
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 9, 2005.

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 (or for such shorter period that the registrant was required to file such reports), 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

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

The registrant had 353,459,131 shares of its \$0.01 par value common stock outstanding as of October 13, 2005.

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CONDENSED CONSOLIDATED BALANCE SHEETS
September 9, 2005 and December 31, 2004
(unaudited, in millions, except per share amounts)

	September 9, 2005	December 31, 2004
ASSETS		
Property and equipment, net	\$ 7,204	\$ 7,274
Assets held for sale	13	113
Due from managers	66	75
Investments in affiliates	42	69
Deferred financing costs, net	69	70
Furniture, fixtures and equipment replacement fund	154	151
Other	133	168
Restricted cash	165	154
Cash and cash equivalents	402	347
	<u> </u>	<u> </u>
Total assets	<u>\$ 8,248</u>	<u>\$ 8,421</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt		
Senior notes, including \$492 million and \$491 million, net of discount, of Exchangeable Senior Debentures, respectively	\$ 3,054	\$ 2,890
Mortgage debt	1,858	2,043
Convertible Subordinated Debentures	492	492
Other	97	98
	<u> </u>	<u> </u>
Total debt	5,501	5,523
Accounts payable and accrued expenses	129	113
Liabilities associated with assets held for sale	—	26
Other	153	156
	<u> </u>	<u> </u>
Total liabilities	5,783	5,818
	<u> </u>	<u> </u>
Interest of minority partners of Host Marriott L.P.	117	122
Interest of minority partners of other consolidated partnerships	28	86
Stockholders' equity		
Cumulative redeemable preferred stock (liquidation preference \$250 million), 50 million shares authorized; 10.0 million shares and 14.0 million shares issued and outstanding, respectively	241	337
Common stock, par value \$.01, 750 million shares authorized; 353.3 million shares and 350.3 million shares issued and outstanding, respectively	3	3
Additional paid-in capital	2,967	2,953
Accumulated other comprehensive income	17	13
Deficit	(908)	(911)
	<u> </u>	<u> </u>
Total stockholders' equity	2,320	2,395
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	<u>\$ 8,248</u>	<u>\$ 8,421</u>

See notes to condensed consolidated statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Quarter and Year-to-Date Ended September 9, 2005 and September 10, 2004
(unaudited, in millions, except per share amounts)

	Quarter ended		Year-to-date ended	
	September 9, 2005	September 10, 2004	September 9, 2005	September 10, 2004
REVENUES				
Rooms	\$ 532	\$ 487	\$ 1,612	\$ 1,463
Food and beverage	230	218	785	751
Other	57	55	174	164
Total hotel sales	819	760	2,571	2,378
Rental income	22	21	76	74
Total revenues	841	781	2,647	2,452
EXPENSES				
Rooms	135	127	392	366
Food and beverage	189	183	592	572
Hotel departmental expenses	243	228	710	666
Management fees	34	29	112	98
Other property-level expenses	69	69	205	206
Depreciation and amortization	85	83	254	242
Corporate and other expenses	16	18	45	43
Total operating costs and expenses	771	737	2,310	2,193
OPERATING PROFIT	70	44	337	259
Interest income	5	3	17	8
Interest expense	(94)	(108)	(317)	(356)
Net gains on property transactions	—	5	77	10
Gain (loss) on foreign currency and derivative contracts	(1)	(2)	1	(2)
Minority interest income (expense)	—	4	(12)	2
Equity in earnings (losses) of affiliates	—	(4)	(1)	(12)
INCOME (LOSS) BEFORE INCOME TAXES	(20)	(58)	102	(91)
Benefit from (provision for) income taxes	15	10	(23)	2
INCOME (LOSS) FROM CONTINUING OPERATIONS	(5)	(48)	79	(89)
Income from discontinued operations.	—	1	13	28
NET INCOME (LOSS)	(5)	(47)	92	(61)
Less: Dividends on preferred stock	(6)	(9)	(21)	(28)
Issuance costs of redeemed preferred stock	—	(4)	(4)	(4)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$ (11)	\$ (60)	\$ 67	\$ (93)
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE:				
Continuing operations	\$ (.03)	\$ (.17)	\$.15	\$ (.36)
Discontinued operations	—	—	.04	.08
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	\$ (.03)	\$ (.17)	\$.19	\$ (.28)

See notes to condensed consolidated statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Year-to-Date Ended September 9, 2005 and September 10, 2004
(unaudited, in millions)

	Year-to-date ended	
	September 9, 2005	September 10, 2004
OPERATING ACTIVITIES		
Net income (loss)	\$ 92	\$ (61)
Adjustments to reconcile to cash provided by operations:		
Discontinued operations:		
Gain on dispositions	(12)	(20)
Depreciation	1	9
Depreciation and amortization	254	242
Amortization of deferred financing costs	10	11
Income taxes	18	(10)
Net gains on property transactions	(73)	(3)
(Gain) loss on foreign currency and derivative contracts	(1)	2
Equity in losses of affiliates	1	12
Minority interest expense	12	(2)
Change in due from managers	9	(2)
Changes in other assets	(13)	19
Changes in other liabilities	11	9
	<u>309</u>	<u>206</u>
Cash provided by operations		
	309	206
INVESTING ACTIVITIES		
Acquisitions	(5)	(474)
Deposits for hotel acquisitions	(12)	(3)
Proceeds from sale of assets, net of expenses	100	155
Proceeds from sale of interest in CBM Joint Venture LLC, net of expenses	90	—
Distributions from equity investments	2	2
Capital expenditures:		
Renewals and replacements	(147)	(147)
Repositionings and other investments	(46)	(14)
Change in furniture, fixtures and equipment replacement fund	(3)	(6)
Other	(13)	—
	<u>(34)</u>	<u>(487)</u>
Cash used in investing activities		
	(34)	(487)
FINANCING ACTIVITIES		
Financing costs	(12)	(7)
Issuance of debt	650	829
Issuance of common stock	—	301
Issuance of Class E preferred stock	—	98
Redemption of preferred stock	(100)	(104)
Debt prepayments	(609)	(1,196)
Scheduled principal repayments	(43)	(43)
Dividends on common stock	(64)	—
Dividends on preferred stock	(24)	(29)
Distributions to minority interests	(7)	(5)
Change in restricted cash	(11)	(10)
	<u>(220)</u>	<u>(166)</u>
Cash used in financing activities		
	(220)	(166)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	55	(447)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	347	764
	<u>402</u>	<u>317</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 402	\$ 317

See notes to condensed consolidated statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Year-to-Date Ended September 9, 2005 and September 10, 2004
(unaudited, in millions)

Supplemental disclosure of noncash investing and financing activities:

Through year-to-date September 9, 2005 and September 10, 2004, we issued approximately 1.0 million shares and 1.4 million shares, respectively, of common stock upon the conversion of operating partnership units of Host Marriott, L.P. held by minority partners valued at approximately \$16.1 million and \$17.6 million, respectively.

On January 3, 2005, we transferred \$47 million of preferred units of Vornado Realty Trust, which we had purchased on December 30, 2004, in redemption of a minority partner's interest in a consolidated partnership.

On January 6, 2005, we sold the Hartford Marriott at Farmington for a purchase price of approximately \$25 million, including the assumption of approximately \$20 million of mortgage debt by the buyer.

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 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 September 9, 2005, owned approximately 95% 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 U.S. generally accepted accounting principles, 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, 2004.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of September 9, 2005 and the results of our operations for the quarter and year-to-date ended September 9, 2005 and September 10, 2004 and our cash flows for the year-to-date ended September 9, 2005 and September 10, 2004. Interim results are not necessarily indicative of full-year performance because of the impact of seasonal and short-term variations.

Certain reclassifications have been made to the prior period financial statements to conform to the current presentation.

Revenues

Our results of operations primarily reflect revenues of our hotels, which are recognized when the services are rendered.

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 of the year 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. 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. 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). We elected to adopt the reporting period used by Marriott International modified so that our fiscal year always ends on December 31. Accordingly, our first three quarters of operations end on the same day as Marriott International but our fourth quarter ends on December 31.

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Furniture, Fixtures and Equipment Replacement Fund

We maintain a furniture, fixtures and equipment replacement fund for renewal and replacement capital expenditures at certain hotels, which is generally funded with approximately 5% of property revenues.

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 (loss) and earnings (loss) per share if the fair value based method had been applied to all of our outstanding and unvested awards in each period.

	Quarter ended		Year-to-date ended	
	September 9, 2005	September 10, 2004	September 9, 2005	September 10, 2004
	(in millions, except per share amounts)			
Net income (loss), as reported	\$ (5)	\$ (47)	\$ 92	\$ (61)
Add: Total stock-based employee compensation expense included in reported net income (loss), net of related tax effects	5	7	14	14
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(5)	(7)	(14)	(14)
Pro forma net income (loss)	(5)	(47)	92	(61)
Dividends on preferred stock	(6)	(9)	(21)	(28)
Issuance costs of redeemed preferred stock (1)	—	(4)	(4)	(4)
Pro forma net income (loss) available to common stockholders	\$ (11)	\$ (60)	\$ 67	\$ (93)
Earnings (loss) per share				
Basic and diluted—as reported	\$ (.03)	\$ (.17)	\$.19	\$ (.28)
Basic and diluted—pro forma	\$ (.03)	\$ (.17)	\$.19	\$ (.28)

(1) Represents the original issuance costs associated with the Class B preferred stock in 2005 and the Class A preferred stock in 2004. For further detail see note 5.

Application of New Accounting Standards

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," or FAS 123R, which requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. The statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. Employee share purchase plans will not result in recognition of compensation cost if certain conditions are met; those conditions are much the same as the related conditions in FAS 123. The provisions of FAS 123R are effective as of the beginning of the first annual reporting period that begins after June 15, 2005. We adopted the fair value provisions of FAS 123 in 2002 and, therefore, have recognized the costs associated with all share-based

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

payment awards granted after January 1, 2002. The adoption of FAS 123R in 2006 will not have a material effect on our financial position or results of operations.

During November 2004, the FASB ratified the Emerging Issues Task Force, or EITF, on EITF Consensus Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." EITF 04-8 requires contingently convertible debt instruments to be included in diluted earnings per share, if dilutive, regardless of whether a market price contingency for the conversion of the debt into common shares or any other contingent factor has been met. Prior to this consensus, such instruments were excluded from the calculation until one or more of the contingencies were met. EITF 04-8 is effective for reporting periods ending after December 15, 2004 and requires restatement of prior period earnings per share amounts. As a result, we have restated our diluted earnings (loss) per share to include, if dilutive, the common shares that are issuable from the conversion of the Exchangeable Senior Debentures. The adoption of EITF 04-8 had no effect on previously issued 2004 quarterly or annual earnings (loss) per share amounts.

3. Earnings (Loss) per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) available to common stockholders 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 stockholders 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, other minority interests that have the option to convert their interests to our common OP units, the Convertible Subordinated Debentures and the Exchangeable Senior Debentures. No effect is shown for securities that are anti-dilutive.

	Quarter ended					
	September 9, 2005			September 10, 2004		
	Income/ (loss)	Shares	Per Share Amount	Income/ (loss)	Shares	Per Share Amount
	(in millions, except per share amounts)					
Net loss	\$ (5)	353.1	\$ (.01)	\$ (47)	348.7	\$ (.13)
Dividends on preferred stock	(6)	—	(.02)	(9)	—	(.03)
Issuance costs of redeemed preferred stock (1)	—	—	—	(4)	—	(.01)
Basic and diluted loss available to common stockholders	\$ (11)	353.1	\$ (.03)	\$ (60)	348.7	\$ (.17)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Year-to-date ended					
	September 9, 2005			September 10, 2004		
	Income/ (loss)	Shares	(in millions, except per share amounts) Per Share Amount	Income/ (loss)	Shares	Per Share Amount
Net income (loss)	\$ 92	352.6	\$.26	\$ (61)	331.5	\$ (.18)
Dividends on preferred stock	(21)	—	(.06)	(28)	—	(.09)
Issuance costs of redeemed preferred stock (1)	(4)	—	(.01)	(4)	—	(.01)
Basic earnings (loss) available to common stockholders	67	352.6	.19	(93)	331.5	(.28)
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	2.4	—	—	—	—
Diluted earnings (loss) available to common stockholders	\$ 67	355.0	\$.19	\$ (93)	331.5	\$ (.28)

(1) Represents the original issuance costs associated with the Class B preferred stock in 2005 and the Class A preferred stock in 2004. For further detail see Note 5.

4. Debt

During the third quarter, we exchanged all of our \$650 million 6³/₈% Series N senior notes for our 6³/₈% Series O senior notes. The terms of the Series O senior notes are substantially identical in all material aspects, except that the Series O senior notes are registered under the Securities Act of 1933 and are therefore, freely transferable by the holders.

The following table summarizes significant debt transactions since the beginning of 2005 (in millions):

Transaction Date	Description of Transaction	Transaction Amount
May 2005	Prepayment of the 9% mortgage debt on two Ritz-Carlton hotels	\$ (140)
April 2005	Discharge of the remaining 8 ³ / ₈ % Series E senior notes	(20)
April 2005	Redemption of 7 ⁷ / ₈ % Series B senior notes	(169)
March 2005	Repurchase of 8 ³ / ₈ % Series E senior notes	(280)
March 2005	Proceeds from the issuance of 6 ³ / ₈ % Series N senior notes (a)	650
January 2005	8.35% mortgage on the Hartford Marriott at Farmington assumed by buyer	(20)

(a) Approximately \$11 million of financing costs related to the debt issuance were deferred and will be amortized over the life of the debt.

