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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 26, 2004.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-14625

# HOST MARRIOTT CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Maryland  
(State of Incorporation)

53-0085950  
(I.R.S. Employer Identification No.)

6903 Rockledge Drive, Suite 1500, Bethesda, Maryland  
(Address of Principal Executive Offices)

20817  
(Zip Code)

(240) 744-1000  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).  
 Yes  No

The registrant had 321,897,490 shares of its \$0.01 par value common stock outstanding as of April 30, 2004.

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**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**March 26, 2004 and December 31, 2003**  
(in millions, except per share amounts)

|  | <u>March 26,</u><br>2004 | <u>December 31,</u><br>2003 |
|--|--------------------------|-----------------------------|
|  | <u>(unaudited)</u>       |                             |
| <u>ASSETS</u>  |                          |                             |
| Property and equipment, net  | \$ 7,020                 | \$ 7,085                    |
| Assets held for sale   | —                        | 73                          |
| Notes and other receivables  | 54                       | 54                          |
| Due from managers  | 79                       | 62                          |
| Investments in affiliates  | 86                       | 74                          |
| Other  | 383                      | 364                         |
| Restricted cash  | 598                      | 116                         |
| Cash and cash equivalents  | 526                      | 764                         |
|  | <hr/>                    | <hr/>                       |
| Total assets   | \$ 8,746                 | \$ 8,592                    |
|  | <hr/>                    | <hr/>                       |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>  |                          |                             |
| Debt   |                          |                             |
| Senior notes, including \$490 million, net of discount, of Exchangeable Senior Debentures  | \$ 3,459                 | \$ 3,180                    |
| Mortgage debt  | 2,109                    | 2,205                       |
| Exchangeable Subordinated Debentures   | 492                      | —                           |
| Other  | 100                      | 101                         |
|  | <hr/>                    | <hr/>                       |
| Total debt   | 6,160                    | 5,486                       |
| Accounts payable and accrued expenses  | 121                      | 108                         |
| Liabilities associated with assets held for sale   | —                        | 2                           |
| Other  | 151                      | 166                         |
|  | <hr/>                    | <hr/>                       |
| Total liabilities  | 6,432                    | 5,762                       |
|  | <hr/>                    | <hr/>                       |
| Interest of minority partners of Host Marriott, L.P.   | 124                      | 130                         |
| Interest of minority partners of other consolidated partnerships   | 94                       | 89                          |
| Company-obligated mandatorily redeemable exchangeable preferred securities of a subsidiary whose sole assets are exchangeable subordinated debentures due 2026 ("Exchangeable Preferred Securities") | —                        | 475                         |
| Shareholders' equity   |                          |                             |
| Cumulative redeemable preferred stock (liquidation preference \$354 million), 50 million shares authorized; 14.1 million shares issued and outstanding   | 339                      | 339                         |
| Common stock, par value \$.01, 750 million shares authorized; 321.6 million shares and 320.3 million shares issued and outstanding, respectively   | 3                        | 3                           |
| Additional paid-in capital   | 2,619                    | 2,617                       |
| Accumulated other comprehensive income   | 26                       | 28                          |
| Deficit  | (891)                    | (851)                       |
|  | <hr/>                    | <hr/>                       |
| Total shareholders' equity   | 2,096                    | 2,136                       |
|  | <hr/>                    | <hr/>                       |
| Total liabilities and shareholders' equity   | \$ 8,746                 | \$ 8,592                    |
|  | <hr/>                    | <hr/>                       |

See notes to condensed consolidated statements.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Quarter Ended March 26, 2004 and March 28, 2003**  
(unaudited, in millions, except per share amounts)

|   | Quarter ended     |                   |
|---|-------------------|-------------------|
|   | March 26,<br>2004 | March 28,<br>2003 |
| <b>REVENUES</b>   |                   |                   |
| Rooms   | \$ 473            | \$ 452            |
| Food and beverage   | 257               | 242               |
| Other   | 50                | 52                |
| <b>Total hotel sales</b>  | <b>780</b>        | <b>746</b>        |
| Rental income   | 29                | 27                |
| Other income  | —                 | 2                 |
| <b>Total revenues</b>   | <b>809</b>        | <b>775</b>        |
| <b>OPERATING COSTS AND EXPENSES</b>   |                   |                   |
| Rooms   | 119               | 111               |
| Food and beverage   | 190               | 180               |
| Hotel departmental expenses   | 216               | 206               |
| Management fees   | 32                | 32                |
| Other property-level expenses   | 69                | 70                |
| Depreciation and amortization   | 83                | 84                |
| Corporate expenses  | 13                | 13                |
| <b>Total operating costs and expenses</b>   | <b>722</b>        | <b>696</b>        |
| <b>OPERATING PROFIT</b>   | <b>87</b>         | <b>79</b>         |
| Interest income   | 3                 | 3                 |
| Interest expense, including interest expense for the Exchangeable Subordinated Debentures in 2004 | (118)             | (110)             |
| Net gains on property transactions  | 1                 | 1                 |
| Minority interest income (expense)  | (3)               | 1                 |
| Equity in losses of affiliates  | (5)               | (6)               |
| Dividends on Exchangeable Preferred Securities  | —                 | (7)               |
| <b>LOSS BEFORE INCOME TAXES</b>   | <b>(35)</b>       | <b>(39)</b>       |
| Benefit for income taxes  | 3                 | 4                 |
| <b>LOSS FROM CONTINUING OPERATIONS</b>  | <b>(32)</b>       | <b>(35)</b>       |
| Income from discontinued operations   | 1                 | 1                 |
| <b>NET LOSS</b>   | <b>(31)</b>       | <b>(34)</b>       |
| Less: Dividends on preferred stock  | (9)               | (9)               |
| <b>NET LOSS AVAILABLE TO COMMON SHAREHOLDERS</b>  | <b>\$ (40)</b>    | <b>\$ (43)</b>    |
| <b>BASIC AND DILUTED LOSS PER COMMON SHARE:</b>   |                   |                   |
| Continuing operations   | \$ (.12)          | \$ (.16)          |
| Discontinued operations   | —                 | —                 |
| <b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>  | <b>\$ (.12)</b>   | <b>\$ (.16)</b>   |

See notes to condensed consolidated statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Quarter Ended March 26, 2004 and March 28, 2003**  
(unaudited, in millions)

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 26,<br>2004 | March 28,<br>2003 |
| <b>OPERATING ACTIVITIES</b>  |                   |                   |
| Net loss   | \$ (31)           | \$ (34)           |
| Adjustments to reconcile to cash provided by operations:               |                   |                   |
| Depreciation and amortization  | 83                | 84                |
| Discontinued operations:   |                   |                   |
| Gain on dispositions   | (1)               | —                 |
| Depreciation   | —                 | 4                 |
| Amortization of deferred financing costs                               | 6                 | 4                 |
| Income taxes   | (7)               | (27)              |
| Net gains on property transactions                                     | (1)               | (1)               |
| Equity in losses of affiliates   | 5                 | 6                 |
| Minority interest expense (income)                                     | 3                 | (1)               |
| Changes in other assets  | (24)              | (7)               |
| Changes in other liabilities   | 5                 | (15)              |
|  | <u>38</u>         | <u>13</u>         |
| <b>INVESTING ACTIVITIES</b>  |                   |                   |
| Proceeds from sale of assets, net                                      | 95                | 25                |
| Capital expenditures:  |                   |                   |
| Renewals and replacements  | (45)              | (41)              |
| Development  | (5)               | (1)               |
| Other investments  | —                 | (2)               |
|  | <u>45</u>         | <u>(19)</u>       |
| <b>FINANCING ACTIVITIES</b>  |                   |                   |
| Issuance of the Exchangeable Senior Debentures, net of financing costs | 484               | —                 |
| Scheduled principal repayments   | (13)              | (10)              |
| Debt prepayments   | (300)             | (25)              |
| Dividends on preferred stock   | (9)               | (9)               |
| Distributions to minority interests                                    | (1)               | (1)               |
| Change in restricted cash  | (482)             | 3                 |
|  | <u>(321)</u>      | <u>(42)</u>       |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>                           | <b>(238)</b>      | <b>(48)</b>       |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                  | <b>764</b>        | <b>361</b>        |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                        | <b>\$ 526</b>     | <b>\$ 313</b>     |

See notes to condensed consolidated statements.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Quarter Ended March 26, 2004 and March 28, 2003**  
**(unaudited, in millions)**

**Supplemental disclosure of noncash investing and financing activities:**

During the first quarters of 2004 and 2003, we issued approximately 600,000 shares and 200,000 shares, respectively, of common stock upon the conversion of operating partnership units of Host Marriott, L.P. held by minority partners valued at approximately \$7 million and \$1 million, respectively.

See notes to condensed consolidated statements.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Organization**

Host Marriott Corporation, a Maryland corporation operating through an umbrella partnership structure, is primarily the owner of hotel properties. We operate as a self-managed and self-administered real estate investment trust, or REIT, with our operations conducted solely through Host Marriott, L.P., or the operating partnership, or Host LP, and its subsidiaries. We are the sole general partner of the operating partnership and as of March 26, 2004, owned approximately 93% of the partnership interests in the operating partnership, which are referred to as 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 accordance with accounting principles generally accepted in the United States of America, or GAAP, in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2003.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of March 26, 2004 and the results of our operations and cash flows for quarter ended March 26, 2004 and March 28, 2003. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

Certain reclassifications, primarily as a result of new accounting standards relating to the disposition of assets, have been made to the prior period financial statements to conform to the current presentation.

*Reporting Periods*

The results we report in our consolidated statement of operations are based on results reported to us by our hotel managers. These hotel managers use different reporting periods. Marriott International, Inc., the manager of the majority of our properties, uses a fiscal year ending on the Friday closest to December 31 and reports twelve weeks of operations for the first three quarters and sixteen or seventeen weeks for the fourth quarter of the year for its Marriott-managed hotels. In contrast, other managers of our hotels, such as Hyatt, report results on a monthly basis. In addition, Host Marriott, as a REIT, is required by tax laws to report results on the calendar year. As a result, we elected to adopt the reporting period used by Marriott International modified so that our fiscal year always ends on December 31 to comply with REIT rules. Our first three quarters of operations end on the same day as Marriott International but our fourth quarter ends on December 31.

Two consequences of the reporting cycle we have adopted are: (1) quarterly start dates will usually differ between years, except for the first quarter which always commences on 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 reflected in prior years. For example, the first quarter of 2004 ended on March 26 and the first quarter of 2003 ended on March 28. As a result, the first quarter of 2004 includes 86 days of operations, including February 29, 2004, while the first quarter of 2003 includes 87 days of operations.

In addition, for results reported by hotel managers using a monthly reporting period (approximately one-fourth of our full-service hotels), the month of operation that ends after our fiscal quarter-end is included in our results of operations in the following fiscal quarter. For these hotels, operations for the entire month of March are reported in our second fiscal quarter. Accordingly, our results of operations include results from hotel managers reporting results on a monthly basis as follows: first quarter (January, February), second quarter (March to May), third quarter (June to August), and fourth quarter (September to December). The first quarter of 2004 includes 60 days of operations for our monthly hotels compared to 59 days of operations for the first quarter of 2003 because there were 29 days in February 2004.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

*Principles of Consolidation*

We consolidate entities (in the absence of other factors determining control) when we own over 50% of the voting shares of another company or, in the case of partnership investments, when we own a majority of the general partnership interest. The control factors we consider include the ability of minority shareholders or other partners to participate in or block management decisions. Additionally, if we determine that we are an owner in a variable interest entity within the meaning of the Financial Accounting Standards Board, or FASB, Revised Interpretation No. 46, "Consolidation of Variable Interest Entities" and that our variable interest will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both, then we will consolidate the entity. All material intercompany transactions and balances have been eliminated.

*Restricted Cash*

Restricted cash includes reserves for debt service, real estate taxes, insurance, furniture and fixtures as well as cash collateral and excess cash flow deposits which are the result of mortgage debt agreement restrictions and provisions. As of March 26, 2004, restricted cash also includes the \$484 million in net proceeds from the issuance of the \$500 million of 3.25% exchangeable senior debentures of Host LP due April 15, 2024 (the Exchangeable Senior Debentures), as these funds were held by a trustee and were utilized, along with available cash, to redeem \$494 million of our 7<sup>7</sup>/<sub>8</sub>% Series B senior notes on April 15, 2004. See the discussion in footnote 4.

*Accounting for Stock-based Compensation*

We maintain two stock-based employee compensation plans. Prior to 2002, we accounted for those plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Effective January 1, 2002, we adopted the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and applied it prospectively to all employee awards granted, modified or settled after January 1, 2002. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all of our outstanding and unvested awards in each period.

|   | Quarter ended                              |                   |
|---|--|-------------------|
|   | March 26,<br>2004                          | March 28,<br>2003 |
|   | (in millions, except per<br>share amounts) |                   |
| Net loss, as reported   | \$ (31)                                    | \$ (34)           |
| Add: Total stock-based employee compensation expense included in reported net income, net of related tax effects                        | 3  | 2                 |
| Deducted: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects | (3)  | (2)               |
| <b>Pro forma net loss</b>   | <b>(31)</b>                                | <b>(34)</b>       |
| Dividends on preferred stock  | (9)  | (9)               |
| <b>Pro forma net loss available to common shareholders</b>  | <b>\$ (40)</b>                             | <b>\$ (43)</b>    |
| <b>Loss per share</b>   |  |                   |
| Basic and diluted—as reported   | \$ (.12)                                   | \$ (.16)          |
| <b>Basic and diluted—pro forma</b>  | <b>\$ (.12)</b>                            | <b>\$ (.16)</b>   |

*Application of New Accounting Standards*

We adopted Financial Interpretation No. 46 "Consolidation of Variable Interest Entities" (FIN 46) in 2003. Under FIN 46, our limited purpose trust subsidiary that was formed to issue trust-preferred securities (the

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

Exchangeable Preferred Securities Trust) was accounted for on a consolidated basis as of December 31, 2003 since we were the primary beneficiary under FIN 46.

In December 2003, the FASB issued a revision to FIN 46, which we refer to as FIN 46R. Under FIN 46R, we are not the primary beneficiary and we are required to deconsolidate the accounts of the Exchangeable Preferred Securities Trust. We adopted the provisions of FIN 46R on January 1, 2004. As a result, we recorded the \$492 million in debentures (the Exchangeable Subordinated Debentures) issued by the Exchangeable Preferred Securities Trust and eliminated the \$475 million of Exchangeable Preferred Securities that were previously classified in the mezzanine section of our consolidated balance sheet. The difference of \$17 million is our investment in the Exchangeable Preferred Securities Trust, which is included in "Investments in affiliates" on our consolidated balance sheet. Additionally, we classified the related dividend payment of approximately \$7 million as interest expense. We adopted FIN 46R prospectively and therefore, did not restate prior periods. The adoption of FIN 46R had no effect on our net loss, loss per diluted share or financial covenants under our senior notes indenture.

**3. Earnings (Loss) per Common Share**

Basic earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per common share is computed by dividing net income (loss) available to common shareholders as adjusted for potentially dilutive securities, by the weighted average number of shares of common stock outstanding plus potentially dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, preferred OP units held by minority partners and other minority interests that have the option to convert their interests into common shares and the Exchangeable Subordinated Debentures. No effect is shown for securities if they are anti-dilutive.

|                              | Quarter ended     |              |  |                   |              |                     |
|------------------------------|-------------------|--------------|--|-------------------|--------------|---------------------|
|                              | March 26, 2004    |              |  | March 28, 2003    |              |                     |
|                              | Income/<br>(loss) | Shares       | (in millions, except per share amounts)<br>Per Share<br>Amount | Income/<br>(loss) | Shares       | Per Share<br>Amount |
| Net loss                     | \$ (31)           | 321.0        | \$ (.09)   | \$ (34)           | 264.3        | \$ (.13)            |
| Dividends on preferred stock | (9)               | —            | (.03)  | (9)               | —            | (.03)               |
| Basic and diluted loss       | <u>\$ (40)</u>    | <u>321.0</u> | <u>\$ (.12)</u>  | <u>\$ (43)</u>    | <u>264.3</u> | <u>\$ (.16)</u>     |

**4. Debt**

As discussed in footnote 2, debt now includes \$492 million of Exchangeable Subordinated Debentures as a result of the deconsolidation of the Exchangeable Preferred Securities Trust effective January 1, 2004.

On January 30, 2004, we redeemed \$218 million of our 8.45% Series C senior notes, which were scheduled to mature in 2008. The terms of the debt required that we pay the holders a premium (4.2% based on the date of redemption), in exchange for the right to retire this debt in advance of its maturity date. We recorded a loss of \$12 million on the early extinguishment of debt which includes the premium and the acceleration of the related deferred financing costs and original issue discount. The loss is included in interest expense in the accompanying consolidated statement of operations.

On March 16, 2004, Host LP issued \$500 million of 3.25% Exchangeable Senior Debentures. Net proceeds were \$484 million including underwriting fees and expenses and original issue discount. The Exchangeable Senior Debentures mature on April 15, 2024 and are equal in right of payment with all of our unsubordinated debt. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year beginning on April 15, 2004. Host LP can redeem for cash all, or part of, the Exchangeable Senior Debentures at any time subsequent to April 19, 2009 upon 30 days notice at the applicable redemption price as set forth in the indenture. Holders have the right to require Host LP to repurchase the Exchangeable Senior

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

Debentures on April 15, 2010, April 15, 2014 and April 15, 2019 at the issue price. The Exchangeable Senior Debentures are exchangeable into shares of Host Marriott common stock at an initial rate of 54.6448 shares for each \$1,000 of principal amount of the debentures, which is equivalent to an initial exchange price of \$18.30 per share of Host Marriott common stock. The exchange rate may be adjusted under certain circumstances, including the payment of common dividends. Holders may exchange their Exchangeable Senior Debentures prior to maturity under certain conditions, including at any time at which the closing sale price of Host Marriott common stock is more than 120% of the exchange price per share, or \$21.96, for at least 20 of 30 trading days. The Exchangeable Senior Debentures and the Host Marriott common stock issuable upon exchange of the debentures have not been registered under the Securities Act and may not be offered or sold except to qualified institutional buyers, as defined. Host Marriott has agreed to file a shelf registration statement with respect to the resales of the Host Marriott common stock issuable upon exchange of the debentures.

On April 15, 2004, we used the net proceeds from the issuance of the Exchangeable Senior Debentures and available cash to redeem \$494 million of our 7<sup>7</sup>/<sub>8</sub>% Series B senior notes, which were scheduled to mature in 2008. On May 3, 2004, we redeemed an additional \$65 million of the Series B senior notes with proceeds from the sale of assets. The terms of the senior notes required that we pay the holders a premium (3.985% based on the date of redemption), in exchange for the right to retire this debt in advance of its maturity date. We will record a loss, which will be included in interest expense on our consolidated statement of operations, in the second quarter of approximately \$30 million on the early extinguishment of debt, which includes the premium and the acceleration of the related deferred financing costs.

We prepaid \$82 million of mortgage debt on four of our properties in the first quarter of 2004. The prepayment of this debt was made with proceeds from the sale of assets.

**5. Stock Dividends**

On March 19, 2004, our Board of Directors declared a quarterly cash dividend of \$0.625 per share for the four classes of our preferred stock. The first quarter dividend on the preferred stock was paid on April 15, 2004 to shareholders of record as of March 31, 2004.

**6. 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 segment. We also allocate resources and assess operating performance based on individual hotels. All of our non-full-service hotel activities (primarily our limited-service leased hotels and office buildings) are immaterial. Accordingly, we report one business segment, hotel ownership. As of March 26, 2004, our foreign operations consist of four properties located in Canada and one property located in Mexico. There were no intercompany sales between us and the foreign properties. The following table presents revenues for each of the geographical areas in which we operate:

|               | Quarter ended     |                   |
|---------------|-------------------|-------------------|
|               | March 26,<br>2004 | March 28,<br>2003 |
|               | (in millions)     |                   |
| United States | \$ 789            | \$ 757            |
| Canada        | 17                | 14                |
| Mexico        | 3                 | 4                 |
| Total revenue | \$ 809            | \$ 775            |

(1) Revenues for the Mexico City Airport Marriott, which we sold in January 2004, of approximately \$2 million and \$4 million for the first quarter of 2004 and 2003, respectively, are included in discontinued operations in our consolidated statements of operations and, therefore, are not included in the above table.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**7. Comprehensive Income (Loss)**

Our other comprehensive income (loss) consists of unrealized gains and losses on foreign currency translation adjustments, changes in the fair value of the currency forward contracts and the receipt of cash from HMS Host Corporation, or HM Services, subsequent to the exercise of the options held by certain former and current employees of Marriott International, pursuant to our distribution agreement with HM Services.

|                                    | Quarter ended     |                   |
|------------------------------------|-------------------|-------------------|
|                                    | March 26,<br>2004 | March 28,<br>2003 |
|                                    | (in millions)     |                   |
| Net income (loss)                  | \$ (31)           | \$ (34)           |
| Other comprehensive income (loss)  | (2)               | 8                 |
| <b>Comprehensive income (loss)</b> | <b>\$ (33)</b>    | <b>\$ (26)</b>    |

**8. Dispositions**

We sold six hotels during the first quarter of 2004, (the Atlanta Marriott Northwest, the Detroit Romulus Marriott, the Detroit Marriott Southfield, the Atlanta Marriott Norcross, the Fullerton Marriott and the Mexico City Airport Marriott) for net proceeds of \$95 million. The following table summarizes the revenues, income before taxes, and the gain on disposal, net of tax, of the hotels which have been reclassified to discontinued operations in the consolidated statements of operations for the periods presented, including the operations of eight additional hotels through the date of their dispositions in 2003.

|                               | Quarter ended     |                   |
|-------------------------------|-------------------|-------------------|
|                               | March 26,<br>2004 | March 28,<br>2003 |
|                               | (in millions)     |                   |
| Revenues                      | \$ 6              | \$ 31             |
| Income before taxes           | —                 | 1                 |
| Gain on disposals, net of tax | 1                 | —                 |

## Item 2. Management’s Discussion and Analysis of Results of Operations and Financial Condition

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements included elsewhere in this report. We use the term “Host Marriott” to refer to Host Marriott Corporation, a Maryland corporation, and the terms “operating partnership” or “Host LP” to refer to Host Marriott, L.P., a Delaware limited partnership, and its consolidated subsidiaries, through which Host Marriott Corporation conducts all of its operations. The terms “we” or “our” refer to Host Marriott and Host LP together, unless the context indicates otherwise.

### Forward-Looking Statements

This discussion includes forward-looking statements about our business and operations. We identify forward-looking statements in this report by using words or phrases such as “believe,” “expect,” “may be,” “intend,” “predict,” “project,” “plan,” “objective,” “will be,” “should,” “estimate,” or “anticipate,” or similar expressions. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made. These risks and uncertainties include those risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2003 and in other filings with the Securities and Exchange Commission, or the SEC. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release updates to any forward-looking statement contained in this report to conform the statement to actual results or changes in our expectations.

### Overview

We are a real estate investment trust, or REIT, that, as of April 30, 2004, owns 112 full-service hotel properties, which operate primarily in the luxury and upper-upscale hotel sectors. As of April 30, 2004, Host Marriott was the largest hotel REIT in the National Association of Real Estate Investment Trust’s composite index. Host Marriott conducts its operations through Host LP, of which Host Marriott is the sole general partner. Our hotels are operated under brand names that are among the most respected and widely recognized in the lodging industry—including Marriott, Ritz-Carlton, Hyatt, Four Seasons, Hilton and Westin. The majority of our properties are located in central business districts of major cities or in major resort/convention locations. For a general overview of our business, see our Annual Report on Form 10-K.

The lodging industry was negatively affected in 2003 by low levels of business travel resulting from a weak economy (predominantly in the first half of the year), the war in Iraq, continued changes in terrorist threat levels and travel reductions and restrictions related to severe acute respiratory syndrome, or SARS. However, strengthening economic growth in the United States economy in the second half of 2003 has continued into the first quarter of 2004 and has helped improve lodging demand.

Our industry outlook for 2004 continues to be more favorable. Historically, lodging demand in the United States correlates to U.S. Gross Domestic Product (GDP) growth, with typically a one to two quarter lag period, especially within the luxury and upper-upscale sectors of the lodging industry in which we operate. Given the strong U.S. GDP forecasts and the strengthening of corporate profits and increasing levels of capital investment, we expect to see further increases in business-related travel and improvements in the pace of group bookings for the second quarter and full year 2004.

As lodging demand continues to grow and, in particular, as corporate group and corporate transient business strengthens, we believe that our hotels will experience increasing revenues. One commonly used indicator within the hotel industry used to measure hotel operations is room revenue per available room, or RevPAR. RevPAR is defined as the product of the average daily room rate charged and the average daily occupancy achieved. RevPAR does not include revenues from food and beverage or parking, telephone, or other guest services generated by the property. Although RevPAR does not include these ancillary revenues, it is generally considered the leading indicator of core revenues for hotels. We assess what causes changes in RevPAR because changes that result from occupancy as compared to those that result from room rate have different implications on overall revenue levels as well as incremental operating profit. For example, increases in occupancy at a hotel typically lead to increases in

ancillary revenues, such as food and beverage, parking and other hotel revenues, as well as additional incremental costs (including housekeeping services, utilities and room amenity costs). RevPAR increases due to higher room rates, however, would not result in these additional room-related costs. For this reason, while operating profit may increase when RevPAR increases as the result of occupancy gains, RevPAR increases that are the result of higher room rates have a greater impact on our profitability. We also use RevPAR to compare the results of our hotels between periods and to compare results of our comparable hotels. See "Comparable Hotel Operating Statistics" for further discussion. In the first quarter of 2004, RevPAR for our comparable hotels increased 3.0%. For the second quarter and full year of 2004, we expect RevPAR to increase approximately 5% to 7% and 4% to 6%, respectively, for our comparable hotels.

In addition to changes in RevPAR, management focuses on changes in our operating margins, which is operating profit as a percentage of total revenues. Our operating margins declined slightly for the quarter despite the increase in comparable hotel RevPAR because certain of our costs, primarily wages benefits and utilities increased at a rate greater than inflation. In response to the decline in operations of our hotels over the last several years, we have been working with our managers to achieve cost reductions at our properties. We believe these efforts have slowed the decline in the operating margins of our hotels and should create some long-term efficiencies. However, we also expect wage, benefit and utility costs to continue to increase at a rate greater than inflation, which will likely result in operating margins for the full year 2004 remaining unchanged (if RevPAR increases are at the low end of our forecasted range) or increasing slightly (if RevPAR increases are at the high end of our forecasted range). Any improvements in margins are expected to be modest until RevPAR gains are driven more by increases in average room rates rather than increases in occupancy.

While we believe the combination of improved demand trends and low supply growth trends in the lodging industry discussed previously in our Annual Report on Form 10-K create the possibility for improvements in our business in 2004, there can be no assurances that any increases in hotel revenues or earnings at our properties will be achieved. The trends discussed above and in our Annual Report on Form 10-K may not occur for any number of reasons, including slower than anticipated growth in the economy, changes in travel patterns and the continued threat of additional terrorist attacks, all of which may result in lower revenues or higher operating costs and declining operating margins.

#### **Recent Events**

On April 27, 2004, we purchased the 455-room Chicago Embassy Suites, Downtown-Lakefront, for approximately \$89 million. This property represents the second Hilton-branded property in our portfolio.

On May 3, 2004, we redeemed \$65 million of our 7<sup>7</sup>/<sub>8</sub>% Series B senior notes with proceeds from the sale of assets.

## Results of Operations

The following table reflects key line items from our consolidated statements of operations and other significant operating statistics (in millions, except operating statistics and percentages):

|  | Quarter ended     |                   | % Change<br>2004 to 2003 |
|--|-------------------|-------------------|--------------------------|
|  | March 26,<br>2004 | March 28,<br>2003 |                          |
| <b>Revenues</b>                                |                   |                   |                          |
| Total hotel sales                              | \$ 780            | \$ 746            | 4.6%                     |
| <b>Operating costs and expenses:</b>           |                   |                   |                          |
| Property-level costs (1)                       | 709               | 683               | 3.8                      |
| Corporate expenses                             | 13                | 13                | —                        |
| Operating Profit                               | 87                | 79                | 10.1                     |
| Interest expense (2)                           | 118               | 110               | 7.3                      |
| Dividends on Exchangeable Preferred Securities | —                 | 7                 | (100)                    |
| Minority interest income (expense)             | (3)               | 1                 | (400)                    |
| Income from discontinued operations            | 1                 | 1                 | —                        |
| Net loss                                       | (31)              | (34)              | 8.8%                     |
| <b>Other Operating Statistics</b>              |                   |                   |                          |
| Comparable hotel RevPAR                        | \$ 105.63         | \$ 102.58         | 3.0%                     |
| Comparable average room rate                   | \$ 149.41         | \$ 149.18         | 0.2%                     |
| Comparable average occupancy                   | 70.7%             | 68.8%             | 1.9 pts.                 |

(1) Amount represents operating costs and expenses per our consolidated statements of operations less corporate expenses.

