Inn Management Corporation.

15. Hotel Management Agreements

Our hotels are subject to management agreements under which various operators, including Marriott International, Ritz-Carlton, Hyatt, Swi and Westin, operate our hotels for the payment of a management fee. The agreements generally provide for both base and incentive manage operating profit, respectively. As part of the management agreements, the manager furnishes the hotels with certain chain services which ar regional basis to all hotels in the manager's hotel system. Chain services include central training, advertising and promotion, national reserv accounting services, and such additional services as needed which may be more efficiently performed on a centralized basis. Costs and exp are allocated among the hotels managed, owned or leased by the manager on a fair and equitable basis. In addition, our managers will gener will be charged to all of the hotels that participate in the program.

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

Marriott International

Of our hotels, 74 are subject to management agreements under which Marriott International or one of their subsidiaries manages the hotels, years with renewal terms at the option of Marriott International of up to an additional 16 to 30 years. The agreements generally provide for generally are three percent of sales and incentive management fees generally equal to 20% to 50% of operating profit (as defined in the agre defined) to us, with total incentive management fees not to exceed 20% of cumulative operating profit, or 20% of current year operating pro the agreements, Marriott International will receive additional fees based on the unexpired term and expected future base and incentive mana terminate certain management agreements if specified performance or extension thresholds are not satisfied. A single agreement may be ca such cancellation will not trigger the cancellation of any other agreement. Certain consolidated partnerships with a total of eight properties cancellation of which would affect all the properties in these partnerships.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Additionally, we have agreed with Marriott International that a pool of hotels currently subject to existing management agreements may be management agreement without the payment of termination fees, subject to certain restrictions. The remaining pool includes 26 hotels. Sev by EBITDA), may be sold free and clear of their existing management agreements without the payment of a termination fee, provided the h affiliation through a franchise agreement. Additionally, a percentage of these hotels may also be sold free and clear of their existing brand a

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

Ritz-Carlton

We hold management agreements with Ritz-Carlton, a wholly-owned subsidiary of Marriott International, to manage ten of our hotels. The 25 years with renewal terms at the option of Ritz-Carlton of up to an additional 10 to 40 years. Base management fees vary from two to five management fees, if any, are generally equal to 20% of available cash flow or operating profit, as defined in the agreements.

Other Managers

We also hold management agreements with hotel management companies such as Hilton, Four Seasons, Fairmont and Westin for 18 of our provide for an initial term of 10 to 20 years with renewal terms at the option of either party or, in some cases, the hotel management compa The agreements generally provide for payment of base management fees equal to one to four percent of sales. Seventeen of the eighteen ag management fees generally equal to 10 to 30 percent of available cash flow, operating profit, or net operating income, as defined in the agre

16. Geographic and Business Segment Information

We consider each one of our full-service hotels to be an operating segment, none of which meets the threshold for a reportable segment. W operating performance based on individual hotels. All of our non-full-service hotel activities (primarily our limited-service leased hotels an thus, we report one business segment: hotel ownership. Our foreign operations consist of four properties located in Canada and one propert intercompany sales between us and the foreign properties. The following table presents revenues and long-lived assets for each of the geog millions):

	2005		
	Revenues	Long-lived Assets	Revenues
United States	$ 3,689	$ 7,286	$ 3,399
Canada	94	110	87

Mexico	24	38	24
Total	$ 3,807	$ 7,434	$ 3,510

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. Guarantees

We have certain guarantees which consist of commitments we have made to third parties for leases or debt that are not on our books due to contractual arrangements, but that we have agreed to pay in the event of certain circumstances including default by an unrelated party. We c payments under these guarantees to be remote. The guarantees are listed below:

- We remain contingently liable for rental payments on certain divested non-lodging properties. These primarily represent divest our guarantee of the future rental payments. The aggregate amount of these future rental payments is approximately $27 millio
- In 1997, we owned Leisure Park Venture Limited Partnership, which owns and operates a senior living facility. We spun-off th Corporation, formerly Crestline Capital Corporation, in the REIT conversion, but we remain obligated under a guarantee of int million of municipal bonds issued by the New Jersey Economic Development Authority through their maturity in 2027. Howe any payments under the guarantee, we have been indemnified by Barceló Crestline Corporation, who, in turn, is indemnified b
- In connection with the sale of three hotels in the fourth quarter of 2004 and January 2005, we remain contingently liable for th leases. The future minimum lease payments are approximately $20 million through the full term of the leases, including renew related to these ground leases is remote, and in each case, we have been indemnified by the purchaser of the hotel.

18. Mandatorily Redeemable Non-controlling Interests of All Entities

We consolidate four majority-owned partnerships, the Philadelphia Market Street HMC Host Limited Partnership; the Pacific Gateway, Ltd the Marriott Mexico City Partnership G.P., all of which have finite lives ranging from 77 to 100 years that terminate between 2061 and 209

As of December 31, 2005, the minority interest holders in two of the partnerships have settlement alternatives in which they could be issued respectively, based on their ownership percentages as stipulated in their partnership agreements. At December 31, 2005 and 2004, the OP u and $29 million, respectively. Two of these partnerships do not have any settlement alternatives. At December 31, 2005 and 2004, the fair v partnerships were approximately $121 million and $127 million, respectively.

19. Supplemental Guarantor And Non-Guarantor Information

All of our subsidiaries guarantee our senior notes, except those owning 21 of the Company’s full-service hotels and HMH HPT RIBM LLC the Residence Inn and Courtyard properties, respectively. The separate financial statements of each guaranteeing subsidiary (each, a “Guara because we have concluded that such financial statements are not material to investors. The guarantee of each Guarantor Subsidiary is full a and each Guarantor Subsidiary is our wholly owned subsidiary.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following condensed combined consolidating financial information sets forth the financial position as of December 31, 2005 and 2004
for the three years ended December 31, 2005 of the parent, Guarantor Subsidiaries and the Non-Guarantor Subsidiaries:

Supplemental Condensed Combined Consolidating Balance Sheets
(in millions)

December 31, 2005

	Parent	Guarantor Subsidiaries	Non- Guarant Subsidiar
Property and equipment, net	$ 880	$ 3,544	$ 3,0
Assets held for sale	38	35	
Due from managers	(9)	5	
Investments in affiliates	3,876	974	
Rent receivable	—	21	1
Deferred financing costs, net	46	1	
Furniture, fixtures and equipment replacement fund	34	26	
Other	107	430	1
Restricted cash	2	—	1
Cash and cash equivalents	84	23	
Total assets	$5,058	$ 5,059	$ 3,7
Debt	$2,431	$ 1,308	$ 1,8
Other liabilities	111	280	4
Total liabilities	2,542	1,588	2,3
Minority interests	—	—	
Limited partner interest of third parties at redemption value	379	—	
Partners' capital	2,137	3,471	1,3
Total liabilities and partners' capital	$5,058	$ 5,059	$ 3,7

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

December 31, 2004

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Property and equipment, net	$ 912	$ 3,330	$ 3,056
Assets held for sale	—	77	36
Due from manager	—	1	52
Investments in affiliates	3,634	1,071	57
Rent receivable	—	22	88
Deferred financing costs, net	49	1	20
Furniture, fixtures and equipment replacement fund	33	31	87
Other	208	553	220
Restricted cash	3	8	143
Cash and cash equivalents	294	10	43
Total assets	$5,133	$ 5,104	$ 3,802
Debt	$2,558	$ 1,488	$ 1,940
Other liabilities	78	309	373
Total liabilities	2,636	1,797	2,313
Minority interests	—	—	86
Limited partner interest of third parties at redemption value	363	—	—
Partners' capital	2,134	3,307	1,403
Total liabilities and partners' capital	$5,133	$ 5,104	$ 3,802

Supplemental Condensed Combined Consolidating Statements of Operations (in millions)

Year Ended December 31, 2005

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
REVENUES	$ 42	$ 501	$ 3,738
Hotel operating expenses	(9)	—	(2,587)
Property-level expenses	(29)	(96)	(161)
Depreciation and amortization	(41)	(167)	(152)
Corporate and other expenses	(4)	(33)	(30)
Gain on insurance settlement	—	—	9
Rental expense	—	—	(474)
Interest income	36	3	11
Interest expense	(185)	(137)	(151)
Net gains on property transactions	2	1	77
Gain on foreign currency and derivative contracts	—	2	—
Minority interest expense	—	—	(7)
Equity in earnings (losses) of affiliates	348	108	(5)
Income (loss) before income taxes	160	182	268
Provision for income taxes	—	(3)	(22)
INCOME (LOSS) FROM CONTINUING OPERATIONS	160	179	246
Income (loss) from discontinued operations	13	41	(14)
NET INCOME (LOSS)	$ 173	$ 220	$ 232