As a result of the repayment transactions described above, we incurred \$30 million of interest expense during 2005 for the call premiums and the acceleration of deferred financing costs and original issue discounts.

5. Preferred Stock Redemption

On May 20, 2005, we redeemed, at par, all four million shares of our 10% Class B Cumulative Preferred stock, or Class B preferred stock, for approximately \$101 million, including accrued dividends. The fair value of our Class B preferred stock (which is equal to the redemption price) exceeded the carrying value of the preferred stock by approximately \$4 million. The \$4 million represents the original issuance costs.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Accordingly, this amount has been reflected in the determination of net income available to common stockholders for the purpose of calculating our basic and diluted earnings per share.

6. Dividends

On September 16, 2005, our Board of Directors declared a cash dividend of \$0.11 per share for our common stock. The dividend was paid on October 17, 2005 to stockholders of record as of September 30, 2005.

Additionally, on September 16, 2005, our Board of Directors declared a quarterly cash dividend of \$0.625 per share for our Class C preferred stock and a cash dividend of \$0.5546875 per share for our Class E preferred stock. The dividends were paid on October 17, 2005 to preferred stockholders of record as of September 30, 2005.

7. Geographic Information

We consider each one of our full-service hotels to be an operating segment, none of which meets the threshold for a reportable 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 September 9, 2005, our foreign operations consist of four properties located in Canada and one property located in Mexico. There were no intercompany sales between our domestic properties and our foreign properties. The following table presents revenues for each of the geographical areas in which we operate:

	Quarter ended		Year-to-date ended	
	September 9, 2005	September 10, 2004	September 9, 2005	September 10, 2004
	(in millions)			
United States	\$ 815	\$ 755	\$ 2,572	\$ 2,378
Canada	20	20	60	57
Mexico	6	6	15	17
Total revenue	\$ 841	\$ 781	\$ 2,647	\$ 2,452

8. Comprehensive Income (Loss)

Our other comprehensive income (loss) consists of unrealized gains and losses on foreign currency translation adjustments 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		Year-to-date ended	
	September 9, 2005	September 10, 2004	September 9, 2005	September 10, 2004
	(in millions)			
Net income (loss)	\$ (5)	\$ (47)	\$ 92	\$ (61)
Other comprehensive income	4	4	4	—
Comprehensive income (loss)	\$ (1)	\$ (43)	\$ 96	\$ (61)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

9. Discontinued Operations

Assets Held for Sale. During the third quarter, we entered into a definitive, binding agreement to sell Charlotte Marriott Executive Park, which was subsequently sold on October 7, 2005. We reclassified the assets and liabilities relating to this hotel and four hotels sold in the first quarter of 2005 as of September 9, 2005 and December 31, 2004, respectively, as detailed in the following table:

	2005	2004
	(in millions)	
Property and equipment, net	\$ 13	\$ 111
Other assets	—	2
	\$ 13	\$ 113
Other liabilities	—	26
	\$—	\$ 26

Dispositions. We sold four hotels during the first quarter of 2005 for net proceeds of approximately \$100 million. All of these properties were classified as held for sale as of December 31, 2004. The following table summarizes the revenues, income before taxes, and the gain on dispositions, 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 Charlotte Executive Park Marriott and the operations of nine additional hotels through the date of their disposition in 2004.

	Quarter ended		Year-to-date ended	
	September 9, 2005	September 10, 2004	September 9, 2005	September 10, 2004
	(in millions)			
Revenues	\$ 3	\$ 28	\$ 9	\$ 104
Income before taxes	—	2	1	9
Gain on dispositions, net of tax	—	—	12	20

10. Subsequent Event

On September 30, 2005, we acquired the 834-room Hyatt Regency, Washington, D.C. on Capitol Hill for a purchase price of approximately \$274 million.

On October 7, 2005, we sold the 297-room Charlotte Marriott Executive Park, which is classified as held-for-sale at September 9, 2005, for total proceeds of approximately \$21 million, resulting in a gain of approximately \$7 million.

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 and related notes included elsewhere in this report. Host Marriott Corporation is a Maryland corporation and operates as a self-managed and self-administered real estate investment trust, or REIT. Host Marriott Corporation owns properties and conducts operations through Host Marriott, LP, a Delaware limited partnership of which Host Marriott Corporation is the sole general partner and in which it holds 95% of the partnership interests. In this report, we use the terms "we" or "our" to refer to Host Marriott Corporation and Host Marriott, L.P. together, unless the context indicates otherwise. We also use the term "HMC" to specifically refer to Host Marriott Corporation and the terms "operating partnership" or "Host LP" to refer to Host Marriott, L.P. in cases where it is important to distinguish between HMC and Host LP.

Forward-Looking Statements

In this report on Form 10-Q, we make some forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "believe," "could," "expect," "may," "intend," "predict," "project," "plan," "will," "estimate" and other similar terms and phrases. Forward-looking statements are based on management's current expectations and assumptions and are not guarantees of future performance that involve known and unknown risks, uncertainties and other factors which may cause our 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, 2004 and in other filings with the Securities and Exchange Commission (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.

Quarterly Summary

As of October 17, 2005, we own 107 full-service hotel properties, which operate primarily in the luxury and upper-upscale hotel sectors. For a general overview of our business, see our most recent Annual Report on Form 10-K.

Our Outlook. We believe that lodging demand will continue to grow through the remainder of 2005, which should improve occupancy levels while allowing our managers to continue to increase room rates at our hotels. In the third quarter of 2005, RevPAR for our comparable hotels increased 8.0% over the same period last year. Based on a September 30 calendar quarter end, our comparable hotel RevPAR increased 9.5% over the third quarter 2004. See discussion of our Reporting Periods in our most recent annual report on Form 10-K. RevPAR is defined as the product of the average of the daily room rates charged and the average daily occupancy achieved and is generally considered a key performance indicator for hotels. Improvements in RevPAR at our comparable hotels for the third quarter of 2005 were driven by a 6.3% increase in average room rate and a 1.2 percentage point increase in occupancy. This is a result of a number of positive trends such as strong United States GDP growth, low supply growth of new upper-upscale and luxury hotels and the strengthening in the group and transient segments of our business. As a result of these trends, we expect comparable hotel RevPAR to increase approximately 8% to 9% for full year 2005 and an additional 7% to 9% for full year 2006.

We expect the supply growth of upper-upscale and luxury hotels to continue to be low for the next two to three years. Although always subject to uncertainty, supply growth is relatively easier to forecast than demand growth due to the long permit, approval and development lead-times associated with building new full-service hotels or expanding existing full-service hotels. Based on data provided by Lodging Econometrics, upper-upscale and luxury hotel supply growth in the U.S. is expected to increase by approximately 1.5% and 1.6% in 2006 and 2007, respectively. We believe that, based on a review of forecast supply growth in the specific geographic markets where we have hotels, supply growth of hotels potentially competitive with our hotels will be slightly lower than the Lodging Econometrics forecasts.

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The performance of our portfolio is also significantly affected by the results of our large hotels, including our convention hotels, the majority of which are located in major urban markets. Convention hotels have historically outperformed in the early stages of an industry downturn; however, they also lag the industry in performance in the early stages of recovery. This is primarily due to the longer booking lead-time for large group business and the need for transient demand in a market to recover to more substantial levels given a greater capacity of rooms. Recently, we have started to see significant improvement in the operations of our convention hotels in certain markets, such as New York, while our large hotels in weaker markets, such as Boston, continue to lag the portfolio. We expect increasing demand to continue to improve operations at our large convention hotels as markets strengthen, which should positively affect margin and RevPAR growth.

We assess profitability by measuring changes in our operating margins, which are calculated as operating profit as a percentage of total revenues. Operating margins improved during the third quarter, as the average room rate increases at our hotels exceeded the rate of inflation, which is a trend we expect to continue. Operating margins continue to be affected, however, by certain costs, primarily wages, benefits, utilities and sales and marketing, which increased at a rate greater than inflation, a trend that we expect to continue in the near term. We expect utility costs to increase by over 10% in 2006, although these costs represent only approximately 3.5% of our revenues. Additionally, as a result of the large-scale devastation due to hurricanes this year, we expect that insurance costs will also increase in 2006 at a rate that exceeds inflation.

Operating margins are also affected by our food and beverage operations which historically represent approximately 32% of our comparable hotel revenues. During the third quarter, food and beverage revenue growth at our comparable hotels was 6.3%, with a food and beverage margin increase of 1.3 percentage points. As the economy continues to grow, we expect food and beverage revenue to continue to increase, in particular catering revenue, which should result in further improvement in our operating margins.

We also expect to see improvements in RevPAR and operating margins as we continue our strategy of recycling assets. Over the past two years, we have acquired upper-upscale and luxury properties in urban and resort/convention locations, where further large-scale lodging development typically is limited, and have disposed of assets in suburban and secondary markets. The assets we have acquired have higher RevPAR, higher margins and, we believe, higher growth potential than those we have sold. Over time, these assets should contribute to improvements in overall RevPAR and margins, as well as an increase in the average per room replacement cost of our portfolio.

While we believe the combination of improving demand trends and low supply trends in the lodging industry discussed here and in our Annual Report on Form 10-K creates the opportunity for improvements in our business in 2005, there can be no assurances that any increases in hotel revenues or earnings at our properties will continue for any number of reasons, including, but not limited to, slower than anticipated growth in the economy and changes in travel patterns.

Recent Events

On August 29, 2005, Hurricane Katrina made landfall in Louisiana, Mississippi and Alabama, causing wind and water damage to our 1,290-room New Orleans Marriott; however, the property was not damaged by the subsequent large-scale flooding in the city. Approximately 800 rooms of the hotel have been re-opened as of October 17, 2005 and we are working to repair the remaining portion of the hotel. The operations of the hotel have been, and will continue to be, affected by the large-scale devastation throughout New Orleans. As a result of the widespread damage to the New Orleans Superdome, convention center and other businesses, it is unlikely that operations will return to historical levels for a period of time.

Our insurance coverage for the property entitles us to receive payments for business interruption, as well as recoveries for damage to the building as a result of the hurricane. Income resulting from business interruption insurance will not be recognized until all contingencies are resolved. The total extent of the property damage and loss of business has not been determined at this time. We expect that insurance proceeds will be sufficient to cover substantially all of the property damage to the hotel and the near-term loss of business. The overall effect of the hurricane on our third quarter operations, which ended September 9, was not significant.

On September 25, 2005, which is in our fourth quarter, Hurricane Rita made landfall in Louisiana and Texas. We did not sustain any property damage at our three hotels in Houston as a result of the hurricane; however, we did

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experience some loss of business due to cancellations and evacuations. We do not believe the overall effect of the hurricane on our fourth quarter will be significant.

On September 30, 2005, we purchased the 834-room Hyatt Regency, Washington D.C. on Capitol Hill for a purchase price of approximately \$274 million. The acquisition was financed with available cash.

On October 7, 2005, we sold the 297-room Charlotte Executive Park Marriott for \$21 million. During the third quarter we reclassified the assets and liabilities of the hotel as held-for-sale. We will record a gain of approximately \$7 million on the sale in the fourth quarter 2005.

Currently, we have \$3.1 billion of senior notes outstanding, \$250 million of preferred stock and \$492 million of Convertible Preferred Securities that are rated by Moody's Investors Service and Standard & Poor's. On October 13, 2005, Moody's upgraded our senior note debt from a Ba3 rating to a Ba2 rating, our preferred stock from a B2 rating to a B1 rating and our Convertible Preferred Securities from a B2 rating to a Ba3 rating. Standard and Poor's current rating on our senior debt is B+ and the ratings on our preferred stock and Convertible Preferred Securities are CCC+.

Results of Operations

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

	Quarter ended		% Increase (Decrease)
	September 9, 2005	September 10, 2004	
Revenues			
Total hotel sales	\$ 819	\$ 760	7.8%
Operating costs and expenses:			
Property-level costs (1)	755	719	5.0
Corporate and other expenses	16	18	(11.1)
Operating profit	70	44	59.1
Interest expense	94	108	(13.0)
Minority interest (income) expense	—	(4)	N/M (2)
Income from discontinued operations	—	1	N/M (2)
Net loss	(5)	(47)	N/M (2)
Comparable hotel operating statistics:			
RevPAR	\$ 115.98	\$ 107.34	8.0%
Average room rate	\$ 153.38	\$ 144.24	6.3%
Average occupancy	75.6%	74.4%	1.2pts.

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	Year-to-date ended		% Increase (Decrease)
	September 9, 2005	September 10, 2004	
Revenues			
Total hotel sales	\$ 2,571	\$ 2,378	8.1%
Operating costs and expenses:			
Property-level costs (1)	2,265	2,150	5.3
Corporate and other expenses	45	43	4.7
Operating profit	337	259	30.1
Interest expense	317	356	(11.0)
Minority interest (income) expense	12	(2)	N/M (2)
Income from discontinued operations	13	28	(53.6)
Net income (loss)	92	(61)	N/M (2)
Comparable hotel operating statistics:			
RevPAR	\$ 121.55	\$ 111.44	9.1%
Average room rate	\$ 163.17	\$ 151.75	7.5%
Average occupancy	74.5%	73.4%	1.1 pts.

