

HOST HOTELS & RESORTS, INC.
Form PRE 14A
March 16, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ..

Check the appropriate box:

- | | |
|---|---|
| <input checked="" type="checkbox"/> x Preliminary Proxy Statement | <input type="checkbox"/> .. Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> .. Definitive Proxy Statement | |
| <input type="checkbox"/> .. Definitive Additional Materials | |
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Host Hotels & Resorts, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Amount Previously Paid:

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(3) Filing Party:

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March [31], 2009

Dear Fellow Stockholder:

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

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

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

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

Sincerely,

Richard E. Marriott
Chairman of the Board

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6903 Rockledge Drive, Suite 1500

Bethesda, Maryland 20817-1109

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

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

Agenda

Election of seven directors;

Ratification of the appointment of KPMG LLP as independent auditors of the Company to serve for 2009;

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

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

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

Voting

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

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

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

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

BY ORDER OF THE BOARD OF DIRECTORS

ELIZABETH A. ABDOO
Secretary

March [31], 2009

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

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

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

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ATTENDANCE AND VOTING MATTERS

Q. What is a proxy?

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

Q. What is a proxy statement?

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

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

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

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

With respect to each nominee, stockholders may:

Vote in favor of the nominee;

Vote against the nominee; or

Abstain from voting for the nominee.

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

Stockholders may:

Vote in favor of the ratification;

Vote against the ratification; or

Abstain from voting on the ratification.

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

Stockholders may:

Vote in favor of the new plan;

Vote against the new plan; or

Abstain from voting on the new plan.

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

Stockholders may:

Vote in favor of the amendment;

Vote against the amendment; or

Abstain from voting on the amendment.

Q. Who is entitled to vote?

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

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

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

Q. How do I vote?

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

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

Vote by Telephone. If you hold your shares in your own name as a holder of record, you may vote by telephone by calling the toll-free number listed on the accompanying proxy card. Telephone voting is available 24 hours per day until 11:59 p.m., Eastern Time, on Wednesday, May 13, 2009. When you call,

have your proxy card in hand and you will receive a series of voice instructions, which will allow you to vote your shares of common stock. You will be given the opportunity to confirm that your instructions have been properly recorded. IF YOU VOTE BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.

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

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

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

Q. Who is acting as my proxy?

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

- (1) FOR each of the nominees for director;
- (2) FOR the ratification of the appointment of KPMG LLP as independent auditors of the Company for 2009;
- (3) FOR the approval of the 2009 Comprehensive Stock and Cash Incentive Plan;
- (4) FOR the approval of the Charter amendment to increase the authorized capital stock; and
- (5) In the discretion of your proxies on any other matters that may properly come before the annual meeting or any adjournment or postponement thereof.

Q. May I revoke my proxy?

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

- (1) File a written notice of revocation dated after the date of your proxy with Computershare; or
- (2) Send Computershare by mail a later-dated proxy for the same shares of common stock; or

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

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

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

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

At the close of business on March 17, 2009, there were _____ shares of our common stock issued and outstanding.

Every stockholder is entitled to one vote for each share of common stock held.

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Q. What vote is required to approve each proposal?

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

Q. What constitutes a quorum ?

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

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

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

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

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

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

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

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

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

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

Q. Who will count the votes?

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

Q. Who pays the cost of this proxy solicitation?

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

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

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

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

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

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

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

Host Hotels & Resorts, Inc.

6903 Rockledge Drive, Suite 1500

Bethesda, Maryland 20817

Attention: Investor Relations

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THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Corporate Governance

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

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

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

Code of Business Conduct and Ethics

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

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Independence of Directors

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

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

the director was employed by the Company (except on an interim basis);

an immediate family member of the director was an executive officer of the Company;

the director or an immediate family member was a partner at the Company's internal or external auditors;

the director or an immediate family member was a partner or employee of the Company's internal or external auditors and worked on the Company's audit;

the director or an immediate family member is employed as an executive officer of another company when a present officer of the Company sat on that company's compensation committee;

the director or an immediate family member received, during any 12-month period, more than \$120,000 in compensation from the Company, other than director or committee fees or deferred compensation (provided such compensation is not contingent in any way on continued service);

the director or an immediate family member is an employee of a company that makes payments to or receives payments from the Company for property or services in excess of the greater of \$1 million or 2% of that company's consolidated gross revenue over one fiscal year; or

the director or an immediate family member is an executive officer, director, or trustee of a tax exempt organization to which the Company makes contributions in an amount that, in any single fiscal year, exceeds the greater of \$1 million or 2% of the tax exempt organization's consolidated gross revenues.