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Year Ended December 31, 2004

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
REVENUES	$ 71	$ 431	$ 3,442
Hotel operating expenses	—	—	(2,430
Property-level expenses	(36)	(94)	(155
Depreciation and amortization	(47)	(152)	(142
Corporate and other expenses	(4)	(32)	(31
Gain on insurance settlement	—	3	—
Rental expense	—	—	(434
Interest income	30	11	6
Interest expense	(214)	(140)	(166
Net gains on property transactions	—	—	17
Loss on foreign currency and derivative contracts	—	(6)	—
Minority interest expense	—	—	(4
Equity in earnings (losses) of affiliates	141	22	(19
Income (loss) before income taxes	(59)	43	84
Benefit from (provision for) income taxes	(1)	—	11
INCOME (LOSS) FROM CONTINUING OPERATIONS	(60)	43	95
Income from discontinued operations	59	26	(4
NET INCOME (LOSS)	$ (1)	$ 69	$ 91

Year Ended December 31, 2003

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
REVENUES	$ 116	$ 334	$ 3,093
Hotel operating expenses	—	—	(2,204

Property-level expenses	(25)	(90)	(170)
Depreciation and amortization	(47)	(140)	(147)
Corporate and other expenses	—	(26)	(34)
Gain on insurance settlement	—	3	—
Rental expense	—	—	(376)
Interest income	43	8	6
Interest expense	(246)	(146)	(175)
Net gains on property transactions	—	1	4
Loss on foreign currency and derivative contracts	—	(19)	—
Minority interest expense	—	—	(4)
Equity in earnings (losses) of affiliates	(134)	(19)	(24)
Income (loss) before income taxes	(293)	(94)	(31)
Benefit from (provision for) income taxes	(3)	—	16
INCOME (LOSS) FROM CONTINUING OPERATIONS	(296)	(94)	(15)
Income (loss) from discontinued operations	310	(42)	(4)
NET INCOME (LOSS)	$ 14	$ (136)	$ (19)

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Supplemental Condensed Combined Consolidating Statements of Cash Flows
(in millions)

Year Ended December 31, 2005

	Parent	Guarantor Subsidiaries
OPERATING ACTIVITIES		
Cash provided by (used in) operating activities	$(126)	$ 263
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	19	98
Proceeds from the sale of interest in CBM Joint Venture, LLC, net of expenses	90	—
Acquisitions	—	(284)
Distributions from equity investments	1	1
Capital expenditures	(41)	(167)
Change in furniture, fixtures and equipment replacement fund	6	5
Other	(17)	—
Cash provided by (used in) investing activities	58	(347)
FINANCING ACTIVITIES		
Financing costs	(12)	—
Issuances of debt	650	—
Draw on credit facility, net of repayments	20	—
Debt prepayments	(472)	(159)
Prepayment of Canadian currency forward contracts	—	(18)
Scheduled principal repayments	(1)	(8)
Redemption of cumulative redeemable preferred units	(100)	—
Distributions on common OP units	(108)	—
Distributions on preferred OP units	(30)	—
Distributions to minority interests	—	—
Change in restricted cash	2	8
Transfer to/from Parent	(91)	274

Cash provided by (used in) financing activities	(142)	97
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$(210)	$ 13

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Year Ended December 31, 2004

	Parent	Guarantor Subsidiaries
OPERATING ACTIVITIES		
Cash provided by (use in) operating activities	$ (114)	$ 233
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	184	35
Acquisitions	(16)	(448)
Distributions from equity investments	—	6
Capital expenditures	(31)	(115)
Change in furniture, fixtures and equipment replacement fund	4	(4)
Note receivables collection	47	—
Other investments	(47)	—
Cash used in investing activities	141	(526)
FINANCING ACTIVITIES		
Financing costs	(16)	—
Issuances of debt	837	—
Debt prepayments	(1,114)	(78)
Scheduled principal repayments	(2)	(17)
Issuances of common OP units	301	—
Issuances of cumulative redeemable preferred OP units	98	—
Redemption of preferred OP units	(104)	—
Distributions on common OP units	(20)	—
Distributions on preferred OP units	(37)	—
Distributions to minority interests	—	—
Change in restricted cash	4	(8)
Transfer to/from Parent	(299)	394
Cash provided by (used in) financing activities	(352)	291
DECREASE IN CASH AND CASH EQUIVALENTS	$ (325)	$ (2)

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Year Ended December 31, 2003

	Parent	Guarantor Subsidiaries
OPERATING ACTIVITIES		
Cash provided by (used in) operating activities	$(107)	$ 300
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	76	108
Disposition of World Trade Center hotel	—	185
Acquisitions	—	(321)
Distributions from equity investments	—	1
Capital expenditures	(29)	(92)
Change in furniture, fixtures and equipment replacement fund	6	9
Cash provided by (used in) investing activities	53	(110)
FINANCING ACTIVITIES		
Financing costs	(14)	—
Issuance of debt	725	—
Debt prepayments	(790)	(122)
Prepayment of Canadian currency forward contracts	—	(7)
Scheduled principal repayments	(1)	(9)
Issuances of common OP Units	501	—
Distributions on preferred units	(35)	—
Distributions to minority interests	—	—
Change in restricted cash	(2)	8
Transfer to/from Parent	132	(67)
Cash provided by (used in) financing activities	516	(197)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 462	$ (7)

20. Subsequent Events

Starwood Acquisition

On April 10, 2006, we acquired 25 domestic hotels and three foreign hotels from Starwood, through a series of transactions, including the r
Maryland real estate investment trust, or Starwood Trust, with and into a subsidiary of Host, the acquisition of the capital stock of Sheraton
of four domestic hotels in a purchase structured to allow Host's subsidiaries to complete like-kind exchange transactions for federal income
completed pursuant to the Master Agreement and Plan of Merger, dated as of November 14, 2005, and amended as of March 24, 2006, (the
LP, Starwood, Starwood Trust and certain of their respective affiliates. Five foreign hotels were acquired from Starwood in May and June o
which we own a 32.1% general and limited partnership interest. Two additional hotels to be acquired by Host pursuant to the Master Agree
resolution of certain notice periods and approvals that were not lapsed or received as of June 13, 2006. For further discussion, see Note 12.

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Other Subsequent Events

On January 11, 2006, Host announced its intention to exercise its option to cause the conversion rights of the remaining Convertible Prefer
February 10, 2006. Between January 1, 2006 and February 10, 2006, $368 million of its Convertible Subordinated Debentures and correspo
were converted into 24 million common shares. As a result, we issued an equivalent of 24 million common OP units to Host and reduced ou
Hotels & Resorts, Inc. by $368 million. Host redeemed the remaining $2 million of outstanding Convertible Preferred Securities for cash du
Additionally, the $17 million of Convertible Subordinated Debentures not held by third parties was eliminated in conjunction with the seco
completion of the above transactions resulted in the elimination of our entire Convertible debt obligation to Host Hotels & Resorts, Inc.

During January 2006, we sold two hotels classified as held for sale at December 31, 2005, for total proceeds of approximately $204 million
$132 million.

During January 2006, we issued mortgage debt in the amount of $135 million Canadian Dollars ($116 million US Dollars based on the exc
fixed interest rate of 5.195%, which is secured by four of our Canadian properties and matures on March 1, 2011.

During February 2006, we sold two hotels for total proceeds of approximately $55 million, resulting in a gain of approximately $18 million

On March 31, 2006, we sold the 495-room Drake and nearby retail space, which were classified as held for sale at March 24, 2006, for a sa
resulting in a gain of approximately $235 million.

On April 4, 2006, we issued $800 million of $6^3/_4$% Series P senior notes and received net proceeds of approximately $787 million. The Seri
and are equal in right of payment with all of our other senior indebtedness. Interest is payable semiannually in arrears on June 1 and Decem
portion of the proceeds from the offering was used for the Starwood acquisition.

On May 15, 2006, we redeemed approximately $136 million of $7^7/_8$% Series B senior notes with proceeds from the Series P senior notes of
approximately $3 million related to this early extinguishment of debt, which includes the payment of the call premium and the acceleration
deferred financing fees.