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

(2) N/M=Not meaningful

2005 Compared to 2004

Hotel Sales Overview. Hotel sales increased \$59 million, or 7.8%, to \$819 million for the third quarter of 2005 and increased \$193 million, or 8.1%, to \$2,571 million year-to-date. Hotel sales include approximately \$38 million and \$20 million for the third quarter 2005 and 2004, respectively, and \$96 million and \$22 million for year-to-date 2005 and 2004, respectively, of sales from hotels acquired in 2004. Sales for properties sold in 2005 or 2004 or classified as held-for-sale as of September 9, 2005 have been reclassified as discontinued operations on our condensed consolidated statements of operations. See “Discontinued Operations” below.

Comparable hotel sales increased 7.5% to \$764 million, for the quarter and 7.4% to \$2,412 million year-to-date. The growth in revenues reflects the increase in comparable RevPAR of 8.0% for the third quarter of 2005, as a result of an increase in average room rates of 6.3% and an increase in occupancy of 1.2 percentage points. The year-to-date revenue growth reflects the increase in comparable RevPAR of 9.1%, as a result of an increase in average room rates of 7.5% and an increase in occupancy of 1.1 percentage points. Food and beverage revenues for our comparable hotels increased 6.3% for the quarter and 5.2% year-to-date, primarily due to an increase in catering and outlet revenues.

We discuss operating results for our full-service hotels on a comparable basis. Comparable hotels are those properties that we have owned for the entirety of the reporting periods being compared. Comparable hotels do not include the results of properties acquired or sold, or that incurred significant property damage and business interruption or large scale capital improvements during these periods. As of September 9, 2005, 99 of our 107 full-service hotels have been classified as comparable hotels. The following discussion is of the sales results of our comparable hotels considering the mix of business (i.e. transient, group or contract), property type (i.e. urban, suburban, resort/convention or airport) and geographic region. See “Comparable Hotel Operating Statistics” for a complete description of our comparable hotels and further detail on these classifications.

Comparable Hotel Sales by Customer Mix. Our hotel customers consist of three broad groups: transient, group and contract business. Similar to the majority of the lodging industry, we further categorize business within these segments based on characteristics they have in common as follows:

Transient demand broadly represents individual business or leisure travelers and is divided into four key sub-categories: premium, corporate, special corporate and discount.

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- Premium: this rate, sometimes referred to as “rack rate,” typically consists of rooms booked close to arrival during high demand periods and is the highest rate category available. Room rates will fluctuate depending on anticipated demand levels, e.g. seasonality, weekday vs. weekend stays, etc.
- Corporate: this is the benchmark rate which a hotel publishes and offers to the general public. It is typically the second highest category, and is for travelers that do not have access to negotiated or discount rates.
- Special Corporate: this rate is a negotiated rate offered to companies and organizations that provide significant levels of room night demand to the hotel. These rates are typically negotiated annually, at a discount to the anticipated corporate rate.
- Discount: this encompasses all discount programs, such as AAA and AARP discounts, government per diem, rooms booked through internet distribution and wholesale channels, frequent guest program redemptions, and promotional rates and packages offered by a hotel.

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

- Association: Group business related to national and regional association meetings and conventions.
- Corporate: Group business related to corporate meetings, e.g. product launches, training programs, contract negotiations, and presentations.
- Other: Group business predominately related to social, military, education, religious, fraternity and youth and amateur sports teams, otherwise known as SMERF business.

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

Demand remained strong in the third quarter of 2005, enabling our operators to significantly increase average daily room rates, particularly in the premium and corporate transient segments. For our comparable Marriott and Ritz-Carlton hotels, which represent 86% of our total comparable rooms, premium and corporate average daily rates increased 9.6% and 12.8% for the third quarter and year-to-date, respectively, compared to last year. Our overall transient average room rate for these hotels increased 8.1% and 9.5% for the quarter and year-to-date, respectively. We expect that increased levels of transient demand will enable our managers to continue rate increases throughout the remainder of 2005 and into 2006.

Total group room revenue for our comparable Marriott and Ritz-Carlton hotels was up 0.7% for the quarter and 5.2% year-to-date compared to last year, primarily due to an increase in average room rates of approximately 3.4% and 4.7% for the quarter and year-to-date, respectively. Room rates for groups are continuing to improve in 2005 and should continue to improve in 2006, as a lower percentage of group business would have been booked for those periods in 2004 or earlier when room rates were significantly lower than those our managers are able to currently charge. Group booking pace is up only modestly for the remainder of the year, reflecting our managers’ strategy of keeping more rooms available for the higher-rated transient segments.

Comparable Hotel Sales by Property Type. For the third quarter of 2005, revenues increased significantly across all of our hotel property types. Our urban hotels continue to perform well thus far in 2005, with comparable hotel RevPAR growth of 7.4% to \$131.96 and 9.7% to \$136.69 for the quarter and year-to-date, respectively. The significant increase in comparable hotel RevPAR at our urban properties was primarily driven by the increases in average room rate of 5.7% and 7.4% for the quarter and year-to-date, respectively, while average occupancy improved by 1.2 and 1.6 percentage points for the quarter and year-to-date, respectively. Our resort/convention hotels had comparable hotel RevPAR growth of 6.3% to \$131.68 and 7.4% to \$162.49 for the quarter and year-to-date, respectively, and average room rate growth of 8.1% and 7.8% for the quarter and year-to-date, respectively. Our airport hotels experienced comparable hotel RevPAR increases of 9.8% and 8.0% for the quarter and year-to-date, respectively, which reflected average room rate increases of 7.0% and 7.4% for the quarter and year-to-date, respectively. Our suburban hotels experienced comparable hotel

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RevPAR increases of 10.2% and 9.3% for the quarter and year-to-date, respectively, which reflected average room rate increases of 7.2% and 7.7% for the quarter and year-to-date, respectively.

Comparable Hotel Sales by Geographic Region. During the third quarter, the majority of our geographic regions experienced strong growth in comparable hotel RevPAR with the DC Metro, Pacific and Mountain regions all experiencing double-digit growth rates. Year-to-date, comparable hotel RevPAR increased in all of our geographic regions.

Our DC Metro region had comparable hotel RevPAR increases of 14.7% for the quarter and 15.3% year-to-date. The improvement was the result of the continued strong performance of our urban hotels, such as the Metro Center Marriott, which benefited from solid group and business transient demand. Overall, comparable hotel RevPAR increases for the region reflected average room rate increases of 11.1% for both the quarter and year-to-date, and average occupancy increases of 2.4 and 2.8 percentage points for the quarter and year-to-date, respectively.

Our Pacific region had a comparable hotel RevPAR increase of 11.3% for the quarter and 9.8% year-to-date. The region was led by our five Los Angeles hotels, where RevPAR increased 18.0% for the quarter and 13.0% year-to-date. Additionally, for the quarter and year-to-date, the San Francisco market had comparable hotel RevPAR increases of 10.5% and 8.1%, respectively, and the Hyatt Regency Maui Resort and Spa had a comparable hotel RevPAR increase of 20.0% for the quarter.

Our Mountain region experienced a comparable hotel RevPAR increase of 14.4% and 13.6% for the quarter and year-to-date, respectively. The Denver market experienced comparable hotel RevPAR increases of 16.6% and 13.9% for the quarter and year-to-date, respectively, led by comparable hotel RevPAR increases at the Denver Tech Center Marriott of 27.9% for the quarter.

Comparable hotel RevPAR for our Mid-Atlantic region increased 8.0% for the quarter and 11.6% year-to-date, which was driven by comparable hotel RevPAR growth of 13.9% and 17.4% for the quarter and year-to-date, respectively, at our three New York City hotels. Strong group, transient and international demand has strengthened the performance in the New York market.

Comparable hotel RevPAR in our Florida region grew by 5.5% for the quarter and 8.4% year-to-date as a result of comparable hotel RevPAR increases in our Tampa and Miami hotels of 12.9% and 20.7%, respectively, for the quarter and 12.6% and 15.1%, respectively, year-to-date. These increases were partially offset by declines in comparable hotel RevPAR at the Orlando World Center Marriott due to a decrease in both group and transient bookings.

Our Atlanta region was the only region to experience a decline in RevPAR for the quarter. The 3.7% decrease reflected the weak convention and group demand in the region. Year-to-date, RevPAR in the region is up 2.5%.

Comparable hotel RevPAR for our New England region increased 1.6% during the quarter and 1.3% year-to-date. Our Boston market continues to underperform our entire portfolio, as comparable hotel RevPAR increased 2.6% for the quarter and 2.7% year-to-date. The weak operating results were primarily the result of reduced demand at the Boston Copley Marriott. Performance in this region should improve over time, based on expected increases in convention activity in 2006 and overall improvements in the Boston economy.

The North Central region of our portfolio experienced increases in comparable hotel RevPAR of 8.3% for the quarter and 5.9% for year-to-date as average room rates increased 7.7% for the quarter and 8.3% year-to-date.

The comparable hotel results in our South Central region, which includes Texas and Louisiana, was not significantly affected by Hurricane Katrina for the quarter, as the hurricane occurred in the final two weeks of the quarter. RevPAR in the region grew by 8.5% for the quarter and 7.1% year-to-date, driven primarily by strong increases in occupancy and average room rate at our three properties in Houston.

Comparable hotel RevPAR for our international properties increased 10.8% and 8.1% for the quarter and year-to-date, respectively. Our four Canadian properties, three of which are in Toronto, experienced increases in comparable hotel RevPAR of 13.1% and 10.0% for the quarter and year-to-date, respectively.

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Property-level Operating Costs. Property-level operating costs and expenses increased \$36 million, or 5.0%, from the third quarter of 2004 and increased \$115 million, or 5.3%, year-to-date. Property-level operating costs and expenses exclude the costs for hotels we have sold and held for sale, which are included in discontinued operations. Our operating costs and expenses, which are both fixed and variable, are affected by changes in occupancy, inflation and revenues, though the effect on specific costs will differ. For example, utility costs increased 14.2% and 11.6% for the quarter and year-to-date, respectively, primarily due to increases in oil and gas prices, while the increase in management fees of 17.2% and 14.3% for the quarter and year-to-date, respectively, were a direct result of the growth in the revenues and profitability of our properties. We expect to continue to see an increase in operating costs during the remainder of 2005 as a result of variable costs increasing with occupancy increases, and certain costs increasing at a rate above inflation, particularly energy prices, which we expect to increase further due to hurricanes Katrina and Rita.

Corporate and Other Expenses. Corporate and other expenses primarily consist of employee salaries and bonuses and other costs such as employee stock-based compensation expense, corporate insurance, audit fees, building rent and system costs. Corporate expenses decreased by \$2 million, or 11.1%, for the third quarter primarily due to a decrease in our restricted stock expense, which is marked-to-market and, therefore, will fluctuate depending on the price of our common stock. However, year-to-date corporate expenses increased by \$2 million, or 4.7%, due to an increase in compensation expense.

Interest Income. Interest income increased \$2 million for the third quarter and \$9 million year-to-date, primarily due to increased cash and restricted cash balances and increases in the interest rate earned on those balances.

Interest Expense. Interest expense decreased \$14 million for the third quarter and \$39 million year-to-date as a result of the decrease in our interest obligations from 2004 and 2005 debt repayments and refinancings, as well as a decline in the amount of prepayment penalties associated with debt repayments and refinancings. Specifically, interest expense includes \$30 million for year-to-date 2005 and \$54 million for year-to-date 2004 for the call premiums and the acceleration of deferred financing costs and original issue discounts associated with debt prepayments. We had no debt prepayments or refinancings during the third quarter of 2005; however, during the third quarter of 2004, we had \$13 million of additional interest expense as a result of debt prepayments and refinancings. These declines in interest expense, however, were partially offset by increased interest rates for our variable rate debt.

Net Gains on Property Transactions. Net gains on property transactions increased \$67 million year-to-date, primarily due to the second quarter pre-tax gain of \$70 million on the sale of 85% of our interest in CBM Joint Venture LLC and decreased \$5 million for the third quarter due to the recognition of deferred gains in 2004 from the sale of a portfolio of Fairfield Inns by Marriott.

Gain (Loss) on Foreign Currency and Derivative Contracts. The year-to-date gain on foreign currency and derivative contracts is primarily due to the \$1 million change in fair value from the foreign currency exchange contracts for two of our Canadian hotels.

Minority Interest Income (Expense). As of September 9, 2005, we held approximately 95% of the partnership interests in Host LP. The increase in our minority interest expense for 2005 is due to the increase in the net income for certain of our consolidated partnerships that are partially owned by third parties and the increase in the income of Host LP.

Equity in Earnings (Losses) of Affiliates. Equity in earnings (losses) of affiliates increased by \$4 million for the third quarter and \$11 million year-to-date due to the earnings of CBM Joint Venture LP, which had recorded net losses throughout 2004 and the sale of 85% of our interest in the partnership.

Discontinued Operations. Discontinued operations consist of one hotel classified as held for sale in the third quarter of 2005, four hotels sold in the first quarter of 2005 and nine hotels sold in 2004 and represent the results of operations and the gain or loss on their disposition. For year-to-date 2005 and 2004, revenues for these properties were \$9 million and \$104 million, respectively, and income before taxes was \$1 million and \$9 million, respectively. For the third quarter 2005 and 2004, revenues for these properties were \$3 million and \$28 million,

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respectively, and income before taxes was \$0 million and \$2 million, respectively. We recognized a gain, net of tax, of \$12 million and \$20 million for year-to-date 2005 and 2004, respectively, on the disposition of these hotels.