(2) Includes the dividends on the Exchangeable Preferred Securities as interest expense in 2004. See “Liquidity and Capital Resources—Debt” for further information.

### 2004 Compared to 2003

*Revenues.* In first quarter 2004, our hotel sales (as presented in our consolidated statement of operations) increased \$34 million, or 4.6%, from first quarter 2003 primarily as a result of the increase in RevPAR at the majority of our properties and other factors discussed above. Accounting rules require us to reclassify the results of operations of hotels we have sold or designated as held for sale to discontinued operations. The increase in hotel revenues for the first quarter of 2004 would have been 1.1%, not 4.6%, after taking into consideration the revenues generated by these hotels that are now included in discontinued operations. RevPAR for our comparable properties increased 3.0% for the quarter, which was primarily attributable to an approximate two percentage point increase in occupancy. As discussed in, “Lodging Statistics – Reporting Periods for Hotel Operating Statistics and Comparable Hotel Results,” March results for our hotel managers using a monthly reporting cycle are reported in our second quarter operating results. On a calendar quarter basis including March operations for these hotels, comparable hotel RevPAR increased approximately 5.5% compared to the first calendar quarter of 2003.

The majority of our customers fall into two broad groups: transient and group travelers. Our transient business, which includes the individual corporate and leisure traveler, is generally accommodated at a premium rate when compared to other customer types. Group business, which is a large component of our convention-related business, represents approximately 40% of our business. Demand for our group business lags other sectors of lodging demand by one to two quarters. For the first time since 2000, the business mix data for our portfolio is showing a shift in transient room nights from lower-rated discount business to the higher-rated corporate and premium business. This indicates that our hotel managers are having greater success in reducing the number of rooms sold at discounted rates in the face of improving transient demand. We believe the upward trend in occupancy should continue as a result of increasing business travel associated with the strengthening economy.

Our DC Metro region continues to be one of our best performing markets, as RevPAR increased 8.2% for the quarter, due primarily to a 6.6% increase in average room rate at the hotels as a result of strengthening transient demand.

Comparable hotel RevPAR increased 5.1% for the quarter for our Pacific region, which had lagged behind the portfolio as a whole during 2002 and 2003. The primary reason this market had been underperforming over the past three years has been the collapse of the technology market, particularly in the San Francisco area. However, in the first quarter of 2004, the increase in the Pacific region reflects a 13.7% increase in RevPAR at our San Francisco properties, along with a 10.2% increase in RevPAR at our Los Angeles properties. Conversely, and reversing the trend from last year, our San Diego market underperformed in part because of difficult comparisons related to hosting the Super Bowl in 2003.

Our Florida region had a strong quarter, as comparable hotel RevPAR grew by 4.4%, led by the Orlando World Center Marriott, where comparable hotel RevPAR increased by more than 8% as both group and transient demand were strong. Our Mid Atlantic Region also generated improved results, as comparable hotel RevPAR increased by 3.5%. In this region, our large convention hotels enjoyed a solid quarter, as comparable hotel RevPAR increased by 10% at the Philadelphia Convention Center Marriott and 6% at the New York Marquis, both driven by strong in-house group and transient demand.

Our Atlanta region and New England regions underperformed, as comparable hotel RevPAR declined by 0.1% and 3.0% respectively. Even though citywide conventions enjoyed strong attendance, the Atlanta's region performance was caused by isolated last minute in-house cancellations. The outlook for the Atlanta region is expected to improve over the course of the year. The New England region's first quarter underperformance was generated by a weaker convention schedule and soft transient trends. This market is also expected to rebound strongly during the second half of the year. South Central and New England regions experienced declines in comparable hotel RevPAR of 3.3% and 3.0%, respectively, as our large hotels in both New Orleans and San Antonio declined by 12% and 9%, respectively.

*Operating Costs and Expenses.* Operating costs and expenses increased \$26 million, or 3.7% from the first quarter of 2003, due to the overall increase in occupancy at our hotels, the acquisition of two hotels and an increase in wage, benefit and utility costs, all of which continue to increase at a rate greater than inflation. As discussed in revenues above, accounting rules require us to reclassify hotels we have sold or designated as held for sale to discontinued operations. The increase in operating costs and expenses would have been .6%, not 3.7%, after taking into consideration the expenses generated by the hotels that are now included in discontinued operations.

*Interest Expense.* Interest expense increased due to the inclusion of approximately \$7 million of interest on the Exchangeable Subordinated Debentures, which had not been included in interest expense in 2003. See "New Accounting Principles" for further discussion. Additionally, interest expense includes \$9 million of call premiums and \$3 million of accelerated deferred financing costs and original issue discounts associated with the prepayment of the 8.45% Series C senior notes and certain mortgages during the first quarter of 2004. Interest expense, excluding the effect of call premiums and accelerated deferred financing costs, will decline as a result of the repayments and refinancings completed over the last twelve months, which has significantly reduced our weighted average interest rate.

*Dividends on Exchangeable Preferred Securities.* As a result of the adoption of FIN 46R, we have deconsolidated the trust that issued the Exchangeable Preferred Securities and reclassified the dividends as interest expense beginning with the first quarter of 2004. See "New Accounting Principles" for further discussion.

*Minority Interest Income (Expense).* As of March 26, 2004, Host Marriott held approximately 93% of the partnership interests in Host LP. The increase in Host Marriott's minority interest expense for the first quarter 2004 is due to the increase in the net income for certain of our partnerships that are partially owned by third parties, and offset by the decline in third party ownership of the partnership interests in Host LP from 10% as of March 28, 2003 to 7% as of March 26, 2004.

*Discontinued Operations.* Discontinued operations represent the results of operations and the gain or loss on disposition of 14 hotels during 2004 and 2003. For first quarter 2004 and 2003, revenues for these properties were \$6 million and \$31 million, respectively, and our income (loss) before taxes was \$(.3) million and \$1.3 million, respectively.

## Liquidity and Capital Resources

### Cash Requirements

Host Marriott is required to distribute to its stockholders at least 90% of its taxable income in order to qualify as a REIT. Because we are required to distribute almost all of our taxable income, we depend primarily on external sources of capital to finance future growth, including acquisitions.

*Cash Balances.* As of March 26, 2004, we had \$526 million of cash and cash equivalents, which was a decrease of \$238 million from December 31, 2003. This decrease is primarily due to debt prepayments. Due to the volatile operating environment in 2002 and 2003, our cash balances have been in excess of the \$100 million to \$150 million which we had historically maintained. Over the course of the year, we expect to reduce our cash balance through the repayment of indebtedness, the acquisition of additional hotels and further investments in our portfolio. As of March 26, 2004, we also had \$598 million of cash, which was restricted as a result of lender requirements (including reserves for debt service, real estate taxes, insurance, furniture and fixtures, as well as cash collateral and excess cash flow deposits) and funds set aside for the purposes of certain senior notes called for redemption. Restricted cash increased for the quarter principally as a result of the issuance of Exchangeable Senior Debentures for net proceeds of approximately \$484 million, which were used in conjunction with available cash to redeem \$494 million in Series B senior notes on April 15, 2004. See "Debt" for further detail. The restricted cash balances do not have a significant effect on our liquidity. We also currently have \$250 million of availability under our credit facility and have no amounts outstanding under the facility.

*Debt Repayments and Refinancings.* Proceeds from the disposition of hotels and the issuance of the Exchangeable Senior Debentures have been and will be used to repay or redeem debt in 2004. The refinancing and repayment of debt in 2003 and through April 2004 will result in an annual reduction in interest expense of approximately \$70 million. We have no significant debt maturities during 2004 or 2005. Thus, we believe we have sufficient cash to deal with our near-term debt maturities, as well as any decline in the cash flow from our business.

The following table summarizes the significant debt repayments and refinancings since the beginning of 2004 (in millions):

| Transaction Date | Description of Transaction   | Transaction Amount |
|------------------|--|--------------------|
| May              | Retired \$65 million of 7 <sup>7</sup> / <sub>8</sub> % Series B senior notes  | (65)               |
| April            | Retired \$494 million of 7 <sup>7</sup> / <sub>8</sub> % Series B senior notes | (494)              |
| March            | Issuance of 3.25% Exchangeable Senior Debentures due 2024                      | 484                |
| January          | Payment of the 12.68% mortgage on the Mexico Airport Marriott                  | (11)               |
| January          | Prepaid the 8.58% mortgage on the Hanover Marriott                             | (27)               |
| January          | Retired remaining \$218 million of 8.45% Series C senior notes                 | (218)              |
| January          | Partial prepayment of The Ritz-Carlton, Naples and Buckhead 9% mortgage loan   | (44)               |

Reducing future cash interest payments and our leverage remains a key management priority. In November 2003, Host Marriott's Board of Directors authorized us to purchase or retire up to \$600 million of our senior notes (\$317 million of which remains available under this authorization). As a result, we may continue to redeem or refinance additional senior notes and mortgage debt from time to time with proceeds from additional asset sales or to take advantage of favorable market conditions. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. Repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Any refinancing or retirement before the maturity date would affect earnings and FFO per diluted share as a result of the payment of any applicable call premiums and the acceleration of previously deferred financing costs. For example, during the first quarter of 2004, we incurred interest expense resulting from the payment of call premiums of \$9 million and the acceleration of deferred financing costs and original issue discounts totaling \$3 million.

*Equity.* On March 24, 2003, we filed a registration statement with the SEC registering the sale from time to time in one or more offerings of up to \$1 billion in common stock, preferred stock, depository shares and warrants (in any

combination). The registration statement was declared effective by the SEC on April 20, 2004. This registration statement increases our flexibility to take advantage of favorable market conditions to issue equity, the proceeds of which could be used over time for the development or acquisition of hotel properties, capital expenditures, and the repayment or repurchase of our indebtedness and our capital stock, as opportunities arise.

*Capital Expenditures.* For the first quarter of 2004, total capital expenditures for our existing properties were approximately \$50 million, or 6.4% of first quarter hotel sales. Typically, we spend approximately \$200 million to \$250 million annually on renewals and replacements and other capital improvements. We expect renewal and replacement capital expenditures for 2004 to be approximately \$255 million to \$265 million, the vast majority of which would be funded by the furniture, fixture and equipment reserves established at our hotels (typically funded annually with approximately 5% of property revenues) and, to a lesser extent, by our available cash. As of March 26, 2004, our furniture, fixture and equipment reserves totaled approximately \$144 million. In 2004, we currently estimate that we will spend approximately \$35 million on return on investment projects as we are in the early stages of several large-scale projects. These investment projects have historically generated returns greater than the return on our initial investments in our hotel properties and over the next several years we expect to spend approximately \$150 million to \$250 million on these types of projects.

*Acquisitions.* We remain interested in pursuing single asset and portfolio acquisitions and believe that there will be opportunities over the next several years to acquire assets that are consistent with our target profile of upper-upscale and luxury properties in urban and resort/convention locations where further large scale development is limited, such as the 455-room Chicago Embassy Suites, Downtown-Lakefront, which we recently acquired, for approximately \$89 million. We are currently in preliminary discussions with other sellers of hotels that meet our investment objectives, but have not entered into any definitive agreements. Currently, we estimate that we will acquire a total of approximately \$300 million to \$500 million of properties during 2004. Any additional acquisitions may be funded, in part, from the proceeds of equity offerings by Host Marriott or the issuance of OP units by Host LP, as well as proceeds from asset sales, available cash or draws under the credit facility. We cannot be certain as to the size or timing of acquisition opportunities or of our ability to obtain additional acquisition financing, if needed.

#### **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 additional financing through various capital markets. Our principal uses of cash are debt service, capital expenditures, asset acquisitions, operating costs, corporate expenses and distributions to equity holders.

*Cash Provided by Operations.* Our cash provided by operations for the first quarter of 2004 increased to \$38 million during the first quarter of 2004 from \$13 million in the first quarter of 2003. The increase is primarily due a \$23 million payment for previously deferred income taxes related to the repayment of a partnership note, which reduced cash provided by operations in the first quarter of 2003.

*Cash Provided by and Used in Investing Activities.* During the first quarter of 2004, we received net proceeds of \$95 million from the sale of six non-core properties. We believe our total dispositions for full year 2004 will be approximately \$400 million to \$500 million, the net proceeds of which will be used to repay debt, fund acquisitions or for general corporate purposes. Capital expenditures at our properties have increased by \$6 million, or 14%, to \$50 million for the first quarter of 2004 when compared to the same period in 2003. See “Cash Requirements—Capital Expenditures” above.

*Cash Used in Financing Activities.* On March 16, 2004, Host LP issued \$500 million in exchangeable senior debentures in an underwritten public offering. Proceeds, after deducting discounts and offering expenses, were approximately \$484 million and are included in restricted cash as of March 26, 2004. See “Debt and the Effect of Financial Covenants” for further detail.

Cash used in financing activities primarily consisted of debt prepayments of \$300 million, including the redemption of \$218 million of our 8.45% Series C senior notes due in 2008 at a premium and the prepayment of \$82 million of mortgage debt on four of our hotels. We also made scheduled principal repayments on mortgage debt of \$13 million and preferred stock dividend payments of \$9 million. On March 19, 2004, Host Marriott announced that its Board of Directors had declared a dividend of \$0.625 per share of preferred stock, which was paid on April 15, 2004 to

preferred shareholders of record on March 30, 2004. Correspondingly, Host LP made a \$0.625 per unit distribution on substantially all its preferred OP units (see Dividend Policy below for more information).

### **Debt and the Effect of Financial Covenants**

As of March 26, 2004, our total debt was \$6.2 billion, which includes the \$492 million of Exchangeable Subordinated Debentures previously classified in the mezzanine section of our consolidated balance sheet. See “New Accounting Principles” for further discussion. The weighted average interest rate of our debt is approximately 7.1% and the current average maturity is 6.8 years. Additionally, approximately 86% of our debt has a fixed rate of interest as of March 26, 2004. Over time, we expect to decrease the proportion of our fixed rate debt in our capital structure to 75% to 80% of our total debt.

On March 16, 2004, Host LP issued \$500 million of 3.25% Exchangeable Senior Debentures. Net proceeds were \$484 million including underwriting fees and expenses and original issue discount. The Exchangeable Senior Debentures mature on April 15, 2024 and are equal in right of payment with all of our unsubordinated debt. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year beginning on April 15, 2004. Host LP can redeem for cash all or part of the Exchangeable Senior Debentures at any time subsequent to April 19, 2009 upon 30 days notice at the applicable redemption price as set forth in the indenture. Holders have the right to require Host LP to repurchase the Exchangeable Senior Debentures on April 15, 2010, April 15, 2014 and April 15, 2019 at the issue price. The Exchangeable Senior Debentures are exchangeable into shares of Host Marriott common stock at an initial rate of 54.6448 shares for each \$1,000 of principal amount of the debentures, which is equivalent to an initial exchange price of \$18.30 per share of Host Marriott common stock. The exchange rate may be adjusted under certain circumstances, including the payment of common dividends. Holders may exchange their Exchangeable Senior Debentures prior to maturity under certain conditions including prior to April 15, 2023 at any time at which the closing sale price of Host Marriott common stock is more than 120% of the exchange price per share for at least 20 of 30 trading days. Host Marriott has agreed to file a shelf registration statement with respect to the resales of the Host Marriott common stock issuable upon exchange of the debentures.

On April 15, 2004, we used the proceeds from the issuance of the Exchangeable Senior Debentures and available cash to redeem \$494 million of our 7<sup>7/8</sup>% Series B senior notes, which were scheduled to mature in 2008. The terms of the senior notes required that we pay the holders a premium (3.985% based on the date of redemption), in exchange for the right to retire this debt in advance of its maturity date. On May 3, 2004, we redeemed an additional \$65 million of Series B senior notes with asset sale proceeds. We will record a loss in the second quarter of approximately \$30 million on the early extinguishment of debt, which includes the premium and the acceleration of the related deferred financing costs.

*Credit Facility and Senior Notes Covenants.* Under the terms of our senior notes indenture and the credit facility, our ability to incur indebtedness and pay dividends is subject to restrictions and the satisfaction of various conditions, including an EBITDA-to-interest coverage ratio for Host LP of at least 2.0x. This ratio is calculated in accordance with our senior notes indenture and excludes from interest expense items such as call premiums and deferred financing charges that are included in interest expense on our consolidated statement of operations. In addition, the calculation is based on our results for the four prior fiscal quarters giving effect to transactions, such as acquisitions, dispositions and financings, as if they occurred at the beginning of the period. Throughout 2003 and 2002, we did not meet the interest coverage ratio. As a result of the debt repayments and refinancings over the past 15 months that are discussed here and in our Annual Report on Form 10-K and the recent improvement in our operating performance, we now exceed the 2.0x EBITDA-to-interest coverage ratio. Accordingly, we are no longer contractually restricted in our ability to pay preferred or common dividends, or prohibited from incurring additional debt, including debt incurred in connection with an acquisition as long as we maintain the required level of interest coverage.

*Mortgage Debt Covenants.* Substantially all of our mortgage debt is recourse solely to specific assets except in instances of fraud, misapplication of funds and other customary recourse provisions. As of April 30, 2004, we have 29 assets that are secured by mortgage debt. Eleven of these assets are secured by mortgage debt that have restrictive covenants which require the mortgage servicer or lender to retain and hold in escrow the cash flow after debt service when it declines below specified operating levels. The effect of these covenants is discussed below:

- Eight of our hotel properties secure a \$586 million mortgage loan that is the sole asset of a trust that issued commercial mortgage pass-through certificates, which we refer to as the CMBS Loan. The hotels, which comprise what we refer to as the CMBS Portfolio, are listed in the notes to our financial statements in our Annual Report of Form 10-K. The CMBS Loan contains a provision that requires the mortgage servicer to retain certain excess cash flow from the CMBS Portfolio after payment of debt service (approximately \$64 million) if net cash flow after payment of taxes, insurance, ground rent and reserves for furniture, fixtures and equipment for the trailing twelve months declines below \$96 million. As a result of the effect of the weak economy on our operations, this provision was triggered beginning in the third quarter of 2002 and will remain in effect until the CMBS Portfolio generates the necessary minimum cash flow for two consecutive quarters, at which point, the cash that has been escrowed will be returned to us. As of March 26, 2004, approximately \$26 million of cash has been escrowed. We anticipate that additional cash of approximately \$19 million will be required to be escrowed in 2004. We do not expect cash flows from the CMBS Portfolio to be at the level required to trigger the release of the escrow until we have a significant improvement in operations. As such, additional amounts will be escrowed, and these amounts may be significant.
- We currently have a \$55 million loan secured by three of our Canadian properties that matures in 2006. As a result of a modification to this loan, which we completed during the fourth quarter of 2003, we are required to escrow operating cash from the hotels after the payment of debt service until certain debt service coverage levels are achieved. We anticipate that approximately \$5 million will be required to be escrowed in 2004.

Our senior notes, Exchangeable Senior Debentures, Exchangeable Subordinated Debentures and preferred stock are rated by Moody's Investor Service and Standard & Poor's. Currently, Standard & Poor's maintains a B+ rating on our senior notes and Exchangeable Senior Debentures, a B rating on our Exchangeable Subordinated Debentures and a CCC+ rating on our preferred stock. Moody's maintains a rating of Ba3 on our senior notes and Exchangeable Senior Debentures, a B2 rating on our Exchangeable Subordinated Debentures and a B3 rating on our preferred stock. Both rating agencies currently have a stable outlook for all our rated securities.

### **Dividend**

Host Marriott is required to distribute to its stockholders at least 90% of its taxable income in order to qualify as a REIT, including taxable income we recognize for tax purposes but with regard to which we do not receive corresponding cash. Funds used by Host Marriott to pay dividends on its common and preferred stock are provided through distributions from Host LP. For every share of common and preferred stock of Host Marriott, Host LP has issued to Host Marriott a corresponding common OP unit and preferred OP unit. As of April 30, 2004, Host Marriott is the owner of substantially all of the preferred OP units and approximately 93% of the common OP units. The remaining 7% of the common OP units are held by various third-party limited 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 Host LP. As a general rule, when Host Marriott pays a common or preferred dividend, Host LP pays an equivalent per unit distribution on all common or corresponding preferred OP units. For example, if Host Marriott paid a five cent per share dividend on its common stock, it would be based on payment of a five cent per common OP unit distribution by Host LP to Host Marriott and all other common OP unit holders. Host Marriott's policy on dividends generally is to distribute at least 90% of its taxable income. As previously discussed, Host Marriott was restricted in its ability to pay dividends on its common and preferred equity, except to the extent necessary to maintain Host Marriott's status as a REIT, as long as its EBITDA-to interest coverage ratio was under 2.0x. Host Marriott's EBITDA-to-interest coverage ratio now exceeds 2.0x and Host Marriott may now make distributions in excess of the minimum amount necessary to maintain its REIT status.

On March 19, 2004, our Board of Directors declared a \$0.625 dividend per share for all classes of Preferred Stock, but did not declare a dividend on Host Marriott's common stock for the first quarter of 2004. The preferred stock dividend was paid on April 15, 2004. Host Marriott currently intends to continue to pay dividends on its preferred stock regardless of the amount of taxable income as long as it is over the 2.0x EBITDA-to-interest ratio.

Host Marriott did not pay a dividend on its common stock (and, correspondingly, Host LP did not make a distribution on its common OP units) in 2002 and 2003. Host Marriott does not currently expect to pay a meaningful common dividend for 2004, other than to satisfy any remaining 2003 income distribution requirements. The decision to reinstate the common dividend (including the amount of any such dividend) will be made by the Board of

Directors and will depend on several factors, including taxable income or loss from operations in 2004, our ability to maintain an EBITDA-to-interest coverage ratio of at least 2.0x and our liquidity. It is likely that when the common dividend is reinstated, it will be meaningfully lower than previous levels.

### **Investments in Affiliates**

We have made investments in certain ventures which we do not consolidate and, accordingly, are accounted for under the equity method of accounting in accordance with our accounting policies as described in Note 1 to the consolidated financial statements. Currently, we and Marriott International each own a 50% interest in CBM Joint Venture, which owns, through two limited partnerships, 120 Courtyard by Marriott properties totaling 17,550 rooms. The joint venture, CBM Joint Venture LLC, has approximately \$903 million of debt. This debt consists of first mortgage loans secured by the properties owned by each of the two partnerships, senior notes secured by the ownership interest in one partnership and mezzanine debt. The mezzanine debt is an obligation of a subsidiary of the joint venture and the lender is an affiliate of Marriott International. None of the debt is recourse to, or guaranteed by, us or any of our subsidiaries. RevPAR at the Courtyard hotels increased 3.5% for first quarter 2004 with an occupancy increase of 2.2 percentage points and an increase in average room rate of .1%. We have not received any cash distributions from this partnership since 2001 and do not expect to receive any distributions in 2004.

### **New Accounting Pronouncements**

We adopted Financial Interpretation No. 46 "Consolidation of Variable Interest Entities" (FIN 46) in 2003. Under FIN 46, our limited purpose trust subsidiary that was formed to issue trust-preferred securities (the Exchangeable Preferred Securities Trust) was accounted for on a consolidated basis as of December 31, 2003 since we were the primary beneficiary under FIN 46.

In December 2003, the FASB issued a revision to FIN 46, which we refer to as FIN 46R. Under FIN 46R, we are not the primary beneficiary and we are required to deconsolidate the accounts of the Exchangeable Preferred Securities Trust. We adopted the provisions of FIN 46R on January 1, 2004. As a result, we recorded the \$492 million in debentures (the Exchangeable Subordinated Debentures) issued by the Exchangeable Preferred Securities Trust and eliminated the \$475 million of Exchangeable Preferred Securities that were previously classified in the mezzanine section of our consolidated balance sheet. The difference of \$17 million is our investment in the Exchangeable Preferred Securities Trust, which is included in "Investments in affiliates" on our consolidated balance sheet. Additionally, we classified the related dividend payments of approximately \$7 million as interest expense. We adopted FIN 46R prospectively and, therefore, did not restate prior periods. The adoption of FIN 46R had no effect on our net loss, loss per diluted share or financial covenants under our senior notes indenture.

### **Lodging Statistics**

#### **Reporting Periods for Hotel Operating Statistics and Comparable Hotel Results**

The results we report are based on results of our hotels reported to us by our hotel managers. Our hotel managers use different reporting periods. Marriott International, Inc., the manager of the majority of our properties, uses a fiscal year ending on the Friday closest to December 31 and reports twelve weeks of operations for the first three quarters and sixteen or seventeen weeks for the fourth quarter of the year for its Marriott-managed hotels. In contrast, other managers of our hotels, such as Hyatt, report results on a monthly basis. Host Marriott, as a REIT, is required by tax laws to report results on a calendar year. As a result, we elected to adopt the reporting periods used by Marriott International modified so that our fiscal year always ends on December 31 to comply with REIT rules. Our first three quarters of operations end on the same day as Marriott International but our fourth quarter ends on December 31.

Two consequences of the reporting cycle we have adopted are: (1) quarterly start dates will usually differ between years, except for the first quarter which always commences on 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 reflected in prior years. For example, the first quarter of 2004 ended on March 26, and the first quarter of 2003 ended on March 28, though both quarters reflect twelve weeks of operations.

In addition, for results reported by hotel managers using a monthly reporting period (approximately one-fourth of our full-service hotels), the month of operation that ends after our fiscal quarter-end is included in our results of operations in the following fiscal quarter. For these hotels, operations for the entire month of March are reported in our second fiscal quarter. Accordingly, our results of operations include results from hotel managers reporting results on a monthly basis as follows: first quarter (January, February), second quarter (March to May), third quarter (June to August), and fourth quarter (September to December). The first quarter of 2004 includes 60 days of operations for our monthly hotels compared to 59 days of operations for the first quarter of 2003 because there were 29 days in February 2004.

In contrast to the reporting periods for our consolidated statement of operations, our hotel operating statistics (i.e., RevPAR, average daily rate and average occupancy) are always reported based on the reporting cycle used by Marriott International for our Marriott-managed hotels. This facilitates year-to-year comparisons, 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 certain of our fourth quarters which are comprised of seventeen weeks, such as fiscal year 2002). This means, however, that the reporting periods we use for hotel operating statistics may differ slightly from the reporting periods used for our consolidated statements of operations for the first and fourth quarters and the full year. For the hotel operating statistics and comparable hotel results reported herein:

- Hotel results for the first quarter of 2004 reflect 12 weeks of operations for the period from January 2, 2004 to March 26, 2004 for our Marriott-managed hotels and results from January 1, 2004 to February 29, 2004 for operations of all other hotels which report results on a monthly basis.
- Hotel results for the first quarter of 2003 reflect 12 weeks of operations for the period from January 3, 2003 to March 28, 2003 for our Marriott-managed hotels and results from January 1, 2003 to February 28, 2003 for operations of all other hotels which report results on a monthly basis.

### **Comparable Hotel Operating Statistics**

We present certain operating statistics (i.e., RevPAR, average daily rate and average occupancy) and operating results (revenues, expenses and adjusted operating profit) for the periods included in this report on a comparable hotel basis. We define our comparable hotels as full-service properties (i) that are owned or leased by us and the operations of which are included in our consolidated results, whether as continuing operations or discontinued operations, for the entirety of the operating periods being compared, and (ii) that have not sustained substantial property damage or undergone large-scale capital projects during the reporting periods being compared. For 2004 and 2003, we consider 108 of our portfolio of 111 full-service hotels owned on March 26, 2004 to be comparable hotels. The operating results of the following three hotels that we owned as of March 26, 2004 are excluded from comparable hotel results for these periods:

- The JW Marriott, Washington, D.C. (consolidated in our financial statements beginning in the second quarter of 2003);
- The Hyatt Regency Maui Resort and Spa (acquired in November 2003); and
- The Memphis Marriott (construction of a 200-room expansion started in 2003).

In addition, the operating results of the eight hotels we disposed of in 2003 and the six hotels we disposed of in 2004 are also not included in comparable hotel results for the periods presented herein. Moreover, because these statistics and 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 for 2004 and 2003.