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

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

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

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

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

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

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

Committee	Current Members	Number of Meetings Held in 2008 and Committee Functions
Audit (1)	<p data-bbox="279 1087 587 1121">John B. Morse, Jr.</p> <p data-bbox="279 1150 587 1184">(Chair)</p> <p data-bbox="279 1213 587 1247">Robert M. Baylis</p> <p data-bbox="279 1276 587 1310">Judith A. McHale</p>	<p data-bbox="646 1087 1500 1121">Number of meetings: Seven</p> <p data-bbox="646 1222 1500 1255">Appoints and oversees the independent auditors;</p> <p data-bbox="646 1360 1500 1415">Approves the scope of audits and other services to be performed by the independent and internal auditors;</p> <p data-bbox="646 1520 1500 1604">Reviews and approves in advance the engagement fees of the outside auditor and all non-audit services and related fees, and assesses whether the performance of non-audit services could impair the independence of the independent auditors;</p> <p data-bbox="646 1709 1500 1772">Reviews the results of internal and external audits, the accounting principles applied in financial reporting, and financial and operational controls;</p> <p data-bbox="646 1877 1500 1911">Meets with the independent auditors, management representatives and internal auditors;</p>



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

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

Reviews risk exposures and management policies.

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

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

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

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

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

Compensation Policy Committee Interlocks and Insider Participation

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

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Board Nominations

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

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

Table of Contents**DIRECTOR COMPENSATION****2008 Director Fees**

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

Name (1)	Fees Earned or Paid in Cash \$ (2)	Stock Awards \$ (3)	All Other Compensation \$ (4)	Total \$
Robert M. Baylis	88,500	65,000	42,682	196,182
Terence C. Golden	77,000	65,000	54,270	196,270
Ann McLaughlin Korologos	88,500	65,000	42,513	196,013
Judith A. McHale	81,500	65,000	17,345	Contributions:
Employer	2,359,553		1,704,385	
Employee	7,786,452		5,957,878	
Transfer in - plan merger	10,592,225			
Total contributions	20,738,230		7,662,263	
Total additions	25,366,521		13,659,438	
Deductions from net assets attributed to:				
Benefits paid to participants	(3,570,517)		(3,430,032)	
Administrative fees	(44,093)		(34,620)	
Total deductions	(3,614,610)		(3,464,652)	
Net increase	21,751,911		10,194,786	
Net assets available for benefits at beginning of year	41,481,332		31,286,546	
Net assets available for benefits at end of year	\$ 63,233,243		41,481,332	

See accompanying notes to financial statements.

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SALLY BEAUTY

401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2004 and 2003

(1) Description of the Plan

(a) General

The Sally Beauty 401(k) Savings Plan (the Plan), established on January 1, 1994, is a defined contribution plan available to eligible employees of Sally Beauty Company (the Company). The Company is a wholly owned subsidiary of the Alberto-Culver Company (Alberto-Culver).

The Plan is administered by the Company with the assistance of Prudential Retirement Insurance and Annuity Company (PRIAC), a company of Prudential Financial, Inc. Prudential Bank & Trust Company, F.S.B.(the Trustee) holds the investment assets of the Plan.

The following description of the Plan provides only general information. Information about the Plan's provisions is contained in the plan document, which may be obtained from the Company.

(b) Participation

All eligible employees whose customary employment is for at least 1,000 hours within 12 consecutive months, who are not members of a collective bargaining unit, and who are at least 21 years of age may participate in the Plan upon the completion of 12 months of service. On December 31, 2004, there were 3,243 participants in or beneficiaries of the Plan.

(c) Contributions

Participants may elect to contribute any amount from 1% to 50% of their eligible compensation, in whole percentage points, subject to the limitations of the Internal Revenue Code. Highly compensated participants, as defined by the Internal Revenue Code, are subject to more restrictive maximum annual contribution limits. The percentage of compensation contributed may be increased or decreased at the election of the participant any time during the year. All eligible participant contributions are tax-deferred contributions pursuant to a qualified cash or deferral arrangement subject to the limitations of the Internal Revenue Code. Annual participant contribution amounts were limited to \$13,000 for the year ended December 31, 2004, as determined by the Internal Revenue Code. The Economic Growth and Tax Relief Reconciliation Act of 2001 includes a provision that allows participants who have attained age 50 during the Plan year to make additional contributions above otherwise permissible limits. These additional contributions, known as catch-up contributions, were limited to \$3,000 for the year ended December 31,

2004. Company matching contributions are not be made on catch-up contributions.

Company contributions to the Plan are based on a discretionary match on an annual basis. For the Plan years 2004 and 2003, the Company matched \$0.50 of each dollar contributed up to 5% of eligible participant compensation and \$0.50 of each dollar contributed up to 4% of eligible participant compensation, respectively.