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 reporting periods being compared and (ii) that have not sustained substantial property damage or business interruption, or undergone large-scale capital projects during the reporting periods being compared. Of the 107 full-service hotels that we owned on September 9, 2005, 99 have been classified as comparable hotels. The operating results of the following eight hotels that we owned as of September 9, 2005 are excluded from comparable hotel results for these periods:

- Memphis Marriott (construction of a 200-room expansion started in 2003 and completed in 2004);
- Embassy Suites Chicago Downtown-Lakefront Hotel (acquired in April 2004);
- Fairmont Kea Lani Maui (acquired in July 2004);
- Newport Beach Marriott Hotel (major renovation started in July 2004);
- Mountain Shadows Resort (temporarily closed in September 2004);
- Scottsdale Marriott at McDowell Mountains (acquired in September 2004);
- Atlanta Marquis (major renovation started in August 2005); and
- New Orleans Marriott (property damage and business interruption from Hurricane Katrina in August 2005).

In addition, the operating results of the 13 hotels we disposed of in 2005 and 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.

We evaluate the operating performance of our comparable hotels based on both geographic region and property type. These divisions are generally consistent with industry data provided by hospitality research firms such as Smith Travel Research. For further discussion of our geographic regions and property types see our most recent Annual Report on Form 10-K. The following tables set forth performance information for our comparable full-service hotels by geographic region for the third quarter and year-to-date of 2005 and 2004.

Comparable by Region (a)

	As of September 9, 2005		Quarter ended September 9, 2005			Quarter ended September 10, 2004			Percent Change in RevPAR
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	
Pacific	20	11,035	\$ 165.84	81.6%	\$135.28	\$ 154.84	78.5%	\$121.53	11.3%
Florida	11	7,027	137.38	68.7	94.38	133.13	67.2	89.47	5.5
Mid-Atlantic	10	6,720	194.11	79.3	153.95	175.44	81.3	142.56	8.0
North Central	13	4,923	131.84	74.3	97.98	122.41	73.9	90.47	8.3
DC Metro	11	4,661	168.33	77.3	130.05	151.45	74.9	113.37	14.7
Atlanta	12	4,265	146.11	66.1	96.53	146.04	68.7	100.27	(3.7)
South Central	6	3,526	121.64	73.1	88.88	112.98	72.5	81.93	8.5
New England	6	3,032	151.03	81.6	123.22	151.77	79.9	121.27	1.6
Mountain	5	1,940	89.85	71.7	64.42	89.25	63.1	56.33	14.4
International	5	1,953	134.49	74.4	100.00	122.97	73.4	90.28	10.8
All Regions	99	49,082	153.38	75.6	115.98	144.24	74.4	107.34	8.0

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	As of September 9, 2005		Year-to-date ended September 9, 2005			Year-to-date ended September 10, 2004			Percent Change in RevPAR
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	
Pacific	20	11,035	\$ 170.81	77.9%	\$ 133.11	\$ 160.32	75.6%	\$ 121.26	9.8%
Florida	11	7,027	177.40	74.8	132.65	166.53	73.5	122.33	8.4
Mid-Atlantic	10	6,720	195.12	79.1	154.29	178.16	77.6	138.28	11.6
North Central	13	4,923	129.17	67.1	86.67	119.33	68.6	81.82	5.9
DC Metro	11	4,661	177.98	78.3	139.41	160.16	75.5	120.87	15.3
Atlanta	12	4,265	150.30	68.2	102.50	145.56	68.7	99.97	2.5
South Central	6	3,526	133.74	76.7	102.60	125.32	76.4	95.78	7.1
New England	6	3,032	151.15	71.4	107.98	145.56	73.2	106.57	1.3
Mountain	5	1,940	111.24	64.4	71.62	104.33	60.4	63.04	13.6
International	5	1,953	131.45	72.2	94.95	120.72	72.8	87.83	8.1
All Regions	99	49,082	163.17	74.5	121.55	151.75	73.4	111.44	9.1

Comparable by Property Type (a)

	As of September 9, 2005		Quarter ended September 9, 2005			Quarter ended September 10, 2004			Percent Change in RevPAR
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	
Urban	39	22,874	\$ 168.27	78.4%	\$131.96	\$ 159.22	77.2%	\$122.90	7.4%
Suburban	34	12,492	130.54	71.3	93.02	121.76	69.3	84.43	10.2
Airport	16	7,328	115.45	78.5	90.63	107.88	76.5	82.54	9.8
Resort/ Convention	10	6,388	185.81	70.9	131.68	171.88	72.0	123.84	6.3
All Types	99	49,082	153.38	75.6	115.98	144.24	74.4	107.34	8.0

	As of September 9, 2005		Year-to-date ended September 9, 2005			Year-to-date ended September 10, 2004			Percent Change in RevPAR
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	
Urban	39	22,874	\$ 176.35	77.5%	\$136.69	\$ 164.23	75.9%	\$124.62	9.7%
Suburban	34	12,492	131.87	68.6	90.44	122.47	67.5	82.71	9.3
Airport	16	7,328	120.53	76.0	91.62	112.22	75.6	84.85	8.0
Resort/ Convention	10	6,388	220.93	73.5	162.49	204.98	73.8	151.35	7.4
All Types	99	49,082	163.17	74.5	121.55	151.75	73.4	111.44	9.1

(a) The reporting period for our comparable operating statistics for the third quarter of 2005 is from June 18, 2005 to September 9, 2005 and for the third quarter of 2004 from June 19, 2004 to September 10, 2004. The reporting period for year-to-date 2005 is from January 1, 2005 to September 9, 2005 and for year-to-date 2004 is from January 3, 2004 to September 10, 2004. For further discussion, see "Reporting Periods" in our most recent Annual Report of Form 10-K.

The following statistics are for all of our full-service properties as of September 9, 2005 and September 10, 2004, respectively. The operating statistics include the results of operations for four hotels sold in 2005 and nine hotels sold in 2004 prior to their disposition.

All Full-Service Properties

	Quarter ended		Year-to-date ended	
	September 9, 2005	September 10, 2004	September 9, 2005	September 10, 2004
Average Room Rate	\$ 155.59	\$ 142.30	\$ 164.46	\$ 148.53
Average Occupancy	74.5%	74.0%	73.7%	73.3%
RevPAR	\$ 115.97	\$ 105.32	\$ 121.22	\$ 108.90

Liquidity and Capital Resources

Cash Requirements

HMC uses cash primarily for acquisitions, capital expenditures, debt payment and dividends to stockholders. As a REIT, HMC is required to distribute to its stockholders at least 90% of its taxable income. Funds used by HMC to make these distributions are provided from Host LP. We depend primarily on external sources of capital to finance future growth.

Cash Balances. As of September 9, 2005, we had \$402 million of cash and cash equivalents, which was an increase of \$55 million from December 31, 2004. The increase is primarily attributable to the net proceeds from the sale of four hotels in January and the sale of 85% of our interest in CBM Joint Venture LLC in March. Our cash balances have been in excess of the \$100 million to \$150 million that we have historically maintained. With the flexibility and capacity provided by our credit facility and the continuing growth of the economy, we expect to lower our cash balances to previous levels over the next several quarters. In furtherance of this goal, the purchase of the Hyatt Regency, Washington, D.C. on Capitol Hill on September 30, 2005 for approximately \$274 million was financed with available cash.

As of September 9, 2005, we also had \$165 million of cash which was restricted as a result of lender requirements (including reserves for debt service, real estate taxes, insurance, as well as cash collateral and excess cash flow deposits). The restricted cash balance includes \$68 million and \$37 million as of September 9, 2005 and December 31, 2004, respectively, which are held in escrow in accordance with restrictive debt covenant requirements (see "Mortgage Debt" below). The conditions necessary to release these escrowed funds were met at the end of the third quarter and we expect that all of these escrowed funds will be released in the fourth quarter. The restricted cash balances do not have a significant effect on our liquidity. We have approximately \$195 million of debt that will mature prior to 2007. However, \$88 million of this debt can be extended for three one-year terms if certain conditions are met. We also have scheduled principal repayments totaling approximately \$18 million for the fourth quarter of 2005. We believe we have sufficient cash, or availability under our line of credit, to deal with our near-term maturities, as well as any decline in the cash flow from our business.

On October 14, 2005, we drew approximately \$100 million of our available capacity on our credit facility to retire the remaining mortgage on our Canadian properties and for general corporate purposes. We intend to repay these amounts during the fourth quarter with the release of the restricted cash discussed above and available cash.

Reducing future interest payments and leverage remains a key management priority. We may continue to redeem or refinance senior notes, our Convertible Subordinated Debentures and mortgage debt from time to time to take advantage of favorable market conditions. We may purchase senior notes and Convertible Subordinated Debentures 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 defined below, as a result of the payment of any applicable call premiums and the acceleration of previously deferred financing costs. For year-to-date 2005, we incurred interest expense resulting from the payment of call premiums of \$27 million and the acceleration of deferred financing costs totaling \$3 million.

Capital Expenditures. As of September 9, 2005, our renewal and replacement capital expenditures were approximately \$147 million. We expect total renewal and replacement capital expenditures for 2005 to be approximately \$250 million to \$270 million. Our renewal and replacement capital expenditures are generally funded by the furniture, fixture and equipment funds established at certain of our hotels (typically funded with approximately 5% of property revenues) and by our available cash.

For year-to-date 2005, we spent approximately \$46 million in repositioning/return on investment (ROI) projects. These projects include, for example, expanding ballroom, spa or conference facilities. We expect to spend a total of approximately \$110 million to \$130 million on these projects which have historically generated strong returns. The 2005 expenditures include costs from the extensive renovation and repositioning of the Newport Beach Marriott Hotel and the development of an exhibit hall for the Marriott Orlando World Center hotel. In addition to these on-going projects, we expect to spend \$200 million to \$400 million on such investments over the next several

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years. For further discussion of these projects and capital expenditures, see our most recent Annual Report on Form 10-K.

We also expect that as a result of the unusually widespread and extensive damage caused by this hurricane season that the costs for labor and building materials for future capital expenditure projects will increase. However, we do not believe it will affect the timing of our capital expenditure plans in 2005.

Acquisitions. We acquired the 834-room Hyatt Regency Washington, D.C. on Capitol Hill on September 30, 2005 for a purchase price of approximately \$274 million. We remain interested in pursuing single asset and portfolio acquisitions, both domestically and abroad. We believe that there are, and will continue to be, opportunities 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 lodging development is limited. Any acquisitions may be funded, in part, from our available cash, draws under our credit facility or other debt financing, proceeds from asset sales or through equity offerings by HMC or the issuance of debt or OP units by Host LP. 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, asset acquisitions, capital expenditures, operating costs, corporate expenses and distributions to equity holders.

Cash Provided by Operations. Our cash provided by operations for year-to-date 2005 increased \$103 million to \$309 million from \$206 million for year-to-date 2004, due primarily to the increase in operating profit in 2005.

Cash Provided by (Used in) Investing Activities. Our primary investing activities during the quarter consisted of capital expenditures at our properties of \$63 million. Year-to-date, we have spent approximately \$193 million in capital expenditures. The following table summarizes other significant investing activities that have been completed since the beginning of fiscal year 2005 (in millions):

<u>Transaction Date</u>	<u>Description of Transaction</u>	<u>Transaction Amount</u>
October 2005	Sale of Charlotte Marriott	\$ 21
September 2005	Purchase of Hyatt Regency Washington, D.C.	(274)
March 2005	Sale of 85% of our interest in CBM Joint Venture LLC	92
January 2005	Sale of Torrance Marriott	62
January 2005	Sale of Hartford Marriott at Farmington, Tampa Westshore Marriott and Albuquerque Marriott	66

In addition to the sale of four properties and 85% of our interest in CBM Joint Venture LLC in the first half of 2005 and the recently completed sale of Charlotte Executive Park Marriott in October, we believe that dispositions for the remainder of 2005 and the first quarter of 2006 will be approximately \$150 million to \$250 million. The net proceeds from any dispositions will be used to repay debt, fund acquisitions or repositioning/ROI projects or for general corporate purposes.

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Cash Used in Financing Activities. Our primary financing activities during the quarter consisted of payment of dividends on our preferred and common stock of \$42 million, and scheduled principle repayments of \$13 million. Year-to-date, dividend payments on our preferred and common stock totaled \$88 million and scheduled principal repayments totaled \$43 million. The following table summarizes other significant debt (net of deferred financings costs) and equity transactions since the beginning of 2005 (in millions):

Transaction Date	Description of Transaction	Transaction Amount
Debt		
May 2005	Prepayment of the 9% mortgage debt on two Ritz-Carlton hotels	\$ (140)
April 2005	Discharge of the remaining 8 ³ / ₈ % Series E senior notes	(20)
April 2005	Redemption of 7 ³ / ₈ % Series B senior notes	(169)
March 2005	Repurchase of 8 ³ / ₈ % Series E senior notes	(280)
March 2005	Proceeds from the issuance of 6 ³ / ₈ % Series N senior notes	639
January 2005	8.35% mortgage on the Hartford Marriott at Farmington assumed by buyer	(20)
Equity		
May 2005	Redemption of 4 million shares of 10% Class B preferred shares	(101)

Debt

As of September 9, 2005, our total debt was \$5.5 billion. The weighted average interest rate of our debt is approximately 7.0% and the current weighted average maturity is 6.9 years. Additionally, approximately 85% of our debt has a fixed rate of interest. Over time, we expect to increase the proportion of our floating rate debt in our capital structure to 20% to 25% of our total debt.