### Comparable by Region

|                    | As of March 26, 2004 |               | Quarter ended March 26, 2004 |                               |               | Quarter ended March 28, 2003 |                               |               | Percent Change in RevPAR |
|--------------------|----------------------|---------------|------------------------------|-------------------------------|---------------|------------------------------|-------------------------------|---------------|--------------------------|
|                    | No. of Properties    | No. of Rooms  | Average Daily Rate           | Average Occupancy Percentages | RevPAR        | Average Daily Rate           | Average Occupancy Percentages | RevPAR        |                          |
| Pacific            | 21                   | 11,302        | \$ 152.68                    | 72.3%                         | \$ 110.44     | \$ 158.47                    | 66.3%                         | \$ 105.06     | 5.1%                     |
| Florida            | 12                   | 7,337         | 184.38                       | 79.2                          | 145.95        | 182.14                       | 76.8                          | 139.84        | 4.4                      |
| Atlanta            | 13                   | 5,940         | 142.25                       | 69.7                          | 99.15         | 143.84                       | 69.0                          | 99.25         | (0.1)                    |
| Mid-Atlantic       | 10                   | 6,721         | 173.34                       | 70.6                          | 122.46        | 169.71                       | 69.7                          | 118.27        | 3.5                      |
| South Central      | 8                    | 5,307         | 137.73                       | 77.9                          | 107.24        | 139.93                       | 79.2                          | 110.85        | (3.3)                    |
| North Central      | 13                   | 4,923         | 111.85                       | 60.9                          | 68.13         | 113.44                       | 59.2                          | 67.60         | 0.8                      |
| DC Metro           | 11                   | 4,296         | 152.26                       | 67.3                          | 102.53        | 142.84                       | 66.3                          | 94.75         | 8.2                      |
| Mountain           | 8                    | 3,313         | 117.43                       | 65.5                          | 76.91         | 115.19                       | 65.1                          | 75.00         | 2.6                      |
| International      | 5                    | 1,952         | 115.85                       | 70.1                          | 81.18         | 105.45                       | 67.4                          | 71.05         | 14.3                     |
| New England        | 7                    | 3,413         | 126.08                       | 60.6                          | 76.43         | 129.98                       | 60.6                          | 78.82         | (3.0)                    |
| <b>All Regions</b> | <b>108</b>           | <b>54,504</b> | <b>149.41</b>                | <b>70.7</b>                   | <b>105.63</b> | <b>149.18</b>                | <b>68.8</b>                   | <b>102.58</b> | <b>3.0</b>               |

### Non-GAAP Financial Measures

We use certain “non-GAAP financial measures,” which are measures of our historical financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. They are as follows: (i) Funds From Operations (FFO) per diluted share, and (ii) Comparable Hotel Operating Results. The following discussion defines these terms and presents why we believe they are useful measures of our performance.

#### FFO per Diluted Share

We present FFO per diluted share as a non-GAAP measure of our performance in addition to our earnings per share (calculated in accordance with GAAP). We calculate FFO per diluted share for a given operating period as our FFO (defined as set forth below) for such period divided by the number of fully diluted shares outstanding during such period. The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income (calculated in accordance with GAAP) excluding gains (or losses) from sales of real estate, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. FFO is presented on a per share basis after making adjustments for the effects of dilutive securities, including the payment of preferred stock dividends, in accordance with NAREIT guidelines.

We believe that FFO per diluted share is a useful supplemental measure of our operating performance and that presentation of FFO per diluted share, when combined with the primary GAAP presentation of earnings per share, provides beneficial information to investors. By excluding the effect of real estate depreciation, amortization and gains and losses from sales of real estate, all of which are based on historical cost accounting and which may be of limited significance in evaluating current performance, we believe that such measure can facilitate comparisons of operating performance between periods and between other REITs, even though FFO per diluted share does not represent an amount that accrues directly to holders of our common stock. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. As noted by NAREIT in its April 2002 “White Paper on Funds From Operations,” since real estate values have historically risen or fallen with market conditions, many industry investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. For these reasons, NAREIT adopted the definition of FFO in order to promote an industry-wide measure of REIT operating performance.

We calculate FFO per diluted share, in accordance with standards established by NAREIT, which may not be comparable to measures calculated by other companies who do not use the NAREIT definition of FFO or calculate FFO per diluted share in accordance with NAREIT guidance. In addition, although FFO per diluted share is a useful measure when comparing our results to other REITs, it may not be helpful to investors when comparing us to non-

REITs. This information should not be considered as an alternative to net income, operating profit, cash from operations, or any other operating performance measure prescribed by GAAP. Cash expenditures for various long-term assets (such as renewal and replacement capital expenditures) and other items have been and will be incurred and are not reflected in the FFO per diluted share presentations. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our consolidated statement of operations and cash flows include interest expense, capital expenditures, and other excluded items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures. Additionally, FFO per diluted share should not be considered as a measure of our liquidity or indicative of funds available to fund our cash needs, including our ability to make cash distributions. In addition, FFO per diluted share does not measure, and should not be used as a measure of, amounts that accrue directly to shareholders' benefit.

#### *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 comparable hotel, or "same store" basis as supplemental information for investors. Our comparable hotel operating results present operating results for full-service hotels owned during the entirety of the periods being compared without giving effect to any acquisitions or dispositions, significant property damage or large scale capital improvements incurred during these periods. We present these comparable hotel operating results by eliminating corporate-level costs and expenses related to our capital structure, as well as depreciation and amortization. We eliminate corporate-level costs and expenses to arrive at property-level results because we believe property-level results provide investors with more specific insight into the ongoing operating performance of our hotels and the effectiveness of management in running our business on a property-level basis. We eliminate depreciation and amortization, because even though depreciation and amortization are property-level expenses, these non-cash expenses, which are based on historical cost accounting for real estate assets, implicitly assume that the value of real estate assets diminishes predictably over time. As noted earlier, because real estate values have historically risen or fallen with market conditions, many industry investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves.

As a result of the elimination of corporate-level costs and expenses and depreciation and amortization, the comparable hotel operating results we present do not represent our total revenues, expenses or operating profit and should not be used to evaluate our performance as a whole. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of our operating performance. Our consolidated statements of operations include such amounts, all of which should be considered by investors when evaluating our performance.

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

The following table provides a reconciliation of net income (loss) available to common shareholders per share to FFO per diluted share (in millions, except per share amounts):

**Host Marriott Corporation**  
**Reconciliation of Net Loss Available to**  
**Common Shareholders to Funds From Operations per Diluted Share**

|   | Quarter ended    |              |                     |                  |              |                     |
|---|------------------|--------------|---------------------|------------------|--------------|---------------------|
|   | March 26, 2004   |              |                     | March 28, 2003   |              |                     |
|   | Income<br>(Loss) | Shares       | Per Share<br>Amount | Income<br>(Loss) | Shares       | Per Share<br>Amount |
| Net loss available to common shareholders   | \$ (40)          | 321.0        | \$ (.12)            | \$ (43)          | 264.3        | \$ (.16)            |
| Adjustments:  |                  |              |                     |                  |              |                     |
| Gain on dispositions, net   | (2)              | —            | —                   | (1)              | —            | —                   |
| Depreciation and amortization   | 83               | —            | .25                 | 88               | —            | .33                 |
| Partnership adjustments   | 5                | —            | .02                 | 2                | —            | .01                 |
| FFO of minority partners of Host LP(a)  | (3)              | —            | (.01)               | (5)              | —            | (.02)               |
| Adjustments for dilutive securities:  |                  |              |                     |                  |              |                     |
| Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price | —                | 3.3          | (.01)               | —                | 2.5          | (.01)               |
| <b>FFO per diluted share(b)</b>   | <b>\$ 43</b>     | <b>324.3</b> | <b>\$ .13</b>       | <b>\$ 41</b>     | <b>266.8</b> | <b>\$ .15</b>       |

(a) Represents FFO attributable to the minority interest in Host LP.

(b) FFO per diluted share in accordance with NAREIT is adjusted for the effects of dilutive securities. Dilutive securities may include shares granted under comprehensive stock plans, those preferred OP units held by minority partners, other minority interests that have the option to convert their limited partnership interest to common OP units and the Exchangeable Subordinated Debentures of Host Marriott. No effect is shown for securities if they are anti-dilutive.

For 2004, the FFO per diluted share includes a total of approximately \$12 million of expense related to the payment of call premiums and the acceleration of deferred financing costs and original issue discounts which we incurred in conjunction with the prepayment of debt.

The following table presents certain operating results and statistics for our comparable hotels for the first quarters of 2004 and 2003.

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

|   | Quarter ended     |                   |
|---|-------------------|-------------------|
|   | March 26,<br>2004 | March 28,<br>2003 |
| Number of hotels  | 108               | 108               |
| Number of rooms   | 54,504            | 54,504            |
| Percent change in Comparable Hotel RevPAR               | 3.0%              | —                 |
| Comparable hotel sales                                  |                   |                   |
| Room  | \$ 458            | \$ 444            |
| Food and beverage                                       | 250               | 238               |
| Other   | 49                | 52                |
| Comparable hotel sales(1)                               | <u>757</u>        | <u>734</u>        |
| Comparable hotel expenses                               |                   |                   |
| Room  | 114               | 108               |
| Food and beverage                                       | 182               | 175               |
| Other   | 31                | 30                |
| Management fees, ground rent and other costs            | 259               | 251               |
| Comparable hotel expenses(2)                            | <u>586</u>        | <u>564</u>        |
| Comparable Hotel Adjusted Operating Profit              | 171               | 170               |
| Non-comparable hotel results, net(3)                    | 13                | 4                 |
| Office building and limited service properties, net (4) | (1)               | —                 |
| Other income  | —                 | 2                 |
| Depreciation and amortization                           | (83)              | (84)              |
| Corporate and other expenses                            | (13)              | (13)              |
| Operating Profit  | <u>\$ 87</u>      | <u>\$ 79</u>      |

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

|  | Quarter ended     |                   |
|--|-------------------|-------------------|
|  | March 26,<br>2004 | March 28,<br>2003 |
| Revenues per the consolidated statements of operations   | \$ 809            | \$ 775            |
| Non-comparable hotel sales   | (35)              | (16)              |
| Hotel sales for the property for which we record rental income, net  | 11                | 12                |
| Rental income for office buildings and limited service hotels  | (17)              | (17)              |
| Other income   | —                 | (2)               |
| Adjustment for hotel sales for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels | (11)              | (18)              |
| Comparable hotel sales   | <u>\$ 757</u>     | <u>\$ 734</u>     |

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

|   | Quarter ended     |                   |
|---|-------------------|-------------------|
|   | March 26,<br>2004 | March 28,<br>2003 |
| Operating costs and expenses per the consolidated statements of operations  | \$ 722            | \$ 696            |
| Non-comparable hotel expenses   | (26)              | (18)              |
| Hotel expenses for the property for which we record rental income   | 14                | 15                |
| Rent expense for office buildings and limited service hotels  | (18)              | (17)              |
| Adjustment for hotel expenses for comparable hotels to reflect Marriott's fiscal year for Marriott-managed Hotels | (10)              | (15)              |
| Depreciation and amortization   | (83)              | (84)              |
| Corporate and other expenses  | (13)              | (13)              |
| Comparable hotel expenses   | <u>\$ 586</u>     | <u>\$ 564</u>     |

- (3) Non-comparable hotel results, net includes the following items: (i) the results of operations of our non-comparable hotels whose operations are included in our consolidated statements of operations as continuing operations and (ii) the difference between comparable hotel adjusted operating profit which reflects 84 days of operations and the operating results included in the consolidated statements of operations which reflects 86 days and 87 days, respectively.
- (4) Represents rental income less rental expense for limited service properties and office buildings.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

#### **Interest Rate Sensitivity**

On January 30, 2004, we redeemed \$218 million of our 8.45% Series C senior notes, which were scheduled to mature in 2008. The terms of the debt required that we pay the holders a premium (4.2% based on the date of redemption), in exchange for the right to retire this debt in advance of its maturity date. We recorded a loss of approximately \$12 million on the early extinguishment of debt which includes the premium and the acceleration of the related deferred financing costs and original issue discounts. The loss is included in interest expense in the accompanying financial statements.

On March 16, 2004, Host LP issued \$500 million of 3.25% Exchangeable Senior Debentures which mature on April 15, 2024. On April 15, 2004, we used the proceeds from this issuance available cash to redeem \$494 million of our 7<sup>7</sup>/<sub>8</sub>% Series B senior notes, which were scheduled to mature in 2008. The terms of the senior notes required that we pay the holders a premium (3.985% based on the date of redemption), in exchange for the right to retire this debt in advance of its maturity date. On May 3, 2004, we redeemed \$65 million of Series B senior notes with proceeds from the sale of assets. We will record a loss in the second quarter of approximately \$30 million on the early extinguishment of debt, which includes the call premium and the acceleration of deferred financing costs.

In addition, we prepaid \$82 million of mortgage debt on four of our properties with the proceeds from asset sales in the first quarter of 2004.

With the consummation of the transactions described above, fixed rate debt is 85% of our total outstanding debt as of May 3, 2004.

#### **Exchange Rate Sensitivity**

##### **Foreign Currency Forward Exchange Agreements**

Other than those transactions disclosed above and in our Annual Report on Form 10-K, there have been no other changes to, nor have we purchased or sold any other derivative instruments or debt, other than regular principal amortization on our debt, that would affect our exchange rate sensitivity and interest rate sensitivity.

### **Item 4. Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14(c). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures at the end of the period with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As of March 26, 2004, the end of the quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reports.

## PART II. OTHER INFORMATION

### Item 2. Sale of Unregistered Securities

On March 10, 2004, Host LP issued \$500 million principal amount of 3.25% Exchangeable Senior Debentures due April 15, 2024. The underwriters for the Exchangeable Senior Debentures were Goldman, Sachs & Co., Merrill Lynch & Co. and UBS Investment Bank. Net proceeds were \$484 million including underwriting fees and expenses and original issue discount. The Exchangeable Senior Debentures were issued exclusively to qualified institutional buyers in a transaction exempt from registration under the Securities Act pursuant to Rule 144A. On April 15, 2004, we used the net proceeds and available cash to redeem \$494 million of our 7<sup>7</sup>/<sub>8</sub>% Series B senior notes, which were scheduled to mature in 2008. For further details on the terms of the offering, see footnote 5 to the accompanying condensed consolidated financial statements.

### Item 6. Exhibits and Reports on Form 8-K

(a) The exhibits listed on the accompanying Exhibit Index are filed as part of this report and such Exhibit Index is incorporated herein by reference.

(b) Reports on Form 8-K.

- On March 17, 2004, Host Marriott filed a current report on Form 8-K to announce the closing of \$500 million aggregate principle amount of exchangeable senior debentures bearing an interest rate of 3<sup>1</sup>/<sub>4</sub>%, due in 2024, by Host Marriott, L.P., of which we are the general partner.
- On March 9, 2004, Host Marriott filed a current report on Form 8-K to announce that Host Marriott, L.P., for which we are general partner, is proposing to offer in a private placement \$375 million in aggregate principle amount of exchangeable senior debentures due 2024.
- On March 5, 2004, Host Marriott filed a current report on Form 8-K to file an exhibit with a description of the material U.S. federal income tax considerations relating to the taxation of Host Marriott as a REIT and the ownership and disposition of Host Marriott equity securities.
- On February 24, 2004 Host Marriott filed a current report on Form 8-K to file the balance sheet, statements of operations, and other financial data for the fourth quarter and year ended December 31, 2003.
- On February 5, 2004 Host Marriott filed a current report on Form 8-K to file an announcement that it has sold three hotels and signed an agreement to sell two additional hotels for total proceeds of \$70 million and announced the sale of the Mexico City Airport Marriott hotel for total proceeds of \$30 million.
- On January 27, 2004 Host Marriott filed an amendment to a current report on Form 8-K originally filed on November 25, 2003, to announce the acquisition of the Hyatt Regency Maui Resort and Spa and present pro forma and historical financial statements related to the acquisition.

(c) Exhibits

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 4.17               | Thirteenth Supplemental Indenture, dated as of March 16, 2004, by and among Host Marriott, L.P., the Subsidiary Guarantors signatories thereto, and The Bank of New York, as successor to HSBC Bank USA (formerly, Marine Midland Bank), as trustee.          |
| 10.42              | Registration Rights Agreement, dated March 16, 2004, by and among Host Marriott Corporation, Host Marriott, L.P., and Goldman, Sachs & Co. as representative of the several initial purchasers, related to the 3.25% Exchangeable Senior Debentures due 2024. |
| 23                 | Consent of KPMG LLP   |

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31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.\*

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\* This certificate is being furnished solely to accompany the report pursuant to 18 U.S.C. 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOST MARRIOTT CORPORATION

/s/ Larry K. Harvey

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Larry K. Harvey  
Senior Vice President and  
Corporate Controller

May 3, 2004

THIRTEENTH SUPPLEMENTAL INDENTURE TO  
AMENDED AND RESTATED INDENTURE

THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of March 16, 2004, among HOST MARRIOTT, L.P., a Delaware limited partnership (the “Company”), Host Marriott Corporation, a Maryland Corporation (“Host REIT”), the Subsidiary Guarantors signatory to this Thirteenth Supplemental Indenture and THE BANK OF NEW YORK, as Trustee (the “Trustee”) to the Amended and Restated Indenture, dated as of August 5, 1998, as amended and supplemented through the date of this Thirteenth Supplemental Indenture (the “Indenture”).

R E C I T A L S

WHEREAS, the Company, its Parents, certain of the Subsidiary Guarantors and HSBC Bank USA (f/k/a Marine Midland Bank) executed and delivered the Amended and Restated Indenture, dated as of August 5, 1998, amending and restating the form of Indenture previously filed as Exhibit 4.1 to the Registration Statement (No. 333-50729) filed with the Securities and Exchange Commission (“Commission”) on Form S-3 by the Company, its Parents and certain of the Subsidiary Guarantors;

WHEREAS, the Trustee has succeeded HSBC Bank USA as the trustee under such indenture.

WHEREAS, the Company and the Subsidiary Guarantors desire to create a Series of Securities to be issued under the Indenture, as hereby supplemented, to be known as the 3.25% Exchangeable Senior Debentures due April 15, 2024 and Subsidiary Guarantees thereof of the Subsidiary Guarantors (hereinafter, the “Exchangeable Debentures”);

WHEREAS, Section 9.1(e) of the Indenture provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture without the written consent of the Holders of the outstanding Securities to provide for the issuance of and establish the form and terms and conditions of Securities of any Series as permitted by the Indenture;

WHEREAS, all acts and things prescribed by the Indenture, by law and by the Certificate of Incorporation and the Bylaws of the Company, the Subsidiary Guarantors and the Trustee necessary to make this Thirteenth Supplemental Indenture a valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed; and

WHEREAS, all conditions precedent to amend or supplement the Indenture have been met.

NOW, THEREFORE, to comply with the provisions of the Indenture, and in consideration of the above premises, the Company, the Subsidiary Guarantors and the Trustee covenant and agree as follows:

WHEREAS, Section 9.1(h) of the Indenture provides that the Company, the Subsidiary Guarantors under the Indenture and the Trustee may amend and supplement the Indenture without the written consent of the Holders of the outstanding Securities to provide for the release of guarantors to Securities of any Series as permitted by the Indenture;

WHEREAS, HMC JWDC GP LLC has been unconditionally and completely released from its Guarantee of all Guaranteed Indebtedness other than its Guarantee of the Existing Senior Notes and the Company desires to amend the Indenture to remove such Subsidiary Guarantor as a Subsidiary Guarantor of the Existing Senior Notes;

NOW, THEREFORE, in consideration of the material promises contained herein, the parties agree as set forth below:

#### ARTICLE 1

Section 1.01 Nature of Supplemental Indenture. This Thirteenth Supplemental Indenture supplements the Indenture and does and shall be deemed to form a part of, and shall be construed in connection with and as part of, the Indenture for any and all purposes.

Section 1.02 Establishment of New Series. Pursuant to Section 2.2 of the Indenture, there is hereby established the Exchangeable Debentures having the terms, in addition to those set forth in the Indenture and this Thirteenth Supplemental Indenture, set forth in the form of Exchangeable Debentures, attached to this Thirteenth Supplemental Indenture as Exhibit A, which is incorporated herein as a part of this Thirteenth Supplemental Indenture.

Section 1.03 Redemption. (a) At any time on or after April 19, 2009, if, during each of the 30 consecutive days prior to and including the Redemption Date, the Registration Statement (as defined in the Registration Rights Agreement) is effective and available for the resale of Host REIT Common Stock, the Company may redeem the Exchangeable Debentures for cash, in whole or in part, at the following Redemption Prices (expressed as percentages of the principal amount), in each case, together with accrued and unpaid interest and Liquidated Damages, if any, thereon to

the applicable Redemption Date (subject to the 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 Redemption Date):

| <u>Redemption Date</u>        | <u>Percentage</u> |
|-------------------------------|-------------------|
| April 19, 2009                | 100.542%          |
| July 15, 2009                 | 100.407%          |
| October 15, 2009              | 100.271%          |
| January 15, 2010              | 100.136%          |
| April 15, 2010 and thereafter | 100.000%          |

(b) The Exchangeable Debentures will not have the benefit of any sinking fund.

(c) Solely with respect to the Exchangeable Debentures, if less than all of the Exchangeable Debentures are to be redeemed, the Trustee shall select the Exchangeable Debentures to be redeemed on a *pro rata* basis; *provided*, that if any Exchangeable Debenture selected for partial redemption is exchanged in part before termination of the exchange right with respect to the portion of the Exchangeable Debenture so selected, the exchanged portion of such Exchangeable Debenture shall be deemed (so far as may be) to be the portion selected for redemption. Exchangeable Debentures which have been exchanged during a selection of Exchangeable Debentures to be redeemed may be treated by the Trustee as outstanding for the purpose of such selection.

(d) In the event of any redemption, the Company will not be required to:

- Issue or register the transfer or exchange of any Exchangeable Debenture during a period beginning at 9:00 am New York City time 15 days before any selection of debentures for redemption and ending at 5:00 pm New York City time on the earliest date on which the relevant notice of redemption is deemed to have been given to all Holders of Exchangeable Debentures to be so redeemed, or
- Register the transfer or exchange of any Exchangeable Debenture so selected for redemption, in whole or in part, except the unredeemed portion of any Exchangeable Debenture being redeemed in part.

Section 1.04 Tax Withholding. The Company or Host REIT is permitted to withhold from payment of interest otherwise due to Holder, from cash payable to a Holder on redemption or from shares of Host REIT common stock otherwise deliverable to a Holder upon exchange of an Exchangeable Debenture, any amount that either the Company or Host REIT is required by applicable laws to withhold.

Section 1.05 Release of Guarantor. Pursuant to Section 12.4 of the Indenture, HMC JWDC GP LLC is hereby unconditionally and completely released of such Subsidiary Guarantor's Guarantee under each series of Existing Senior Notes.

## ARTICLE 2

Section 2.01 "*Subsidiary Guarantors*" means, with respect to the Exchangeable Debentures, (A) the Subsidiary Guarantors listed in Section 2.03 below and (B) any Future Subsidiary Guarantors that become Subsidiary Guarantors pursuant to the terms of the Indenture, but excluding any Persons whose Guarantees have been released pursuant to the terms of the Indenture. The provisions of Article 12 of the Indenture will be applicable to the Exchangeable Debentures.

Section 2.02 The second sentence of the definition of "*Subsidiary Guarantee*" set forth in Section 1.1 of the Indenture shall read, for purposes of the Exchangeable Debentures, as follows: "Each Subsidiary Guarantee with respect to the Exchangeable Debentures will be a senior obligation of the Subsidiary Guarantor and will be full and unconditional regardless of the enforceability of the Exchangeable Debentures, the Thirteenth Supplemental Indenture or the Indenture."

Section 2.03 The following entities shall constitute the "*Subsidiary Guarantors*" with respect to the Exchangeable Debentures until such time as their Guarantees are released in accordance with the terms of the Indenture:

- (1) Airport Hotels LLC;
- (2) Host of Boston, Ltd.;
- (3) Host of Houston, Ltd.;
- (4) Host of Houston 1979;
- (5) Chesapeake Financial Services LLC;
- (6) City Center Interstate Partnership LLC;
- (7) HMC Retirement Properties, L.P.;
- (8) HMH Marina LLC;
- (9) Farrell's Ice Cream Parlour Restaurants LLC;
- (10) HMC Atlanta LLC;
- (11) HMC BCR Holdings LLC;
- (12) HMC Burlingame LLC;
- (13) HMC California Leasing LLC;
- (14) HMC Capital LLC;
- (15) HMC Capital Resources LLC;
- (16) HMC Park Ridge LLC;

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- (17) HMC Partnership Holdings LLC;
  - (18) Host Park Ridge LLC;
  - (19) HMC Suites LLC;
  - (20) HMC Suites Limited Partnership;
  - (21) PRM LLC;
  - (22) Wellsford-Park Ridge HMC Hotel Limited Partnership;
  - (23) YBG Associates LLC;
  - (24) HMC Chicago LLC;
  - (25) HMC Desert LLC;
  - (26) HMC Palm Desert LLC;
  - (27) MDSM Finance LLC;
  - (28) HMC Diversified LLC;
  - (29) HMC East Side II LLC;
  - (30) HMC Gateway LLC;
  - (31) HMC Grand LLC;
  - (32) HMC Hanover LLC;
  - (33) HMC Hartford LLC;
  - (34) HMC Hotel Development LLC;
  - (35) HMC HPP LLC;
  - (36) HMC IHP Holdings LLC;
  - (37) HMC Manhattan Beach LLC;
  - (38) HMC Market Street LLC;
  - (39) New Market Street LP;
  - (40) HMC Georgia LLC;
  - (41) HMC Mexpark LLC;
  - (42) HMC Polanco LLC;
  - (43) HMC NGL LLC;
  - (44) HMC OLS I L.P.;
  - (45) HMC OP BN LLC;
  - (46) HMC Pacific Gateway LLC;
  - (47) HMC PLP LLC;
  - (48) Chesapeake Hotel Limited Partnership;
  - (49) HMC Potomac LLC;
  - (50) HMC Properties I LLC;
  - (51) HMC Properties II LLC;
  - (52) HMC SBM Two LLC;
  - (53) HMC Seattle LLC;
  - (54) HMC SFO LLC;
  - (55) HMC Swiss Holdings LLC;
  - (56) HMC Waterford LLC;
  - (57) HMH General Partner Holdings LLC;
  - (58) HMH Norfolk LLC;

- (59) HMH Norfolk, L.P.;
- (60) HMH Pentagon LLC;
- (61) HMH Restaurants LLC;
- (62) HMH Rivers LLC;
- (63) HMH Rivers, L.P.;
- (64) HMH WTC LLC;
- (65) HMP Capital Ventures LLC;
- (66) HMP Financial Services LLC;
- (67) Host La Jolla LLC;
- (68) City Center Hotel Limited Partnership;
- (69) Times Square LLC;
- (70) Ivy Street LLC;
- (71) Market Street Host LLC;
- (72) MFR of Illinois LLC;
- (73) MFR of Vermont LLC;
- (74) MFR of Wisconsin LLC;
- (75) Philadelphia Airport Hotel LLC;
- (76) PM Financial LLC;
- (77) PM Financial LP;
- (78) HMC Property Leasing LLC;
- (79) HMC Host Restaurants LLC;
- (80) Santa Clara HMC LLC;
- (81) S.D. Hotels LLC;
- (82) Times Square GP LLC;
- (83) Durbin LLC;
- (84) HMC HT LLC;
- (85) HMC JWDC LLC;
- (86) HMC OLS I LLC;
- (87) HMC OLS II L.P.;
- (88) HMT Lessee Parent, LLC;
- (89) HMT/Interstate Ontario, L.P.;
- (90) HMC/Interstate Manhattan Beach, L.P.;
- (91) Host/Interstate Partnership, L.P.;
- (92) HMC/Interstate Waterford, L.P.;
- (93) Ameliatel;
- (94) HMC Amelia I LLC;
- (95) HMC Amelia II LLC;
- (96) Rockledge Hotel LLC;
- (97) Fernwood Hotel LLC;
- (98) HMC Copley LLC;
- (99) HMC Headhouse Funding LLC;
- (100) Ivy Street Hopewell LLC;

- (101) HMC Diversified American Hotels, L.P.; and
- (102) Potomac Hotel Limited Partnership.

By execution of this Thirteenth Supplemental Indenture, each of the Subsidiary Guarantors makes and confirms the Guarantees set forth in Section 12.1 of the Indenture and shall be deemed to have signed the notation of guarantee set forth on the Securities as provided in Section 12.2 of the Indenture.

#### ARTICLE 3

Section 3.01 Subject to the further provisions of this Article 3 and Article 5 of this Thirteenth Supplemental Indenture, the covenants set forth in Sections 4.7 through and including 4.15 of the Indenture shall not be applicable to the Exchangeable Debentures.

#### ARTICLE 4

Section 4.01 The following definitions are hereby added to the Indenture solely with respect to the Exchangeable Debentures:

“*Applicable Procedures*” means, with respect to any transfer or exchange of or for beneficial interests in any Global Security, the rules and procedures of the Depository, Euroclear and Clearstream that apply to such transfer or exchange at the relevant time.

“*Certificated Exchangeable Debenture*” means a certificated Exchangeable Debenture registered in the name of the Holder thereof and issued in accordance with Section 6.01 of this Thirteenth Supplemental Indenture, in the form of Exhibit A to this Thirteenth Supplemental Indenture except that such Exchangeable Debentures shall not include the information called for by footnotes 1 and 2 thereof.