On May 19, 2006, with proceeds from our Series P senior notes offering, we redeemed, at par, all 5,980,000 shares of our Class C cumulati
preferred stock") for approximately $151 million, including accrued dividends. The fair value of the Class C preferred stock (which is equa
carrying value of the preferred stock by approximately $6 million. The $6 million represents the original issuance costs, which will be refle
available to common stockholders for the purpose of calculating our basic and diluted earnings (loss) per share. The remaining proceeds fro
be used for general corporate purposes.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

On May 19, 2006, we entered into an agreement to purchase The Westin Kierland Resort & Spa in Scottsdale, Arizona for a purchase price
assumption of $135 million of mortgage debt.

On June 1, 2006, we repaid the $84 million mortgage debt on the Boston Marriott Copley Place.

21. Quarterly Financial Data (unaudited)

	First Quarter	Second Quarter
		(in millions,
Revenues	$ 790	$ 958
Income (loss) from continuing operations	(10)	90
Income from discontinued operations	16	6
Net income (loss)	6	96
Net income (loss) available to common unitholders	(2)	85
Basic earnings (loss) per common unit:		
Continuing operations	(.05)	.21
Discontinued operations	.04	.02
Net income (loss)	(.01)	.23
Diluted earnings (loss) per common unit:		
Continuing operations	(.05)	.20
Discontinued operations	.04	.02
Net income (loss)	(.01)	.22

	First Quarter	Second Quarter
		(in millions,
Revenues	$ 750	$ 868
Income (loss) from continuing operations	(41)	(9)
Income from discontinued operations	7	27
Net income (loss)	(34)	18
Net income (loss) available to common unitholders	(43)	8

Basic and diluted earnings (loss) per common unit:		
Continuing operations	(.14)	(.06)
Discontinued operations	.02	.08
Net income (loss)	(.12)	.02

The sum of the basic and diluted earnings (loss) per common unit for the four quarters in all years presented differs from the annual earning
method of computing the weighted average number of units in the respective periods.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
March 24, 2006
(unaudited, in millions, except per unit amounts)

ASSETS
Property and equipment, net
Assets held for sale
Due from managers
Investments in affiliates
Deferred financing costs, net
Furniture, fixtures and equipment replacement fund
Other
Restricted cash
Cash and cash equivalents
Total assets
LIABILITIES AND PARTNERS' CAPITAL
Debt
Senior notes, including $493 million, net of discount, of Exchangeable Senior Debentures
Mortgage debt
Convertible debt obligation to Host Hotels & Resorts, Inc.
Other
Total debt
Accounts payable and accrued expenses
Other
Total liabilities
Minority interest
Limited partnership interests of third parties at redemption value (representing 19.2 million units at March 24, 2006)
Partners' Capital
General partner
Cumulative redeemable preferred limited partner
Limited partner
Accumulated other comprehensive income

Total partners' capital	
Total liabilities and partners' capital	

See notes to condensed consolidated statements.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Quarter Ended March 24, 2006 and March 25, 2005
(unaudited, in millions, except per unit amounts)

REVENUES	
Rooms	
Food and beverage	
Other	
Total hotel sales	
Rental income	
Total revenues	
EXPENSES	
Rooms	
Food and beverage	
Hotel departmental expenses	
Management fees	
Other property-level expenses	
Depreciation and amortization	
Corporate and other expenses	
Total operating costs and expenses	
OPERATING PROFIT	
Interest income	
Interest expense	
Net gains on property transactions	
Gain on foreign currency and derivative contracts	
Minority interest expense	
Equity in earnings (losses) of affiliates	
INCOME (LOSS) BEFORE INCOME TAXES	

Benefit from (provision for) income taxes
INCOME (LOSS) FROM CONTINUING OPERATIONS
Income from discontinued operations.
NET INCOME
Less: Distributions on preferred units
NET INCOME (LOSS) AVAILABLE TO COMMON UNITHOLDERS
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON UNIT:
Continuing operations
Discontinued operations
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON UNIT

See notes to condensed consolidated statements.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Quarter Ended March 24, 2006 and March 25, 2005
(unaudited, in millions)

OPERATING ACTIVITIES
Net income
Adjustments to reconcile to cash provided by operations:
Discontinued operations:
Gain on dispositions
Depreciation
Depreciation and amortization
Amortization of deferred financing costs
Income taxes
Net gains on property transactions
Gain on foreign currency and derivative contracts
Equity in (earnings) losses of affiliates
Distributions from equity investments
Minority interest expense
Change in due from managers
Changes in other assets
Changes in other liabilities
Cash provided by operations
INVESTING ACTIVITIES
Proceeds from sales of assets
Distributions from equity investments
Capital expenditures:
Renewals and replacements
Repositionings and other investments
Change in furniture, fixtures and equipment replacement fund
Other
Cash provided by investing activities

FINANCING ACTIVITIES
Financing costs
Issuance of debt
Repayment of credit facility
Debt prepayments
Scheduled principal repayments
Distributions on common OP units
Distributions on preferred OP units
Distributions to minority interests
Change in restricted cash
Cash provided by financing activities
INCREASE IN CASH AND CASH EQUIVALENTS
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD
CASH AND CASH EQUIVALENTS, END OF PERIOD

See notes to condensed consolidated statements.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)
Quarter Ended March 24, 2006 and March 25, 2005
(unaudited, in millions)

Supplemental disclosure of noncash investing and financing activities:

During 2006, Host Hotels & Resorts, Inc., or Host, issued approximately 24.0 million shares of its common stock upon the conversion of ap
Subordinated Debentures valued at approximately $368 million. For each share of common stock issued by Host, we issued an equivalent n
OP units, to Host.

During the first quarter of 2006 and 2005, minority partners converted OP units valued at approximately $13 million and $5 million, respec
0.7 million and 0.3 million shares, respectively, of Host common stock.

On January 3, 2005, we transferred $47 million of preferred units of Vornado Realty Trust, which we had purchased on December 30, 2004
interest in a consolidated partnership.

On January 6, 2005, we sold the Hartford Marriott at Farmington for a purchase price of approximately $25 million, including the assumpti
mortgage debt by the buyer.

See notes to condensed consolidated statements.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

On April 17, 2006, the partnership changed its name from Host Marriott, L.P. to Host Hotels & Resorts, L.P., or Host LP. Host LP, a
through an umbrella partnership structure with Host Hotels & Resorts, Inc., or Host, as the sole general partner, is primarily the own
self-managed and self-administered real estate investment trust, or REIT, with its operations conducted solely through us and our su
held approximately 95% of the operating partnership interests, or OP units.

2. Summary of Significant Accounting Policies

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in a
accounting principles, or GAAP, in the accompanying unaudited condensed consolidated financial statements. We believe the disclo
information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read i
financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2005.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to presen
March 24, 2006 and the results of our operations and cash flows for the quarters ended March 24, 2006 and March 25, 2005. Interim
full year performance because of the impact of seasonal and short-term variations.

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

Reporting Periods

The results we report are based on results of our hotels reported to us by our hotel managers. Our hotel managers use different repor
the manager of the majority of our properties, uses a fiscal year ending on the Friday closest to December 31 and reports twelve wee
of the year and sixteen or seventeen weeks for the fourth quarter of the year for its Marriott-managed hotels. In contrast, other mana
Hyatt, report results on a monthly basis. For results reported by hotel managers using a monthly reporting period (approximately one
month of operation that ends after our fiscal quarter-end is included in our results of operations in the following fiscal quarter. Acco
results from hotel managers reporting results on a monthly basis as follows: first quarter (January, February), second quarter (March
and fourth quarter (September to December). We elected to adopt the reporting period used by Marriott International modified so th
December 31. Accordingly, our first three quarters of operations end on the same day as Marriott International but our fourth quarte

3. Adoption of SFAS No.123R

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment (“SFAS 123R”), which requires that the cost from shar
recognized in the financial statements. The statement requires the cost of employee services received in exchange for an award of eq

the fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in e
service period. No

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued

compensation cost is recognized for equity instruments for which employees do not render the requisite service. We adopted the fair and, therefore, have recognized the costs associated with all share-based payment awards granted after January 1, 2002. Host has ins that is accounted for using the provisions of SFAS 123R, which were effective January 1, 2006.

In connection with Host's conversion to a REIT, we assumed the employee obligations of Host. Upon the issuance of Host common compensation plans described below, we will issue Host an equal number of OP units. Accordingly, these liabilities and related disc financial statements.