(d) Investment Options

Participants may elect to invest their contributions and any Company matching contributions in twenty investment options within seven different asset classes as well as the Alberto-Culver Company common stock. The asset classes include: (i) stable value, (ii) balanced, (iii) large

(Continued)

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SALLY BEAUTY

401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2004 and 2003

capitalization equity, (iv) mid capitalization equity, (v) small capitalization equity, (vi) global equity, and (vii) international equity. These investment options are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

None of the investment funds, other than the Principal Preservation Separate Account, guarantee a fixed return to the participant. The Principal Preservation Separate Account provides stable returns as well as a full guarantee of principal and interest from PRIAC. The guaranteed interest rate is announced semi-annually and is guaranteed against change for six-month periods (January-June, July-December).

Account balances may be invested in 1% increments in any of the Plan's available investment options. Participants may reallocate their investments among the available investment options any time during the year. Dividend and interest income received on investments are reinvested in the same funds.

Effective January 1, 2004, the Oppenheimer Global Fund (Class A Shares) replaced the Janus Worldwide Fund due to the Janus Worldwide Fund's inability to meet certain performance criteria established by the Plan's Investment Policy Statement.

On January 21, 2004, Alberto-Culver Company's board of directors approved a 3-for-2 stock split in the form of a 50% stock dividend on Alberto-Culver Company's outstanding shares. The additional shares were distributed February 20, 2004 to shareholders of record at the close of business on February 2, 2004.

Effective June 1, 2004, the International Equity/Julius Baer Fund replaced the Credit Suisse International Focus Account due to the Credit Suisse International Focus Account's inability to meet certain performance criteria established by the Plan's Investment Policy Statement.

(e) Vesting

Participants are fully vested in the current value of their contributions and earnings and losses thereon, and become fully vested in the Company matching contributions and related earnings and losses

(Continued)

Table of Contents**SALLY BEAUTY****401(k) SAVINGS PLAN**

Notes to Financial Statements

December 31, 2004 and 2003

credited to their accounts based upon their years of vesting service as shown in the following table:

Years of vesting service	Vested percentage
Less than 1	0%
1 but less than 2	20
2 but less than 3	40
3 but less than 4	60
4 but less than 5	80
5 or more	100

Participants who are age 65 or over, die, or become permanently disabled are automatically 100% vested in the value of Company matching contributions and related earnings or losses credited to their account.

(f) Distribution Options

Upon severance from employment (e.g. termination of employment, retirement, disability or death, participants may elect to receive a distribution of the total value of their account, which is the accumulation of their contributions and related earnings and losses credited to their account, as well as the vested balance of their Company matching contributions and related earnings and losses credited to their account. Distributions may be in the form of cash, periodic installments, Alberto-Culver Company common stock, or a direct rollover according to the provisions of the Plan. Alternatively, terminated participants may elect to defer the distribution of their account balance until age 70 1/2, at which time minimum required distributions will commence according to Section 401(a)(9) of the Internal Revenue Code. Such deferred benefits remain in the Plan and participate in the earnings and losses from the investments.

(g) Corrective Distributions

As required under Sections 401(k) and 401(m) of the Internal Revenue Code, the Plan is required to pass compliance tests as they relate to both participant and Company matching contributions to the Plan. If the Plan does not pass these tests, the Plan must make corrective distributions to certain highly compensated employees. For the Plan years ended December 31, 2004 and 2003, corrective distributions were required in the amounts of \$113,225 and \$120,509, respectively. Corrective distributions are processed in the Plan year subsequent to which the participant and Company matching contributions were initially contributed.

(Continued)

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SALLY BEAUTY

401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2004 and 2003

(h) Participant Loans

Participants may borrow against their account balances for periods of one to five years. In the event the loan is used to purchase a primary residence, an extended period of time for repayment is allowed. Participant loans are limited to the lesser of \$50,000 or 50% of the participants vested account balance and bear interest at the prime rate plus 1% at the time the loan is made. Outstanding participant loans are considered investments of the Plan and repayments of principal and interest are credited to the borrowing participants' account using his or her current investment election. At December 31, 2004 and 2003, interest rates on outstanding loans ranged from 5.00% to 10.50%. For the Plan years ending December 31, 2004 and 2003, the numbers of participants with outstanding loans were 638 and 468, respectively.