“*Change of Control*” means at the time after the Series Issue Date for the Exchangeable Debentures, any of the following occurs (i) any sale, transfer or other conveyance, whether direct or indirect, of all or substantially all of the Company’s assets or the assets of Host REIT (for so long as Host REIT is a Parent of the Company immediately prior to such transaction or series of related transactions), on a consolidated basis, in one transaction or a series of related transactions, if, immediately after giving effect to such transaction, any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than an Excluded Person, is or becomes the “beneficial

owner,” directly or indirectly, of more than 50% of the total voting power in the aggregate normally entitled to vote in the election of directors, managers, or trustees, as applicable, of the transferee; (ii) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than the Excluded Person, is or becomes the “beneficial owner,” directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of the Company’s Capital Stock (or the Capital Stock of Host REIT for so long as Host REIT is a Parent of the Company immediately prior to such transaction or series of related transactions) then outstanding normally entitled to vote in elections of directors, managers or trustees, as applicable; (iii) during any period of 12 consecutive months after the Series Issue Date of the Exchangeable Debentures (for so long as Host REIT is a Parent of the Company immediately prior to such transaction or series of related transactions), Persons who at the beginning of such 12- month period constituted the Board of Host REIT (together with any new persons whose election was approved by a vote of a majority of the persons then still comprising the Board who were either members of the Board at the beginning of such period or whose election, designation or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Host REIT, then in office; or (iv) Host REIT ceases to be a general partner of the Company or ceases to control the Company; *provided, however*, that the *pro rata* distribution by Host REIT to its shareholders of shares of the Company’s Capital Stock or shares of any of Host REIT’s other subsidiaries, will not, in and of itself, constitute a Change of Control for purposes of this definition; *provided, however*, that a Change of Control shall not be deemed to have occurred if either: (A) the Sale Price per share of Host REIT Common Stock for any five trading days within the period of ten consecutive Trading Days ending immediately after the later of the Change of Control or the public announcement of the Change of Control, in the case of a Change of Control relating to an acquisition of Capital Stock, or the period of ten consecutive trading days ending immediately after the Change of Control, in the case of Change of Control relating to a merger, consolidation or asset sale, equals or exceeds 105% of the Exchange Price of the Exchangeable Debentures in effect on each of those Trading Days; or (B) at least 90% of the consideration (excluding cash payments for fractional shares and cash payments made pursuant to dissenters’ appraisal rights) in a merger or consolidation otherwise constituting a Change of Control under clause (1) and/or clause (2) above consists of shares of common stock, depositary receipts or other certificates representing common equity interests traded on a national securities exchange or quoted on the Nasdaq National Market (or will be so traded or quoted immediately following the merger or consolidation) and as a result of the merger or consolidation the Exchangeable Debentures become exchangeable into such shares of common stock, depositary receipts or other certificates representing common equity interests. For purposes of this definition, the “Exchange Price” is equal to \$1,000 divided by the Exchange Rate and “person” includes any syndicate or group that would be deemed to be a “person under Section 13(d)(3) of the Exchange Act.

*“Ex-Dividend Date”* means the first date upon which a sale of the Host REIT Common Stock does not automatically transfer the right to receive the relevant dividend from the seller of the Host REIT Common Stock to its buyer.

*“Exchange Agent”* means an office or agency where Exchangeable Debentures may be presented for exchange, which shall initially be The Bank of New York.

*“Existing Senior Notes”* means amounts outstanding from time to time of (i) the 7<sup>7/8</sup>% Series B Senior Notes due 2008 of the Company, (ii) the 8<sup>3/8</sup>% Series E Senior Notes due 2006 of the Company, (iii) the 9<sup>1/4</sup>% Series G Senior Notes due 2007 of the Company; (iv) the 9<sup>1/2</sup>% Series I Senior Notes due 2007 of the Company; and (v) the 7<sup>1/8</sup>% Series K Senior Notes due 2013 of the Company, in each case not in excess of amounts outstanding immediately following the Series Issue Date of the Exchangeable Debentures, less amounts retired from time to time.

*“Global Security”* means an Exchangeable Debenture, which includes the information referred to in footnotes 1 and 2 to the form of Exchangeable Debenture attached to this Thirteenth Supplemental Indenture as Exhibit A, issued under the Indenture, and that is deposited with or on behalf of and registered in the name of the Depository or a nominee of the Depository.

*“Global Security Legend”* means the legend set forth in Section 7.01(f)(ii) of this Thirteenth Supplemental Indenture, which is required to be placed on all Global Securities issued under the Indenture.

*“Host REIT”* means Host Marriott Corporation, a Maryland corporation and the successor by merger to Host, which is the sole general partner of the Company following the REIT Conversion, and its successors and assigns.

*“Host REIT Common Stock”* means the common stock, par value \$0.01 per share, of Host REIT.

*“Indirect Participant”* means an entity that, with respect to DTC, clears through or maintains a direct or indirect custodial relationship with a Participant.

*“Initial Purchasers”* means Goldman, Sachs & Co., Merrill Lynch & Co. and UBS Securities LLC.

“*Liquidated Damages*” shall have the meaning set forth in the Registration Rights Agreement.

“*Market Price*” means the average of the closing Sale Prices of Host REIT Common Stock for the ten trading day period ending on the third Business Day prior to the applicable measurement date (if the third Business Day prior to the applicable Repurchase Date is a Trading Day, or if not, then on the last Trading Day prior to the third Business Day), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the Trading Days during the ten Trading Day period and ending on the measurement date, of some events that would result in an adjustment of the Exchange Rate with respect to Host REIT Common Stock.

“*Offering Circular*” means the Offering Circular of the Company and the Subsidiary Guarantors, dated March 10, 2004, with respect to the Exchangeable Debenture.

“*Officer’s Certificate*” means a certificate signed on behalf of the Company or Subsidiary Guarantor, as applicable, by an officer of the Company or Subsidiary Guarantor, as applicable, who must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Company or Subsidiary Guarantor, as applicable.

“*OP Units*” means the limited partnership units of the Company.

“*Participant*” means, with respect to the Depository, Euroclear or Clearstream, a Person who has an account with the Depository, Euroclear or Clearstream, respectively (and, with respect to The Depository Trust Company, shall include Euroclear and Clearstream).

“*Paying Agent*” means, until otherwise designated, the Trustee.

“*Private Placement Legend*” means the legend set forth in Section 7.01(f)(i) of this Thirteenth Supplemental Indenture to be placed on all Exchangeable Debenture issued under the Indenture.

“*QIB*” means a “qualified institutional buyer” as defined in Rule 144A.

“*Registration Rights Agreement*” means the Registration Rights Agreement, dated as of March 16, 2004, by and among the Company, Host REIT, the Subsidiary Guarantors and the Initial Purchasers, as such agreement may be amended, modified or supplemented from time to time.

“Rule 144A” means Rule 144A promulgated under the Securities Act, as it may be amended from time to time, and any successor provision thereto.

“Rule 144A Global Security” means a Global Security issued in accordance with Rule 144A.

“Sale Price” of the Host REIT Common Stock on any date means the last reported share sale price (or, if no last sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date as reported in composite transactions for the principal U.S. securities exchange on which the Host REIT Common Stock then is listed, or if the Host REIT Common Stock is not listed on a U.S. national or regional exchange, as reported on the National Association of Securities Dealers Automated Quotation System, or if the Host REIT Common Stock is not quoted on the National Association of Securities Dealers Automated Quotation System, as reported on the principal other market on which the Host REIT Common Stock is then traded. In the absence of such quotations, the Board of Directors of Host REIT shall make a good faith determination of the Sale Price.

“Series Issue Date” means with respect to any series of Indebtedness issued under the Indenture, the date of any notes of such series are first issued.

“Trading Day” means (a) if the applicable security is listed or admitted for trading on the New York Stock Exchange, a day on which the New York Stock Exchange is open for business; (b) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made on the Nasdaq National Market; or (c) if the applicable security is not so listed or admitted for trading on the NYSE and not so quoted on the Nasdaq National Market, a day on which the principal U.S. national or regional exchange on which the applicable security is listed or admitted for trading is open for business.

“Trading Price” has the meaning set forth in Section 6.02(c).

## ARTICLE 5

Section 5.01 Repurchase at Option of Holders upon a Change of Control. (a) For purposes of the Exchangeable Debentures, Section 10.1(a) of the Indenture is hereby replaced and superceded by the following and the following shall apply to the Exchangeable Debentures:

“10.1 (a) If a Change of Control occurs at any time prior to April 15,

2010, each Holder of Exchangeable Debentures will have the right to require the Company to repurchase all or any part (equal to \$1,000 or an integral multiple thereof) of such Holder's Exchangeable Debentures, not previously called for redemption, pursuant to the unconditional, irrevocable offer to purchase described below (the "**Change of Control Offer**") at a cash repurchase price equal to 100% of the principal amount of the Exchangeable Debentures to be repurchased, plus accrued and unpaid interest and Liquidated Damages, if any, to but not including the Change of Control Purchase Date (the "**Change of Control Payment**") on a date that is not more than 30 Business Days after the date of the notice delivered by the Company pursuant to Section 10.1(b)(6) (the "**Change of Control Payment Date**"). If a Change of Control occurs on or after April 15, 2010, no Holder shall have the right to require the Company to purchase any Exchangeable Debenture, except as provided for under Section 5.02 of the Thirteenth Supplemental Indenture."

(b) For purposes of the Exchangeable Debentures, the first clause of Section 10.1(b)(6) is hereby amended to state "within 30 days after the occurrence of a Change of Control and on or before the commencement of any Change of Control Offer,".

Section 5.02 *Repurchase Rights*. (a) The Exchangeable Debentures shall be subject to repurchase by the Company at the option of the Holder on April 15, 2010, April 15, 2014 and April 15, 2019 (each a "**Repurchase Date**"), at a repurchase price equal to 100% of the principal amount of the Exchangeable Debentures to be repurchased, subject to the satisfaction by or on behalf of the Holder of the requirements set forth in clause (b) below.

(b) Repurchases of Exchangeable Debentures under this Section 5.02 shall be made, at the option of the Holder thereof, upon:

(1) delivery to the Paying Agent by the Holder of a written notice of repurchase (a "**Repurchase Notice**") during the period beginning at any time from 9:00 am, New York City time, on the date that is 20 Business Days prior to the relevant Repurchase Date until 5:00 pm on the second Business Day prior to the Repurchase Date stating:

(i) if certificated Exchangeable Debentures have been issued, the certificate number of the Exchangeable Debenture which the Holder will deliver to be purchased, or if not certificated, the appropriate Depository procedures;

(ii) the portion of the principal amount at maturity of the Exchangeable Debentures which the Holder will deliver to be purchased, which portion must be in principal amounts at maturity of \$1,000 or an integral multiple thereof;

(iii) that such Exchangeable Debentures shall be purchased by the Company as of the Repurchase Date pursuant to the terms and conditions specified in this Thirteenth Supplemental Indenture and in the Indenture;

(2) book-entry transfer or, if the Exchangeable Debentures are certificated, delivery of such Exchangeable Debenture to the Paying Agent prior to, on or after the Repurchase Date (together with all necessary endorsements) at the offices of the Paying Agent, such delivery being a condition to receipt by the Holder of the Repurchase Price therefor; *provided, however*, that such Repurchase Price shall be so paid pursuant to this Section 5.02 only if the Exchangeable Debenture so delivered to the Paying Agent shall conform in all respects to the description thereof in the related Repurchase Notice, as determined by the Company.

(c) If the Exchangeable Debentures are not in certificated form, the Repurchase Notice must comply with applicable Depositary procedures.

(d) The Company shall purchase from the Holder thereof, pursuant to this Section 5.02, a portion of an Exchangeable Debenture, if the principal amount at maturity of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Thirteenth Supplemental Indenture and the Indenture that apply to the purchase of all of the Exchangeable Debentures also apply to the purchase of such portion of such Exchangeable Debenture.

(e) Any purchase by the Company contemplated pursuant to the provisions of this Section 5.02 shall be consummated by the delivery to the Paying Agent of the cash or securities sufficient to pay the Repurchase Price to be received by the Holder promptly following the later of the Repurchase Date or the time of book-entry transfer or delivery of the Exchangeable Debentures.

(f) Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Repurchase Notice contemplated by this Section 5.02 shall have the right to withdraw such Repurchase Notice at any time prior to 5:00 pm New York City time on the second Business Day prior to the Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 5.03(b), which must comply with appropriate Depositary procedures.

(g) Simultaneously with the Repurchase Notice, the Company will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing the information set forth in this Section 5.02, or publish such information on the Company's web site or through such other public medium the Company may use at the time.

(h) The Company may arrange for a third party to purchase any Exchangeable Debentures for which it receives a valid Repurchase Notice that is not withdrawn in accordance with Section 5.03(b), in the manner and otherwise in compliance with the requirements set forth in this Thirteenth Supplemental Indenture and the Indenture relating to the repurchase of the Exchangeable Debentures as contemplated pursuant to this Section 5.02. Such Exchangeable Debentures purchased pursuant to this Section 5.02(h) shall continue to be outstanding under Section 2.9 of the Indenture.

Section 5.03 *Effect of Repurchase Notice*. (a) Upon receipt by the Paying Agent of the Repurchase Notice specified in Section 5.02(b), the Holder of the Exchangeable Debenture in respect of which such Repurchase Notice was given shall (unless such Repurchase Notice is withdrawn as specified in clause (b) below) thereafter be entitled to receive solely the Repurchase Price with respect to such Exchangeable Debenture. Such Repurchase Price shall be paid to such Holder, subject to receipts of funds and/or securities by the Paying Agent, promptly following the later of (x) the Repurchase Date with respect to such Exchangeable Debenture and (y) the time of delivery of such Exchangeable Debenture to the Paying Agent by the Holder thereof in the manner required by Section 5.02(b)(2). Exchangeable Debentures in respect of which a Repurchase Notice has been given by the Holder thereof may not be exchanged pursuant to Article 6 below on or after the date of delivery of such Repurchase Notice unless such Repurchase Notice has first been validly withdrawn as specified in clause (b) below.

(b) *Withdrawal of a Repurchase Notice*. A Repurchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Repurchase Notice, at any time prior to 5:00 p.m., New York City time, on the second Business Day immediately preceding the Repurchase Date, specifying:

(1) the certificate number of the Exchangeable Debenture in respect of which such notice of withdrawal is being submitted if Certificated Exchangeable Debentures have been issued,

(2) the principal amount of the Exchangeable Debentures with respect to which such notice of withdrawal is being submitted, and

(3) the principal amount, if any, of such Exchangeable Debentures which remains subject to the original Repurchase Notice, and which has been or will be delivered for purchase by the Company.

If Exchangeable Debentures are not in certificated form, the withdrawal notice must comply with applicable Depository procedures.

The Paying Agent shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

(c) *Deposit of Repurchase Price.* Prior to 10:00 a.m. New York City time on the Repurchase Date, the Company shall deposit with the Trustee or with the Paying Agent an amount of cash (in immediately available funds if deposited on such Business Day), sufficient to pay the aggregate Repurchase Price of all the Exchangeable Debentures or portions thereof which are to be purchased as of the Repurchase Date.

If the Paying Agent holds, in accordance with the terms hereof, at 10:00 a.m., New York City time, on the Business Day immediately following the applicable Repurchase Date, as the case may be, cash or securities, sufficient to pay the Repurchase Price of any Exchangeable Debentures for which a Repurchase Notice has been tendered and not withdrawn pursuant to clause (b) above, then, on such Repurchase Date, such Exchangeable Debentures will cease to be outstanding and interest and Liquidated Damages, if any, on such Exchangeable Debentures will cease to accrue, whether or not such Exchangeable Debentures are delivered to the Paying Agent, and the rights of the Holders in respect thereof shall terminate (other than the right to receive the Repurchase Price, upon delivery of such Exchangeable Debentures).

(d) *Exchangeable Debentures Purchased in Part.* Any Certificated Exchangeable Debenture which is to be purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Exchangeable Debentures, without service charge, a new Exchangeable Debenture or Exchangeable Debentures, of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Exchangeable Debenture so surrendered which is not purchased.

(e) *Covenant to Comply With Securities Laws Upon Purchase of Exchangeable Debentures.* When complying with the provisions of Section 5.02 (provided that such offer or purchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or purchase), and subject to any exemption under applicable laws, the Company shall (i) comply with Rule 13e-4 and Rule 14e-1 (or any applicable successor provision), under the Exchange Act, (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, as applicable and (iii) otherwise comply with any applicable Federal

and state securities laws so as to permit the rights and obligations under Section 5.02 to be exercised in the time and in the manner specified in Section 5.02. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Section 5.02, the Company's compliance with such laws and regulations shall not in and of itself cause a breach of its obligations under Section 5.02.

(f) *Repayment to the Company.* The Trustee and the Paying Agent shall return to the Company any cash or securities that remain unclaimed for two years, together with interest or dividends, if any, thereon, held by them for the payment of the Repurchase Price; *provided, however,* that to the extent that the aggregate amount of cash or securities deposited by the Company pursuant to clause (c) above exceeds the aggregate Repurchase Price of the Exchangeable Debentures or portions thereof which the Company is obligated to purchase as of the Repurchase Date, then, promptly after the Business Day following the Repurchase Date, as the case may be, the Trustee shall return any such excess to the Company together with interest, if any, or dividends thereon.

Section 5.04 *Merger and Sale of Assets by Host REIT.* For purposes of the Exchangeable Debentures, Article 5 of the Indenture is hereby superseded with the following.

“Neither the Company nor Host REIT may (1) consolidate or merge into any other Person or sell, convey, lease or transfer its properties and assets substantially as an entirety to any other Person in any one transaction or series of related transactions, or (2) permit any person to consolidate with or merge into it, unless, (a) in case of merger or consolidation, either the Company or Host REIT (as the case may be) are the surviving Person or if the Company or Host REIT are not the surviving Person, the surviving Person formed by such consolidation or into which the Company or Host REIT are merged or the person to which the Company's or Host REIT's properties and assets are so transferred shall be an entity organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and shall execute and deliver to the Trustee a supplemental indenture expressly assuming, in the case of a transaction involving the Company, the payment when due of the principal of and interest on the debentures and in the case of a transaction involving the Company or Host REIT, the performance of each of the Company or Host REIT's (as the case may be) other covenants under this Thirteenth Supplemental Indenture, and (b) in either case, immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;”

Section 5.05 *Successor Person Substituted.* Upon any consolidation or merger or any transfer of all or substantially all of the assets of the Company or Host REIT (as the case may be), in accordance with Section 5.04, the successor Person

formed by such consolidation or into which the Company or Host REIT, as applicable, is merged or to which such transfer is made, shall succeed to, be substituted for, and may exercise every right and power of the Company or Host REIT, as applicable, under this Indenture with the same effect as if such successor Person had been named therein as the Company or Host REIT, as applicable, and the Company or Host REIT, as applicable, shall be released from the obligations under the Exchangeable Debentures and this Indenture.

## ARTICLE 6

Section 6.01 *Exchange Right*. A Holder of an Exchangeable Debenture may surrender for exchange such Exchangeable Debenture into shares of Host REIT Common Stock as set forth in this Article 6. The Company shall notify the Trustee of the date on which the Exchangeable Debentures first become exchangeable, which certificate shall set forth the calculations on which such determination was made. Unless and until the Trustee receives such certificate, the Trustee may conclusively assume without inquiry that the Exchangeable Debentures are not exchangeable.

Section 6.02 Subject to and upon compliance with the provisions of this Article 6, a Holder of an Exchangeable Debenture may surrender its Exchangeable Debentures for exchange into shares of Host REIT Common Stock at the applicable Exchange Rate (as defined below) in effect on the date of exchange only as follows:

(a) during any Exchange Period prior to April 15, 2023, if the Sale Price of Host REIT Common Stock for at least 20 Trading Days in the 30 consecutive Trading Day period ending on the first day of such Exchange Period is more than 120% of the Exchange Price on the first day of such Exchange Period. If an event set forth in Section 6.07 below shall have occurred during the period of 30 consecutive Trading Days ending on the first day of an Exchange Period, the Sale Price of Host REIT Common Stock on each Trading Day of such period elapsing prior to the occurrence of the event shall be deemed to have been appropriately adjusted to reflect the occurrence of the event. An “*Exchange Period*” will be the period from and including the eleventh Trading Day in a fiscal quarter to, but not including, the eleventh Trading Day in the immediately following fiscal quarter.

(b) on any date after April 15, 2023 and prior to 5:00 p.m., New York City time, on the Business Day immediately preceding the Stated Maturity of the Exchangeable Debentures, if the Sale Price of the Host REIT Common Stock is more than 120% of the then-current Exchange Price.

(c) during the five consecutive Trading Day period beginning on the first Trading Day after any 20 consecutive Trading Day period in which the average of the Trading Prices for an Exchangeable Debenture for such 20 consecutive Trading Day period was less than 95% of the average Sale Price of the Host REIT Common Stock during such 20 consecutive Trading Day period multiplied by the applicable Exchange Rate for such period.

The “*Trading Price*” of the Exchangeable Debentures on any date of determination means the average of the secondary market bid quotations per Exchangeable Debenture obtained by the Trustee for \$5,000,000 principal amount of the Exchangeable Debentures at approximately 3:30 p.m., New York City time, on such determination date from two independent nationally recognized securities dealers designated by the Company, which may include any of the Initial Purchasers, *provided* that if at least two such bids cannot reasonably be obtained by the Trustee, but one such bid can reasonably be obtained by the Trustee, this one bid shall be used. If the Trustee cannot reasonably obtain at least one bid for \$5,000,000 principal amount of the Exchangeable Debentures from a nationally recognized securities dealer or in the reasonable judgment of the Company, the bid quotations are not indicative of the secondary market value of the Exchangeable Debentures, then the Trading Price of the Exchangeable Debentures will equal (a) the then-applicable Exchange Rate of the Exchangeable Debentures multiplied by (b) 92% of the closing price on the New York Stock Exchange of Host REIT Common Stock on such determination date; *provided* that the Trustee shall not determine the Trading Price of the Exchangeable Debentures unless requested by the Company; and *provided, further*, that the Company shall have no obligation to make such request unless a holder of Exchangeable Debentures provides the Company with reasonable evidence that the Trading Price of the Exchangeable Debenture for a 20 consecutive Trading Day period may be less than 95% of the average Sale Price of the Common Stock during such 20 consecutive Trading-Day period multiplied by the applicable Exchange Rate; and at which time, the Company shall instruct the Trustee to determine the Trading Price of the Exchangeable Debentures for the past 20 consecutive Trading Day period to determine whether the Exchangeable Debentures are exchangeable pursuant to Section 6.02(c).

(d) if at any time prior to 5:00 p.m., New York City time, on the second Business Day prior to the Redemption Date, if such Exchangeable Debenture has been called for redemption pursuant to Sections 1.03 of this Thirteenth Supplemental Indenture.

(e) if the Company or Host REIT elects to distribute to all Holders of Host REIT Common Stock (i) rights, options or warrants entitling them to purchase, for a period expiring within 60 days, Host REIT Common Stock at less than the Sale Price of Host REIT Common Stock on the Trading Day immediately preceding the declaration of the dividend, or (ii) the Company’s or Host REIT’s assets, debt securities or rights, options or warrants to purchase the Company’s or Host REIT’s securities, which distribution has a per share of value exceeding 12.5% of the Sale Price of Host REIT Common Stock as of the Business Day preceding the date of declaration for such distribution, in each case, the Exchangeable Debentures may be surrendered for exchange beginning on the date the Company gives notice to the

Holders of such right, which shall be not less than 20 days prior to the Ex-Dividend Date for such dividend or distribution and Exchangeable Debentures may be surrendered for exchange at any time thereafter until 5:00 p.m. on the earlier of the Business Day prior to the Ex-Dividend Date and the date the Company announces that such distribution will not take place.

(f) if the Company or Host REIT is party to a consolidation, merger or binding share exchange, pursuant to which shares of Host REIT Common Stock would be exchanged into cash, securities or other property, the Exchangeable Debentures may be surrendered for exchange at any time from and after the date which is 15 Business Days prior to the date the Company announces as the anticipated effective time until 5 Business Days after the actual date of such transaction.

(g) during any period in which the Host REIT Common Stock is not listed on a United States national securities exchange for more than 30 consecutive days.

The Exchange Agent shall, on behalf of the Company, determine daily if the Exchangeable Debentures are exchangeable as a result of the Sale Price of the Host REIT Common Stock and shall notify the Company and the Trustee; provided that the Company shall provide to the Exchange Agent upon request, the Sale Price of the Host REIT Common Stock.

An Exchangeable Debenture in respect of which a Holder has delivered a Repurchase Notice or a Change of Control purchase notice exercising the option of such Holder to require the Company to purchase such Exchangeable Debenture may be exchanged only if such notice of exercise is withdrawn in accordance with this Thirteenth Supplemental Indenture or the Indenture, as applicable.

No adjustment to the ability of a Holder to exchange shall be made if the Holder will otherwise participate in the distributions specified in clauses (e) or (f) above without exchange.

Section 6.03 Exchange Rate. The number of shares of Host REIT Common Stock issuable upon exchange of an Exchangeable Debenture per \$1,000 of principal amount thereof (the “*Exchange Rate*”) shall initially be 54.6448 shares of Host REIT Common Stock per \$1,000 principal amount, subject to adjustment in certain events described below.

Section 6.04 Exchange Procedures. A Holder may exchange a portion of the principal amount at maturity of an Exchangeable Debenture if the portion exchanged is in a \$1,000 principal amount or an integral multiple of \$1,000. Provisions of this Thirteenth Supplemental Indenture that apply to the exchange of all of an Exchangeable Debenture also apply to an exchange of a portion of an Exchangeable Debenture.

To surrender an Exchangeable Debenture for exchange, a Holder must, in the case of a Global Security, comply with all applicable procedures of the Depository, and in the case of a Certificated Exchangeable Debenture, (1) complete and manually sign the form of irrevocable exchange notice (or complete and manually sign a facsimile of such notice) and deliver such notice to the Exchange Agent, and (2) surrender, if the Exchangeable Debenture is in certificated form, the Certificated Exchangeable Debenture to the Exchange Agent, and in any such case, furnish appropriate endorsements and transfer documents and pay any transfer or similar taxes and all other taxes or duties, if required. The first Business Day on which the Holder satisfies all those requirements is the exchange date (the “Exchange Date”).

As soon as practicable after the Exchange Date, the Company shall deliver to the Holder, through the Exchange Agent, a certificate for the number of full shares of Host REIT Common Stock issuable upon the exchange, and cash in lieu of any fractional share determined pursuant to Section 6.05 below (other than in the case of Holders of Exchangeable Debentures in book-entry form with the Depository, which shares shall be delivered in accordance with the Depository’s customary practice). The Person in whose name the certificate is registered shall be treated as a shareholder of record as of 5:00 p.m. on the Exchange Date. Upon exchange of an Exchangeable Debenture in its entirety, such Person shall no longer be a Holder of such Exchangeable Debenture.

No payment or adjustment will be made for dividends on, or other distributions with respect to, any shares of Host REIT Common Stock except as provided in this Article 6. On exchange of an Exchangeable Debenture, that portion of accrued and unpaid cash interest (including Liquidated Damages), if any, through the Exchange Date with respect to the exchanged Exchangeable Debenture shall not be cancelled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through delivery of the shares of Host REIT Common Stock (together with the cash payment, if any, in lieu of fractional shares) for the Exchangeable Debenture being exchanged pursuant to the provisions hereof; and the fair market value of such shares of Host REIT Common Stock (together with any such cash payment in lieu of fractional shares) shall be treated as issued, to the extent thereof, first in exchange for accrued and unpaid cash interest (including Liquidated Damages), if any, through the Exchange Date, and the balance, if any, of such fair market value of such shares of Common Stock (and any such cash payment) shall be treated as issued for the principal amount of the Exchangeable Debenture, including any accrued and unpaid interest (including Liquidated Damages) of the Exchangeable Debenture being exchanged pursuant to the provisions hereof. The Company will not adjust the Exchange Rate to account for accrued interest, if any. If the Holder exchanges more than one Exchangeable Debenture at the same time, the number of shares of Host REIT Common Stock issuable upon the exchange shall be based on the total principal amount of the Exchangeable Debentures, including any accrued and unpaid interest (including Liquidated Damages) of the Exchangeable Debentures exchanged.

If the last day on which an Exchangeable Debenture may be exchanged is not a Business Day, the Exchangeable Debenture may be surrendered on the next succeeding Business Day; notwithstanding the forgoing, an Exchangeable Debenture may not be surrendered for exchange after the Stated Maturity of the Exchangeable Debentures.