Restricted Stock. Host awards restricted stock shares to officers, executives and certain members of senior management. During the to be distributed over the next three years in annual installments. These stock awards are considered liability awards, and, according awards quarterly. Vesting for these shares is determined both on continued employment as well as certain market conditions based c return. For the shares that vest solely on continued employment, we recognize compensation expense based on the market price as o vest based on market conditions, we recognize compensation expense over the requisite service period based on the fair value of the simulation or Monte Carlo method. For purpose of the simulation, we assumed Host's common stock had a volatility of 22.2%, whi Host's stock price over the last three years, a risk-free interest rate of 4.67%, which reflects the yield on a 3-year Treasury bond, and REIT composite index based on three years of historical price data. The number of shares issued is adjusted for forfeitures. Host ma quarter of 2006 to certain key employees to be distributed over the next three years which vests based only on continued employmen for this grant based on the market price as of the balance sheet date. All prior year stock grants were vested based on continued emp conditions. Compensation expense on these grants was calculated based on the market price as of the balance sheet date. All prior st end 2005. During the first quarter of 2006 and 2005, approximately 3,395,000 and 18,000 restricted shares, respectively, were grante approximately $7 million and $4 million during the first quarter of 2006 and 2005, respectively, related to these awards. Under these were outstanding at March 24, 2006.

Host also maintains a restricted stock program for its upper-middle management. Vesting for these shares is determined based on co recognize compensation expense over the vesting period equal to the fair market value of the shares. These stock awards are conside compensation costs related to these awards were measured on the grant date. During 2006 and 2005, approximately 166,000 shares v approximately 91,000 have been issued, approximately 4,000 have been forfeited, and approximately 71,000 remain outstanding. Th date fair value of $18.66. Approximately 56,000 of these shares will vest during 2006. During the first quarter of 2006 and 2005, we $0.3 million, respectively, of compensation expense related to these shares.

Employee Stock Purchase Plan. Under the terms of Host's employee stock purchase plan, eligible employees may purchase commo of the lower of market value at the beginning or end of the plan year, which runs from February 1 through January 31. We record co stock purchase plan based on the fair value of the employees' purchase rights, which is estimated using an option-pricing model wit 2006 and March 25, 2005, respectively: Risk-free interest rate of 4.7% and 4.3%, volatility of

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued

33% and expected life of one year for all periods. We assume a dividend yield of 0% for these grants, as no dividends are accrued d
Approximately 14,000 shares were issued in both periods ended March 24, 2006 and March 25, 2005. The weighted average fair va
quarter of 2006 and 2005 was $4.73 and $4.27, respectively. The compensation expense was not material for the periods presented.

Employee Stock Options. Effective January 1, 2002, we adopted the expense recognition provisions of SFAS 123 for employee stoc
2002 only. Host has not granted any stock options after 2002. Options granted prior to 2002 were fully vested as of December 31, 2
fully vested during 2006.

The fair value of the 2002 stock options was estimated on the date of grant using an option-pricing model. Compensation expense f
straight-line basis over the vesting period. The weighted average fair value per option granted during 2002 was $1.41. We recorded
$53,000 and $55,000 for the quarter ended March 24, 2006 and March 25, 2005, respectively. The aggregate intrinsic value of the e
approximately $16 million.

The following table is a summary of the status of Host's stock option plans for the quarter ended March 24, 2006:

	(i
Beginning balance	
Granted	
Exercised	
Forfeited/expired	
Ending balance	
Options exercisable	

The following table summarizes information about stock options at March 24, 2006:

	Options Outstanding

Range of Exercise Prices	Shares (in millions)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	S (in r
$ 1 – 3	.5	$ 1	$ 3	
4 – 6	.1	3	6	
7 – 9	.6	10	8	
10 – 12	.1	9	11	
13 – 19	—	7	18	
	1.3			

Deferred Stock. Host discontinued issuing deferred stock in 2003. Prior to that time deferred stock granted generally vested over 10 one year after the date of grant. Certain employees may elect to defer payments until termination or retirement. We accrue compens the vesting period for the fair market value of the shares on the date of grant, less estimated forfeitures. In 2003, 45,000 shares were average

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued

fair value per share granted during 2003 was $8.00. The compensation cost related to deferred stock was immaterial for all periods p
123R did not effect the calculation of compensation expense for the deferred stock.

4. Earnings (Loss) per Common Unit

Basic earnings (loss) per common unit is computed by dividing net income (loss) available to common unitholders by the weighted
outstanding. Diluted earnings (loss) per common unit is computed by dividing net income (loss) available to common unitholders as
securities, by the weighted average number of common OP units outstanding plus potentially dilutive securities. Dilutive securities r
Host common shares granted under comprehensive stock plans, preferred OP units held by minority partners, other minority interest
interests to common OP units and the Exchangeable Senior Debentures. No effect is shown for securities that are anti-dilutive.

	March 24, 2006		
	(in million		
	Income/ (loss)	Units	Per Am
Net income	$ 181	397.5	$
Distributions on preferred units	(6)	—	
Basic earnings (loss) available to common unitholders	175	397.5	
Assuming distribution of units to Host for Host shares granted under its comprehensive stock plan, less shares assumed purchased at average market price	—	.9	
Diluted earnings (loss) available to common unitholders	$ 175	398.4	$

5. Debt

On January 11, 2006, Host announced its intention to exercise its option to cause the conversion rights of the remaining Convertible
effective February 10, 2006. Between January 1, 2006 and February 10, 2006, $368 million of Convertible Subordinated Debentures
Securities were converted into 24 million shares of Host common stock. As a result, we issued 24 million OP units to Host and redu
Host Hotels & Resorts, Inc. by $368 million.

On April 5, 2006, we redeemed the remaining $2 million of outstanding Convertible Subordinated Debentures held by third parties a of Convertible Subordinated Debentures held by related parties for cash. As a result, we eliminated our Convertible debt obligation t

On January 10, 2006, we issued mortgage debt in the amount of $135 million Canadian Dollars ($116 million US Dollars based on t with a fixed rate of 5.195% that is secured by our four Canadian properties. Interest is payable on the first of each month and the mo January 13, 2006, a portion of the proceeds was used to repay the $20 million outstanding balance under our credit facility.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued

6. Distributions

On March 21, 2006, Host's Board of Directors declared a cash dividend of $0.14 per share for its common stock. The dividend was record as of March 31, 2006. Accordingly, we made a $0.14 distribution per common OP unit.

Additionally, on March 21, 2006, Host's Board of Directors declared a quarterly cash dividend of $0.625 per share for its Class C p $0.5546875 per share for its Class E preferred stock. The dividends were paid on April 17, 2006 to preferred stockholders of record made a similar distribution on our Class C and E preferred OP units.

7. Geographic Information

We consider each one of our full-service hotels to be an operating segment, none of which meets the threshold for a reportable segm operating performance based on individual hotels. All of our non-full-service hotel activities (primarily our limited-service leased h Accordingly, we report one business segment, hotel ownership. As of March 24, 2006, our foreign operations consist of four proper located in Mexico. There were no intercompany sales between our domestic properties and our foreign properties. The following tab geographical areas in which we operate:

	Ma
United States	$
Canada	
Mexico	
Total revenue	$

8. Comprehensive Income

Our other comprehensive income consists of unrealized gains and losses on foreign currency translation adjustments and the receipt HM Services, subsequent to the exercise of the options held by certain former and current employees of Marriott International, purs HM Services.