(i) Forfeitures

Company matching contributions, and earnings thereon, forfeited by terminated employees are used to reduce future Company matching contributions to the Plan. The Company will reinstate forfeited balances to the accounts of employees who rejoin the Company within five years of their termination. In 2004 and 2003, Company matching contributions were reduced by forfeiture amounts of \$35,000.

(j) Plan Merger

During 2004, participants' balances in the West Coast Beauty Supply Company Retirement Savings Plan totaling \$10,592,225 were transferred into the Plan due to the Company's acquisition of the West Coast Beauty Supply Company.

(k) Administrative Expenses

Administrative fees are paid by the Plan. All other Plan-related expenses are paid by the Company. Investment management fees are included in the investment fund yields.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Company maintains the accounts of the Plan on an accrual basis.

(b) Asset Valuation

The investment assets in the Plan are valued at the quoted closing sale price on the last business day of the year. Participant loans are stated at contract value which approximates fair value.

(c) Security Transactions and Investment Income

Purchases and sales of investments in the Plan are recorded on a trade-date basis. When investments are sold, the difference between the carrying value original cost (computed on an average cost basis) and the proceeds received are recorded as a realized gain or loss. Interest and dividend income are recorded when earned.

(Continued)

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SALLY BEAUTY

401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2004 and 2003

(d) Payment of Benefits

Benefits are recorded when paid.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the changes in net assets available for benefits during the reporting period and related disclosures. Actual results could differ from these estimates.

(3) Related-party Transactions

PRIAC provides certain accounting and administrative services to the Plan for which \$44,093 and \$34,620 of expenses were charged for the years ended December 31, 2004 and 2003, respectively.

(4) Termination of the Plan

It is the intent of the Company that the Plan continues into the future; however, the Company reserves the right to terminate the Plan. In the event the Plan is terminated, participants would become fully vested in their accounts, and the assets of the Plan would be distributed to the participants in proportion to their respective interests in the Plan.

(5) Tax Status

The Company adopted a Prototype Standardized Profit Sharing Plan with a cash or deferral arrangement which received a favorable determination letter from the Internal Revenue Service, dated July 28, 2004, which stated that the form of the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code. The Company believes that the Plan currently is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and, therefore, the Plan qualifies under Section 401(a) of

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the Internal Revenue Code and is exempt from tax under Section 501(a) of the Internal Revenue Code. The Plan administrator is not aware of any activity or transaction that may adversely affect the qualified status of the Plan.

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Notes to Financial Statements

December 31, 2004 and 2003

(6) Other Investment Information

The fair values of investment fund balances which represent 5% or more of the Plan's net assets as of December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Principal Preservation Separate Account	\$ 13,214,286	10,170,300
Fidelity Advisor Equity Growth Account	6,808,784	3,986,698
Alberto-Culver Company Common Stock	6,554,021	3,891,280
Large Cap Growth/Turner Investment Partners Funds	4,242,471	3,924,479
Dryden S&P 500 Index Fund	3,996,534	3,261,777
Fidelity Advisor Balanced Account	3,461,708	2,461,663
Large Cap Value/John A. Levin & Co. Fund	3,455,226	*

* Fair value is less than 5% of Plan's net assets

During the Plan years ended December 31, 2004 and 2003, the Plan's investments (including investments bought, sold, and held during the year) appreciated in value as follows:

	<u>2004</u>	<u>2003</u>
Pooled Separate Accounts	\$ 3,323,086	5,014,172
Alberto-Culver Company Common Stock	786,624	682,892
Net appreciation in fair value	<u>\$ 4,109,710</u>	<u>5,697,064</u>

(7) Reconciliation of Financials Statements to Form 5500

The following is a reconciliation of net assets available for benefits included in the financial statements at December 31, 2004 to the Form 5500:

	<u>2004</u>
Net assets available for benefits included in the financial statements	\$ 63,233,243
Amounts payable to withdrawing participants at December 31, 2004	(776)
Net assets available for benefits included in the IRS Form 5500	<u>\$ 63,232,467</u>

(Continued)

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SALLY BEAUTY

401(k) SAVINGS PLAN

Notes to Financial Statements

December 31, 2004 and 2003

The following is a reconciliation of benefits paid to participants per the financial statements for the Plan years ended December 31, 2004 and 2003 to the Form 5500:

	<u>2004</u>	<u>2003</u>
Benefits paid to participants per the financial statements	\$ 3,570,517	3,430,032
Add amounts payable to withdrawing participants in current year	776	
Less amounts payable to withdrawing participants in prior year		(2,274)
	<u> </u>	<u> </u>
Benefits paid to participants per IRS Form 5500	<u>\$ 3,571,293</u>	<u>3,427,758</u>

(8) Subsequent Events

Effective January 1, 2004, annual participant contributions and catch-up contributions will be limited to \$14,000 and \$4,000, respectively.