As of September 9, 2005 and December 31, 2004, our debt was comprised of:

	September 9, 2005	December 31, 2004
Series B senior notes, with a rate of 7 ⁷ / ₈ % due August 2008	\$ 136	\$ 304
Series E senior notes, with a rate of 8 ³ / ₈ % due February 2006	—	300
Series G senior notes, with a rate of 9 ¹ / ₄ % due October 2007 (1)	237	243
Series I senior notes, with a rate of 9 ¹ / ₂ % due January 2007 (2)	455	468
Series K senior notes, with a rate of 7 ¹ / ₈ % due November 2013	725	725
Series M senior notes, with a rate of 7% due August 2012	346	346
Series O senior notes, with a rate of 6 ³ / ₈ % due March 2015	650	—
Exchangeable Senior Debentures, with a rate of 3.25% due April 2024	492	491
Senior notes, with an average rate of 9.7%, maturing through 2012	13	13
Total senior notes	3,054	2,890
Mortgage debt (non-recourse) secured by \$2.8 billion of real estate assets, with an average interest rate of 7.7% at September 9, 2005 and December 31, 2004 respectively	1,858	2,043
Credit facility	—	—
Convertible Subordinated Debentures, with a rate of 6 ³ / ₄ % due December 2026	492	492
Other	97	98
Total debt	\$ 5,501	\$ 5,523

(1) Includes the fair value of the interest rate swap agreements of \$(5) million and \$1 million as of September 9, 2005 and December 31, 2004, respectively.

(2) Includes the fair value of the interest rate swap agreement of \$5 million and \$18 million as of September 9, 2005 and December 31, 2004, respectively.

Exchangeable Senior Debentures. During 2004, we issued \$500 million of 3.25% Exchangeable Senior Debentures which currently are exchangeable into shares of HMC's common stock at a rate of 55.4024 shares for each \$1,000 of principal amount of the debentures, or a total of approximately 28 million shares, which is equivalent to an exchange price of \$18.05 per share of our common stock. The exchange rate is adjusted for certain circumstances, including the payment of common dividends. Holders may exchange their Exchangeable Senior

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Debentures prior to maturity under certain conditions, including at any time at which the closing sale price of our common stock is more than 120% of the exchange price per share for at least 20 of 30 trading days.

Mortgage Debt. 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 September 9, 2005, we have 25 assets that are encumbered by mortgage debt. We have certain restrictive covenants on one loan, which we refer to as the CMBS loan, that is secured by mortgages on eight properties. These restrictive covenants require the mortgage servicer to retain and hold in escrow the cash flow after debt service when it declines below specified operating levels. The remaining mortgage loans generally do not have restrictive covenants that require such escrows. Our restricted cash includes \$68 million as of September 9, 2005 held in escrow in accordance with these restrictive covenants. As of the end of the third quarter, operating cash flow from these properties for the past two quarters met the levels required to release the escrowed funds under the CMBS loan and accordingly, we expect that these escrowed funds will be released in the fourth quarter.

Convertible Subordinated Debentures. As of September 9, 2005, Host Marriott Financial Trust (the "Trust"), a wholly owned subsidiary, has 9.5 million shares of 6³/₄% convertible quarterly income preferred securities outstanding (the "Convertible Preferred Securities"), with a liquidation preference of \$50 per share (for a total liquidation amount of \$475 million). The Convertible Preferred Securities represent an undivided beneficial interest in the assets of the Trust, consisting solely of \$492 million of 6³/₄% convertible subordinated debentures issued by us due December 2026 (the "Convertible Subordinated Debentures"). The Trust exists solely to issue the Convertible Preferred Securities and its own common securities, held by us, and to invest the proceeds therefrom in the Convertible Subordinated Debentures.

Each of the Convertible Preferred Securities and the related debentures are convertible at the option of the holder into shares of HMC common stock at the rate of 3.2537 shares per Convertible Preferred Security, for a total of approximately 31 million shares (equivalent to a conversion price of \$15.367 per share of our common stock). The Convertible Preferred Securities are redeemable at the Trust's option upon any redemption by us of the Convertible Subordinated Debentures. Currently, the Convertible Preferred Securities can be redeemed at a price equal to 101.350% of the liquidation preference, or \$50.3375 per security. In addition, we have the right to terminate the conversion rights, upon 30 days advance notice, in the event the price of HMC's common stock exceeds \$18.44 (equal to 120% of the conversion price) for 20 trading days within a period of 30 consecutive trading days. For additional information on these mortgages and their restrictive covenants, see our most current Annual Report on Form 10-K.

HMC Dividend Policy

HMC is required to distribute to stockholders at least 90% of its taxable income in order to qualify as a REIT, including taxable income recognized for tax purposes but with regard to which we do not receive corresponding cash. Funds used by HMC 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 HMC, Host LP has issued to HMC a corresponding common OP unit and preferred OP unit. As of October 15, 2005, HMC is the owner of substantially all of the preferred OP units and approximately 95% of the common OP units. The remaining 5% 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 HMC 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 HMC paid a five cent per share dividend on its common stock, it would be based on payment of a five cent per unit distribution by Host LP to HMC as well as other common OP unit holders. For these reasons, investors should also take into account the 5% minority position in Host LP, and the requirement that they share pro rata in distributions from Host LP, when analyzing dividend payments by HMC to its stockholders.

HMC's current policy on common dividends is generally to distribute at least 100% of its taxable income, unless otherwise contractually restricted. HMC currently intends to continue paying dividends on its preferred stock, regardless of the amount of taxable income, unless similarly contractually restricted. While we are not currently restricted in our ability to pay dividends, during the second half of 2002 and continuing through the first

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quarter of 2004 we were limited in our ability to pay dividends, except to the extent necessary to maintain HMC's REIT status.

On September 16, 2005, our Board of Directors declared a cash dividend of \$0.11 per share for our common stock. The dividend was paid on October 17, 2005 to stockholders of record as of September 30, 2005. The amount of any future common dividend will be determined by our Board of Directors.

On September 16, 2005, our Board of Directors also declared a quarterly cash dividend of \$0.625 per share for our Class C preferred stock and a cash dividend of \$0.5546875 per share for our Class E preferred stock. The dividends were paid on October 17, 2005 to preferred stockholders of record as of September 30, 2005.

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. A complete discussion of these measures (including the reasons why we believe they are useful to investors, the additional purposes for which management uses these measures and their limitations) is included in our most recent Annual Report on Form 10-K.

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 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.

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. See "Comparable Hotel Operating Statistics" above for a description of what we consider our comparable hotels. 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.

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

**Reconciliation of Net Income (Loss) Available to
Common Stockholders to Funds From Operations per Diluted Share**

	Quarter ended					
	September 9, 2005			September 10, 2004		
	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount
Net loss available to common stockholders	\$ (11)	353.1	\$ (.03)	\$ (60)	348.7	\$ (.17)
Adjustments:						
Amortization of deferred gains, net of taxes	(1)	—	—	(4)	—	(.01)
Depreciation and amortization	85	—	.24	85	—	.24
Partnership adjustments	1	—	—	1	—	—
FFO of minority partners of Host LP(a)	(4)	—	(.01)	(1)	—	—
Adjustments for dilutive securities:						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	2.3	—	—	2.0	—
Assuming conversion of Exchangeable Senior Debentures	4	27.7	(.01)	—	—	—
FFO per diluted share(b) (c)	\$ 74	383.1	\$.19	\$ 21	350.7	\$.06
	Year-to-date ended					
	September 9, 2005			September 10, 2004		
	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount
Net income (loss) available to common stockholders	\$ 67	352.6	\$.19	\$ (93)	331.5	\$ (.28)
Adjustments:						
Gain on dispositions, net of taxes	(54)	—	(.15)	(20)	—	(.06)
Amortization of deferred gains, net of taxes	(5)	—	(.02)	(8)	—	(.02)
Depreciation and amortization	254	—	.72	251	—	.75
Partnership adjustments	9	—	.03	12	—	.04
FFO of minority partners of Host LP(a)	(15)	—	(.04)	(9)	—	(.03)
Adjustments for dilutive securities:						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	2.4	(.01)	—	2.1	—
Assuming conversion of Exchangeable Senior Debentures	13	27.7	(.02)	—	—	—
FFO per diluted share(b) (c)	\$ 269	382.7	\$.70	\$ 133	333.6	\$.40

(a) Represents FFO attributable to the minority interests 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, convertible debt securities and other minority interests that have the option to convert their limited partnership interest to common OP units. No effect is shown for securities if they are anti-dilutive.

(c) FFO per diluted share and earnings (loss) per diluted share for certain periods presented were significantly affected by certain transactions, the effect of which is shown in the table below (in millions, except per share amounts):

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	Quarter ended			
	September 9, 2005		September 10, 2004	
	Net Income (Loss)	FFO	Net Income (Loss)	FFO
Senior notes redemptions and debt prepayments (1)	\$ —	\$ —	\$ (14)	\$ (14)
Preferred stock redemptions (2)	—	—	(6)	(6)
Minority interest income (expense) (3)	—	—	1	1
Total	\$ —	\$ —	\$ (19)	\$ (19)
Per diluted share	\$ —	\$ —	\$ (.05)	\$ (.05)
	Year-to-date ended			
	September 9, 2005		September 10, 2004	
	Net Income (Loss)	FFO	Net Income (Loss)	FFO
Senior notes redemptions and debt prepayments (1)	\$ (34)	\$ (34)	\$ (59)	\$ (59)
Preferred stock redemptions (2)	(4)	(4)	(6)	(6)
Gain on CBM Joint Venture LLC sale (4)	42	—	—	—
Gain on hotel dispositions	12	—	20	—
Minority interest income (expense) (3)	(1)	2	2	4
Total	\$ 15	\$ (36)	\$ (43)	\$ (61)
Per diluted share (5)	\$.04	\$ (.09)	\$ (.13)	\$ (.18)

- (1) Represents call premiums and the acceleration of original issue discounts and deferred financing costs, as well as incremental interest during the call or prepayment notice period, included in interest expense in the consolidated statements of operations. We recognized these costs in conjunction with the prepayment or refinancing of senior notes and mortgages during certain periods presented.
- (2) Represents the original issuance costs for preferred stock, which was required to be charged against net income (loss) available to common stockholders in conjunction with the redemption of the Class B preferred stock in the second quarter of 2005 and the redemption of the Class A preferred stock in the third quarter of 2004. The adjustment in 2004 also includes the incremental dividends from the date of issuance of the Class E preferred stock to the date of redemption of the Class A preferred stock. For further detail, see Note 5 to the condensed consolidated statements.
- (3) Represents the portion of the significant transactions attributable to minority partners in Host LP.
- (4) Represents the gain, net of tax, on the sale of 85% of our interest in CBM Joint Venture LLC.
- (5) Prior year per share amounts were adjusted due to the dilutive effect of the retroactive application of EITF 04-8.

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

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

	Quarter ended		Year-to-date ended	
	September 9, 2005	September 10, 2004	September 9, 2005	September 10, 2004
Number of hotels	99	99	99	99
Number of rooms	49,082	49,082	49,082	49,082
Percent change in Comparable Hotel RevPAR	8.0%	—	9.1%	—
Comparable hotel sales				
Room	\$ 489	\$ 452	\$ 1,491	\$ 1,371
Food and beverage	221	208	754	717
Other	54	51	167	157
Comparable hotel sales (b)	764	711	2,412	2,245
Comparable hotel expenses (c)				
Room	125	119	364	345
Food and beverage	182	174	568	545
Other	34	34	103	99
Management fees, ground rent and other costs	269	253	802	760
Comparable hotel expenses	610	580	1,837	1,749
Comparable hotel adjusted operating profit	154	131	575	496
Non-comparable hotel results, net (d)	17	14	61	49
Office building and limited service properties, net (e)	—	—	—	(1)
Depreciation and amortization	(85)	(83)	(254)	(242)
Corporate and other expenses	(16)	(18)	(45)	(43)
Operating profit	\$ 70	\$ 44	\$ 337	\$ 259

- (a) The reporting period for our comparable operating statistics for the third quarter of 2005 is from June 18, 2005 to September 9, 2005 and for the third quarter of 2004 from June 19, 2004 to September 10, 2004. The reporting period for year-to-date 2005 is from January 1, 2005 to September 9, 2005 and for year-to-date 2004 is from January 3, 2004 to September 10, 2004. For further detail, see "Reporting Periods" in our most recent Annual Report of Form 10-K.
- (b) The reconciliation of total revenues per the consolidated statements of operations to the comparable hotel sales is as follows:

	Quarter ended		Year-to-date ended	
	September 9, 2005	September 10, 2004	September 9, 2005	September 10, 2004
Revenues per the consolidated statements of operations	\$ 841	\$ 781	\$ 2,647	\$ 2,452
Revenues of hotels held for sale	3	2	8	7
Non-comparable hotel sales	(72)	(62)	(224)	(181)
Hotel sales for the property for which we record rental income, net	10	8	35	31
Rental income for office buildings and limited service hotels	(18)	(18)	(54)	(53)
Adjustment for hotel sales for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	—	—	—	(11)
Comparable hotel sales	\$ 764	\$ 711	\$ 2,412	\$ 2,245

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

	Quarter ended		Year-to-date ended	
	September 9, 2005	September 10, 2004	September 9, 2005	September 10, 2004
Operating costs and expenses per the consolidated statements of operations	\$ 771	\$ 737	\$ 2,310	\$ 2,193
Operating costs of hotels held for sale	3	2	7	6
Non-comparable hotel expenses	(55)	(48)	(162)	(133)
Hotel expenses for the property for which we record rental income	10	8	35	32
Rent expense for office buildings and limited service hotels	(18)	(18)	(54)	(54)
Adjustment for hotel expenses for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	—	—	—	(10)
Depreciation and amortization	(85)	(83)	(254)	(242)
Corporate and other expenses	(16)	(18)	(45)	(43)
Comparable hotel expenses	\$ 610	\$ 580	\$ 1,837	\$ 1,749

(d) 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 the number of days of operations reflected in the comparable hotel results and the number of days of operations reflected in the consolidated statements of operations. For further detail, see "Reporting Periods" in our most recent Annual Report on Form 10-K.