		March 2006
Net income	$	1
Other comprehensive income		–
Comprehensive income	$	1

9. Discontinued Operations

Assets Held for Sale. During the first quarter, we entered into a definitive, binding agreement to sell the Swissôtel The Drake, New Y subsequently sold on March 31, 2006. We reclassified the assets and liabilities related to this hotel and two hotels sold in the first qu

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued

held for sale as of March 24, 2006 and December 31, 2005, respectively. The following table summarizes the property and equipme properties classified as held for sale on the respective balance sheet dates:

	March 24, 2006
Property and equipment, net	$ 185
Other assets	6
Total assets	$ 191
Other liabilities	—
Total liabilities	$ —

Dispositions. We sold four hotels during the first quarter of 2006 (the Fort Lauderdale Marina Marriott, the Albany Marriott, the Ch Marriott at Research Triangle Park) for total net proceeds of approximately $251 million. The following table summarizes the reven dispositions, net of tax, of the hotels which have been reclassified to discontinued operations in the consolidated statements of opera

	March 2006
Revenues	$
Income before taxes	
Gain on dispositions, net of tax	1

10. Acquisitions

On April 10, 2006, we consummated the acquisition of 25 domestic hotels and three foreign hotels from Starwood Hotels & Resorts series of transactions, including the merger of Starwood Hotels & Resorts, a Maryland real estate investment trust, or Starwood Tru acquisition of the capital stock of Sheraton Holding Corporation and the acquisition of four domestic hotels in a purchase structured like-kind exchange transactions for federal income tax purposes. These transactions were completed pursuant to the Master Agreem November 14, 2005, and amended as of March 24, 2006, (the “Master Agreement”) among Host, Host LP, Starwood, Starwood Tru

Five additional Starwood hotels in Europe and two in Fiji to be acquired by Host pursuant to the Master Agreement, were deferred s
periods and approvals that were not lapsed or received as of April 10, 2006. The hotels in Europe have been acquired from Starwoo
venture as discussed below. The conditions for the acquisition of the Fiji hotels have not yet been satisfied.

For the 28 hotels included in the initial closing, the total consideration paid by Host to Starwood and its shareholders included the is
(133,529,412 shares of Host common stock) to Starwood stockholders, the assumption of $77 million in debt and the payment of ap
($728 million, net of certain cash acquired from Starwood). An exchange price of Host common stock of $16.97 per share was calc
Emerging Issues Task Force Issue No. 99-12, as the average of the closing prices of Host common stock during the range of trading

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two days before and after the November 14, 2005 announcement date. The amount of cash consideration paid under the Master Agr among other things, the amount of working capital at the applicable closings, the amount of assumed indebtedness, and certain capit common stock issued in the transaction, we issued an equivalent OP unit to Host.

In conjunction with the Starwood acquisition, we entered into an Agreement of Limited Partnership, forming a joint venture in The ABP, the Dutch pension fund ("ABP"), and Jasmine Hotels Pte Ltd, a subsidiary of GIC Real Estate Pte Ltd ("GIC RE"), the real es Government of Singapore Investment Corporation Pte Ltd (GIC). The purpose of the joint venture is the acquisition and ownership

The aggregate size of the joint venture was initially approximately $640 million, including total capital contributions of approximat $71 million has been contributed by us in the form of cash and through the contribution of the Sheraton Warsaw Hotel & Towers, w Through newly-formed Dutch BVs (private companies with limited liability), we are a limited partner in the joint venture (together Partners") and also serve as the general partner for the joint venture. The percentage interest of the parties in the joint venture are 19 for Host LP (including our limited and general partner interests).

On May 3, 2006, the joint venture acquired from Starwood the following four hotels: the Sheraton Roma Hotel & Conference Cent Madrid, Spain, the Sheraton Skyline Hotel & Conference Centre, Hayes, United Kingdom and The Westin Palace, Milan, Italy. In a Warsaw Hotel & Towers, Warsaw, Poland to the joint venture. The Westin Europa & Regina, Venice, Italy was acquired by the joi

Pursuant to the agreements, distributions to partners will be made on a pro-rata basis (based on their limited partnership interests) u those thresholds are met, our general partnership interest will receive an increasing percentage of the distributions. An affiliate of H management agreement with the joint venture to provide asset management services in return for an annual asset management fee. for paying certain expenses related to asset management, including all salaries and employee benefits of employees and related ove equipment, necessary administrative and clerical functions and other similar overhead expenses. The initial term of the joint venture partner approval. Because of our minority ownership interest and due to certain rights given to ABP and GIC RE, the joint venture

11. Supplemental Guarantor and Non-Guarantor Subsidiary Information

All of our subsidiaries guarantee our senior notes except those owning 21 of the full-service hotels and HMH HPT RIBM LLC and Residence Inn and Courtyard properties, respectively. The separate financial statements of each guaranteeing subsidiary (each, a "G because we have concluded that such financial statements are not material to investors. The guarantee of each Guarantor Subsidiary several and each Guarantor Subsidiary is wholly owned.

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued

Supplemental Condensed Consolidating Balance Sheets
(in millions)

The following condensed consolidating information sets forth the financial position as of March 24, 2006, results of operations for t
March 25, 2005 and cash flows for the quarter ended March 24, 2006 and March 25, 2005 of the parent, Guarantor Subsidiaries and

March 24, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
Property and equipment, net	$ 881	$ 3,515	$ 2,848
Assets held for sale	—	—	191
Due from managers	(5)	10	79
Investments in affiliates	3,413	973	29
Rent receivable	—	21	199
Deferred financing costs, net	36	2	15
Furniture, fixtures and equipment replacement fund	29	16	84
Other	759	6	133
Restricted cash	1	—	87
Cash and cash equivalents	370	23	88
Total assets	$5,484	$ 4,566	$ 3,753
Debt	$2,382	$ 1,343	$ 1,863
Other liabilities	110	252	524
Total liabilities	2,492	1,595	2,387
Minority interests	—	—	29
Limited partner interest of third parties at redemption value	405	—	—
Partners’ capital	2,587	2,971	1,337
Total liabilities and partners’ capital	$5,484	$ 4,566	$ 3,753

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued

Supplemental Condensed Consolidating Statements of Operations
(in millions)

Quarter ended March 24, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
REVENUES	$ 84	$ 74	$ 775
Hotel operating expenses	—	—	(556)
Property-level expenses	(7)	(22)	(38)
Depreciation and amortization	(12)	(41)	(36)
Corporate and other expenses	(3)	(9)	(8)
Rental expense	—	—	(140)
Interest income	24	2	2
Interest expense	(49)	(30)	(35)
Net gains on property transactions	—	—	1
Minority interest expense	—	—	(4)
Equity in earnings (losses) of affiliates	35	3	—
Income (loss) before income taxes	72	(23)	(39)
Benefit (provision) for income taxes	(2)	—	1
INCOME (LOSS) FROM CONTINUING OPERATIONS	70	(23)	(38)
Income from discontinued operations	111	43	—
NET INCOME (LOSS)	$ 181	$ 20	$ (38)

Quarter ended March 25, 2005

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries
REVENUES	$ 76	$ 67	$ 772

Hotel operating expenses	—	—	(536)
Property-level expenses	(7)	(21)	(36)
Depreciation and amortization	(11)	(37)	(33)
Corporate and other expenses	(2)	(6)	(6)
Rental expense	—	—	(125)
Interest income	11	—	1
Interest expense	(49)	(31)	(34)
Net gains on property transactions	—	—	3
Gain on foreign currency and derivative contracts	—	2	—
Minority interest expense	—	—	(4)
Equity in earnings (losses) of affiliates	(13)	(10)	(5)
Income (loss) before income taxes	5	(36)	(3)
Benefit from (provision for) income taxes	(2)	—	2
INCOME (LOSS) FROM CONTINUING OPERATIONS	3	(36)	(1)
Income (loss) from discontinued operations	3	22	(9)
NET INCOME (LOSS)	$ 6	$ (14)	$ (10)

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued

Supplemental Condensed Consolidating Statements of Cash Flows
(in millions)

Quarter ended March 24, 2006

	Parent	Guarantor Subsidiaries
OPERATING ACTIVITIES		
Cash provided by (used in) operations	$ 122	$ 17
INVESTING ACTIVITIES		
Proceeds from sale of assets, net	139	112
Capital expenditures	(14)	(58)
Change in furniture, fixtures and equipment replacement fund	5	10
Cash provided by (used in) investing activities	130	64
FINANCING ACTIVITIES		
Financing costs	(2)	—
Issuances of debt	—	116
Repayment of credit facility	(20)	—
Scheduled principal repayments	—	(1)
Distributions on common OP units	(43)	—
Distributions on preferred OP units	(6)	—
Distributions to minority interest	—	—
Change in restricted cash	1	—
Transfers to/from Parent	104	(196)
Cash provided by (used in) financing activities	34	(81)
INCREASE IN CASH AND CASH EQUIVALENTS	$ 286	$ —

Quarter ended March 25, 2005

	Parent	Guarantor Subsidiaries
OPERATING ACTIVITIES		
Cash provided by (used in) operating activities	$ 25	$ (2)
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	—	40
Distributions from equity investments	—	1
Capital expenditures	(9)	(28)
Change in furniture, fixtures and equipment replacement fund	11	(11)
Other investments	(13)	—
Cash provided by (used in) investing activities	(11)	2
FINANCING ACTIVITIES		
Financing costs	(10)	—
Issuances of debt	650	—
Debt prepayments	(260)	—
Scheduled principal repayments	—	(3)
Distributions on preferred OP units	(9)	—
Change in restricted cash	(127)	—
Transfer to/from Parent	49	6
Cash provided by (used in) financing activities	293	3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 307	$ 3

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HOST HOTELS & RESORTS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued

12. Subsequent Events

On March 31, 2006, we sold the 495-room Drake and nearby retail space, which were classified as held for sale at March 24, 2006,
$440 million, resulting in a gain of approximately $235 million.