(Continued)

Table of Contents**Schedule 1****SALLY BEAUTY****401(k) SAVINGS PLAN**

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2004

Identity of issuer, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, par value, or number of shares	Number of shares/units	Current value
* Prudential Retirement Insurance and Annuity Company	Principal Preservation Separate Account	1,272,916 Units	\$ 13,214,286
* Prudential Retirement Insurance and Annuity Company	Fidelity Advisor Equity Growth Account	87,790 Units	6,808,784
* Alberto-Culver Company	Alberto-Culver Company Common Stock Fund	134,855 Shares	6,554,021
* Prudential Retirement Insurance and Annuity Company	Large Cap Growth/Turner Investment Partners Fund	394,077 Units	4,242,471
* Prudential Retirement Insurance and Annuity Company	Dryden S&P 500 Index Fund	57,755 Units	3,996,534
* Prudential Retirement Insurance and Annuity Company	Fidelity Advisor Balanced Account	99,242 Units	3,461,708
* Prudential Retirement Insurance and Annuity Company	Large Cap Value/John A. Levin & Co. Fund	211,222 Units	3,455,226
* Prudential Retirement Insurance and Annuity Company	International Equity/Julius Baer Fund	172,907 Units	2,884,112
* Prudential Retirement Insurance and Annuity Company	Oppenheimer Global Fund (Class A Shares)	44,687 Units	2,749,645
* Prudential Retirement Insurance and Annuity Company	Balanced I Fund/(Sub-advised by Wellington Management)	40,092 Units	1,687,247
* Prudential Retirement Insurance and Annuity Company	Small Cap Growth/TimesSquare Fund	85,666 Units	1,642,672
* Prudential Retirement Insurance and Annuity Company	Small Cap Value/Perkins, Wolf, McDonnell Fund	67,010 Units	1,572,964
* Prudential Retirement Insurance and Annuity Company	Lifetime 50	84,370 Units	1,201,067
* Prudential Retirement Insurance and Annuity Company	Lifetime 40	80,795 Units	1,138,668
* Prudential Retirement Insurance and Annuity Company	Lifetime 30	75,393 Units	1,076,455
* Prudential Retirement Insurance and Annuity Company	Mid Cap Blend/New Amsterdam Partners Fund	70,822 Units	965,464
* Prudential Retirement Insurance and Annuity Company	Lifetime 20	53,123 Units	752,093
* Prudential Retirement Insurance and Annuity Company	Mid Cap Value/(Sub-advised by Wellington Management)	27,961 Units	472,655

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* Prudential Retirement Insurance and Annuity Company	Mid Cap Growth/Artisan Partners Fund	44,633 Units	458,167
* Prudential Retirement Insurance and Annuity Company	Lifetime 60	14,113 Units	203,670
* Participant Loans	Loans to participants, bearing interest from 5.00% to 10.50% with		2,099,197
	varying maturities through 2014		<u>\$ 60,637,106</u>

* Represents a party-in-interest.

See accompanying report of independent registered public accounting firm.

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Consent of Independent Registered Public Accounting Firm

The Board of Directors

Alberto-Culver Company:

We consent to the incorporation by reference in the registration statement (No. 333-70067) on Form S-8 of Alberto-Culver Company of our report dated June 24, 2005, with respect to the Statements of Net Assets Available for Benefits of the Sally Beauty 401(k) Savings Plan as of December 31, 2004 and 2003, and the related Statements of Changes in Net Assets Available for Benefits for the years then ended, and the related supplemental schedule, which report appears in the December 31, 2004 annual report on Form 11-K of Alberto-Culver Company.

/s/ KPMG LLP

Chicago, Illinois

June 28, 2005

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SIGNATURES

The Plans: Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plans) have duly caused this annual report to be signed on their behalf by the undersigned hereunto duly authorized.

SALLY BEAUTY 401(k) SAVINGS PLAN

By: /s/ William J. Cernugel

Sally Beauty Company, Inc., Plan Administrator

ALBERTO-CULVER 401(k) SAVINGS PLAN

By: /s/ William J. Cernugel

Alberto-Culver Company, Plan Administrator

Dated: June 29, 2005