(e) 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

The percentage of our debt that is floating rate was 15% at September 9, 2005 and December 31, 2004. Accordingly, there have been no changes in our interest rate sensitivity. See our most recent Annual Report on Form 10-K.

Exchange Rate Sensitivity

Foreign Currency Forward Exchange Agreements

Other than those transactions disclosed in our quarterly report on Form 10-Q for the period ended March 25, 2005, there have been no other changes to, nor have we purchased or sold any other derivative instruments during the third quarter of 2005 that would affect our exchange 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-15(e). 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 was 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.

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 as of the end of the period covered by this report. 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 5. Other Information

On October 12, 2005, the Company amended its Issuance Agreement with Richard E. Marriott providing for the grant of stock appreciation rights in the Company's common stock. The Issuance Agreement was entered into as of December 29, 1998, and provided for the cancellation of Mr. Marriott's then outstanding stock options in exchange for the issuance of a total of 66,685 stock appreciation rights on equivalent economic terms. The October 12, 2005 amendment extended the expiration date for one tranche of 29,930 stock appreciation rights from October 12, 2005 to January 15, 2006. A copy of the amended agreement is attached as an exhibit to this filing.

Item 6. Exhibits

(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.

<u>Exhibit No.</u>	<u>Description</u>
3.1	Host Marriott Corporation Articles of Restatement.
10.45	Host Marriott Corporation Issuance Agreement dated as of December 29, 1998, by and between Host Marriott Corporation and Richard E. Marriott, as amended October 12, 2005.
12.1	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
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.

* 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

October 17, 2005

/s/ Larry K. Harvey_____

Larry K. Harvey
Senior Vice President and
Corporate Controller

HOST MARRIOTT CORPORATION

ARTICLES OF RESTATEMENT

THIS IS TO CERTIFY THAT:

FIRST: Host Marriott Corporation, a Maryland corporation (the “Corporation”), desires to restate its charter as currently in effect.

SECOND: The following provisions are all the provisions of the charter currently in effect:

ARTICLE I**Name**

The name of the corporation (which is hereinafter called the “Corporation”) is Host Marriott Corporation.

ARTICLE II**Purposes**

The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Maryland (the “MGCL”).

ARTICLE III**Principal Office**

The present address of the principal office of the Corporation in the State of Maryland is 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland 20817.

ARTICLE IV**Resident Agent**

The name and address of the resident agent of the Corporation in the State of Maryland is CSC-Lawyers Incorporating Service Company, 11 East Chase Street, Baltimore, MD 21202. Said resident agent is a Maryland corporation.

ARTICLE V**Duration**

The duration of the Corporation shall be perpetual.

ARTICLE VI
Capitalization

Section 6(a) Shares and Par Value. The total number of shares of stock of all classes ("Capital Stock") which the Corporation has authority to issue is 800,000,000 shares, 750,000,000 of which initially are classified as common stock, par value of \$.01 per share ("Common Stock"), and 50,000,000 of which initially are classified as preferred stock, par value \$.01 per share ("Preferred Stock"). The Preferred Stock has been reclassified as follows: (i) 650,000 shares have been classified as Series A Junior Participating Preferred Stock, (ii) 5,980,000 shares have been classified as 10% Class C Cumulative Redeemable Preferred Stock and (iii) 8,000,000 shares have been classified as 8^{7/8}% Class E Cumulative Redeemable Preferred Stock. The aggregate par value of all classes of stock that the Corporation shall have authority to issue is \$8,000,000. The Board of Directors may, by adopting a resolution and filing articles supplementary with the State Department of Assessments and Taxation of Maryland, classify and reclassify any unissued shares of Capital Stock by setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of such shares of stock. The power of the Board of Directors under this Section 6(a) to classify and reclassify any of the shares of Capital Stock shall include, without limitation, authority to classify or reclassify any unissued shares of such stock (including shares initially designated as Common Stock or Preferred Stock above) into Common Stock, Preferred Stock, a class or classes of preferred stock, preference stock, special stock or other stock (including non-voting common stock), and to divide and classify shares of any class into one or more series of such class. Unless otherwise specifically provided for in the terms of any class or series of stock now or hereafter created, the amount that would be needed, if the Corporation were to be dissolved at the time of a distribution, to satisfy the preferential rights on dissolution of stockholders whose preferential rights are superior to those receiving the distribution, shall not limit the ability of the Corporation to make any distribution or the amount thereof.

Section 6(b) Common Stock. The following is a description of the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption of the Common Stock of the Corporation:

(1) Voting Rights. Each share of Common Stock shall have one vote on all actions to be taken by the stockholders of the Corporation, and, except as otherwise provided in respect of any class of stock at any time classified or reclassified, the exclusive voting power for all purposes shall be vested in the holders of the Common Stock.

(2) Dividends. Subject to the provisions of law and any preferences of any class of Capital Stock, including any shares of Preferred Stock, hereafter classified or reclassified, dividends, including dividends payable in shares of another class of the Corporation's stock, may be paid on the Common Stock of the Corporation at such time

and in such amounts as the Board of Directors may deem advisable and the holders of the Common Stock shall share ratably in any such dividends, in proportion to the number of shares of Common Stock held by them respectively, on a share for share basis.

(3) Liquidation Rights. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Stock shall be entitled, after payment or provision for payment of the debts and other liabilities of the Corporation and the amount to which the holders of any class of Capital Stock at any time classified or reclassified having a preference on distributions in the liquidation, dissolution or winding up of the Corporation are entitled, including any shares of Preferred Stock, together with the holders of any other class of Capital Stock hereafter classified or reclassified not having a preference on distributions in the liquidation, dissolution or winding up of the Corporation, to share ratably in the remaining net assets of the Corporation.

Section 6(c) Preferred Stock. The Board of Directors shall have the authority to classify and reclassify any unissued shares of Preferred Stock from time to time by setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of such shares of the Preferred Stock. Subject to the foregoing, the power of the Board of Directors to classify and reclassify any of the shares of Preferred Stock shall include, without limitation, subject to the provisions of the charter, authority to classify or reclassify any of the shares of such stock into Common Stock, a class or classes of preferred stock, preference stock, special stock or other stock, and to divide and classify shares of any class into one or more series of such class, by determining, fixing, or altering one or more of the following:

(1) The distinctive designation of such class or series and the number of shares to constitute such class or series; provided that, unless otherwise prohibited by the terms of such or any other class or series, the number of shares of any class or series may be decreased by the Board of Directors in connection with any classification or reclassification of unissued shares and the number of shares of such class or series may be increased by the Board of Directors in connection with any such classification or reclassification, and any shares of any class or series which have been redeemed, purchased, otherwise acquired or converted into shares of Common Stock or any other class or series shall become part of the authorized class of stock so redeemed, purchased, otherwise acquired or converted into shares of Common Stock and be subject to classification and reclassification as provided in this Article VI.

(2) Whether or not and, if so, the rates, amounts and times at which, and the conditions under which, dividends shall be payable on shares of such class or series, whether any such dividends shall rank senior or junior to or on a parity with the dividends payable on any other class or series of stock, and the status of any such dividends as cumulative, cumulative to a limited extent or non-cumulative and as participating or non-participating.

(3) Whether or not shares of such class or series shall have voting rights, in addition to any voting rights provided by law and, if so, the terms of such voting rights.

(4) Whether or not shares of such class or series shall have conversion or exchange privileges and, if so, the terms and conditions thereof, including provision for adjustment of the conversion or exchange rate in such events or at such times as the Board of Directors shall determine.

(5) Whether or not shares of such class or series shall be subject to redemption and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates; and whether or not there shall be any sinking fund or purchase account in respect thereof, and if so, the terms thereof.

(6) The rights of the holders of shares of such class or series upon the liquidation, dissolution or winding up of the affairs of, or upon any distribution of the assets of, the Corporation, which rights may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary and, if voluntary, may vary at different dates, and whether such rights shall rank senior or junior to or on a parity with such rights of any other class or series of stock.

(7) Whether or not there shall be any limitations applicable, while shares of such class or series are outstanding, upon the payment of dividends or making of distributions on, or the acquisition of, or the use of moneys for purchase or redemption of, any stock of the Corporation, or upon any other action of the Corporation, including action under this Section 6(c), and, if so, the terms and conditions thereof.

(8) Any other preferences, rights, restrictions, including restrictions on transferability, and qualifications of shares of such class or series, not inconsistent with law and the charter of the Corporation.

Section 6(d) Ranking of Classes or Series of Capital Stock. For the purposes hereof and of any articles supplementary to the charter providing for the classification or reclassification of any shares of Capital Stock or of any other charter document of the Corporation (unless otherwise provided in any such articles or document), any class or series of stock of the Corporation shall be deemed to rank:

(1) prior to another class or series either as to dividends or upon liquidation, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable on liquidation, dissolution or winding up, as the case may be, in preference or priority to holders of such other class or series;

(2) on a parity with another class or series either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation price per share thereof be different from those of such others, if

the holders of such class or series of stock shall be entitled to receipt of dividends or amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or redemption or liquidation prices, without preference or priority over the holders of such other class or series; and

(3) junior to another class or series either as to dividends or upon liquidation, if the rights of the holders of such class or series shall be subject or subordinate to the rights of the holders of such other class or series in respect of the receipt of dividends or the amounts distributable upon liquidation, dissolution or winding up, as the case may be.

Section 6(e) Series A Junior Participating Preferred Stock.

Section 1. Designation and Amount. The shares of such series of Preferred Stock, par value \$.01 per share, shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 650,000. Such number of shares may be increased or decreased by resolution of the Board of Directors and by the filing of articles supplementary in accordance with the Maryland General Corporation Law; provided, that no decrease shall reduce the number of shares of Series A Junior Participating Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Junior Participating Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 15th day of April, July, October and January, in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10.00 or (b) subject to the provision for adjustment hereinafter set forth, one thousand (1,000) times the aggregate per share amount of all cash dividends, and one thousand (1,000) times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions (other than a dividend payable in shares of common stock, par value \$.01 per share, of the Corporation (the "Common Stock"), or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise)) declared on the Common Stock, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or

fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after November 23, 1998 (the "Rights Declaration Date") (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10.00 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date set for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to one thousand (1,000) votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock and any other stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are not paid, thereafter and until such dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, or make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock; or

(ii) declare or pay dividends on, or make any other distributions on, any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective Series A and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein, or reclassified as Common Stock or other stock of the Corporation as provided in the Corporation's Articles of Incorporation.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received \$55,000 per share, plus any unpaid dividends and distributions payable thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the

“Common Adjustment”) equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii) immediately above as so adjusted being referred to as the “Adjustment Number”). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to one (1) with respect to such Series A Junior Participating Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed into such stock or securities, cash and/or any other property in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to one thousand (1,000) times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the

preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock (as previously adjusted, if any prior adjustment has occurred) shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Redemption. The outstanding shares of Series A Junior Participating Preferred Stock may be redeemed as a whole, but not in part, at any time, or from time to time, at the option of the Board, at a cash price per share equal to 105 percent of (i) the product of the Adjustment Number times the Average Market Value (as such term is hereinafter defined) of the Common Stock, plus (ii) all dividends which on the redemption date are payable on the shares to be redeemed and have not been paid, or declared and a sum sufficient for the payment thereof set apart, without interest. The "Average Market Value" is the average of the closing sale prices of the Common Stock during the 30 day period immediately preceding the date before the redemption date on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the average of the closing sale prices with respect to a share of Common Stock during such 30 day period, as quoted on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value of the Common Stock as determined by the Board in good faith.

Section 9. Ranking. Notwithstanding anything contained herein to the contrary, the Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to voting rights, the payment of dividends and the distribution of assets in liquidation, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Articles of Incorporation of the Corporation shall not be further amended, nor shall an Articles Supplementary be filed or amended, in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least a majority of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holders, in proportion to such holders' fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

Section 6(f) 10% Class C Cumulative Redeemable Preferred Stock.