On April 4, 2006, we issued $800 million of 6 3/4% Series P senior notes and received net proceeds of approximately $787 million.
June 1, 2016 and are equal in right of payment with all of our other senior indebtedness. Interest is payable semiannually in arrears
December 1, 2006. A portion of the proceeds from the offering was used for the Starwood acquisition.

On April 19, 2006, we announced that we will, with proceeds from our Series P senior notes offering, redeem, at par, all 5,980,000
redeemable preferred units (“Class C preferred units”) for approximately $151 million on May 19, 2006, including accrued distribut
preferred units (which is equal to the redemption price) exceeds the carrying value of the preferred units by approximately $6 millio
issuance costs. Accordingly, when we redeem the Class C preferred units, this amount will be reflected in the determination of net i
for the purpose of calculating our basic and diluted earnings (loss) per unit. In addition, on April 19, 2006, we also announced that
senior notes offering, redeem approximately $136 million of 7 7/8% Series B senior notes. We will record a loss of approximately $
extinguishment of debt, which includes the payment of the call premium and the acceleration of the original issue discounts and rela
remaining proceeds from the Series P senior notes offering will be used for general corporate purposes.

On May 19, 2006, we entered into an agreement to purchase The Westin Kierland Resort & Spa in Scottsdale, Arizona for a purcha
the assumption of $135 million of mortgage debt.

On June 1, 2006, we repaid the $84 million mortgage debt on the Boston Marriott Copley Place.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors, Board of Trustees and Shareholders of
Starwood Hotels & Resorts Worldwide, Inc. and Starwood Hotels & Resorts

We have audited the accompanying combined balance sheets of Acquired Businesses, as defined in Note 1, as of December 31, 2005 and 2 of income and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibili Hotels & Resorts Worldwide, Inc. and Starwood Hotels & Resorts. Our responsibility is to express an opinion on these financial statements

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those stan audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perf internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designi the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Acquired Businesses' internal control over finan no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statem used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Acquire December 31, 2005 and 2004, and the combined results of their operations and their cash flows for each of the three years in the period end U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, New York
March 24, 2006

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ACQUIRED BUSINESSES

COMBINED BALANCE SHEETS
(In millions)

ASSETS	
Current assets:	
Cash and cash equivalents	
Restricted cash	
Accounts receivable, net of allowance for doubtful accounts of $3 and $2	
Inventories	
Prepaid expenses and other	
Total current assets	
Plant, property and equipment, net	
Goodwill	
Other assets	
LIABILITIES AND EQUITY	
Current liabilities:	
Short-term borrowings and current maturities of long-term debt	
Accounts payable	
Accrued expenses	
Accrued salaries, wages and benefits	
Accrued taxes and other	
Total current liabilities	
Long-term debt	
Deferred income taxes	
Other liabilities	
Commitments and contingencies	

Equity of Acquired Businesses	

The accompanying notes to financial statements are an integral part of the above statements.

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ACQUIRED BUSINESSES

COMBINED STATEMENTS OF INCOME
(In millions)

Operating Revenues
Rooms
Food and beverage
Other operating departments
Operating Expenses
Rooms
Food and beverage
Other operating departments
Administrative and general
Local taxes, rent and insurance
Advertising and business promotion
Property maintenance and energy
Management fees
Allocated corporate expenses
Commissions and other
Depreciation and amortization
Operating income
Interest expense
Income before income taxes
Income tax (expense) benefit
Net income

The accompanying notes to financial statements are an integral part of the above statements.

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ACQUIRED BUSINESSES

COMBINED STATEMENTS OF CASH FLOWS
(In millions)

Operating Activities
Net income
Adjustments to income from continuing operations:
Depreciation and amortization
Changes in working capital:
Restricted cash
Accounts receivable
Inventories
Prepaid expenses and other
Accounts payable and accrued expenses
Accrued and deferred income taxes
Other, net
Cash from operating activities
Investing Activities
Purchases of plant, property and equipment
Cash used for investing activities
Financing Activities
Long-term debt issued
Long-term debt repaid
Capital contributions
Cash used for financing activities
Exchange rate effect on cash and cash equivalents
Increase (decrease) in cash and cash equivalents
Cash and cash equivalents—beginning of period

Cash and cash equivalents—end of period	
Supplemental Disclosures of Cash Flow Information	
Cash paid during the period for:	
Interest	
Income taxes, net of refunds	

The accompanying notes to financial statements are an integral part of the above statements.

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ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The combined financial statements are presented using accounting principles generally accepted in the United States of America and have b of Starwood Hotels & Resorts Worldwide, Inc. (the "Corporation") and Starwood Hotels & Resorts (the "Trust" and together with the Corp subsidiaries using the historical results of operations and historical basis of assets and liabilities of 35 properties and the stock of certain co Businesses") to be acquired by Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P., excluding certain liabilities or obligations agre in the Master Agreement and Plan of Merger dated November 14, 2005 and as amended by the Amendment Agreement dated March 24, 20 were prepared solely for purposes of presenting the historical results of the Acquired Businesses.

The combined financial statements include allocations of certain Seller's expenses, assets and liabilities. Management believes these alloca underlying the combined financial statements are reasonable. However, the combined financial statements included herein may not necessa results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows woul been a stand-alone company during the periods presented.

Note. 2. Significant Accounting Policies

Principles of Combination. The accompanying combined financial statements of the Acquired Businesses include the assets, liabilities, rev Businesses. Intercompany transactions and balances have been eliminated in combination.

Cash and Cash Equivalents. The Acquired Businesses consider all highly liquid investments purchased with an original maturity of three r

Restricted Cash. The Acquired Businesses have cash escrow deposits, property tax payments and debt agreements that require cash to be re

Inventories. Inventory consists of food and beverage stock items as well as linens, china, glass, silver, uniforms, utensils and guest room ite items are recorded at the lower of FIFO cost (first-in, first-out) or market. Significant purchases of linens, china, glass, silver, uniforms, ute purchased cost and amortized to 50% of their cost over 36 months. Normal replacement purchases are expensed as incurred.

Plant, Property and Equipment. Plant, property and equipment are recorded at cost. The cost of improvements that extend the life of plant, These capitalized costs may include structural improvements, equipment and fixtures. Costs for normal repairs and maintenance are expens on a straight-line basis over the estimated useful economic lives of 15 to 40 years for buildings and improvements; 3 to 10 years for furnitu information technology software and equipment and the lesser of the lease term or the economic useful life for leasehold improvements.

The carrying value of the Acquired Businesses has been evaluated for impairment. For assets in use when the trigger events specified in Sta ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," are met, the expected undiscounted future cash flo

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ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS—(Continued)

assets are compared to the net book value of the assets. If the expected undiscounted future cash flows are less than the net book value of th over the estimated fair value is charged to current earnings. Fair value is determined based upon discounted cash flows of the assets at rates property and prevailing market conditions, appraisals and, if appropriate, current estimated net sales proceeds from pending offers.

Goodwill. An allocation of goodwill which arose in connection with prior acquisitions made by the Seller was made to the Acquired Busine Seller's total hotel segment goodwill balance multiplied by the ratio of the sales price over the Seller's segment value. The Acquired Busine by comparisons of fair value to book value annually, or upon the occurrence of a trigger event. Impairment charges, if any, will be recogniz the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," the Acquired Businesses have completed their initial and subseque and intangible assets, which did not result in any impairment charges.

Foreign Currency Translation. Balance sheet accounts are translated at the exchange rates in effect at each period end and income and exp average rates of exchange prevailing during the year. The national currencies of foreign operations are generally the functional currencies. translation are included in other comprehensive income. Gains and losses from foreign currency transactions are reported currently in costs all periods presented.

Income Taxes. The Acquired Businesses provide for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." The taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax recognized in an entity's financial statements or tax returns.

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expec on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted.