Upon surrender of an Exchangeable Debenture that is exchanged in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new Exchangeable Debenture in an authorized denomination equal in principal amount at maturity to the unexchanged portion of the Exchangeable Debenture surrendered.

Except as provided in this Section 6.03, an exchanging Holder of Exchangeable Debentures shall not be entitled to receive any accrued and unpaid interest (including Liquidated Damages, if any) on any such Exchangeable Debentures being exchanged. By delivery to the Holder of the number of shares of Host REIT Common Stock or other consideration issuable or payable upon exchange in accordance with this Section 6.03, any principal and accrued and unpaid interest (including Liquidated Damages, if any), on such Exchangeable Debentures will be deemed to have been paid in full. If any Exchangeable Debentures are surrendered for exchange subsequent to the Regular Record Date preceding an Interest Payment Date but prior to such Interest Payment Date, the Holder of such Exchangeable Debentures at 5:00 p.m. New York City time on such Record Date shall receive the interest payable on such Exchangeable Debenture on such Interest Payment Date (including Liquidated Damages, if any) notwithstanding the exchange thereof. Exchangeable Debentures surrendered for exchange during the period from 5:00 p.m. New York City time on any Record Date preceding any Interest Payment Date to 9:00 a.m. New York City time on such Interest Payment Date shall (except in the case of Exchangeable Debentures which have been called for redemption on a Redemption Date within such period) be accompanied by payment from exchanging Holders, for the account of the Company, in New York Clearing House funds, or other funds of an amount equal to the interest payable on such Interest Payment Date (including Liquidated Damages, if any) on the Exchangeable Debentures being surrendered for exchange; *provided, however*, if the Company elects to redeem Exchangeable Debentures on a date that is after the Regular Record Date but on or prior to the corresponding Interest Payment Date, and such Holder elects to exchange those Exchangeable Debentures, the Holder will not be required to pay the Company, at the time that Holder surrenders those Exchangeable Debentures for exchange, the amount of interest such Holder will have received on the Interest Payment Date.

Notwithstanding the foregoing, if the Holder is exchanging their Exchangeable Debentures pursuant to Section 6.02(c) above and on the day before the Exchange Date, the Sale Price of Host REIT Common Stock is equal to or greater than 100% but less than or equal to 120% of the Exchange Price, then a Holder surrendering its

Exchangeable Debentures for exchange shall receive, in lieu of Host REIT Common Stock based on the applicable Exchange Rate, Host REIT Common Stock or cash, at the Company's option, if on or prior to April 15, 2019, or cash, if after April 15, 2019, in each case, with a value equal to the principal amount of the Exchangeable Debenture (plus accrued and unpaid interest and Liquidated Damages, if any) on the Exchange Date (such exchange, a "*Principal Value Exchange*"). Any Host REIT Common Stock to be delivered to the Holder by the Company upon a Principal Value Exchange shall be valued at 100% of the average Sale Price for the 20 consecutive Trading Days preceding such Exchange Date. The Company shall notify the Trustee and any surrendering Holder of Exchangeable Debentures whose exchange is a Principal Value Exchange of such Principal Value Conversion by the second Trading Day following such Exchange Date and in such notice, state whether the Company shall pay to such Holder all or a portion of the principal amount of such Exchangeable Debentures in cash or, if prior to April 15, 2019, Host REIT Common Stock.

Section 6.05 *Fractional Shares*. The Company will not issue fractional shares of Host REIT Common Stock upon exchange of an Exchangeable Debenture. Instead, the Company will pay cash based on the current market value of the fractional shares. The current market value of a fractional share shall be determined, to the nearest 1/1,000th of a share, by multiplying the Sale Price of the Common Stock, on the last Trading Day immediately prior to the Exchange Date, of a full share by the fractional amount and rounding the product to the nearest whole cent. Whether fractional shares are issuable upon a exchange will be determined on the basis of the total number of Exchangeable Debentures that the Holder is then exchanging into Host REIT Common Stock and the aggregate number of shares of Host REIT Common Stock issuable upon such exchange.

Section 6.06 *Taxes on Conversion*. If a Holder submits an Exchangeable Debenture for exchange, the Company shall pay all stamp and all other duties, if any, which may be imposed by the United States or any political subdivision thereof or taxing authority thereof or therein with respect to the issuance of shares of Host REIT Common Stock upon the exchange. However, the Holder shall pay any such tax which is due because the Holder requests the shares to be issued in a name other than the Holder's name. The Exchange Agent may refuse to deliver the certificates representing the shares of Host REIT Common Stock being issued in a name other than the Holder's name until the Exchange Agent receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulations.

Section 6.07 *Exchange Rate Adjustments*. The Exchange Rate shall be subject to adjustment, without duplication, upon the occurrence of the below listed events.

(a) *Adjustment for Change in Host REIT Common Stock.* If, after the Series Issue Date of the Exchangeable Debentures, Host REIT:

- (1) pays a dividend or makes another distribution to all holders of Host REIT Common Stock payable exclusively in shares of Host REIT Common Stock;
- (2) subdivides the outstanding shares of Host REIT Common Stock into a greater number of shares;
- (3) combines the outstanding shares of Host REIT Common Stock into a smaller number of shares; or
- (4) reclassifies the outstanding shares of Host REIT Common Stock,

then the exchange privilege and the Exchange Rate in effect immediately prior to such action shall be adjusted so that the Holder of an Exchange Debenture thereafter exchanged may receive the number of shares of Host REIT Common Stock which such Holder would have owned immediately following such action if such Holder had exchanged the Exchangeable Debenture immediately prior to such action.

The adjustment shall become effective immediately after the record date in the case of a dividend, distribution or subdivision and immediately after the effective date in the case of a combination or reclassification.

If after an adjustment a Holder of an Exchangeable Debenture upon exchange of such Exchangeable Debenture may receive shares of two or more classes of Host REIT Capital Stock, the Exchange Rate shall thereafter be subject to adjustment upon the occurrence of an action taken with respect to any such class of Host REIT Capital Stock as is contemplated by this Article 6 with respect to the Host REIT Common Stock, on terms comparable to those applicable to Host REIT Common Stock in this Article 6.

(b) *Adjustment for Rights Issue.* If, after the Series Issue Date of the Exchangeable Debentures, Host REIT distributes any rights, options or warrants to all holders of Host REIT Common Stock entitling them to subscribe for or purchase shares of Host REIT Common Stock at a price per share less (or having an exchange price per share less) than the Market Price (on the Trading Day immediately preceding the time of announcement of such issuance) (except that no adjustment will be made if Holders of the Exchangeable Debentures may participate in the distribution on a basis and with the notice that the Company's Board of Directors determines to be fair and appropriate), the Exchange Rate shall be adjusted in accordance with the formula:

$$R' = R \times \frac{(O + N)}{(O + (N \times P)/M)}$$

where:

R' = the adjusted Exchange Rate.

R = the current Exchange Rate.

O = the number of shares of Host REIT Common Stock outstanding on the record date for the distribution to which this clause (b) is being applied.

N = the number of additional shares of Host REIT Common Stock offered pursuant to the distribution.

P = the offering price per share of the additional shares.

M = the Market Price.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the rights, warrants or options to which this clause (b) applies. If all of the shares of Host REIT Common Stock subject to such rights, warrants or options have not been issued when such rights, warrants or options expire, then the Exchange Rate shall promptly be readjusted to the Exchange Rate which would then be in effect had the adjustment upon the issuance of such rights, warrants or options been made on the basis of the actual number of shares of Host REIT Common Stock issued upon the exercise of such rights, warrants or options.

No adjustment shall be made under this clause (b) if the application of the formula stated above in this clause (b) would result in a value of R' that is equal to or less than the value of R.

(c) *Adjustment for Other Distributions.* If, after the Series Issue Date of the Exchangeable Debentures, Host REIT makes the payment of dividends or distributions to all holders of Host REIT Common Stock consisting of evidence of indebtedness, shares of capital stock or assets (excluding cash) or any rights, warrants or options to purchase securities, except for (w) those rights, options or warrants referred to in clause (b) above, (x) distributions referred to in clause (a) above, (y) dividends and distributions paid exclusively in cash other than referred to in clauses (d) and (e) below, and (z) distributions upon mergers or consolidations, the Exchange Rate shall be adjusted, subject to the provisions of the last paragraph of this clause (c), in accordance with the formula:

$$R' = R \times \frac{M}{(M - F)}$$

where:

R' = the adjusted Exchange Rate.

R = the current Exchange Rate.

M = the Market Price.

F = the fair market value (on the record date for the distribution to which this clause (c) applies) of the assets, securities, rights, warrants or options to be distributed in respect of each share of Host REIT Common Stock in the distribution to which this clause (c) is being applied (including, in the case of cash dividends or other cash distributions giving rise to an adjustment, all such cash distributed concurrently).

In the event Host REIT distributes shares of Capital Stock of a Subsidiary to all Holders of Host REIT Common Stock, the Exchange Rate will be adjusted, if at all, based on the market value of the Subsidiary Capital Stock so distributed relative to the market value of the shares of Host REIT Common Stock, as discussed below. The Board of Directors shall determine fair market values for the purposes of this clause (c), except that in respect of a dividend or other distribution of shares of Capital Stock of any class or series, or similar equity interests, of or relating to a Subsidiary or other business unit of Host REIT to all Holders of Host REIT Common Stock (a "Spin-off"), the fair market value of the securities to be distributed shall equal the average of the daily Sale Prices of those securities for the five consecutive Trading Days commencing on and including the sixth day of trading of those securities after the effectiveness of the Spin-off. In the event, however, that an underwritten initial public offering of the securities in the Spin-off occurs simultaneously with the Spin-off, fair market value of the securities distributed in the Spin-off shall mean the initial public offering price of such securities and the Market Price shall mean the Sale Price for the Common Stock on the same Trading Day.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the distribution to which this clause (c) applies, except that an adjustment related to a Spin-off shall become effective at the earlier to occur of (i) 10 consecutive Trading Days after the effective date of the Spin-off and (ii) the initial public offering of the securities distributed in the Spin-off.

In the event that, with respect to any distribution to which this clause (c) would otherwise apply, the difference "M-F" as defined in the above formula is less than \$1.00 or "F" is equal to or greater than "M", then the adjustment provided by this clause (c) shall not be made and in lieu thereof the provisions of clause (k) shall apply to such distribution.

(d) *Adjustment for Company Tender Offer.* If, after the Series Issue Date of the Exchangeable Debentures, Host REIT or any Subsidiary of Host REIT pays holders of the shares of Host REIT Common Stock in respect of a tender offer, other than an odd-lot offer, by Host REIT or any of its Subsidiaries for shares of Host REIT

Common Stock to the extent that the offer involves aggregate consideration that, together with any cash and the fair market value of any other consideration payable in respect of any tender offer by Host REIT or any of its Subsidiaries for shares of Host REIT Common Stock consummated within the 365-day period preceding the expiration of such tender offer not triggering an Exchange Rate adjustment, exceeds an amount equal to 12.5% of the market capitalization of the shares of Host REIT Common Stock on the expiration date of the tender offer, the Exchange Rate shall be increased in accordance with the following formula:

$$R' = R \times \frac{M}{(M - A)}$$

where:

R' = the adjusted Exchange Rate.

R = the current Exchange Rate.

M = the Market Price.

A = the amount per share of such dividend or distribution (appropriately adjusted from time to time for any stock dividends on or subdivisions or combination of Host REIT).

(e) *Adjustment for Cash Distributions.* If Host REIT shall, at any time or from time to time while any of the Exchangeable Debentures are outstanding, by dividend or otherwise, distribute cash to all holders of Host REIT Common Stock (and such dividend or distribution does not trigger an adjustment pursuant to clause (d) above), the Exchange Rate will be adjusted in accordance with the following formula:

$$R' = R \times \frac{M}{(M - A)}$$

where:

R' = the adjusted Exchange Rate.

R = the current Exchange Rate.

M = the Market Price.

A = the amount per share of such dividend or distribution (appropriately adjusted from time to time for any stock dividends on or subdivisions or combination of Host REIT).

Notwithstanding the foregoing, in the event of an adjustment pursuant to clauses (d) and (e) above, in no event shall the Exchange Rate be greater than the quotient of \$1,000, divided by the Sale Price on March 16, 2004, subject to adjustment pursuant to clauses (a) through (c) above.

(f) *When Adjustment May Be Deferred.* No adjustment in the Exchange Rate need be made unless the adjustment would require an increase or decrease of at least 1% in the Exchange Rate. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment. Notwithstanding the foregoing, if the Exchangeable Debentures are called for redemption, all adjustments not previously made will be made on the applicable Redemption Date.

All calculations under this Article 6 shall be made to the nearest cent or to the nearest 1/1,000th of a share, as the case may be.

(g) *When No Adjustment Required.* Host REIT has adopted a stockholders rights plan under which Host REIT issued rights to all holders Host REIT Common Stock. If each share of the Host REIT Common Stock issued upon exchange of the Exchangeable Debentures at any time prior to the distribution of separate certificates representing the rights will be entitled to receive the right, then no adjustment to the Exchange Rate need be made as a result of the issuance of such rights pursuant to such rights plan. Upon the occurrence of an event of separation of the rights from the Host REIT Common Stock, the Exchange Ratio shall be adjusted in accordance with clause (b) above. If such an adjustment is made and the rights are later redeemed, invalidated or terminated, then a reversing adjustment shall be made.

The applicable Exchange Rate will not be adjusted:

(1) upon the issuance of any shares of Host REIT Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of Host REIT and the investment of additional optional amounts in Host REIT Common Stock under any plan;

(2) upon the issuance of any shares of Host REIT Common Stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of the Host REIT;

(3) upon the issuance of any shares of Host REIT Common Stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the Series Issue Date;

(4) as a result of a tender offer solely to holders of less than 100 share of Host REIT Common Stock; and

(5) for the avoidance of doubt, upon the issuance of OP Units by the Company and the issuance of Host REIT Common Stock or cash upon redemption thereof.

No adjustment need be made if Holders of the Exchangeable Debentures may participate in the transaction on an “as exchanged” basis.

Except as set forth in clauses (a) through (e) above, the applicable Exchange Rate shall not be subject to an adjustment in the case of the issuance of any Host REIT Common Stock or Host REIT preferred stock, or securities exchangeable into or exchangeable for Host REIT Common Stock or Host REIT preferred stock.

(h) *Notice of Adjustment.* Whenever the Exchange Rate is adjusted, the Company shall promptly mail to Holders a notice of the adjustment. The Company shall file with the Trustee and the Exchange Agent such notice briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence that the adjustment is correct. Neither the Trustee nor any Exchange Agent shall be under any duty or responsibility with respect to any such certificate except to exhibit the same to any Holder desiring inspection thereof.

(i) *Voluntary Increase.* The Company from time to time may increase the Exchange Rate by any amount at any time (a) in order to avoid or diminish any income tax to holders of Host REIT Common Stock resulting from certain dividends, distributions or issuance of rights or warrants, or (b) otherwise as the Company deems appropriate, for at least 20 Business Days, so long as the increase is irrevocable during such period. Whenever the Exchange Rate is increased, the Company shall mail to Holders and file with the Trustee and the Exchange Agent a notice of the increase. The Company shall mail the notice at least 15 days before the date the increased Exchange Rate takes effect. The notice shall state the increased Exchange Rate and the period it will be in effect. A voluntary increase of the Exchange Rate does not change or adjust the Exchange Rate otherwise in effect for purposes of clauses (a) through (e).

(j) *Notice of Certain Transactions.* If:

(1) the Company takes any action that would require an adjustment in the Conversion Rate pursuant to clauses (a), (b), (c), (d) or (e) (unless no adjustment is to occur pursuant to clause (g)); or

(2) the Company takes any action that would require a supplemental indenture pursuant to clause (k) below; or

(3) there is a liquidation or dissolution of the Company;

then the Company shall mail to Holders and file with the Trustee and the Exchange Agent a notice stating the proposed record date for a dividend, distribution or subdivision or the proposed effective date of a combination, reclassification, consolidation, merger, binding share exchange, transfer, liquidation or dissolution. The Company shall file and mail the notice at least 10 days before such date. Failure to file or mail the notice or any defect in it shall not affect the validity of the transaction.

(k) *Reorganization of Company; Special Distributions.* If the Company or Host REIT is a party to a transaction subject to Article 5 of the Indenture (other than a sale of all or substantially all of the assets of Host REIT in a transaction in which the holders of Host REIT Common Stock immediately prior to such transaction do not receive securities, cash or other assets of the Company or any other Person) or a merger or binding share exchange which reclassifies or changes its outstanding shares of Host REIT Common Stock, the Person obligated to deliver securities, cash or other assets upon exchange of Exchangeable Debentures shall enter into a supplemental indenture. If the issuer of securities deliverable upon exchange of Exchangeable Debentures is an Affiliate of the successor company, that issuer shall join in the supplemental indenture.

The supplemental indenture shall provide that the Holder of an Exchangeable Debenture may exchange it into the kind and amount of securities, cash or other assets which such Holder would have received immediately after the consolidation, merger, binding share exchange or transfer if such Holder had exchanged the Exchangeable Debenture immediately before the effective date of the transaction, assuming (to the extent applicable) that such Holder (i) was not a constituent Person or an Affiliate of a constituent Person to such transaction; (ii) made no election with respect thereto; and (iii) was treated alike with the plurality of non-electing Holders. The supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Article 6. The successor Company shall mail to Holders a notice briefly describing the supplemental indenture.

If Host REIT makes a distribution to all holders of Host REIT Common Stock of any of its assets, or debt securities or any rights, warrants or options to purchase securities of Host REIT that, but for the provisions of the last paragraph of clause (c), would otherwise result in an adjustment in the Exchange Rate pursuant to the provisions of clause (c), then, from and after the record date for determining the holders of Host REIT Common Stock entitled to receive the distribution, a Holder of an Exchangeable Debenture that exchanges such Exchangeable Debenture in accordance with the provisions of the Indenture shall upon such exchange be entitled to receive, in addition to the shares of Host REIT Common Stock into which the Exchangeable Debenture is exchange, the kind and amount of securities, cash or other assets comprising the distribution that such Holder would have received if such Holder had exchanged the Exchangeable Debenture immediately prior to the record date for determining the holders of Host REIT Common Stock entitled to receive the distribution.

Section 6.08 *Company Determination Final.* The Company shall make all calculations called for under the Exchangeable Debentures in good faith and, absent manifest error, the Company's calculations will be final and binding on Holders of the Exchangeable Debentures. A schedule of such calculations shall be provided to the Trustee, and the Trustee shall forward the Company's calculations to any Holder of the Exchangeable Debentures upon the request of that Holder.

Section 6.09 *Trustee's Adjustment Disclaimer*. The Trustee has no duty to determine when an adjustment under this Article 6 should be made, how it should be made or what it should be. The Trustee has no duty to determine whether a supplemental indenture under Section 6.07(j) need be entered into or whether any provisions of any supplemental indenture are correct. The Trustee shall not be accountable for and makes no representation as to the validity or value of any securities or assets issued upon exchange of Exchangeable Debentures. The Trustee shall not be responsible for the Company's failure to comply with this Article 6. The Trustee is entitled to conclusively rely upon the accuracy of the Company's calculations without independent verification. Each Exchange Agent shall have the same protection under this Section 6.09 as the Trustee.

Section 6.10 *Simultaneous Adjustments*. In the event that this Article 6 requires adjustments to the Exchange Rate under more than one of clauses (a), (b), (d) or (e) of Section 6.07, and the record dates for the distributions giving rise to such adjustments shall occur on the same date, then such adjustments shall be made by applying, first, the provisions of Section 6.07(a), second, the provisions of Section 6.07(b), third, the provisions of Section 6.07(c), fourth, the provisions of Section 6.07(d), and fifth, the provision of Section 6.07(e).

Section 6.11 *Successive Adjustments*. After an adjustment to the Exchange Rate under this Article 6, any subsequent event requiring an adjustment under this Article 6 shall cause an adjustment to the Exchange Rate as so adjusted.

Section 6.12 *Ownership Limitation*. Notwithstanding any other provision of the Exchangeable Debenture, no Holders of Exchangeable Debentures shall be entitled to exchange such Exchangeable Debenture for Host REIT Common Stock to the extent that receipt of such shares would cause such Holder (together with such Holder's affiliates) to exceed the ownership limit contained in the Articles of Incorporation of Host REIT.

## ARTICLE 7

Section 7.01 For purposes of the Exchangeable Debentures, Section 2.7 of the Indenture is hereby supplemented with, and where inconsistent replaced by, the following provisions:

(a) *Transfer and Exchange of Global Securities*. A Global Security may not be transferred as a whole except by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or to another nominee of the Depository, or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. All Global Securities will be

exchanged by the Company for Certificated Exchangeable Debentures if (i) the Company delivers to the Trustee notice from the Depository (A) that it is unwilling or unable to continue to act as Depository and a successor Depository is not appointed by the Company within 90 days after the date of such notice from the Depository or (B) that it is no longer a clearing agency registered under the Exchange Act and a successor Depository is not appointed by the Company within 90 days after the date of such notice from the Depository, (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Exchangeable Debentures or (iii) upon request of the Trustee or Holders of a majority of the aggregate principal amount of outstanding Exchangeable Debentures if there shall have occurred and be continuing a Default or Event of Default with respect to the Exchangeable Debenture. Upon the occurrence of any of the preceding events in (i), (ii) or (iii) above, upon surrender by the Depository of the Global Security, Certificated Exchangeable Debentures shall be issued in such names as the Depository shall instruct the Trustee. Global Securities also may be exchanged or replaced, in whole or in part, as provided in Sections 2.8 and 2.11 of the Indenture. A Global Security may not be exchanged for another Exchangeable Debenture other than as provided in this Section 7.01(a) of this Thirteenth Supplemental Indenture; however, beneficial interests in a Global Security may be transferred and exchanged as provided in Section 7.01(b) or (c) of this Thirteenth Supplemental Indenture.

(b) *Transfer and Exchange of Beneficial Interests in the Global Securities.* The transfer and exchange of beneficial interests in the Global Securities shall be effected through the Depository, in accordance with the provisions of the Indenture, the Applicable Procedures, and the restrictions on transfer set forth herein. Transfers of beneficial interests in the Global Securities also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(i) *Transfer of Beneficial Interests in the Same Global Security.* Beneficial interests in any Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Global Security in accordance with the transfer restrictions set forth in the Private Placement Legend. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 7.01(b)(i) of this Thirteenth Supplemental Indenture.

(ii) *All Other Transfers and Exchanges of Beneficial Interests in Global Securities.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 7.01(b)(i) of this Thirteenth Supplemental Indenture, the transferor of such beneficial interest must deliver to the Registrar either (A) (1) an order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause

to be credited a beneficial interest in another Global Security in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) (1) an order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Certificated Exchangeable Debenture in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depository to the Registrar containing information regarding the Person in whose name such Certificated Exchangeable Debenture shall be registered to effect the transfer or exchange referred to in (B)(1) above. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Securities contained in the Indenture and the Exchangeable Debentures, the Trustee shall adjust the principal amount of the relevant Global Security(s) pursuant to Section 7.01(h) of this Thirteenth Supplemental Indenture.

(iii) *Transfer of Beneficial Interests to Another Global Security.* A beneficial interest in any Global Security may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Global Security if the transfer complies with the requirements of Section 7.01(b)(ii) of this Thirteenth Supplemental Indenture and the Registrar receives a certificate in the form of Exhibit B to this Thirteenth Supplemental Indenture, including the certifications in item (1) thereof.

(c) Transfer or Exchange of Beneficial Interests for Certificated Exchangeable Debentures.

(i) *Beneficial Interests in Global Securities to Certificated Exchangeable Debentures.* If any holder of a beneficial interest in a Global Security proposes to exchange such beneficial interest for a Certificated Exchangeable Debenture or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Certificated Exchangeable Debenture, then, if the exchange or transfer complies with the requirements of Section 7.01(a) of this Thirteenth Supplemental Indenture, upon receipt by the Registrar of the following documentation:

a) if the holder of such beneficial interest in a Global Security proposes to exchange such beneficial interest for a Certificated Exchangeable Debenture, a certificate from such holder in the form of Exhibit C to this Thirteenth Supplemental Indenture, including the certifications in item (1)(a) thereof;

b) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B to this Thirteenth Supplemental Indenture, including the certifications in item (1) thereof; or

c) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B to this Thirteenth Supplemental Indenture, including the certifications in item (2) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Security to be reduced accordingly pursuant to Section 7.01(h) of this Thirteenth Supplemental Indenture, and the Company shall execute and, upon receipt of a Company Order pursuant to Section 2.3 of the Indenture, the Trustee shall authenticate and deliver to the Person designated in the instructions a Certificated Exchangeable Debenture in the appropriate principal amount. Any Certificated Exchangeable Debenture issued in exchange for a beneficial interest in a Global Security pursuant to this Section 7.01(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall deliver such Certificated Exchangeable Debentures to the Persons in whose names such Exchangeable Debenture are so registered. Any Certificated Exchangeable Debenture issued in exchange for a beneficial interest in a Global Security pursuant to this Section 7.01(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(d) *Transfer and Exchange of Certificated Exchangeable Debentures for Beneficial Interests.*

(i) *Certificated Exchangeable Debentures to Beneficial Interests in Restricted Global Securities.* If any Holder of a Certificated Exchangeable Debenture proposes to exchange such Exchangeable Debenture for a beneficial interest in a Global Security or to transfer such Certificated Exchangeable Debentures to a Person who takes delivery thereof in the form of a beneficial interest in a Global Security, then, upon receipt by the Registrar of the following documentation:

a) if the Holder of such Certificated Exchangeable Debenture proposes to exchange such Exchangeable Debenture for a beneficial interest in a Global Security, a certificate from such Holder in the form of Exhibit C to this Thirteenth Supplemental Indenture, including the certifications in item (1)(b) thereof; or

b) if such Certificated Exchangeable Debenture is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B to this Thirteenth Supplemental Indenture, including the certifications in item (1) thereof,

the Trustee shall cancel the Certificated Exchangeable Debenture, and increase or cause to be increased the aggregate principal amount of the appropriate Global Security.

(e) *Transfer and Exchange of Certificated Exchangeable Debentures for Certificated Exchangeable Debentures.* Upon request by a Holder of Certificated Exchangeable Debentures and such Holder's compliance with the provisions of this Section 7.01(e) of this Thirteenth Supplemental Indenture, the Registrar shall register the transfer or exchange of Certificated Exchangeable Debentures. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Registrar the Certificated Exchangeable Debentures duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 7.01(e) of this Thirteenth Supplemental Indenture.

(i) Any Certificated Exchangeable Debenture may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Certificated Exchangeable Debenture if the Registrar receives from the transferor a certificate in the form of Exhibit B to this Thirteenth Supplemental Indenture, including the certifications in item (1) thereof.

(f) *Legends.* The following legends shall appear on the face of all Global Securities and Certificated Exchangeable Debentures issued under the Indenture unless specifically stated otherwise in the applicable provisions of the Indenture.

(i) *Private Placement Legend.*

a) Each Global Security and each Certificated Exchangeable Debenture (and all Exchangeable Debentures issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

"THIS DEBENTURE (OR ITS PREDECESSOR) AND ANY COMMON STOCK ISSUABLE UPON THE EXCHANGE OF THIS DEBENTURE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED

(THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS DEBENTURE EXCEPT (A) TO THE OPERATING PARTNERSHIP OR ANY GUARANTOR WHOLLY OWNED BY THE OPERATING PARTNERSHIP OR ANY OF THEIR RESPECTIVE WHOLLY OWNED SUBSIDIARIES, OR (B) TO A PERSON WHO IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; AND (2) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEBENTURE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE AS TO THE ABOVE RESTRICTIONS.

THE HOST REIT COMMON STOCK ISSUABLE UPON EXCHANGE OF THE DEBENTURES IS SUBJECT TO CERTAIN RESTRICTIONS ON OWNERSHIP AND TRANSFER. HOST MARRIOTT, L.P. WILL FURNISH A FULL STATEMENT ABOUT THE RESTRICTIONS ON TRANSFERABILITY AND OWNERSHIP OF THE HOST REIT COMMON STOCK TO ANY HOLDER ON REQUEST AND WITHOUT CHARGE. SUCH REQUEST MAY BE MADE TO THE HOST REIT CORPORATE SECRETARY AT HOST REIT'S PRINCIPLE OFFICE. THIS DEBENTURE, ANY SHARES OF COMMON STOCK ISSUABLE UPON ITS EXCHANGE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS DEBENTURE AND ANY SUCH SHARES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS DEBENTURE AND SUCH SHARES SHALL BE DEEMED BY THE ACCEPTANCE OF THIS DEBENTURE AND ANY SUCH SHARES TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT."