1. Designation and Amount. A series of Preferred Stock of the Corporation, designated as the “10% Class C Cumulative Redeemable Preferred Stock” (the “Class C Preferred Stock”), par value \$0.01 per share, is hereby established. The number of authorized shares of Class C Preferred Stock is 5,980,000.

2. Ranking. In respect of rights to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, the Class C Preferred Stock ranks (i) senior to the Corporation’s common stock, par value \$0.01 per share (the “Common Stock”), senior to the Corporation’s Series A Junior Participating Preferred Stock, par value \$0.01 per share (the “Junior Participating Series A Preferred Stock”) and senior to any other class or series of capital stock of the Corporation other than capital stock referred to in clauses (ii) and (iii) of this sentence, (ii) on a parity with any other class or series of capital stock of the Corporation the terms of which specifically provide that such class or series of capital stock ranks on a parity with the Class C Preferred Stock as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, and (iii) junior to any class or series of capital stock of the Corporation the terms of which specifically provide that such class or series of capital stock ranks senior to the Class C Preferred Stock as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation. The term “capital stock” does not include convertible debt securities.

3. Dividends.

(a) Subject to the preferential rights of the holders of any class or series of capital stock of the Corporation ranking senior to the Class C Preferred Stock as to dividends, the holders of the outstanding shares of Class C Preferred Stock will be entitled to receive, when, as and if authorized by the Board of Directors of the Corporation (the “Board of Directors”) and declared by the Corporation, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 10% per annum of the \$25.00 per share liquidation preference of the Class C Preferred Stock (equivalent to an annual rate of \$2.50 per share). Such dividends will accrue daily, will accrue and be cumulative from March 27, 2001 (the “Original Issue Date”) and will be payable quarterly in arrears in cash on January 15, April 15, July 15 and October 15 (each, a “Dividend Payment Date”) of each year, commencing April 15, 2001; provided, that if any Dividend Payment Date is not a Business Day (as hereinafter defined), then the dividend which would otherwise have been payable on such Dividend Payment Date may be paid on the next succeeding Business Day with the same force and effect as if paid on such Dividend Payment Date and no interest or additional dividends or other sum will accrue on the amount so payable for the period from and after such Dividend Payment Date to such next succeeding Business Day. The period from and including the Original Issue Date to but excluding the first Dividend Payment Date, and each subsequent period from and including a Dividend Payment Date to but excluding the next succeeding Dividend Payment Date, is hereinafter called a “Dividend Period”. Dividends

will be payable to holders of record as they appear in the stock transfer books of the Corporation at the close of business on the applicable record date (each, a "Record Date"), which will be the 1st day of the calendar month in which the applicable Dividend Payment Date falls or such other date designated by the Board of Directors that is not more than 30 nor less than ten days prior to such Dividend Payment Date. The amount of any dividend payable for any Dividend Period, or portion thereof will be computed on the basis of a 360-day year consisting of twelve 30-day months (it being understood that the dividend payable on April 15, 2001 will be for less than a full Dividend Period). The dividends payable on any Dividend Payment Date or any other date will include dividends accrued to but excluding such Dividend Payment Date or other date, as the case may be.

"Business Day" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to be closed. All references herein to "accrued and unpaid" dividends on the Class C Preferred Stock (and all references of like import) include, unless otherwise expressly stated or the context otherwise requires, accumulated dividends, if any, on the Class C Preferred Stock; and all references herein to "accrued and unpaid" dividends on any other class or series of capital stock of the Corporation include, if (and only if) such class or series of capital stock provides for cumulative dividends and unless otherwise expressly stated or the context otherwise requires, accumulated dividends, if any, thereon.

(b) If any shares of Class C Preferred Stock are outstanding, no full dividends will be authorized or declared or paid or set apart for payment on any capital stock of the Corporation of any other class or series ranking, as to dividends, on a parity with or junior to the Class C Preferred Stock for any period unless full cumulative dividends have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Class C Preferred Stock for all past Dividend Periods (including, without limitation, any Dividend Period that terminates on any date upon which dividends on such other class or series of capital stock of the Corporation are authorized or declared or paid or set apart for payment, as the case may be). When such cumulative dividends are not paid in full (or a sum sufficient for such full payment is not set apart therefor) upon the Class C Preferred Stock and the shares of any other class or series of capital stock of the Corporation ranking on a parity as to dividends with the Class C Preferred Stock, all dividends authorized and declared upon the Class C Preferred Stock and any other class or series of capital stock of the Corporation ranking on a parity as to dividends with the Class C Preferred Stock will be authorized and declared pro rata so that the amount of dividends authorized and declared per share of Class C Preferred Stock and such other class or series of capital stock of the Corporation will in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of Class C Preferred Stock and such other class or series of capital stock of the Corporation bear to each other.

Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Class C Preferred Stock have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the

payment thereof set apart for such payment on the Class C Preferred Stock for all past Dividend periods (including, without limitation, any Dividend Period that terminates on a date that also is a Subject Date (as defined below)), no dividends (other than in shares of Common Stock or shares of any other class or series of capital stock of the Corporation ranking junior to the Class C Preferred Stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation) will be authorized or declared or paid or set apart for payment nor will any other distribution be authorized or declared or made upon the Common Stock of the Corporation or any other class or series of capital stock of the Corporation ranking junior to or on a parity with the Class C Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, and no shares of Common Stock of the Corporation or shares of any other class or series of capital stock of the Corporation ranking junior to or on a parity with the Class C Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation will be redeemed, purchased or otherwise acquired for any consideration (or any monies paid to or made available for a sinking fund for the redemption of any such shares of junior or parity stock) by the Corporation (except by conversion into or exchange for shares of any other class or series of capital stock of the Corporation ranking junior to the Class C Preferred Stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation and except for the redemption, purchase or acquisition by the Corporation of capital stock of the Corporation of any class or series pursuant to Article VIII (or any similar provisions) of the Charter allowing the Corporation to redeem or repurchase shares of its capital stock to preserve its status as a real estate investment trust (a "REIT") for federal income tax purposes or the status of Host Marriott, L.P., a Delaware limited partnership (the "Operating Partnership", which term includes any successor thereto), as a partnership for federal income tax purposes). As used in this paragraph, the term "Subject Date" means (A) any date on which any dividends are authorized, declared or paid or set apart for payment or other distribution authorized, declared or made upon the Common Stock or any other class or series of the Corporation's capital stock ranking junior to on a parity with the Class C Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, and (B) any date on which any shares of Common Stock or any other class or series of the Corporation's capital stock ranking junior to or on a parity with the Class C Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation are redeemed, purchased or otherwise acquired for any consideration or any money paid to or made available for a sinking fund for the redemption of any such shares of junior or parity stock by the Corporation.

(c) No dividends on the Class C Preferred Stock will be authorized or declared or paid or set apart for payment at such time as any agreement of the Corporation, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration, payment or setting apart for payment will be restricted or prohibited by applicable law.

Anything in the Charter to the contrary notwithstanding (including, without limitation, the provisions set forth in the immediately preceding paragraph), dividends on the Class C Preferred Stock will accrue and be cumulative from the Original Issue Date whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared.

(d) No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the Class C Preferred Stock which may be in arrears, and holders of the Class C Preferred Stock will not be entitled to any dividends, whether payable in cash, securities or other property, in excess of the full cumulative dividends described herein.

(e) Any dividend payment made on the Class C Preferred Stock will first be credited against the earliest accrued but unpaid dividend due with respect to the Class C Preferred Stock.

(f) If, for any taxable year, the Corporation elects to designate as "capital gain dividends" (as defined in Section 857 of the Internal Revenue Code of 1986, as amended (the "Code")), any portion (the "Capital Gains Amount") of the dividends (within the meaning of the Code) paid or made available for the year to holders of all classes and series of the Corporation's capital stock (the "Total Dividends"), then the portion of the Capital Gains Amount that is allocable to the holders of the Class C Preferred Stock will be an amount equal to (A) the total Capital Gains Amount multiplied by (B) a fraction (1) the numerator of which is equal to the total dividends (within the meaning of the Code) paid or made available to the holders of the Class C Preferred Stock for that year and (2) the denominator of which is the Total Dividends for that year.

4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, then, before any distribution or payment is made to the holders of any Common Stock of the Corporation or shares of any other class or series of capital stock of the Corporation ranking junior to the Class C Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, but subject to the preferential rights of the holders of shares of any class or series of capital stock of the Corporation ranking senior to the Class C Preferred Stock as to such distribution of assets upon such liquidation, dissolution or winding up, the holders of the shares of Class C Preferred Stock then outstanding will be entitled to receive and to be paid out of the assets of the Corporation legally available for distribution to its shareholders liquidating distributions in the amount of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date of payment.

(b) After payment to the holders of the Class C Preferred Stock of the full amount of the liquidating distributions (including accrued and unpaid dividends) to which they are entitled, the holders of Class C Preferred Stock, as such, will have no right or claim to any of the remaining assets of the Corporation.

(c) If, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to its shareholders are insufficient to pay the full amount of liquidating distributions on all outstanding shares of Class C Preferred Stock and the full amount of the liquidating distributions payable on all outstanding shares of any other classes or series of capital stock of the Corporation ranking on a parity with the Class C Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, then the holders of the Class C Preferred Stock and all other such classes or series of capital stock will share ratably in any such distribution of assets in proportion to the full liquidating distributions (including, if applicable, accrued and unpaid dividends) to which they would otherwise respectively be entitled.

(d) If liquidating distributions are made in full to all holders of Class C Preferred Stock and any other classes or series of capital stock of the Corporation ranking on a parity with the Class C Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, then, the remaining assets of the Corporation will be distributed among the holders of any other classes or series of capital stock of the Corporation ranking junior to the Class C Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up, according to their respective rights and preferences.

(e) For purposes of this Section 4, neither the consolidation or merger of the Corporation with or into any other corporation, trust or other entity, nor the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, will be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

5. Redemption.

(a) The Class C Preferred Stock is not redeemable prior to March 27, 2006, except that the Corporation will be entitled, pursuant to the provisions of Article VIII (or any similar provision) of the Charter, to redeem, purchase or acquire shares of Class C Preferred Stock in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes. Any date fixed for the redemption of shares of Class C Preferred Stock is hereinafter called a "Redemption Date".

(b) On and after March 27, 2006, the Corporation may, at its option, upon not less than 30 nor more than 60 days' prior written notice to the holders of record of the Class C Preferred Stock to be redeemed, redeem the Class C Preferred Stock, in whole or from time to time in part, for a cash redemption price equal to \$25.00 per share together with (except as provided in Section 6(f) below) all accrued and unpaid dividends to the date fixed for redemption (the "Optional Redemption Price").

(c) In the event of any redemption of Class C Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes, such redemption shall be

made on the terms and subject to the conditions set forth in Article VIII of the Charter and in accordance with the further terms and conditions set forth in this Section 5(c) and Section 6 below. If the Corporation calls for redemption any shares of Class C Preferred Stock pursuant to and in accordance with such provisions of Article VIII of the Charter and this Section 5(c), then, anything in the Charter to the contrary notwithstanding, the redemption price for such shares will be an amount in cash equal to \$25.00 per share together with (except as provided in Section 6(f) below) all accrued and unpaid dividends to the date fixed for redemption (the "Charter Redemption Price"). Anything in the Charter to the contrary notwithstanding, the provisions of this Section 5(c) shall apply only to the redemption of Class C Preferred Stock pursuant to Article VIII (or any similar provisions) of the Charter and not to any other purchase or acquisition of shares of Class C Preferred Stock pursuant to Article VIII (or any similar provisions) of the Charter.

(d) Any redemption of shares of Class C Preferred Stock, whether pursuant to paragraph (b) or (c) of this Section 5, will be made in accordance with the applicable provisions set forth in Section 6 below.

6. Procedures for Redemption; Limitations on Redemption.

(a) If fewer than all of the outstanding shares of Class C Preferred Stock are to be redeemed at the option of the Corporation pursuant to Section 5(b) above, the number of shares to be redeemed will be determined by the Corporation and the shares to be so redeemed will be selected by the Corporation pro rata from the holders of record of such shares in proportion to the number of such shares held by such holders (as nearly as may be practicable without creating fractional shares) or by lot or by any other equitable manner determined by the Corporation that will not result in the transfer of any shares of Class C Preferred Stock to a trust for the benefit of a charitable beneficiary pursuant to Article VIII (or any similar provision) of the Charter.