The Trust has elected to be treated as a REIT under the provisions of the Code. As a result, the Trust is not subject to federal income tax on provided it distributes annually all of its taxable income to its shareholders and complies with certain other requirements. Accordingly, no t liabilities has been recorded.

Revenue Recognition. The Acquired Businesses' revenues are primarily derived from hotel revenues. Hotel revenues are derived from its o rental of rooms, food and beverage sales, telephone usage and other service revenue. Revenue is recognized when rooms are occupied and s

Allocated Corporate Expenses. Certain general and administrative costs of the Seller were allocated to the Acquired Businesses based upon general and administrative departments and the relative size of the Acquired Businesses. In the opinion of the Seller's management, the met administrative expenses and other direct costs are reasonable. It is not practical to estimate the costs that would have been incurred by the A operated on a stand-alone basis.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States and assumptions that affect the

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reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the rep during the reporting period. Actual results could differ from those estimates.

Note 3. Restricted Cash

Provisions of certain of the Seller's secured debt being assumed by the Acquired Businesses require that cash reserves be maintained. Addi aggregate operations of the related hotels fall below a specified level over a specified time period. Additional cash reserves for certain debt difficult period in the hospitality industry, resulting from the war in Iraq and the worldwide economic downturn. As of December 31, 2005 respectively, represents the portion of such reserves allocated to the Acquired Businesses and are included in restricted cash in the accompa the aggregate hotel operations met the specified levels over the required time period, and the additional cash reserves, plus accrued interest, and the Seller.

Note 4. Plant, Property and Equipment

Plant, property and equipment consisted of the following (in millions):

Land and improvements
Buildings and improvements
Furniture, fixtures and equipment
Construction work in process
Less accumulated depreciation and amortization

The Acquired Businesses stopped recording depreciation expense as of November 14, 2005, the date of the Master Agreement and Plan of Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P.

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ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS—(Continued)

Note 5. Income Taxes

Income tax data from continuing operations of the Acquired Businesses is as follows (in millions):

	20[illegible]
Pretax income (loss)	
U.S.	$
Foreign	
	$ 1[illegible]
Provision (benefit) for income tax	
Current:	
U.S. federal	$
State and local	
Foreign	
Deferred:	
U.S. federal	(
State and local	
Foreign	
	(
	$

No provision has been made for U.S. taxes payable on undistributed foreign earnings amounting to approximately $97 million as of Decem
permanently reinvested.

Deferred income taxes represent the tax effect of the differences between the book and tax basis of assets and liabilities. Deferred tax assets
millions):

Plant, property and equipment	
Allowances for doubtful accounts and other reserves	
Employee benefits	
Other	
Deferred income taxes	

A reconciliation of the tax provision of the Acquired Businesses at the U.S. statutory rate to the provision for income tax as reported is as fo

	2
Tax provision at U.S. statutory rate	$
U.S. state and local income taxes	
Exempt Trust income	
Foreign tax rate differential	
Provision for income tax (benefit)	$

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ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS—(Continued)

The Seller's tax provision has been allocated to the Acquired Businesses based upon their relative contribution to the Seller's consolidated t
rates for each jurisdiction and adjusted for any permanent items. For those hotels owned by the Acquired Businesses which currently are be
federal income tax provision or any deferred tax assets or liabilities computed.

Note 6. Derivative Financial Instruments

The Seller enters into interest rate swap agreements to manage interest expense. The Seller's objective is to manage the impact of interest ra
flows and the market value of the Seller's debt.

In March 2004, the Seller terminated certain interest rate swap agreements with a nominal amount of $450 million under which the Seller w
fixed rates of interest ("Fair Value Swaps"), resulting in an approximate $11 million cash payment to the Seller. The proceeds were used fo
resulted in a reduction of the 2004 and 2005 interest expense on the corresponding underlying debt (Sheraton Holding public debt).

Note 7. Debt

In January 1999, the Seller completed a $542 million long-term financing (the "Facility") secured by mortgages on a portfolio of 11 hotels.
and bears interest at a fixed rate of 6.98%. As of December 31, 2005 and 2004, $255 million and $262 million, respectively, of the outstand
Acquired Businesses and is included in the accompanying combined balance sheets. Interest charges related to the Facility of $19 million in
2005, 2004 and 2003, have been allocated to the Acquired Businesses and are included in the accompanying combined statements of incom

In February 2006, the Seller defeased approximately $470 million of the Facility. In order to accomplish this, the Seller purchased Treasury
debt service payments and the balloon payment due under the loan agreement. The Treasury securities were then substituted for the real est
collateral for the loan. As part of the defeasance, the Treasury securities and the debt were transferred to a third party successor borrower w
under this debt. As such, this debt will not be reflected on the Seller's balance sheet in the future.

Long-term debt and short-term borrowings consisted of the following (in millions):

Sheraton Holding public debt, interest rates ranging from 4.05% to 6.75%, maturing through 2025
Mortgages and other, interest rates ranging from 1.95% to 9.21%, various maturities
Less current maturities

Long-term debt

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ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS—(Continued)

Aggregate debt maturities for each of the years ended December 31 are as follows (in millions):

2006	
2007	
2008	
2009	
2010	
Thereafter	

For adjustable rate debt, fair value approximates carrying value due to the variable nature of the interest rates. For non-public fixed rate deb
discounted cash flows for the debt at rates deemed reasonable for the type of debt and prevailing market conditions and the length to maturi
debt at December 31, 2005 and 2004 was $1.075 billion and $1.568 billion, respectively, and was determined based on quoted market price

Note 8. Equity of the Acquired Businesses

Activity in the Acquired Businesses' equity account for the years ended December 31, 2005, 2004 and 2003, was as follows (in millions):

	20
Balance, beginning of period	$ 1,
Net income	
Net capital contributions	
Foreign currency translation	
Balance, end of period	$ 1,

Note 9. Leases and Rentals

The Acquired Businesses' lease certain equipment for the hotels' operations under various lease agreements. The leases extend for varying
for a fixed amount each month. In addition, several of the Hotels are subject to leases of land which extend for varying periods through 206
components.

The Acquired Businesses' minimum future rents at December 31, 2005 payable under non-cancelable operating leases with third parties are

2006	
2007	
2008	
2009	
2010	
Thereafter	

Rent expense under non-cancelable operating leases was $14 million, $14 million and $12 million in 2005, 2004 and 2003, respectively.

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ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS—(Continued)

Note 10. Related Party Transactions

The Seller charges the Acquired Businesses for certain management responsibilities that are provided by the Seller. Management fees are re
statements for hotels that have a management agreement in place as of the periods presented. For the years ended December 31, 2005, 2004
$27 million and $26 million, respectively.

The Seller also charges the Acquired Businesses for certain reimbursable expenses including payroll and employee benefit costs, insurance
the Acquired Businesses for general liability and workers' compensation insurance as well as any direct costs incurred on behalf of the Acq
the Acquired Businesses for these services and reimbursable costs were $90 million, $82 million, and $87 million for the years ended Dece
respectively.

The Acquired Businesses participate in national marketing, co-op advertising, and frequent guest programs operated by the Seller under the
Collection, Four Points by Sheraton and Starwood brands. Fees for these programs were $23 million, $22 million, and $21 million for the y
2003, respectively.

From time to time, the Seller incurs certain other costs on behalf of the Acquired Businesses, which are reimbursed to the Seller. In additio
certain management decisions on behalf of the Acquired Businesses that result in the Acquired Businesses incurring costs on the Seller's be
Businesses, are generally reimbursed by the Seller. During the years ended December 31, 2005, 2004 and 2003, these costs were not materi

Note 11. Commitments and Contingencies

Litigation. The Acquired Businesses are involved in various legal matters that have arisen in the normal course of business, some of which
Accruals have been recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litiga
Businesses do not expect that the resolution of all legal matters will have a material adverse effect on its combined results of operations, fin
Note 1. Basis of Presentation, certain liabilities will be retained by the Seller, including litigation.

Note 12. Geographical Information

The following table presents revenues and long-lived assets by geographical region (in millions):

	Re
	2005
United States	$ 906
All international	240

Total	$1,146	$

There were no individual international countries which comprised over 10% of the total revenues of the Acquired Businesses for the years e
or 10% of the total long-lived assets of the Acquired Businesses as of December 31, 2005 or 2004.