PURSUANT TO SECTION 1271 ET SEQ. OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS DEBENTURE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT. TO OBTAIN (1) THE ISSUE PRICE OF THIS

DEBENTURE, (II) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, (III) THE ISSUE DATE, OR (IV) THE YIELD TO MATURITY; CONTACT INVESTOR RELATIONS AT 9603 ROCKLEDGE DRIVE, SUITE 1500, BETHESDA, MARYLAND 20817, OR BY PHONE AT (240) 744-1000.

(ii) *Global Security Legend*. To the extent required by the Depository, each Global Security shall bear a legend in substantially the following form:

“THIS GLOBAL SECURITY IS HELD BY THE DEPOSITORY (AS DEFINED IN THE INDENTURE GOVERNING THIS GLOBAL SECURITY) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 7.01 OF THE THIRTEENTH SUPPLEMENTAL INDENTURE, (II) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 7.01(a) OF THE THIRTEENTH SUPPLEMENTAL INDENTURE, (III) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.12 OF THE INDENTURE AND (IV) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITORY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.”

(g) *Cancellation and/or Adjustment of Global Securities*. At such time as all beneficial interests in a particular Global Security have been exchanged for Certificated Exchangeable Debentures or a particular Global Security has been redeemed, repurchased or cancelled in whole and not in part, each such Global Security shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.12 of the Indenture. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security or for Certificated Exchangeable Debentures, the principal amount of Exchangeable Debentures represented by such Global Security shall be reduced accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security, such other Global Security shall be increased accordingly and an endorsement shall be made on such Global Security by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.

(h) *General Provisions Relating to Transfers and Exchanges.*

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Global Securities and Certificated Exchangeable Debentures upon receipt of a Company Order.

(ii) No service charge shall be made to a holder of a beneficial interest in a Global Security or to a Holder of a Certificated Exchangeable Debenture for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.11, 3.6, 4.12 and 10.1 of the Indenture).

(iii) The Registrar shall not be required to register the transfer of or exchange any Exchangeable Debenture selected for redemption in whole or in part, except the unredeemed portion of any Exchangeable Debenture being redeemed in part.

(iv) All Global Securities and Certificated Exchangeable Debentures issued upon any registration of transfer or exchange of Global Securities or Certificated Exchangeable Debentures shall be the valid obligations of the Company, evidencing the same Indebtedness, and entitled to the same benefits under the Indenture, as the Global Securities or Certificated Exchangeable Debentures surrendered upon such registration of transfer or exchange.

(v) Prior to due presentment for the registration of a transfer of any Exchangeable Debenture, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Exchangeable Debenture is registered as the absolute owner of such Exchangeable Debenture for the purpose of receiving payment of principal of and interest on such Exchangeable Debentures and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(vi) The Trustee shall authenticate Global Securities and Certificated Exchangeable Debentures in accordance with the provisions of Section 2.3 of the Indenture.

(vii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 7.01 to effect a registration of transfer or exchange may be submitted by facsimile.

Notwithstanding anything herein to the contrary, as to any certifications and certificates delivered to the Registrar pursuant to this Section 7.01 of this Thirteenth Supplemental Indenture, the Registrar's duties shall be limited to confirming that any such certifications and certificates delivered to it are substantially in the form of Exhibits A, B and C attached to this Thirteenth Supplemental Indenture. The Registrar shall not be responsible for confirming the truth or accuracy of representations made in any such certifications or certificates.

#### ARTICLE 8

Section 8.01 Events of Default. For purposes of the Exchangeable Debentures, Section 6.1(c) of the Indenture shall be amended to read:

“(c) the failure by the Company, any Subsidiary Guarantors, or Host REIT to observe or perform any other covenant or agreement contained in the Exchangeable Debentures or the Indenture with respect to the Exchangeable Debentures and the continuance of such failure for a period of 30 days after written notice is given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Exchangeable Debentures;”.

#### ARTICLE 9

Section 9.01 Amendments and Supplements. (a) For purposes of the Exchangeable Debentures, Section 9.1 of the Indenture is hereby amended by replacing subsection (a) with the following:

“(a) to cure any ambiguity, omission, defect or inconsistency, or correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision; *provided* that such modification will not adversely affect the interests of the holders of the Debentures.”

(b) For purposes of the Exchangeable Debentures, Section 9.1 of the Indenture is hereby supplemented by adding the following:

“(k) to increase the Exchange Rate or reduce the Exchange Price; *provided* that the increase or reduction, as the case may be, is in accordance with Article 6 of the Thirteenth Supplemental Indenture and this Indenture or will not adversely affect the interest of the Holders of the Exchangeable Debentures;

(l) to add events of default with respect to the Exchangeable Debentures; and

(m) to add circumstances under which the Company shall pay Liquidated Damages on the Exchangeable Debentures.

(n) to provide for the assumption of our obligations under the Indenture by a successor upon any merger, consolidation or asset transfer permitted under the indenture;

(o) to add covenants that would benefit the holders of Debentures or to surrender any rights we have under the Indenture.”

(c) For purposes of the Exchangeable Debentures, Section 9.3 of the Indenture is hereby supplemented by adding the following:

“(j) alter the provisions relating to the Holders’ rights upon a Change of Control in a manner adverse to the Holders of the Exchangeable Debentures, including the Company’s obligations to repurchase the Exchangeable Debentures upon a Change of Control;

(k) reduce the redemption price or Repurchase Price of the Exchangeable Debentures or change the time at which the Exchangeable Debentures may or must be redeemed or repurchased;

(l) make payments on the Exchangeable Debentures in currency other than as originally stated in the Exchangeable Debentures; and

(m) adversely affect the Holders’ rights contained in Articles 5 and 6 of the Thirteenth Supplemental Indenture.”

#### ARTICLE 10

Section 10.01 Except as specifically modified herein, the Indenture is in all respects ratified and confirmed and shall remain in full force and effect in accordance with its terms.

Section 10.02 Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed or shall be construed to be assumed by the Trustee by reason of this Thirteenth Supplemental Indenture. This Thirteenth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect to this Thirteenth Supplemental Indenture.

Section 10.03 The Trustee shall not be responsible in any manner whatsoever for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Subsidiary Guarantors.

Section 10.04 THIS THIRTEENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK INCLUDING, WITHOUT LIMITATION, SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND NEW YORK CIVIL PRACTICE LAWS AND RULES 327(b). EACH OF THE COMPANY AND THE SUBSIDIARY GUARANTORS HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK OR ANY FEDERAL COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE AND THE SECURITIES, AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, JURISDICTION OF THE AFORESAID COURTS. EACH OF THE COMPANY AND THE SUBSIDIARY GUARANTORS IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE TRUSTEE OR ANY SECURITYHOLDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY AND THE SUBSIDIARY GUARANTORS IN ANY OTHER JURISDICTION.

Section 10.05 The parties may sign any number of copies of this Thirteenth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

Section 10.06 All capitalized terms used in this Thirteenth Supplemental Indenture which are not otherwise defined herein, shall have the respective meanings specified in the Indenture, unless the context otherwise requires.

Section 10.07 The Exchangeable Debentures may be issued in whole or in part in the form of one or more Global Securities, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). For so long as the Debentures are in Book-Entry Form, all notices, reports and other documents to the Holders shall be delivered through the facilities of the DTC by the Trustee.

IN WITNESS WHEREOF, the parties to this Thirteenth Supplemental Indenture have caused this Thirteenth Supplemental Indenture to be duly executed, all as of the date first written above.

**COMPANY**

HOST MARRIOTT, L.P., a Delaware limited partnership  
BY: HOST MARRIOTT CORPORATION, its general partner

By: \_\_\_\_\_

Name:  
Title:

HOST MARRIOTT CORPORATION

By: \_\_\_\_\_

Name:  
Title:

**SUBSIDIARY GUARANTORS**

AIRPORT HOTELS LLC,  
HOST OF BOSTON, LTD.,  
BY: AIRPORT HOTELS LLC,  
HOST OF HOUSTON, LTD.,  
BY: AIRPORT HOTELS LLC  
HOST OF HOUSTON 1979,  
BY: AIRPORT HOTELS LLC  
BY: HOST OF HOUSTON, LTD.  
BY: AIRPORT HOTELS LLC  
CHESAPEAKE FINANCIAL SERVICES LLC,  
CITY CENTER INTERSTATE PARTNERSHIP LLC,  
HMC RETIREMENT PROPERTIES, L.P.,  
BY: DURBIN LLC  
HMH MARINA LLC,  
FARRELL'S ICE CREAM PARLOUR RESTAURANTS LLC,  
HMC ATLANTA LLC,

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HMC BCR HOLDINGS LLC,  
HMC BURLINGAME LLC,  
HMC CALIFORNIA LEASING LLC,  
HMC CAPITAL LLC,  
HMC CAPITAL RESOURCES LLC,  
HMC PARK RIDGE LLC,  
HMC PARTNERSHIP HOLDINGS LLC,  
HOST PARK RIDGE LLC,  
HMC SUITES LLC,  
HMC SUITES LIMITED PARTNERSHIP,  
BY: HMC SUITES LLC,  
PRM LLC,  
WELLSFORD-PARK RIDGE HMC HOTEL LIMITED  
PARTNERSHIP,  
BY: HOST PARK RIDGE LLC,  
YBG ASSOCIATES LLC,  
HMC CHICAGO LLC,  
HMC DESERT LLC,  
HMC PALM DESERT LLC,  
MDSM FINANCE LLC,  
HMC DIVERSIFIED LLC,  
HMC EAST SIDE II LLC,  
HMC GATEWAY LLC,  
HMC GRAND LLC,  
HMC HANOVER LLC,  
HMC HARTFORD LLC,  
HMC HOTEL DEVELOPMENT LLC,  
HMC HPP LLC,  
HMC IHP HOLDINGS LLC,  
HMC MANHATTAN BEACH LLC,  
HMC MARKET STREET LLC,  
NEW MARKET STREET LP,  
BY: HMC MARKET STREET LLC  
HMC GEORGIA LLC,  
HMC MEXPARK LLC,  
HMC POLANCO LLC,  
HMC NGL LLC,  
HMC OLS I L.P.,  
BY: HMC OLS I LLC  
HMC OP BN LLC,  
HMC PACIFIC GATEWAY LLC,  
HMC PLP LLC,  
CHESAPEAKE HOTEL LIMITED PARTNERSHIP,  
BY: HMC PLP LLC

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HMC POTOMAC LLC,  
HMC PROPERTIES I LLC,  
HMC PROPERTIES II LLC,  
HMC SBM TWO LLC,  
HMC SEATTLE LLC,  
HMC SFO LLC,  
HMC SWISS HOLDINGS LLC,  
HMC WATERFORD LLC,  
HMH GENERAL PARTNER HOLDINGS LLC,  
HMH NORFOLK LLC,  
HMH NORFOLK, L.P.,  
BY: HMH NORFOLK LLC  
HMH PENTAGON LLC,  
HMH RESTAURANTS LLC,  
HMH RIVERS LLC,  
HMH RIVERS, L.P.,  
BY: HMH RIVERS LLC  
HMH WTC LLC,  
HMP CAPITAL VENTURES LLC,  
HMP FINANCIAL SERVICES LLC,  
HOST LA JOLLA LLC,  
CITY CENTER HOTEL LIMITED PARTNERSHIP,  
BY: HOST LA JOLLA LLC  
TIMES SQUARE LLC,  
IVY STREET LLC,  
MARKET STREET HOST LLC,  
MFR OF ILLINOIS LLC,  
MFR OF VERMONT LLC,  
MFR OF WISCONSIN LLC,  
PHILADELPHIA AIRPORT HOTEL LLC,  
PM FINANCIAL LLC,  
PM FINANCIAL LP,  
BY: PM FINANCIAL LLC  
HMC PROPERTY LEASING LLC,  
HMC HOST RESTAURANTS LLC,  
SANTA CLARA HMC LLC,  
S.D. HOTELS LLC,  
TIMES SQUARE GP LLC,  
DURBIN LLC,  
HMC HT LLC,  
HMC JWDC LLC,  
HMC OLS I LLC,  
HMC OLS II L.P.,  
BY: HMC OLS I LLC

HMT LESSEE PARENT, LLC,  
HMC/INTERSTATE ONTARIO, L.P.  
BY: HMC PARTNERSHIP HOLDINGS LLC  
HMC/INTERSTATE MANHATTAN BEACH, L.P.,  
BY: HMC MANHATTAN BEACH LLC  
HOST/INTERSTATE PARTNERSHIP, L.P.  
BY: CITY CENTER INTERSTATE PARTNERSHIP LLC  
HMC/INTERSTATE WATERFORD, L.P.  
BY: HMC WATERFORD LLC  
AMELIATEL,  
BY: HMC AMELIA I LLC,  
BY: HMC AMELIA II LLC,  
HMC AMELIA I LLC,  
HMC AMELIA II LLC,  
ROCKLEDGE HOTEL LLC,  
FERNWOOD HOTEL LLC,  
HMC COPLEY LLC,  
HMC HEADHOUSE FUNDING LLC,  
IVY STREET HOPEWELL LLC,  
HMC DIVERSIFIED AMERICAN HOTELS, L.P.,  
BY: HMC DIVERSIFIED LLC, AND  
POTOMAC HOTEL LIMITED PARTNERSHIP,  
BY: HMC POTOMAC LLC

By:

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Name:  
Title:

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**TRUSTEE**

THE BANK OF NEW YORK,  
as Trustee

By: \_\_\_\_\_

Name:

Title:

[Face of Debenture]

THIS GLOBAL SECURITY IS HELD BY THE DEPOSITORY (AS DEFINED IN THE INDENTURE GOVERNING THIS GLOBAL SECURITY) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 7.01 OF THE THIRTEENTH SUPPLEMENTAL INDENTURE, (II) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 7.01(a) OF THE THIRTEENTH SUPPLEMENTAL INDENTURE, (III) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.12 OF THE INDENTURE AND (IV) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITORY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]<sup>1</sup>

THIS DEBENTURE (OR ITS PREDECESSOR) AND ANY COMMON STOCK ISSUABLE UPON THE EXCHANGE OF THIS DEBENTURE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS DEBENTURE EXCEPT (A) TO THE OPERATING PARTNERSHIP OR ANY GUARANTOR WHOLLY OWNED BY THE OPERATING PARTNERSHIP OR ANY OF THEIR RESPECTIVE WHOLLY OWNED SUBSIDIARIES, (B) TO A PERSON WHO IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; AND (2) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEBENTURE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE AS TO THE ABOVE RESTRICTIONS.

THE HOST REIT COMMON STOCK ISSUABLE UPON EXCHANGE OF THE DEBENTURES IS SUBJECT TO CERTAIN RESTRICTIONS ON OWNERSHIP AND TRANSFER. HOST MARRIOTT, L.P. WILL FURNISH A FULL STATEMENT ABOUT THE RESTRICTIONS ON TRANSFERABILITY AND OWNERSHIP OF THE HOST REIT COMMON STOCK TO ANY HOLDER ON REQUEST AND WITHOUT CHARGE. SUCH REQUEST MAY BE MADE TO THE HOST REIT CORPORATE SECRETARY AT HOST REIT’S PRINCIPLE OFFICE. THIS DEBENTURE, ANY SHARES OF COMMON STOCK ISSUABLE UPON ITS EXCHANGE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS DEBENTURE AND ANY SUCH SHARES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF

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<sup>1</sup> To be used only if the Exchangeable Debenture is issued as a Global Security.

RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS DEBENTURE AND SUCH SHARES SHALL BE DEEMED BY THE ACCEPTANCE OF THIS DEBENTURE AND ANY SUCH SHARES TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

PURSUANT TO SECTION 1271 *ET SEQ.* OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS DEBENTURE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT. TO OBTAIN THE (I) THE ISSUE PRICE OF THIS DEBENTURE, (II) THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, (III) THE ISSUE DATE, OR (IV) THE YIELD TO MATURITY; CONTACT INVESTOR RELATIONS AT 6903 ROCKLEDGE DRIVE, SUITE 1500, BETHESDA, MARYLAND 20817, OR BY PHONE AT (240) 744-1000.

**HOST MARRIOTT, L.P.**

3.25% EXCHANGEABLE SENIOR DEBENTURES DUE APRIL 15, 2024

No. 1

CUSIP: 44108EAT5  
\$

Host Marriott, L.P., a Delaware limited partnership (hereinafter called the "Company," which term includes any successors under the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_, or registered assigns, the principal sum of \$\_\_\_\_\_, on April 15, 2024. The Security is one of the 3.25% Exchangeable Senior Debentures due 2024 referred to in such Indenture.

Interest Payment Dates: January 15, April 15, July 15 and October 15.

Record Dates: December 31, March 31, June 30 and September 30.

Reference is made to the further provisions of this Debenture on the reverse side, which shall, for all purposes, have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

HOST MARRIOTT, L.P.  
a Delaware limited partnership  
By: Host Marriott Corporation, its general partner

By: \_\_\_\_\_

Name:  
Title:

Attest: \_\_\_\_\_

Name:  
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities described in the within-mentioned Indenture.

THE BANK OF NEW YORK

By \_\_\_\_\_

Authorized Signatory

Dated: \_\_\_\_\_

[Reverse of Debenture]  
3.25% EXCHANGEABLE SENIOR DEBENTURES DUE APRIL 15, 2024

1. Interest.

This Debenture shall bear interest at a rate of 3.25% per year on the principal hereof, from March 16, 2004 or from the most recent Interest Payment Date (as defined below) to which payment has been made or duly provided for, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning April 15, 2004 (each an "Interest Payment Date") to the persons in whose names the Notes are registered at 5:00 p.m., New York City time, on December 31, March 31, June 30 and September 30 (each a "Regular Record Date") (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date. Each payment of interest shall include interest accrued for the period (the "Interest Period"), commencing on and including the immediately preceding Interest Payment Date (or, if none, March 16, 2004) to, but excluding the applicable Interest Payment Date. The amount of interest payable for any Interest Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The amount of interest payable for any partial period shall be computed on the basis of a 360-day year of twelve 30-day months and the days elapsed in any partial month.

Holders of Debentures at 5:00 p.m., New York City time, on a Regular Record Date will receive payment of interest, including Liquidated Damages, if any, payable on the corresponding Interest Payment Date notwithstanding the exchange of such Notes at any time after 5:00 p.m., New York City time, on such Regular Record Date. Debentures surrendered for exchange by a Holder during the period from 5:00 p.m., New York City time, on any Regular Record Date to 9:00 a.m., New York City time, on the immediately following Interest Payment Date must be accompanied by payment of an amount equal to the interest, including Liquidated Damages, if any, that the Holder is to receive on the Debentures; *provided, however*, that no such payment need be made if the Company has specified a redemption date that is after a Regular Record Date and on or prior to the immediately following Interest Payment Date.

The Company or Host REIT is permitted to withhold from payment of interest otherwise due to a Holder, from cash payable to a Holder on redemption or from shares of Host REIT common stock otherwise deliverable to a Holder upon exchange of a Debenture, any amounts that either the Company or Host REIT is required by applicable laws to withhold.

2. Method of Payment.

The Company shall pay interest on the Debentures (except defaulted interest) to the Persons who are the registered Holders at 5:00 p.m. on the Record Date immediately preceding the Interest Payment Date. Holders must surrender Debentures to a Paying Agent to collect principal payments. Principal of, premium, if any, and interest on the Debentures will be payable in United States Dollars at the office or agency of the Company maintained for such purpose, in the Borough of Manhattan, The City of New York or at the option of the Company, payment of interest may be made by check mailed to the Holders of the Debentures at the addresses set forth upon the registry books of the Company; *provided, however*, Holders of Global Securities will be entitled to receive interest payments (other than at maturity) by wire transfer of immediately available funds, if appropriate wire transfer instructions have been received in writing by the Trustee not fewer than 15 days prior to the applicable Interest Payment Date. Such wire instructions, upon receipt by the Trustee, shall remain in effect until revoked by such Holder. No service charge will be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

3. Paying Agent, Exchange Agent and Registrar.

Initially, the Trustee, shall act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Exchange Agent, Registrar or co-registrar or approve a change in the office through which any Paying Agent acts without notice, other than notice to the Trustee. The Company or any of its Subsidiaries or any of their Affiliates may, subject to certain exceptions, act as Paying Agent, Exchange Agent, Registrar or co-registrar.

#### 4. Indenture.

The Company issued the Debentures and the Subsidiary Guarantors issued their Guarantees under an Amended and Restated Indenture, dated as of August 5, 1998, as supplemented (the “Indenture”), between the Company, its Parents, the Subsidiary Guarantors and the Trustee. Capitalized terms herein are used as defined in the Indenture unless otherwise defined herein. The Debentures are limited to \$500,000,000 in aggregate principal amount. The terms of the Debentures include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect on the date of the Indenture. The Debentures are subject to all such terms, and Holders of Debentures are referred to the Indenture and said Act for a statement of them. The Debentures are senior, general obligations of the Company, secured initially by a pledge of Capital Stock of certain Subsidiaries of the Company, which pledge is shared equally and ratably with the Credit Facility, the Existing Senior Notes and certain future Indebtedness of the Company ranking *pari passu* with the Debentures. Each Holder of this Debenture, by accepting the same, (a) agrees to and shall be bound by the provisions of the Indenture, (b) authorizes and directs the Trustee on his behalf to take such action as may be provided in the Indenture and (c) appoints the Trustee his attorney-in-fact for such purpose.

#### 5. Redemption at the Option of the Company.

No sinking fund is provided for the Debentures. The Debentures shall be redeemable, in whole or in part, at any time on or after April 15, 2009, at the Company’s option, at the following prices expressed as a percentage of the principal amount, plus accrued and unpaid interest and Liquidated Damages, if any, to the Redemption Date:

| <u>Redemption Date</u>        | <u>Percentage</u> |
|-------------------------------|-------------------|
| April 19, 2009                | 100.542%          |
| July 15, 2009                 | 100.407%          |
| October 15, 2009              | 100.271%          |
| January 15, 2010              | 100.136%          |
| April 15, 2010 and thereafter | 100.000%          |

If the Paying Agent holds, in accordance with the terms of the Indenture, at 10:00 a.m., New York City time, on the applicable Redemption Date, money sufficient to pay the redemption price of any Debentures for which notice of redemption is given, then, on such Redemption Date, such Debentures will cease to be outstanding and interest (including Liquidated Damages, if any) on such Debentures will cease to accrue, whether or not such Notes are delivered to the Paying Agent, and the rights of Holders in respect thereof shall terminate (other than the right to receive the Redemption Price upon delivery of such Debentures).

#### 6. Notice of Redemption.

Notice of redemption at the option of the Company shall be mailed at least 30 days but not more than 60 days before a redemption date to the each Holder of Debentures to be redeemed at the Holder’s registered address. Notes in denominations larger than \$1,000 principal amount may be redeemed in part but only in integral multiples of \$1,000 principal amount.

#### 7. Purchase By the Company at the Option of the Holder.

(a) Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, all or any portion of the Debentures held by such Holder on April 15, 2010, April 15, 2014 and on April 15, 2019 (each a “Repurchase Date”), in integral multiples of \$1,000 at a Repurchase Price equal to 100% of the principal amount of the Debentures to be repurchased.

(b) At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to offer to purchase the Debentures held by such Holder upon a Change of Control. The Debentures shall be purchased at a repurchase price equal to 100% of the principal amount of the Debentures to be repurchased plus accrued and unpaid interest (including Liquidated Damages), if any, to, but not including, such Change of Control Payment Date (the “Change in Control Payment”).

(c) Holders have the right to withdraw any written notice delivered pursuant to Paragraph 7(a) above or Change of Control purchase notice delivered pursuant to Paragraph 7(b), as the case may be, by delivering to the Paying Agent a written notice of withdrawal in accordance with the provisions of the Indenture.

## 8. Exchange.

(a) The initial Exchange Rate is 54.6448 shares of Host REIT Common Stock per \$1,000 principal amount at maturity, subject to adjustment in certain events described in the Thirteenth Supplemental Indenture. A Holder that surrenders Debentures for exchange will receive cash in lieu of any fractional share of Host REIT Common Stock based on the Sale Price of the Host REIT Common Stock of the Company on the Trading Day immediately prior to the Exchange Date.

(b) Subject to and in compliance with the provisions of the Indenture (including, without limitation, the conditions to exchange of this Debentures set forth in Article 6 of the Thirteenth Supplemental Indenture) (and subject to the Company's right to deliver cash or Host REIT Common Stock upon a Principal Value Exchange), a Holder is entitled, at such Holder's option, to exchange the Holder's Note into shares of Host REIT Common Stock at the applicable Exchange Rate in effect on the date of exchange.

(c) A Debenture in respect of which a Holder has delivered a Repurchase Notice or Change of Control purchase notice, as the case may be, exercising the right of such Holder to require the Company to repurchase such Debenture may be exchanged only if such Repurchase Notice or Change of Control purchase notice is withdrawn in accordance with the terms of the Indenture.

(d) No payment or adjustment will be made for accrued and unpaid interest (including Liquidated Damages, if any) or dividends on the shares of Host REIT Common Stock, except as provided in the Indenture.

(e) To surrender a Debenture for exchange, in the case of a Global Security, a Holder must comply with all applicable procedures of the Depository, and in the case of a Certificated Security, a Holder must (1) complete and manually sign the irrevocable exchange notice below (or complete and manually sign a facsimile of such notice) and deliver such notice to the Exchange Agent, (2) surrender the Debenture, if certificated, to the Exchange Agent and in any such case furnish appropriate endorsements and transfer documents and pay any transfer or similar taxes and all other taxes or duties, if required.

(f) If the Company or Host REIT is a party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of its assets as set forth in Article 5 of the Indenture, or a merger or binding share exchange which reclassifies or changes the outstanding shares of Host REIT Common Stock, the right to exchange a Debentures into shares of Host REIT Common Stock may be changed into a right to exchange it into securities, cash or other assets of the Company or another Person.

## 9. Events of Default.

If an Event of Default with respect to the Debentures occurs and is continuing (other than an Event of Default relating to bankruptcy, insolvency or reorganization of the Company), then either the Trustee or the Holders of 25% in aggregate principal amount of the Debentures then outstanding may declare all Debentures to be due and payable immediately in the manner and with the effect provided in the Indenture. Holders of Debentures may not enforce the Indenture or the Debentures, except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Debentures. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Debentures may direct the Trustee in its exercise of any trust or power with respect to such Debentures. The Trustee may withhold from Holders of Debentures notice of any continuing Default or Event of Default (except a Default in payment of principal or interest) if it determines that withholding notice is in their interest.

## 10. Amendments and Waivers.

The Company, the Subsidiary Guarantors and the Trustee may enter into a supplemental indenture for certain limited purposes without the consent of the Holders. Subject to certain exceptions, the Indenture or the Debentures may be amended or supplemented with the written consent of the Holders of not less than a majority in aggregate principal

amount of the Debentures then outstanding (except that any amendments or supplements to the provisions relating to security interests or with respect to the Guarantees of the Subsidiary Guarantors shall require the consent of the holders of not less than 66% of the aggregate principal amount of the Securities then outstanding), and any existing Default or Event of Default or compliance with any provision may be waived with the consent of the Holders of a majority in aggregate principal amount of the Debentures then outstanding. Without notice to or consent of any Holder, the parties thereto may under certain circumstances amend or supplement the Indenture or the Debentures to, among other things, cure any ambiguity, defect or inconsistency, or make any other change that does not adversely affect the rights of any Holder of a Debentures.

11. Denominations; Transfer; Exchange.

The Debentures are in registered form, without coupons, in denominations of \$1,000 and integral multiples of \$1,000. A Holder may register the transfer of, or exchange Debentures in accordance with, the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Debentures (a) selected for redemption except the unredeemed portion of any Debentures being redeemed in part or (b) for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase or redemption and ending at 5:00 p.m. on the day of such mailing.

12. Persons Deemed Owners.

The registered Holder of this Debenture may be treated as the owner of it for all purposes.

13. Unclaimed Money or Securities.

If money for the payment of principal or interest remains unclaimed for two years, the Trustee and the Paying Agent(s) will pay the money back to the Company at its written request. After that, all liability of the Trustee and such Paying Agent(s) with respect to such money shall cease.

14. Trustee Dealings with the Company.

The Trustee and each Agent under the Indenture, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or any Subsidiary Guarantor or any of their Subsidiaries or any of their respective Affiliates, and may otherwise deal with such Persons as if it were not the Trustee or such agent.

15. Calculations in Respect of Securities.

The Company will be responsible for making all calculations called for under the Debentures. The Company will make these calculations in good faith and, absent manifest error, the calculations will be final and binding on Holders of the Debentures. The Company shall provide to the Trustee a schedule of its calculations, and the Trustee is entitled to rely upon the accuracy of such calculations without independent verification. The Trustee shall forward the Company's calculations to any Holder of the Debentures upon the request of such Holder.