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ACQUIRED BUSINESSES

COMBINED BALANCE SHEET
(unaudited, in millions)

ASSETS
Current assets:
Cash and cash equivalents
Restricted cash
Accounts receivable, net of allowance for doubtful accounts of $3
Inventories
Prepaid expenses and other
Total current assets
Plant, property and equipment, net
Goodwill
Other assets
LIABILITIES AND EQUITY
Current liabilities:
Short-term borrowings and current maturities of long-term debt
Accounts payable
Accrued expenses
Accrued salaries, wages and benefits
Accrued taxes and other
Total current liabilities
Long-term debt
Deferred income taxes
Other liabilities
Commitments and contingencies
Equity of Acquired Businesses

The accompanying notes to financial statements are an integral part of the above statements.

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ACQUIRED BUSINESSES

COMBINED STATEMENTS OF OPERATIONS
(unaudited, in millions)

Operating Revenues
Rooms
Food and beverage
Other operating departments
Operating Expenses
Rooms
Food and beverage
Other operating departments
Administrative and general
Local taxes, rent and insurance
Advertising and business promotion
Property maintenance and energy
Management fees
Allocated corporate expenses
Commissions and other
Depreciation and amortization
Operating income
Interest expense
Loss before income taxes
Income tax expense
Net loss

The accompanying notes to financial statements are an integral part of the above statements.

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ACQUIRED BUSINESSES

COMBINED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

Operating Activities	
Net loss	
Adjustments to income from continuing operations:	
Depreciation and amortization	
Changes in working capital:	
Restricted cash	
Accounts receivable	
Prepaid expenses and other	
Accounts payable and accrued expenses	
Accrued and deferred income taxes	
Other, net	
Cash from operating activities	
Investing Activities	
Purchases of plant, property and equipment	
Cash used for investing activities	
Financing Activities	
Long-term debt repaid	
Capital contributions	
Cash from (used for) financing activities	
Exchange rate effect on cash and cash equivalents	
Increase (decrease) in cash and cash equivalents	
Cash and cash equivalents — beginning of period	

Cash and cash equivalents — end of period	
Supplemental Disclosures of Cash Flow Information	
Cash paid during the period for:	
Interest	
Income taxes, net of refunds	

The accompanying notes to financial statements are an integral part of the above statements.

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ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The combined financial statements are presented using accounting principles generally accepted in the United States of America and have b of Starwood Hotels & Resorts Worldwide, Inc. (the "Corporation") and Starwood Hotels & Resorts (the "Trust" and together with the Corp subsidiaries using the historical results of operations and historical basis of assets and liabilities of 35 properties and the stock of certain co Businesses") to be acquired by Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P., excluding certain liabilities or obligations agre in the Master Agreement and Plan of Merger dated November 14, 2005 and as amended by the Amendment Agreement dated March 24, 20 were prepared solely for purposes of presenting the historical results of the Acquired Businesses. In the opinion of the Seller's management presentation, consisting of normal recurring adjustments, have been included. Results for the two months ended February 28, 2006 are not expected for the full fiscal year ending December 31, 2006.

The combined financial statements include allocations of certain Seller's expenses, assets and liabilities. Management believes these alloca underlying the combined financial statements are reasonable. However, the combined financial statements included herein may not necessa results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows woul been a stand-alone company during the periods presented.

Note. 2. Significant Accounting Policies

Principles of Combination. The accompanying combined financial statements of the Acquired Businesses include the assets, liabilities, rev Businesses. Intercompany transactions and balances have been eliminated in combination.

Cash and Cash Equivalents. The Acquired Businesses consider all highly liquid investments purchased with an original maturity of three

Restricted Cash. The Acquired Businesses have cash escrow deposits, property tax payments and debt agreements that require cash to be r

Inventories. Inventory consists of food and beverage stock items as well as linens, china, glass, silver, uniforms, utensils and guest room it items are recorded at the lower of FIFO cost (first-in, first-out) or market. Significant purchases of linens, china, glass, silver, uniforms, ut purchased cost and amortized to 50% of their cost over 36 months. Normal replacement purchases are expensed as incurred.

Plant, Property and Equipment. Plant, property and equipment are recorded at cost. The cost of improvements that extend the life of plant, These capitalized costs may include structural improvements, equipment and fixtures. Costs for normal repairs and maintenance are expens on a straight-line basis over the estimated useful economic lives of 15 to 40 years for buildings and improvements; 3 to 10 years for furnitu information technology software and equipment and the lesser of the lease term or the economic useful life for leasehold improvements.

The Acquired Businesses stopped recording depreciation expense as of November 14, 2005, the date of the Master Agreement and Plan of Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P.

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ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS (cont.)

The carrying value of the Acquired Businesses has been evaluated for impairment. For assets in use when the trigger events specified in Sta (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” are met, the expected undiscounted future cash flo book value of the assets. If the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net b charged to current earnings. Fair value is determined based upon discounted cash flows of the assets at rates deemed reasonable for the type conditions, appraisals and, if appropriate, current estimated net sales proceeds from pending offers.

Goodwill. An allocation of goodwill which arose in connection with prior acquisitions made by the Seller was made to the Acquired Busine Seller’s total hotel segment goodwill balance multiplied by the ratio of the sales price over the Seller’s segment value. The Acquired Busine by comparisons of fair value to book value annually, or upon the occurrence of a trigger event. Impairment charges, if any, will be recogniz the adoption of SFAS No. 142, “Goodwill and Other Intangible Assets,” the Acquired Businesses have completed their initial and subseque and intangible assets, which did not result in any impairment charges.

Foreign Currency Translation. Balance sheet accounts are translated at the exchange rates in effect at each period end and income and exp average rates of exchange prevailing during the year. The national currencies of foreign operations are generally the functional currencies. C translation are included in other comprehensive income. Gains and losses from foreign currency transactions are reported currently in costs all periods presented.

Income Taxes. The Acquired Businesses provide for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes.” The taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax recognized in an entity’s financial statements or tax returns.

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expec on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted.

The Trust has elected to be treated as a REIT under the provisions of the Code. As a result, the Trust is not subject to federal income tax on provided it distributes annually all of its taxable income to its shareholders and complies with certain other requirements. Accordingly, no t liabilities has been recorded.

Revenue Recognition. The Acquired Businesses’ revenues are primarily derived from hotel revenues. Hotel revenues are derived from its c rental of rooms, food and beverage sales, telephone usage and other service revenue. Revenue is recognized when rooms are occupied and s

Allocated Corporate Expenses. Certain general and administrative costs of the Seller were allocated to the Acquired Businesses based upon general and administrative departments and the relative size of the Acquired Businesses. In the opinion of the Seller’s management, the met administrative expenses and other direct costs are reasonable. It is not practical to estimate the costs that would have been incurred by the A operated on a stand-alone basis.

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ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS (cont.)

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3. Restricted Cash

Provisions of certain of the Seller's secured debt being assumed by the Acquired Businesses require that cash reserves be maintained. As of 2005, $418,000 and $5 million, respectively, represents the portion of such reserves allocated to the Acquired Businesses and are included combined balance sheet.

Note 4. Equity of the Acquired Businesses

Activity in the Acquired Businesses' equity account for the two months ended February 28, 2006 and 2005 was as follows (in millions):

Balance, beginning of period
Net loss
Net capital contributions
Foreign currency translation
Balance, end of period

Note 5. Debt Defeasance

In February 2006 the Seller defeased approximately $470 million of debt secured in part by several hotels that are part of the Acquired Bus Seller purchased Treasury securities sufficient to make the monthly debt service payments and the balloon payments due under the loan agr substituted for the real estate and hotels that originally served as collateral for the loan. As part of the defeasance, the Treasury securities an successor borrower who in turn is "liable" for all obligations under this debt. As such, this debt is no longer reflected on the Seller's balanc defeasance were $36 million of which $19 million are reflected in interest expense of the Acquired Businesses.

Note 6. Commitments and Contingencies

Litigation. The Acquired Businesses are involved in various other legal matters that have arisen in the normal course of business, some of w Accruals have been recorded when the outcome is probable and can be reasonably estimated. While the ultimate results of claims and litiga

Businesses do not expect that the resolution of all legal matters will have a material adverse effect on its combined results of operations, fin
Note 1. Basis of Presentation, certain liabilities will be retained by the Seller, including litigation.

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PROSPECTUS

Host Hotels & Resorts, L.P.

Offer to Exchange
up to
$800,000,000
of
6 3/4% Series Q Senior Notes due 2016, which have been registered under the Securities Act

for up to
$800,000,000
of outstanding
6 3/4% Series P Senior Notes due 2016

July 17, 2006