16. No Recourse Against Others.

No recourse for the payment of the principal of, premium, if any, or interest on the Debentures or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or the Subsidiary Guarantors in the Indenture, or in the Debentures or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, partner, stockholder, officer, director, employee or controlling Person of the Company or the Subsidiary Guarantors or of any successor Person thereof, except as an obligor or guarantor of the Debentures pursuant to the Indenture. Each Holder, by accepting the Debentures, waives and releases all such liability.

17. Authentication.

This Debenture shall not be valid until an authorize signatory of the Trustee manually signs the Trustee's Certificate of Authentication on the other side of this Security.

18. Abbreviations.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

19. CUSIP Numbers.

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company will cause CUSIP numbers to be printed on the Debentures as a convenience to the Holders of the Debentures. No representation is made as to the accuracy of such numbers as printed on the Debentures and reliance may be placed only on the other identification numbers printed hereon.

21. Additional Rights of Holders.

In addition to the rights provided to Holders of Debentures under the Indenture, Holders of Debentures shall have all the rights set forth in the Registration Rights Agreement dated as of the date of the Thirteenth Supplemental Indenture, among the Company, Host REIT, the Subsidiary Guarantors and the Initial Purchasers.

22. Governing Law.

THE INDENTURE AND THE DEBENTURES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK INCLUDING, WITHOUT LIMITATION, SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND NEW YORK CIVIL PRACTICE LAWS AND RULES 327(b).

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Host Marriott, L.P.  
6903 Rockledge Drive  
Bethesda, Maryland 20817  
Attention: Chief Financial Officer

**ASSIGNMENT FORM**

To assign this Debenture, fill in the form below: (I) or (We) assign and transfer this Debenture to

\_\_\_\_\_  
(Insert assignee's soc. sec. or tax I.D. no.)  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Print or type assignee's name, address and zip code)

and irrevocably appoint \_\_\_\_\_  
to transfer this Debenture on the books of the Company. The agent may substitute another to act for him.

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears on the face  
of this Security)

Signature Guarantee\*  
\_\_\_\_\_  
\_\_\_\_\_

\* NOTICE: The Signature must be guaranteed by an Institution which is a member of one of the following recognized signature Guarantee Programs: (i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MNSP); (iii) The Stock Exchange Medallion Program (SEMP); or (iv) in such other guarantee program acceptable to the Trustee.

**EXCHANGE NOTICE**

To exchange this Debenture into shares of Common Stock of Host REIT, check the box .

To exchange only part of this Debenture, state the principal amount at maturity to be exchanged \_\_\_\_\_ (which must be \$1,000 or an integral multiple of \$1,000):

If you want the stock certificate made out in another person's name, fill in the form below:

\_\_\_\_\_  
(Insert assignee's soc. sec. or tax I.D. no.)

\_\_\_\_\_  
(Print or type assignee's name, address and zip code)

Date: \_\_\_\_\_

Your Signature:

\_\_\_\_\_  
(Sign exactly as your name appears on the other side of this Security)

\*Signature guaranteed by:

By: \_\_\_\_\_

\* The signature must be guaranteed by an institution which is a member of one of the following recognized signature guaranty programs: (i)the Securities Transfer Agent Medallion Program (STAMP); (ii)the New York Stock Exchange Medallion Program (MSP); (iii)the Stock Exchange Medallion Program (SEMP); or (iv)such other guaranty program acceptable to the Trustee.

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 5.02 of the Thirteenth Supplemental Indenture or Article 10 of the Indenture, check the appropriate box:

- Section 5.02
- Article 10.

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 5.02 or Article 10 of the Indenture, as the case may be, state the amount you want to be purchased: \$\_\_\_\_\_.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee\*\*\* \_\_\_\_\_

\*\*\* NOTICE: The Signature must be guaranteed by an Institution which is a member of one of the following recognized signature Guarantee Programs: (i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MNSP); (iii) The Stock Exchange Medallion Program (SEMP); or (iv) in such other guarantee program acceptable to the Trustee.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL SECURITY<sup>2</sup>

The following exchanges of an interest in this Global Security for an interest in another Global Securities or for a Certificated Security, or exchanges of an interest in another Global Security or Certificated Security for an interest in this Global Security, have been made:

| <u>Date of Exchange</u> | <u>Amount of Decrease in Principal Amount of this Global Security</u> | <u>Amount of Increase in Principal Amount of this Global Security</u> | <u>Principal Amount of this Global Security Following Such Decrease (or Increase)</u> | <u>Signature of Authorized Officer of Trustee or Security Custodian</u> |
|-------------------------|---|---|---|---|
|-------------------------|---|---|---|---|

2 This should be included only if the Security is issued in global form.

EXHIBIT B  
FORM OF CERTIFICATE OF TRANSFER

Host Marriott, L.P.  
6903 Rockledge Drive, Suite 1500  
Bethesda, Maryland 20817  
Attention: Chief Financial Officer

The Bank of New York  
101 Barclay Street  
New York, New York 10286  
Attention: Corporate Trust Department

Re: 3.25% Exchangeable Senior Debentures due 2024

Dear Sirs:

Reference is hereby made to the Amended and Restated Indenture, dated as of August 5, 1998 (the "Base Indenture"), among HMH Properties, Inc., its Parents and the Subsidiary Guarantors named therein (collectively, the "Subsidiary Guarantors") and The Bank of New York (the "Trustee"), and the Thirteenth Supplemental Indenture to the Base Indenture, dated as of March 16, 2004 (the "Thirteenth Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), among Host Marriott, L.P., as issuer (the "Company"), the Subsidiary Guarantors and the Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture. \_\_\_\_\_, (the "Transferor") owns and proposes to transfer the Debenture[s] or interest in such Debenture[s] specified in Annex A hereto, in the principal amount of \$\_\_\_\_\_ in such Note[s] or interests (the "Transfer"), to \_\_\_\_\_ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1.  *Check if Transferee will take delivery of a beneficial interest in a Rule 144A Global Security or a Certificated Exchangeable Debenture Pursuant to Rule 144A.* The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Certificated Exchangeable Debenture is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or Certificated Exchangeable Debenture for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any State of the United States and the restrictions set forth in the Private Placement Legend. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Certificated Exchangeable Debenture will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Global Security and/or the Certificated Exchangeable Debenture and in the Indenture and the Securities Act.

2.  *Check and complete if Transferee will take delivery of a beneficial interest in a Certificated Exchangeable Debenture pursuant to any provision of the Securities Act other than Rule 144A.* The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Global Securities and Certificated Exchangeable Debentures and pursuant to and in

accordance with the Securities Act and any applicable blue sky securities laws of any State of the United States, and accordingly the Transferor hereby further certifies that such Transfer is being effected to the Company or a subsidiary thereof.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

\_\_\_\_\_  
[Insert Name of Transferor]

Dated: \_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_  
Name:  
Title:

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

- (a) a beneficial interest in a Global Security (CUSIP[\_\_\_\_\_]), or
- (b) a Certificated Exchangeable Debenture.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

- (a) a beneficial interest in a Restricted Global Security (CUSIP[\_\_\_\_\_]); or
- (b) a Certificated Exchangeable Debenture.

in accordance with the terms of the Indenture.

EXHIBIT C  
FORM OF CERTIFICATE OF EXCHANGE

Host Marriott, L.P.  
6903 Rockledge Drive, Suite 1500  
Bethesda, Maryland 20817  
Attention: Chief Financial Officer

The Bank of New York  
101 Barclay Street  
New York, New York 10286  
Attention: Corporate Trust Department

Re: 3.25% Exchangeable Senior Debentures due 2024

Dear Sirs:

Reference is hereby made to the Amended and Restated Indenture, dated as of August 5, 1998 (the "Base Indenture"), among HMH Properties, Inc., its Parents and the Subsidiary Guarantors named therein (collectively, the "Subsidiary Guarantors") and The Bank of New York, as trustee (the "Trustee"), and the Thirteenth Supplemental Indenture to the Base Indenture, dated as of March 16, 2004 (the "Thirteenth Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), among Host Marriott, L.P., as issuer (the "Company"), the Subsidiary Guarantors and the Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

\_\_\_\_\_, (the "Owner") owns and proposes to exchange the Debenture[s] or interest in such Debenture[s] specified herein, in the principal amount of \$\_\_\_\_\_ in such Debenture[s] or interests (the "Exchange"). In connection with the Exchange, the Owner hereby certifies that:

1. *Exchange of Certificated Exchangeable Debentures or Beneficial Interests in Global Securities for Certificated Exchangeable Debentures or Beneficial Interests in Global Securities*

(a)  *Check if Exchange is from beneficial interest in a Global Security to Certificated Exchangeable Debenture.* In connection with the Exchange of the Owner's beneficial interest in a Global Security for a Certificated Exchangeable Debenture with an equal principal amount, the Owner hereby certifies that the Certificated Exchangeable Debenture is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Certificated Exchangeable Debenture issued will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Certificated Exchangeable Debenture and in the Indenture and the Securities Act.

(b)  *Check if Exchange is from Certificated Exchangeable Debenture to beneficial interest in a Global Security.* In connection with the Exchange of the Owner's Certificated Exchangeable Debenture for a beneficial interest in the Global Security with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Securities and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any State of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Global Security and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

---

[Insert Name of Owner]

By: \_\_\_\_\_

Name:

Title:

Dated:

HOST MARRIOTT, L.P.  
HOST MARRIOTT CORPORATION

3.25% Exchangeable Senior Debentures due 2024

Registration Rights Agreement

March 16, 2004

Goldman, Sachs & Co.,  
As representatives of the several Initial Purchasers  
named in Schedule I to the Purchase Agreement  
c/o Goldman, Sachs & Co.  
85 Broad Street  
New York, New York 10004

Ladies and Gentlemen:

Host Marriott, L.P., a Delaware limited partnership (the "Company"), proposes to issue and sell to the Initial Purchasers (as defined herein) upon the terms set forth in the Purchase Agreement (as defined herein) the Company's 3.25% Exchangeable senior Debentures due 2024 (the "Debentures"), exchangeable into common stock, par value \$0.01 per share ("Host REIT Common Stock") of Host Marriott Corporation, a Maryland corporation ("Host REIT"). As an inducement to the Initial Purchasers to enter into the Purchase Agreement and in satisfaction of a condition to the obligations of the Initial Purchasers thereunder, the Company and Host REIT agrees with the Initial Purchasers for the benefit of Holders (as defined herein) from time to time of the Registrable Securities (as defined herein) as follows:

1. *Definitions.*

(a) Capitalized terms used herein without definition shall have the meanings ascribed to them in the Purchase Agreement. As used in this Agreement, the following defined terms shall have the following meanings:

"Act" or "Securities Act" means the United States Securities Act of 1933, as amended.

"Affiliate" of any specified person means any other person which, directly or indirectly, is in control of, is controlled by, or is under common control with such specified person. For purposes of this definition, control of a person means the power, direct or indirect, to direct or cause the direction of the management and policies of such person whether by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Closing Date" has the meaning set forth in the Purchase Agreement.

"Commission" means the United States Securities and Exchange Commission, or any other federal agency at the time administering the Exchange Act or the Securities Act, whichever is the relevant statute for the particular purpose.

"DTC" means The Depository Trust Company.

“*Effective Failure*” has the meaning assigned thereto in Section 7(b) hereof.

“*Effectiveness Period*” has the meaning assigned thereto in Section 2(b)(i) hereof.

“*Effective Time*” means the time at which the Commission declares the Shelf Registration Statement effective or at which the Shelf Registration Statement otherwise becomes effective.

“*Electing Holder*” has the meaning assigned thereto in Section 3(a)(iii) hereof.

“*Exchange Act*” means the United States Securities Exchange Act of 1934, as amended.

“*Holder*” means any person that is the record owner of Registrable Securities (and includes any person that has a beneficial interest in any Registrable Security in book-entry form).

“*Host REIT Common Stock*” means Host REIT’s common stock, par value \$0.01 per share.

“*Indenture*” means the Amended and Restated Indenture, dated as of August 5, 1998 by and among HMM Properties, Inc., the guarantors named therein and HSBC Bank USA (f/k/a Marine Midland Bank, as trustee, as amended or supplemented from time to time (the “Base Indenture,”) and the Thirteenth Supplemental Indenture (the “Supplemental Indenture,” and, together with the Base Indenture, the “Indenture”), to be dated as of March 16, 2004, by and among the Company, Host REIT, the Guarantors named therein and The Bank of New York, as trustee, as amended and supplemented from time to time in accordance with its terms.

“*Initial Purchasers*” means the Initial Purchasers named in Schedule I to the Purchase Agreement.

“*Liquidated Damages*” has the meaning assigned thereto in Section 7(a) hereof.

“*Managing Underwriters*” means the investment banker or investment bankers and manager or managers that shall administer an underwritten offering, if any, conducted pursuant to Section 6 hereof.

“*NASD Rules*” means the Rules of the National Association of Securities Dealers, Inc., as amended from time to time.

“*Notice and Questionnaire*” means a Notice of Registration Statement and Selling Securityholder Questionnaire substantially in the form of Appendix A hereto.

The term “*person*” means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

“*Prospectus*” means the prospectus (including, without limitation, any preliminary prospectus, any final prospectus and any prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Act) included in the Shelf Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by the Shelf Registration Statement and by all other amendments and supplements to such prospectus, including all material incorporated by reference in such prospectus and all documents filed after the date of such prospectus by Host REIT under the Exchange Act and incorporated by reference therein.

“*Purchase Agreement*” means the purchase agreement, dated as of March 10, 2004 between the Initial Purchasers, the Company, Host REIT and the Guarantors named therein relating to the Debentures.

“*Registrable Securities*” means all shares of Host REIT Common Stock issuable upon exchange, repurchase or redemption of the Debentures; provided, however, that a security ceases to be a Registrable Security when it is no longer a Restricted Security.

“*Registration Default*” has the meaning assigned thereto in Section 7(a) hereof.

“*Restricted Security*” means any share of Host REIT Common Stock issuable upon exchange of the Debentures except any such share of Host REIT Common Stock that (i) has been effectively registered under the Securities Act and sold in a manner contemplated by the Shelf Registration Statement or (ii) has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or is transferable pursuant to paragraph (k) of such Rule 144 (or any successor provision thereto).

“*Rules and Regulations*” means the published rules and regulations of the Commission promulgated under the Securities Act or the Exchange Act, as in effect at any relevant time.

“*Shelf Registration*” means a registration effected pursuant to Section 2 hereof.

“*Shelf Registration Statement*” means a “Shelf” registration statement filed under the Securities Act providing for the registration of, and the sale on a continuous or delayed basis by the Holders of, all of the Registrable Securities pursuant to Rule 415 under the Securities Act and/or any similar rule that may be adopted by the Commission, filed by Host REIT pursuant to the provisions of Section 2 of this Agreement, including the Prospectus contained therein, any amendments and supplements to such registration statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement.

“*Suspension Period*” has the meaning assigned thereto in Section 2(d) hereof.

“*Trustee*” shall have the meaning set forth in the Indenture.

The term “*underwriter*” means any underwriter of Registrable Securities in connection with an offering thereof under a Shelf Registration Statement.

Wherever there is a reference in this Agreement to a percentage of the “principal amount” of Debentures, Host REIT Common Stock shall be treated as representing the principal amount of Debentures that was surrendered for conversion or exchange in order to receive such number of shares of Host REIT Common Stock.

## 2. *Shelf Registration.*

(a) Host REIT shall, no later than 120 calendar days following the Closing Date, file with the Commission a Shelf Registration Statement relating to the offer and sale of the Registrable Securities by the Holders from time to time in accordance with the methods of distribution elected by such Holders and set forth in such Shelf Registration Statement and, thereafter, shall use its commercially reasonable efforts to cause such Shelf Registration Statement to be declared effective under the Act no later than 210 calendar days following the Closing Date; *provided, however*, that Host REIT may, upon written notice to the Trustee, postpone having the Shelf Registration Statement declared effective for a reasonable period

not to exceed 90 days if Host REIT possesses material non-public information, the disclosure of which would have a material adverse effect on Host REIT and its subsidiaries taken as a whole as determined by the CEO or CFO of Host REIT and subject to its obligations to pay Liquidated Damages as provided in Section 7; *provided, further, however*, that no Holder shall be entitled to be named as a selling securityholder in the Shelf Registration Statement or to use the Prospectus forming a part thereof for resales of Registrable Securities unless such Holder is an Electing Holder.

(b) Host REIT shall use its commercially reasonable efforts:

(i) to keep the Shelf Registration Statement continuously effective under the Act in order to permit the Prospectus forming a part thereof to be usable by Holders for a period expiring on the earlier of (1) the sale of all Registrable Securities registered under the Shelf Registration Statement and (2) one year after the last date that Debentures have been exchanged for shares of Host REIT Common Stock has been issued (such period being referred to herein as the “Effectiveness Period”);

(ii) after the Effective Time of the Shelf Registration Statement, promptly upon the request of any Electing Holder of Registrable Securities, to take any action reasonably necessary to enable such Electing Holder to use the Prospectus forming a part thereof for resales of Registrable Securities, including, without limitation, any action necessary to identify such Electing Holder as a selling securityholder in the Shelf Registration Statement; and

(iii) if at any time the Debentures, pursuant to Article 6.07 of the Indenture, are exchangeable into securities other than Host REIT Common Stock, to cause, or to cause any successor under the Indenture to cause such securities to be included in the Shelf Registration Statement no later than the date on which the Debentures may then be exchangeable or convertible into such securities.

(c) Host REIT shall be deemed not to have used its commercially reasonable efforts to keep the Shelf Registration Statement effective during the requisite period if Host REIT voluntarily takes any action that would result in Holders of Registrable Securities covered thereby not being able to offer and sell any of such Registrable Securities during that period, unless (i) Host REIT is required by applicable law, or (ii) if the CEO or CFO of Host REIT shall have determined in good faith that under circumstances related to acquisition or divestiture of assets, pending corporate developments, public filings with the SEC, or other similar events, it is in the best interests of Host REIT to suspend the use of the Prospectus.

(d) Host REIT may suspend the use of the Prospectus for a period not to exceed 30 days in any 90-day period or an aggregate of 90 days in any 12-month period (each a “Suspension Period”) for the reasons set forth in 2 (c) above if, prior to suspending such use, Host REIT provides the Holders with written notice of such suspension, which notice need not specify the nature of the event giving rise to such suspension.

3. *Registration Procedures.* In connection with the Shelf Registration Statement, the following provisions shall apply:

(a)

(i) Not less than 30 calendar days prior to the Effective Time of the Shelf Registration Statement, Host REIT shall mail the Notice and Questionnaire to the Trustee for delivery to the Holders. No Holder shall be entitled to be named as a selling securityholder in the

Shelf Registration Statement as of the Effective Time, and no Holder shall be entitled to use the Prospectus forming a part thereof for resales of Registrable Securities at any time, unless such Holder has returned a completed and signed Notice and Questionnaire to Host REIT by the deadline for response set forth therein; *provided, however*, Holders of Registrable Securities shall have at least 28 calendar days from the date on which the Notice and Questionnaire is first mailed to such Holders to return a completed and signed Notice and Questionnaire to Host REIT.

(ii) After the Effective Time of the Shelf Registration Statement, Host REIT shall, upon the request of any Holder of Registrable Securities that is not then an Electing Holder, promptly send a Notice and Questionnaire to such Holder. Host REIT shall not be required to take any action to name such Holder as a selling securityholder in the Shelf Registration Statement or to enable such Holder to use the Prospectus forming a part thereof for resales of Registrable Securities until such Holder has returned a completed and signed Notice and Questionnaire to Host REIT. If a Notice and Questionnaire is delivered to Host REIT during a Suspension Period, Host REIT shall not be obligated to take actions to name the Holder delivering such Notice and Questionnaire as a selling security holder in the Shelf Registration Statement until the termination of such Suspension Period.

(iii) The term "Electing Holder" shall mean any Holder of Registrable Securities that has returned a completed and signed Notice and Questionnaire to Host REIT in accordance with Section 3(a)(i) or 3(a)(ii) hereof.

(b) Host REIT shall furnish to the Trustee for delivery to each Electing Holder, prior to the Effective Time, a sufficient number of copies of the Shelf Registration Statement initially filed with the Commission, and shall furnish to the Trustee for delivery to each such Holder, prior to the filing thereof with the Commission, sufficient copies of each amendment thereto and each amendment or supplement, if any, to the Prospectus included therein, (but not including any reports, other documents and exhibits that are filed with or incorporated by reference in the Shelf Registration Statement) and shall use its reasonable best efforts to reflect in each such document, at the Effective Time or when so filed with the Commission, as the case may be, such comments as such Holders and their respective counsel reasonably may propose.

(c) Host REIT shall promptly take such action as may be necessary so that (i) each of the Shelf Registration Statement and any amendment thereto and the Prospectus forming a part thereof and any amendment or supplement thereto (and each report or other document incorporated therein by reference in each case) complies in all material respects with the Securities Act and the Exchange Act and the respective rules and regulations thereunder, (ii) each of the Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) each of the Prospectus forming a part of the Shelf Registration Statement, and any amendment or supplement to such Prospectus, does not at any time during the Effectiveness Period include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) Host REIT shall promptly advise the Trustee, and shall confirm such advice in writing if so requested by the Trustee:

(i) when a Shelf Registration Statement and any amendment thereto has been filed with the Commission and when a Shelf Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the Commission for amendments or supplements to the Shelf Registration Statement or the Prospectus included therein or for additional information;

(iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement or the initiation of any proceedings for such purpose;

(iv) of the receipt by Host REIT of any notification with respect to the suspension of the qualification of the securities included in the Shelf Registration Statement for sale in any jurisdiction or the initiation of any proceeding for such purpose; and

(v) of the happening of any event or the existence of any state of facts that requires the making of any changes in the Shelf Registration Statement or the Prospectus included therein so that, as of such date, such Shelf Registration Statement and Prospectus do not contain an untrue statement of a material fact and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which advice shall be accompanied by an instruction to such Holders to suspend the use of the Prospectus until the requisite changes have been made, which notice need not specify the nature of the event giving rise to such suspension).

(e) Host REIT shall use its reasonable best efforts to prevent the issuance, and if issued to obtain the withdrawal at the earliest possible time, of any order suspending the effectiveness of the Shelf Registration Statement.

(f) Host REIT shall furnish to the Trustee for delivery to each Electing Holder, without charge, at least one copy of the Shelf Registration Statement and all post-effective amendments thereto, including financial statements and schedules, and, if such Electing Holder so requests in writing, all reports, other documents and exhibits that are filed with or incorporated by reference in the Shelf Registration Statement.

(g) Host REIT shall, during the Effectiveness Period, deliver to each Electing Holder, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such Electing Holder may reasonably request; and Host REIT consents (except during a Suspension Period or during the continuance of any event described in Section 3(d)(v) above) to the use of the Prospectus and any amendment or supplement thereto by each of the Electing Holders in connection with the offering and sale of the Registrable Securities covered by the Prospectus and any amendment or supplement thereto during the Effectiveness Period.

(h) Prior to any offering of Registrable Securities pursuant to the Shelf Registration Statement, Host REIT shall (i) register or qualify or cooperate with the Electing Holders and their respective counsel in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or "blue sky" laws of such jurisdictions within the United States as any Electing Holder may reasonably request, (ii) keep such registrations or qualifications in effect and comply with such laws so as to permit the continuance of offers and sales in such jurisdictions for so long as may be necessary to enable any Electing Holder or underwriter, if any, to complete its distribution of Registrable Securities pursuant to the Shelf Registration Statement, and (iii) take any and all other actions necessary or advisable to enable the disposition in such jurisdictions of such Registrable Securities; *provided, however*, that in no event shall Host REIT be obligated to (A) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to so qualify but

for this Section 3(h) or (B) file any general consent to service of process in any jurisdiction where it is not as of the date hereof so subject.

(i) Unless any Registrable Securities shall be in book-entry only form, Host REIT shall cooperate with the Electing Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold pursuant to the Shelf Registration Statement, which certificates, if so required by any securities exchange upon which any Registrable Securities are listed, shall be panned, lithographed or engraved, or produced by any combination of such methods, on steel engraved borders, and which certificates shall be free of any restrictive legends (other than certain REIT related legends) and in such permitted denominations and registered in such names as Electing Holders may request in connection with the sale of Registrable Securities pursuant to the Shelf Registration Statement.

(j) Upon the occurrence of any fact or event contemplated by paragraph 3(d)(v) above, Host REIT shall promptly prepare a post-effective amendment to any Shelf Registration Statement or an amendment or supplement to the related Prospectus or file any other required document with the Commission so that, as thereafter delivered to purchasers of the Registrable Securities included therein, the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Host REIT notifies the Trustee of the occurrence of any fact or event contemplated by paragraph 3(d)(v) above, the Electing Holder shall suspend the use of the Prospectus until the requisite changes to the Prospectus have been made.

(k) [Intentionally omitted].

(l) Host REIT shall use its reasonable best efforts to comply with all applicable Rules and Regulations in all material respects, and to make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after (i) the effective date (as defined in Rule 158(c) under the Securities Act) of the Shelf Registration Statement, (ii) the effective date of each post-effective amendment to the Shelf Registration Statement, and (iii) the date of each filing by Host REIT with the Commission of an Annual Report on Form 10-K that is incorporated by reference in the Shelf Registration Statement, an earning statement of Host REIT its subsidiaries complying with Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder (including, at the option of Host REIT, Rule 158).

(m) [Intentionally omitted].

(n) In the event of an underwritten offering conducted pursuant to Section 6 hereof, Host REIT shall, if requested, promptly include or incorporate in a Prospectus supplement or post-effective amendment to the Shelf Registration Statement such information as the Managing Underwriters reasonably agree should be included therein and to which Host REIT does not reasonably object and shall make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after it is notified of the matters to be included or incorporated in such Prospectus supplement or post-effective amendment.

(o) Host REIT shall enter into such customary agreements (including an underwriting agreement in customary form in the event of an underwritten offering conducted pursuant to Section 6 hereof) and take all other appropriate action in order to expedite and facilitate the registration and disposition of the Registrable Securities, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures substantially identical

to those set forth in Section 5 hereof with respect to all parties to be indemnified pursuant to Section 5 hereof.

(p) Host REIT shall:

(i) (A) make reasonably available for inspection by the Electing Holders, any underwriter participating in any disposition pursuant to the Shelf Registration Statement, and any attorney, accountant or other agent retained by such Electing Holders or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of Host REIT and its subsidiaries, and (B) cause Host REIT's officers, directors and employees to supply all information reasonably requested by such Electing Holders or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration Statement, in each case, as is customary for similar due diligence examinations; *provided, however*, that all records, information and documents that are designated in writing by Host REIT, in good faith, as confidential shall be kept confidential by such Electing Holders and any such underwriter, attorney, accountant or agent, unless such disclosure is made in connection with a court proceeding or required by law, or such records, information or documents become available to the public generally or through a third party without an accompanying obligation of confidentiality; and *provided further* that, if the foregoing inspection and information gathering would otherwise disrupt Host REIT's conduct of its business, such inspection and information gathering shall, to the greatest extent possible, be coordinated on behalf of the Electing Holders and the other parties entitled thereto by one counsel designated by and on behalf of the Electing Holders and other parties;

(ii) in connection with any underwritten offering conducted pursuant to Section 6 hereof, make such representations and warranties to the Electing Holders participating in such underwritten offering and to the Managing Underwriters, in form, substance and scope as are customarily made by Host REIT to underwriters in primary underwritten offerings of equity and exchangeable or convertible debt securities, provided, that in no event shall the representations and warranties be broader than those set forth in the Purchase Agreement, other than appropriate changes to reflect changed circumstances or changed legal requirements;

(iii) in connection with any underwritten offering conducted pursuant to Section 6 hereof, obtain opinions of counsel to Host REIT (which counsel and opinions (in form, scope and substance) shall be consistent with the opinions of counsel of Host REIT delivered in underwritten public offerings and be reasonably satisfactory to the Managing Underwriters) addressed to each Electing Holder participating in such underwritten offering and the underwriters, covering such matters as are customarily covered in opinions requested in primary underwritten offerings of equity and exchangeable or convertible debt securities and such other matters as may be reasonably requested by such Electing Holders and underwriters (it being agreed that the matters to be covered by such opinions shall include, without limitation, as of the date of the opinion and as of the Effective Time of the Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, the absence from the Shelf Registration Statement and the Prospectus, including the documents incorporated by reference therein, of an untrue statement of a material fact or the omission of a material fact required to be stated therein (in the case of the Prospectus, in light of the circumstances in which they were made) or necessary to make the statements therein not misleading;

(iv) in connection with any underwritten offering conducted pursuant to Section 6 hereof, obtain "cold comfort" letters and updates thereof from the independent public accountants

of Host REIT (and, if necessary, from the independent public accountants of any subsidiary of Host REIT or of any business acquired by Host REIT for which financial statements and financial data are, or are required to be, included in the Shelf Registration Statement), addressed to each Electing Holder participating in such underwritten offering (if such Electing Holder has provided such letter, representations or documentation, if any, required for such cold comfort letter to be so addressed) and the underwriters, in customary form and covering matters of the type customarily covered in “cold comfort” letters in connection with primary underwritten offerings;

(v) in connection with any underwritten offering conducted pursuant to Section 6 hereof, deliver such documents and certificates as may be reasonably requested by any Electing Holders participating in such underwritten offering and the Managing Underwriters, if any, including, without limitation, certificates to evidence compliance with Section 3(i) hereof and with any conditions contained in the underwriting agreement or other agreements entered into by Host REIT; provided that in no event shall the Company, Host REIT nor any of its officers and directors be required to enter into any agreements not to offer or sell Host REIT Common Stock or other securities (i.e., “lock-up letters”).

(q) Host REIT will use its reasonable best efforts to cause the Host REIT Common Stock issuable upon exchange of the Debentures to be listed on the New York Stock Exchange or other stock exchange or trading system on which the Host REIT Common Stock primarily trades on or prior to the Effective Time of the Shelf Registration Statement hereunder.

(r) In the event that any broker dealer registered under the Exchange Act shall be an “affiliate” (as defined in Rule 2720(b)(1) of the NASD Rules (or any successor provision thereto)) of Host REIT or has a “conflict of interest” (as defined in Rule 2720(b)(7) of the NASD Rules (or any successor provision thereto)) and such broker dealer shall underwrite, participate as a member of an underwriting syndicate or selling group or assist in the distribution of any Registrable Securities covered by the Shelf Registration Statement, whether as a Holder of such Registrable Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, Host REIT shall assist such broker dealer in complying with the requirements of the NASD Rules, including, without limitation, by (A) engaging a “qualified independent underwriter” (as defined in Rule 2720(b)(15) of the NASD Rules (or any successor provision thereto)) to participate in the preparation of the registration statement relating to such Registrable Securities, to exercise usual standards of due diligence in respect thereto and to recommend the public offering price of such Registrable Securities, (B) indemnifying such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 5 hereof, and (C) providing such information to such broker dealer as may be required in order for such broker-dealer to comply with the requirements of the NASD Rules.

(s) Host REIT shall use its commercially reasonable efforts to take all other steps necessary to effect the registration, offering and sale of the Registrable Securities covered by the Shelf Registration Statement contemplated hereby.

(t) Notwithstanding any provision of this Section 3 to the contrary, Host REIT shall not be required to amend or supplement the Shelf Registration Statement during a Suspension Period.

4. *Registration Expenses.* Except as otherwise provided in Section 3, the Company shall bear all fees and expenses incurred in connection with the performance of its obligations under Sections 2, 3 and 6 hereof and shall bear or reimburse the Electing Holders for the reasonable fees and disbursements of a single counsel selected by a plurality of all Electing Holders who own an aggregate of not less than 25% of the Registrable Securities covered by the Shelf Registration Statement to act as counsel therefore

in connection therewith. Each Electing Holder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Electing Holder's Registrable Securities pursuant to the Shelf Registration Statement.

5. *Indemnification and Contribution.*

(a) *Indemnification by the Company and Host REIT.* Upon the registration of the Registrable Securities pursuant to Section 2 hereof, the Company and Host REIT, jointly and severally, shall indemnify and hold harmless each Electing Holder and each underwriter, selling agent or other securities professional, if any, which facilitates the disposition of Registrable Securities, and each of their respective officers and directors and each person who controls such Electing Holder, underwriter, selling agent or other securities professional within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being sometimes referred to as an "Indemnified Person") against any losses, claims, damages or liabilities, joint or several, to which such Indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Shelf Registration Statement under which such Registrable Securities are to be registered under the Securities Act, or any Prospectus contained therein or furnished by Host REIT to any Indemnified Person, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company and Host REIT hereby, jointly and severally agree, to reimburse such Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim as such expenses are incurred; *provided, however*, that neither the Company nor Host REIT shall be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Shelf Registration Statement or Prospectus, or amendment or supplement, in reliance upon and in conformity with written information furnished to Host REIT by such Indemnified Person expressly for use therein and provided further that, to the extent a physical delivery of a prospectus is required under applicable law, with respect to any untrue statement or alleged untrue statement in or omission or alleged omission from any Prospectus, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Holder that sold the Registrable Securities concerned to the person asserting any such losses, claims, damages or liabilities to the extent that they result from the fact that there was not sent or given to such person, at or prior to the written confirmation of the sale of such Registrable Securities to such person, a copy of the Prospectus, as amended or supplemented, if Host REIT had previously furnished copies thereof to such Holder and the untrue statement or alleged untrue statement or omission or alleged omission was corrected in such Prospectus, as amended or supplemented.

(b) *Indemnification by the Electing Holders and any Agents and Underwriters.* Each Electing Holder agrees, as a consequence of the inclusion of any of such Electing Holder's Registrable Securities in such Shelf Registration Statement, and each underwriter, selling agent or other securities professional, if any, which facilitates the disposition of Registrable Securities shall agree, as a consequence of facilitating such disposition of Registrable Securities, severally and not jointly, to (i) indemnify and hold harmless the Company, Host REIT and their respective directors, officers who sign any Shelf Registration Statement and each person, if any, who controls either the Company or Host REIT within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which the Company or Host REIT or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Shelf Registration Statement or Prospectus,

or any amendment or supplement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to Host REIT by such Electing Holder, underwriter, selling agent or other securities professional expressly for use therein, and (ii) reimburse the Company or Host REIT, as applicable, for any legal or other expenses reasonably incurred by the Company or Host REIT in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) *Notices of Claims, Etc.* Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 5, notify such indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under the indemnification provisions of or contemplated by subsection (a) or (b) above. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party under this Section 5 for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) *Contribution.* If the indemnification provided for in this Section 5 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation (even if the Electing Holders or any underwriters, selling agents or other securities professionals or all of them were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 5(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be

deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of the Electing Holders and any underwriters, selling agents or other securities professionals in this Section 5(d) to contribute shall be several in proportion to the percentage of principal amount of Registrable Securities registered or underwritten, as the case may be, by them and not joint.

(e) Notwithstanding any other provision of this Section 5, in no event will any (i) Electing Holder be required to undertake liability to any person under this Section 5 for any amounts in excess of the dollar amount of the proceeds to be received by such Holder from the sale of such Holder's Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Shelf Registration Statement under which such Registrable Securities are to be registered under the Securities Act and (ii) underwriter, selling agent or other securities professional be required to undertake liability to any person hereunder for any amounts in excess of the discount, commission or other compensation payable to such underwriter, selling agent or other securities professional with respect to the Registrable Securities underwritten by it and distributed to the public.

(f) The obligations of the Company and Host REIT under this Section 5 shall be in addition to any liability which the Company or Host REIT may otherwise have to any Indemnified Person and the obligations of any Indemnified Person under this Section 5 shall be in addition to any liability which such Indemnified Person may otherwise have to the Company or Host REIT. The remedies provided in this Section 5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to an indemnified party at law or in equity.

6. *Underwritten Offering.* Any Holder of Registrable Securities who desires to do so may sell Registrable Securities (in whole or in part) in an underwritten offering; *provided* that (i) the Electing Holders of at least 33 1/3% of the Registrable Securities then covered by the Shelf Registration Statement shall request such an offering and (ii) at least such amount of such Registrable Securities shall be included in such offering; and *provided further* that Host REIT shall not be obligated to cooperate with more than one underwritten offering during the Effectiveness Period. Upon receipt of such a request, Host REIT shall provide all Holders of Registrable Securities written notice of the request, which notice shall inform such Holders that they have the opportunity to participate in the offering. In any such underwritten offering, the investment banker or bankers and manager or managers that will administer the offering will be selected by, and the underwriting arrangements with respect thereto (including the size of the offering) will be approved by, the holders of a majority of the Registrable Securities to be included in such offering; *provided, however*, that such investment bankers and managers and underwriting arrangements must be reasonably satisfactory to Host REIT. No Holder may participate in any underwritten offering contemplated hereby unless (a) such Holder agrees to sell such Holder's Registrable Securities to be included in the underwritten offering in accordance with any approved underwriting arrangements, (b) such Holder completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such approved underwriting arrangements, and (c) if such Holder is not then an Electing Holder, such Holder returns a completed and signed Notice and Questionnaire to Host REIT in accordance with Section 3(a)(ii) hereof within a reasonable amount of time before such underwritten offering. The Holders participating in any underwritten offering shall be responsible for any underwriting discounts and commissions and fees and, subject to Section 4 hereof, expenses of their own counsel. Host REIT shall pay all expenses customarily borne by issuers in an underwritten offering, including but not limited to filing fees, the fees and disbursements of its counsel and independent public accountants and any printing expenses incurred in connection with such underwritten offering. Notwithstanding the foregoing or the provisions of

Section 3(n) hereof, upon receipt of a request from the Managing Underwriter or a representative of holders of a majority of the Registrable Securities to be included in an underwritten offering to prepare and file an amendment or supplement to the Shelf Registration Statement and Prospectus in connection with an underwritten offering, Host REIT may delay the filing of any such amendment or supplement for up to 90 days if the Board of Directors or the CEO or CFO of Host REIT shall have determined in good faith that Host REIT has a bona fide business reason for such delay.

#### *7. Liquidated Damages.*

(a) Notwithstanding any postponement of effectiveness pursuant to Section 2(a) hereof, if (i) on or prior to the 120th day following the Closing Date, a Shelf Registration Statement has not been filed with the Commission or (ii) on or prior to the 210th day following the Closing Date, such Shelf Registration Statement is not declared effective by the Commission (each, a “Registration Default”), Host REIT shall be required to pay liquidated damages (“Liquidated Damages”), from and including the day following such Registration Default until such Shelf Registration Statement is either so filed or so filed and subsequently declared effective, as applicable, at a rate per annum equal to an additional one-quarter of one percent (0.25%) of the principal amount of the Debentures, to and including the 90th day following such Registration Default and one-half of one percent (0.50%) thereof from and after the 91st day following such Registration Default.

(b) In the event that the Shelf Registration Statement ceases to be effective or usable other than as a result of a Suspension Period (or the Holders of Registrable Securities are otherwise prevented or restricted by Host REIT from effecting sales pursuant thereto) (an “Effective Failure”) for more than 10 business days and Host REIT does not restore effectiveness or Host REIT does not terminate a Suspension Period by the 30th day in any 90-day period or if suspension exceeds 90 days in any 360-day period, then Host REIT shall pay Liquidated Damages at a rate per annum equal to an additional one-quarter of one percent (0.25%) of the principal amount of the Debentures from the day following the 10th business day following the date that such Shelf Registration Statement ceases to be effective (or the Holders of Registrable Securities are otherwise prevented or restricted by Host REIT from effecting sales pursuant thereto) or on the 31st or 91st day, as the case may be, in the case of a Suspension Period, for a period of 90 days, and thereafter shall pay Liquidated Damages at a rate per annum equal to an additional one-half of one percent (0.50%), until the earlier of (i) the time the Shelf Registration Statement again becomes effective or the Holders of Registrable Securities are again able to make sales under the Shelf Registration Statement or (2) the time the Effectiveness Period expires. For the purpose of determining an Effective Failure, days on which Host REIT has been obligated to pay Liquidated Damages in accordance with the foregoing in respect of a prior Effective Failure within the applicable period, as the case may be, shall not be included.

(c) In the event Host REIT fails to file a post-effective amendment to the Shelf Registration Statement when required hereunder, or the post-effective amendment is not declared effective, within ten business days following the filing of such post-effective amendment, Host REIT shall pay Liquidated Damages at a rate per annum equal to an additional one-half of one percent (0.50%) of the principal amount of the Debentures from and including the date of such Registration Default until such time as such Registration Default is cured.

(d) Any amounts to be paid as Liquidated Damages pursuant to paragraphs (a), (b) or (c) of this Section 7 shall be paid in cash semi-annually in arrears, with the first semi-annual payment due on the first Interest Payment Date (as defined in the Indenture), as applicable, following the date of such Registration Default or Effective Failure, as applicable. Such Liquidated Damages will accrue (1) in respect of the Debentures at the rates set forth in paragraphs (a), (b) or (c) of this Section 7, as applicable,

on the principal amount of the Debentures and (2) in respect of the Host REIT Common Stock issued upon exchange of the Debentures, at the rates set forth in paragraphs (a), (b) or (c) of this Section 7, as applicable, applied to the Exchange Price (as defined in the Indenture) at that time.

(e) Except as provided in Section 8(b) hereof, the Liquidated Damages as set forth in this Section 7 shall be the exclusive monetary remedy available to the Holders of Registrable Securities for such Registration Default or Effective Failure. In no event shall Host REIT be required to pay Liquidated Damages in excess of the applicable maximum amount of one-half of one percent (0.50%) set forth above, regardless of whether one or multiple Registration Defaults or Effective Failures exist.

#### 8. Miscellaneous.

(a) *Other Registration Rights.* Host REIT may grant registration rights that would permit any person that is a third party the right to piggy-back on any Shelf Registration Statement, *provided* that if the Managing Underwriter of any underwritten offering conducted pursuant to Section 6 hereof notifies Host REIT and the Electing Holders that the total amount of securities which the Electing Holders and the holders of such piggy-back rights intend to include in any Shelf Registration Statement is so large as to materially threaten the success of such offering (including the price at which such securities can be sold), then the amount, number or kind of securities to be offered for the account of holders of such piggy-back rights will be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount, number and kind recommended by the Managing Underwriter prior to any reduction in the amount of Registrable Securities to be included in such Shelf Registration Statement except with respect to securities included by virtue of the piggy-back rights provided under that certain Registration Rights Agreement, dated as of December 30, 1998, by and among Host REIT and the Contributors named therein, in effect as of the date hereof.

(b) *Specific Performance.* The parties hereto acknowledge that there would be no adequate remedy at law if Host REIT fails to perform any of its obligations hereunder and that the Initial Purchasers and the Holders from time to time may be irreparably harmed by any such failure, and accordingly agree that the Initial Purchasers and such Holders, in addition to any other remedy to which they may be entitled at law or in equity and without limiting the remedies available to the Electing Holders under Section 7 hereof, shall be entitled to compel specific performance of the obligations of Host REIT under this Registration Rights Agreement in accordance with the terms and conditions of this Registration Rights Agreement, in any court of the United States or any State thereof having jurisdiction.

(c) *Amendments and Waivers.* This Agreement, including this Section 8(c), may be amended, and waivers or consents to departures from the provisions hereof may be given, only by a written instrument duly executed by Host REIT and the holders of a majority of Registrable Securities then outstanding. Each Holder of Registrable Securities outstanding at the time of any such amendment, waiver or consent or thereafter shall be bound by any amendment, waiver or consent effected pursuant to this Section 8(c), whether or not any notice, writing or marking indicating such amendment, waiver or consent appears on the Registrable Securities or is delivered to such Holder.

(d) *Notices.* Unless otherwise specified herein, all notices and other communications provided for or permitted hereunder shall be given as provided in the Indenture. For so long as the Debentures are in Book Entry Form, and as permitted by the DTC, all notices, reports and other documents to the Holders shall be delivered through the facilities of the DTC by the Trustee.

(e) *Parties in Interest.* The parties to this Agreement intend that all Holders of Registrable Securities shall be entitled to receive the benefits of this Agreement and that any Electing Holder shall be

bound by the terms and provisions of this Agreement by reason of such election with respect to the Registrable Securities which are included in a Shelf Registration Statement. All the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective successors and assigns of the parties hereto and any Holder from time to time of the Registrable Securities to the aforesaid extent. In the event that any transferee of any Holder of Registrable Securities shall acquire Registrable Securities, in any manner, whether by gift, bequest, purchase, operation of law or otherwise, such transferee shall, without any further writing or action of any kind, be entitled to receive the benefits of and, if an Electing Holder, be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement to the aforesaid extent.

(f) *Counterparts.* This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) *Headings.* The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, including, without limitation, Section 5-1401 of the New York General Obligation Law.

(i) *Severability.* In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

(j) *Survival.* The respective indemnities, agreements, representations, warranties and other provisions set forth in this Agreement or made pursuant hereto shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Electing Holder, any director, officer or partner of such Holder, any agent or underwriter, any director, officer or partner of such agent or underwriter, or any controlling person of any of the foregoing, and shall survive the transfer and registration of the Registrable Securities of such Holder.

*[signature pages follow]*

Please confirm that the foregoing correctly sets forth the agreement between the Company, Host REIT and you.

Very truly yours,

HOST MARRIOTT CORPORATION

By: \_\_\_\_\_

Name:

Title:

HOST MARRIOTT, L.P.

By: Host Marriott Corporation, its sole general partner

By: \_\_\_\_\_

Name:

Title:

Accepted as of the date hereof:  
GOLDMAN, SACHS & CO.  
On behalf of each of the Initial Purchasers

By: \_\_\_\_\_

(Goldman, Sachs & Co.)

March 16, 2004

HOST MARRIOTT, L.P.  
HOST MARRIOTT CORPORATION  
INSTRUCTION TO DTC PARTICIPANTS

*(Date of Mailing)*

**URGENT—IMMEDIATE ATTENTION REQUESTED**

**DEADLINE FOR RESPONSE: [DATE]**

The Depository Trust Company (“DTC”) has identified you as a DTC Participant through which beneficial interests in the Host Marriott, L.P. (the “Company”) 3.25% Exchangeable Senior Debentures due 2024 (the “Debentures”) are held.

Host Marriott Corporation (“Host REIT”) is in the process of registering the shares of common stock, par value \$0.01 per share, of Host REIT (the “Host REIT Common Stock”) under the Securities Act of 1933 for resale by the beneficial owners thereof. In order to have their shares of Host REIT Common Stock included in the registration statement, beneficial owners must complete and return the enclosed Notice of Registration Statement and Selling Securityholder Questionnaire.

It is important that beneficial owners of the Debentures (and the shares of Host REIT Common Stock into which the Debenture are exchangeable) receive a copy of the enclosed materials as soon as possible as their rights to have shares of Host REIT Common Stock included in the registration statement depend upon their returning the Notice and Questionnaire by [Deadline for response]. Please forward a copy of the enclosed documents to each beneficial owner that holds interests in the Debentures through you. If you require more copies of the enclosed materials or have any questions pertaining to this matter, please contact Host Marriott Corporation, 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland 20817.

HOST MARRIOTT, L.P.  
HOST MARRIOTT CORPORATION

Notice of Registration Statement  
And  
Selling Securityholder Questionnaire

**[Date]**

Host Marriott Corporation (“Host REIT”) has filed with the United States Securities and Exchange Commission (the “Commission”) a registration statement on Form S-3 (the “Shelf Registration Statement”) for the registration and resale under Rule 415 of the United States Securities Act of 1933, as amended (the “Securities Act”), shares of Host REIT common stock, par value \$0.01 per share (the “Host REIT Common Stock”), issuable upon exchange of the 3.25% Exchangeable Senior Debentures due 2024 (the “Debentures”) issued by Host Marriott, L.P., a Delaware limited partnership (the “Company”), in accordance with the Registration Rights Agreement, dated as of March 16, 2004 (the “Registration Rights Agreement”), between the Company, Host REIT and the initial purchasers named therein. A copy of the Registration Rights Agreement is attached hereto. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

In order to have Registrable Securities included in the Shelf Registration Statement (or a supplement or amendment thereto), this Notice of Registration Statement and Selling Securityholder Questionnaire (“Notice and Questionnaire”) must be completed, executed and delivered to Host REIT at the address set forth herein for receipt ON OR BEFORE . Beneficial owners of Registrable Securities who do not complete, execute and return this Notice and Questionnaire by such date (i) will not be named as selling securityholders in the Shelf Registration Statement and (ii) may not use the Prospectus forming a part thereof for resales of Registrable Securities.

Certain legal consequences arise from being named as a selling securityholder in the Shelf Registration Statement and related Prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and related Prospectus.

The term “Registrable Securities” is defined in the Registration Rights Agreement to mean all shares of Host REIT Common Stock issuable upon exchange of the Debentures; provided, however, that a security ceases to be a Registrable Security when it is no longer a Restricted Security.

The term “Restricted Security” is defined in the Registration Rights Agreement to mean any share of Host REIT Common Stock issuable upon exchange of the Debentures except any such share of Host REIT Common Stock which (i) has been effectively registered under the Securities Act and sold in a manner contemplated by the Shelf Registration Statement, (ii) has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or is transferable pursuant to paragraph (k) of such Rule 144 (or any successor provision thereto), or (iii) has otherwise been transferred and a new share of Host REIT Common Stock not subject to transfer restrictions under the Securities Act has been delivered by or on behalf of Host REIT in accordance with the Indenture.

ELECTION

The undersigned holder (the “Selling Securityholder”) of Registrable Securities hereby elects to include in the Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item (3). The undersigned, by signing and returning this Notice and Questionnaire, agrees to be bound with respect to such Registrable Securities by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement, including, without limitation, Section 5 of the Registration Rights Agreement regarding the obligation to indemnify and hold harmless certain persons as set forth therein, as if the undersigned Selling Securityholder were an original party thereto.

Upon any sale of Registrable Securities pursuant to the Shelf Registration Statement, the Selling Securityholder will be required to deliver to Host REIT the Notice of Transfer (completed and signed) set forth in Exhibit 1 to this Notice and Questionnaire.

The Selling Securityholder hereby provides the following information to Host REIT and represents and warrants that such information is accurate and complete:

**QUESTIONNAIRE**

- (1) (a) Full Legal Name of Selling Securityholder:  
\_\_\_\_\_
- (b) Full Legal Name of Registered Holder (if not the same as in (a) above) of Registrable Securities Listed in Item (3) Below:  
\_\_\_\_\_
- (c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) Through Which Registrable Securities Listed in Item (3) Below are Held:  
\_\_\_\_\_
- (2) Address for Notices to Selling Securityholder:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_  
Contact Person: \_\_\_\_\_
- (3) Beneficial Ownership of Securities:  
*Except as set forth below in this Item (3), the undersigned Selling Securityholder does not beneficially own any Registrable Securities.*
- (a) Principal amount of Debentures beneficially owned: \_\_\_\_\_  
CUSIP No(s). of such Debentures: \_\_\_\_\_  
*Number of shares of Host REIT Common Stock (if any) issued upon exchange, repurchase or redemption of Debentures:* \_\_\_\_\_
- (b) Number of shares of Registrable Securities which the undersigned wishes to be included in the Shelf Registration Statement: \_\_\_\_\_  
CUSIP No(s). of such Registrable Securities to be included in the Shelf Registration Statement: \_\_\_\_\_
- (4) Beneficial Ownership of Other Securities of Host REIT:  
*Except as set forth below in this Item (4), the undersigned Selling Securityholder is not the beneficial or registered owner of any shares of Host REIT Common Stock or any other securities of Host REIT (or securities of the Company that are convertible or exchangeable for securities of Host REIT), other than the Debentures and shares of Host REIT Common Stock listed above in Item (3).*  
State any exceptions here:

(5) Relationships with the Company or Host REIT:

*Except as set forth below, neither the Selling Securityholder nor any of its affiliates, officers, directors or principal equity holders (5% or more) has held any position or office or has had any other material relationship with the Company or Host REIT (or their predecessors or affiliates) during the past three years.*

State any exceptions here:

(6) Plan of Distribution:

*Except as set forth below, the undersigned Selling Securityholder intends to distribute the Registrable Securities listed above in Item (3) only as follows (if at all): Such Registrable Securities may be sold from time to time directly by the undersigned Selling Securityholder or, alternatively, through underwriters, broker-dealers or agents. Such Registrable Securities may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of sale, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions) (i) on any national securities exchange or quotation service on which the Registrable Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market, or (iv) through the writing of options. In connection with sales of the Registrable Securities or otherwise, the Selling Securityholder may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the Registrable Securities in the course of hedging the positions they assume. The Selling Securityholder may also sell Registrable Securities short and deliver Registrable Securities to close out such short positions, or loan or pledge Registrable Securities to broker-dealers that in turn may sell such securities.*

State any exceptions here:

Note: In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior agreement of Host REIT.

By signing below, the Selling Securityholder acknowledges that it understands its obligation to comply, and agrees that it will comply, with the prospectus delivery and other provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder, particularly Regulation M.

In the event that the Selling Securityholder transfers all or any portion of the Registrable Securities listed in Item (3) above after the date on which such information is provided to Host REIT, the Selling Securityholder agrees to notify the transferee(s) at the time of the transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing below, the Selling Securityholder consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Shelf Registration Statement and related Prospectus. The Selling Securityholder understands that such information will be relied upon by Host REIT in connection with the preparation of the Shelf Registration Statement and related Prospectus.

In accordance with the Selling Securityholder's obligation under Section 3(a) of the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Shelf Registration Statement, the Selling Securityholder agrees to promptly notify Host REIT of any inaccuracies or changes in the information provided herein which may occur subsequent to the date hereof at any time while the Shelf Registration Statement remains in effect. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing, by hand-delivery, first-class mail, or air courier guaranteeing overnight delivery as follows:

(i) To the Company or Host REIT:

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(ii) With a copy to:

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Once this Notice and Questionnaire is executed by the Selling Securityholder and received by Host REIT, the terms of this Notice and Questionnaire, and the representations and warranties contained herein, shall be binding on, shall inure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives, and assigns of Host REIT and the Selling Securityholder (with respect to the Registrable Securities beneficially owned by such Selling Securityholder and listed in Item (3) above). This Agreement shall be governed in all respects by the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Selling Securityholder  
(Print/type full legal name of beneficial owner of Registrable Securities)

By: \_\_\_\_\_

\_\_\_\_\_  
Name:  
Title:

PLEASE RETURN THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE FOR RECEIPT ON OR BEFORE \_\_\_\_\_ TO THE COMPANY AT:

**6903 Rockledge Drive, Suite 1500  
Bethesda, Maryland 20817  
Attention: General Counsel**

NOTICE OF TRANSFER PURSUANT TO REGISTRATION STATEMENT

Host Marriott Corporation  
Host Marriott, L.P.  
6903 Rockledge Drive, Suite 1500  
Bethesda, Maryland 20817  
Attention: General Counsel

Geovanni Barris  
The Bank of New York  
101 Barclay Street  
Floor 8 West  
New York, New York 10286  
Attention: Corporate Trust Services

Re: Host Marriott, L.P. (the "Company")  
Host Marriott Corporation ("Host REIT")  
3.25% Exchangeable Senior Debentures due 2024 (the "Debentures")

Dear Sirs:

Please be advised that \_\_\_\_\_ has transferred \$ \_\_\_\_\_ shares of Host REIT's common stock, issued upon exchange, repurchase or redemption of Debentures, pursuant to an effective Registration Statement on Form [ \_\_\_\_\_ ] (File No. 333- \_\_\_\_\_ ) filed by Host REIT.

We hereby certify that the prospectus delivery requirements, if any, of the Securities Act of 1933, as amended, have been satisfied with respect to the transfer described above and that the above-named beneficial owner of the Host REIT common stock is named as a selling securityholder in the Prospectus dated [ date ], or in amendments or supplements thereto, and that the number of shares of Host REIT common stock transferred are [a portion of] the shares of Host REIT common stock listed in such Prospectus as amended or supplemented opposite such owner's name.

Dated:

Very truly yours,

\_\_\_\_\_  
(Name)

By:

\_\_\_\_\_  
(Authorized Signature)

## **Independent Auditors' Consent**

The Board of Directors and Shareholders  
Host Marriott Corporation:

We consent to the incorporation by reference in the registration statements (Nos. 333-31352, 333-93157, 333-78091, 333-40854, 333-51946, 333-98207, and 333-113901) on Form S-3 and (Nos. 333-75055, 333-28683, 333-75057, 333-75059 and 033-66622 ) on Form S-8 of Host Marriott Corporation of our report dated February 23, 2004, with respect to the consolidated balance sheets of Host Marriott Corporation and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended December 31, 2003 and the related financial statement schedule, which report appears in the annual report on Form 10-K of Host Marriott Corporation.

Our report refers to the adoption by Host Marriott Corporation of Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* in 2002.

/s/ KPMG LLP  
McLean, Virginia  
March 2, 2004

**Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Christopher J. Nassetta, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Marriott Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-14(e)) for the registrant and we have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the report based on such evaluation;
  - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2004

/s/ Christopher J. Nassetta

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Christopher J. Nassetta  
President and Chief Executive Officer

**Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, W. Edward Walter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Host Marriott Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-14(e)) for the registrant and we have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the report based on such evaluation;
  - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2004

/s/ W. Edward Walter

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W. Edward Walter  
Executive Vice President and Chief  
Financial Officer

**Section 906 Certification**

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to 18 U.S.C. ss. 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Host Marriott Corporation (the "Company") hereby certify, to such officers' knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended March 26, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 3, 2004

/s/ Christopher J. Nassetta  
Christopher J. Nassetta  
Chief Executive Officer

/s/ W. Edward Walter  
W. Edward Walter  
Chief Financial Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. ss. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.