(b) Notice of redemption will be given by publication in The Wall Street Journal or, if such newspaper is not then being published, another newspaper of general circulation in The City of New York, such publication to be made at least once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the Redemption Date, except that no such notice need be published in the case of a redemption pursuant to Section 5(c) above. Notice of any redemption (whether pursuant to Section 5(b) or 5(c) above, as the case may be) will also be mailed by or on behalf of the Corporation, first class postage prepaid, not less than 30 nor more than 60 days prior to the applicable Redemption Date, addressed to each holder of record of shares of Class C Preferred Stock to be redeemed at the address set forth in the share transfer records of the Corporation; provided, that if the Corporation reasonably concludes, based upon the advice of independent tax counsel experienced in such matters, that any redemption made pursuant to Section 5(c) must be made on a date (the "Early Redemption Date") which is earlier than 30 days after the date of such mailing in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or to comply with federal tax laws relating to the Corporation's qualification as a REIT, then the Corporation may give such shorter notice as is necessary to effect such redemption on the Early Redemption

Date. Any notice which has been mailed in the manner provided for in the preceding sentence will be conclusively presumed to have been duly given on the date mailed whether or not the applicable holder receives such notice. In addition to any information required by law or by the applicable rules of any exchange upon which Class C Preferred Stock may be listed or admitted to trading, such notice will state: (1) the Redemption Date; (2) the Optional Redemption Price or the Charter Redemption Price, as the case may be (the "Redemption Price"); (3) the number of shares of Class C Preferred Stock to be redeemed and whether such shares are being redeemed at the option of the Corporation pursuant to Section 5(b) or in order to preserve the Corporation's status as a real estate investment trust for federal income tax purposes pursuant to Section 5(c); (4) the place or places (which will include a place in the Borough of Manhattan, The City of New York) where certificates for such shares are to be surrendered for payment of the Redemption Price; and (5) that dividends on the shares of Class C Preferred Stock to be redeemed will cease to accrue on such Redemption Date. If fewer than all of the outstanding shares of Class C Preferred Stock are to be redeemed, the notice mailed to each holder of shares to be redeemed will also specify the number of shares of Class C Preferred Stock to be redeemed from such holder. No failure to mail or defect in such mailed notice or in the mailing thereof will affect the validity of the proceedings for the redemption of any shares of Class C Preferred Stock except as to the holder to whom notice was defective or not given.

(c) If notice has been published (with respect to a redemption pursuant to Section 5(b) only) and mailed in accordance with Section 6(b) above and all funds necessary for such redemption have been irrevocably set aside by the Corporation on or before the Redemption Date specified in such notice, separate and apart from its other funds, in trust for the benefit of the holders of the Class C Preferred Stock so called for redemption, so as to be, and to continue to be, available therefor, then, from and after the Redemption Date, dividends on the shares of Class C Preferred Stock so called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding, and all rights of the holders thereof as holders of such shares (except the right to receive the Redemption Price together with, if applicable, accrued and unpaid dividends thereon to the Redemption Date) will terminate. In the event any Redemption Date is not a Business Day, then payment of the Redemption Price may be made on the next succeeding Business Day with the same force and effect as if made on such Redemption Date and no interest, additional dividends or other sum will accrue on the amount payable for the period from and after such Redemption Date to such next succeeding Business Day.

(d) Upon surrender, in accordance with such notice, of the certificates for any shares of Class C Preferred Stock to be so redeemed (properly endorsed or assigned for transfer, if the Corporation so requires and the redemption notice so states), such shares of Class C Preferred Stock will be redeemed by the Corporation at the Redemption Price. In case fewer than all the shares of Class C Preferred Stock evidenced by any such certificate redeemed, a new certificate or certificates will be issued evidencing the unredeemed shares of Class C Preferred Stock without cost to the holder thereof.

(e) Any deposit of monies with a bank or trust company for the purpose of redeeming Class C Preferred Stock will be irrevocable and such monies will be held in trust for the benefit of the holders of Class C Preferred Stock entitled thereto, except that (1) the Corporation will be entitled to receive from such bank or trust company the interest or other earnings, if any, earned on the monies so deposited in trust; and (2) any balance of the monies so deposited by the Corporation and unclaimed by the holders of the Class C Preferred Stock entitled thereto at the expiration of two years from the applicable Redemption Date will be repaid, together with any interest or other earnings earned thereon, to the Corporation and, after any such repayment, the holders of the shares entitled to the funds so repaid to the Corporation will look only to the Corporation for payment without interest or other earnings thereon.

(f) Anything in the Charter to the contrary notwithstanding, the holders of record of shares of Class C Preferred Stock at the close of business on a Record Date will be entitled to receive the dividend payable with respect to such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares after such Record Date and on or prior to such Dividend Payment Date or the Corporation's default in the payment of the dividend due on such Dividend Payment Date, in which case the amount payable upon redemption of such shares of Class C Preferred Stock will not include the dividend payable on such Dividend Payment Date and the full amount of the dividend payable on such Dividend Payment Date will instead be paid on such Dividend Payment Date to the holders of record at the close of business on such Record Date as aforesaid. Except as provided in this Section 6(f) and except to the extent that accrued and unpaid dividends are payable as part of the Redemption Price pursuant to Section 5, the Corporation will make no payment or allowance for unpaid dividends, regardless of whether or not in arrears, on shares of Class C Preferred Stock called for redemption.

(g) Unless full cumulative dividends on all outstanding shares of Class C Preferred Stock have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for payment for all past Dividend Periods (including, without limitation, any Dividend Period that terminates on the date of any redemption of shares of Class C Preferred Stock referred to below or on the date of any direct or indirect purchase or other acquisition of shares of Class C Preferred Stock referred to below, as the case may be), (i) no shares of Class C Preferred Stock will be redeemed unless all outstanding shares of Class C Preferred Stock are simultaneously redeemed; provided however, that the foregoing will not prevent the redemption, repurchase or acquisition of shares of Class C Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to the holders of all outstanding shares of Class C Preferred Stock, and (ii) the Corporation will not purchase or otherwise acquire, directly or indirectly, any shares of Class C Preferred Stock (except by conversion into or exchange for capital stock of the Corporation ranking junior to the Class C Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation); provided, however, that the foregoing

will not prevent the redemption, purchase or acquisition of shares of Class C Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Class C Preferred Stock.

7. Voting Rights. Except as required by law and as set forth below in this Section 7, the holders of the Class C Preferred Stock do not have any voting rights.

(a) Whenever dividends on any shares of Class C Preferred Stock are in arrears for six or more Dividend Periods, whether or not such Dividend Periods are consecutive, the number of directors then constituting the Board of Directors of the Corporation will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and with which the Class C Preferred Stock is entitled to vote as a class with respect to the election of such two directors) and the holders of shares of Class C Preferred Stock (voting together as a single class with all other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Class C Preferred Stock in the election of such two directors) will be entitled to vote for the election of a total of two additional directors of the Corporation at a special meeting called by an officer of the Corporation at the request of the holders of record of at least 10% of the outstanding shares of Class C Preferred Stock or by the holders of any other class or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which is entitled to vote as a class with the Class C Preferred Stock in the election of such two additional directors (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders of the Corporation, in which case the vote for such two directors will be held at the earlier of the next such annual or special meeting of shareholders), and at each subsequent annual meeting of shareholders, until all dividends accumulated on the Class C Preferred Stock for all past Dividend Periods and the then current Dividend Period have been fully paid or authorized and declared and a sum sufficient for the payment thereof set aside for payment in full, whereupon the right of the holders of Class C Preferred Stock to elect such two directors will cease and (unless there are one or more other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable) the term of office of such two directors previously so elected will immediately and automatically terminate, such directors will no longer be qualified to serve and the authorized number of directors of the Corporation will thereupon return to the number of authorized directors otherwise in effect, but subject always to the same provisions for the reinstatement and divestment of the right to elect such two additional directors in the case of any such future dividend arrearage.

In the case of any such request for a special meeting (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of shareholders), such meeting will be held on the earliest practicable date at the place

designated by the holders of capital stock requesting such meeting or, if none, at a place designated by the Corporate Secretary of the Corporation, upon notice similar to that required for an annual meeting of shareholders. If such special meeting is not called by an officer of the Corporation within 30 days after such request, then the holders of record of at least 10% of the outstanding shares of Class C Preferred Stock may designate in writing a holder of Class C Preferred Stock to call such meeting at the expense of the Corporation, and such meeting may be called by the holder so designated upon notice similar to that required for an annual meetings of shareholders and will be held at the place designated by the holder calling such meeting. At all times that the voting rights conferred by this Section 7(a) are exercisable, the holders of Class C Preferred Stock will have access to the stock transfer records of the Corporation. The Corporation will pay all costs and expenses of calling and holding any meeting and of electing directors pursuant to this Section 7(a), including, without limitation, the cost of preparing, reproducing and mailing the notice of such meeting, the cost of renting a room for such meeting to be held, and the cost of collecting and tabulating votes.

The procedures in this Section 7(a) for the calling of meetings and the election of directors will, to the extent permitted by law, supersede anything inconsistent contained in the Charter or Bylaws of the Corporation and, without limitation to the foregoing, the provisions of Sections 13(a)(2) and 13(b) of Article II of the Bylaws of the Corporation will not be applicable to the election of directors by holders of Class C Preferred Stock pursuant to this Section 7. Notwithstanding the provisions of Section 2 of Article III of the Bylaws of the Corporation, subject to the limitations on the number of directors set forth in Article VII of the Charter, the number of directors constituting the entire Board of Directors of the Corporation will be automatically increased to include the directors to be elected pursuant to this Section 7(a).

So long as any shares of Class C Preferred Stock are outstanding, the number of directors constituting the entire Board of Directors of the Corporation will at all times be such so that the exercise, by the holders of the Class C Preferred Stock and the holders of any other classes or series of capital stock of the Corporation upon which like voting rights have been conferred, of the right to elect directors under the circumstances provided above will not contravene any provision of the Corporation's Charter or Bylaws restricting the number of directors which may constitute the entire Board of Directors of the Corporation.

If at any time when the voting rights conferred upon the Class C Preferred Stock pursuant to this Section 7(a) are exercisable any vacancy in the office of a director elected pursuant to this Section 7(a) occurs, then such vacancy may be filled only by the remaining such director or by vote of the holders of record of the outstanding Class C Preferred Stock and any other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Class C Preferred Stock in the election of directors pursuant to this Section 7(a). Any director elected or appointed pursuant to this Section 7(a) may be removed only by the holders of the outstanding Class C Preferred Stock and any other classes or series of capital stock of the Corporation upon which like voting rights have

been conferred and are exercisable and which are entitled to vote as a class with the Class C Preferred Stock in the election of directors pursuant to this Section 7(a), and may not be removed by the holders of the Common Stock.

(b) So long as any shares of Class C Preferred Stock remain outstanding, the Corporation will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of Class C Preferred Stock outstanding at the time, given in person or by proxy either in writing or at a meeting (with the Class C Preferred Stock voting separately as a class), (A) authorize, create or issue, or increase the authorized or issued amount of, any class or series of capital stock of the Corporation ranking senior to the Class C Preferred Stock as to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Corporation or reclassify any authorized capital stock of the Corporation into such shares, or create, authorize or issue any obligation or security convertible into, exchangeable or exercisable for, or evidencing the right to purchase, any such shares, or (B) amend, alter or repeal any provisions of the Charter, whether by the merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Class C Preferred Stock or the holders thereof; provided, however, with respect to the occurrence of any Event, so long as each share of Class C Preferred Stock then outstanding remains outstanding or is converted into like securities of the surviving or resulting entity, in each case with the preferences, rights, privileges, voting powers and other terms thereof materially unchanged, taking into account that upon the occurrence of an Event the Corporation may not be the surviving entity and the surviving entity may be a non-corporate entity, such as a limited liability company, limited partnership or business trust, in which case the Class C Preferred Stock would be converted into an equity interest, other than capital stock, having preferences, rights, privileges, voting powers and other terms which are materially unchanged from those of the Class C Preferred Stock, the occurrence of such Event will not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the Class C Preferred Stock or the holders thereof; and provided, further, that (i) any increase in the amount of authorized Preferred Stock or Common Stock, (ii) any increase in the amount of authorized shares of Class C Preferred Stock, or (iii) the creation, issuance or increase in the amount of authorized shares of any other class or series of capital stock of the Corporation, in each case ranking on a parity with or junior to the Class C Preferred Stock as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the Corporation, will not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers. For purposes of this paragraph, the filing in accordance with applicable law of articles supplementary or any similar document setting forth or changing the designations, preferences, conversion or other rights, voting powers, restrictions, limitation as to dividends, qualifications or other terms of any class or series of capital stock of the Corporation will be deemed an amendment to the Charter.

(c) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required is effected, all outstanding shares of Class C Preferred Stock have been redeemed or called for

redemption and sufficient funds have been deposited in trust in accordance with the terms of Section 6 hereto to effect such redemption.

(d) On any matter submitted to a vote of the holders of Class C Preferred Stock or on which the Class C Preferred Stock otherwise is entitled to vote (as expressly provided in the Charter, or as may be required by law), including any action by written consent, each share of Class C Preferred Stock is entitled to one vote, except that when shares of any other class or series of Preferred Stock of the Corporation have the right to vote with the Class C Preferred Stock as a single class on any matter, the Class C Preferred Stock and the shares of each such other class or series will have one vote for each \$25.00 of liquidation preference (excluding accrued dividends). The provisions of this paragraph will supersede any inconsistent provisions of the Bylaws of the Corporation.

8. Conversion. The Class C Preferred Stock is not convertible into or exchangeable for any other property or securities of the Corporation.

9. Office or Agency in New York City. The Corporation will at all times maintain an office or agency in the Borough of Manhattan, The City of New York, where shares of Class C Preferred Stock may be surrendered for payment (including upon redemption), registration of transfer or exchange.

10. No Preemptive Rights. The Class C Preferred Stock has no preemptive rights.

11. Status of Redeemed and Reacquired Class C Preferred Stock. In the event any shares of Class C Preferred Stock are redeemed pursuant to Section 5 hereof or otherwise reacquired by the Corporation, the shares so redeemed or reacquired will become authorized but unissued shares of Class C Preferred Stock, available for future issuance and reclassification by the Corporation.

12. Severability. If any preference, right, voting power, restriction, limitation as to dividends, qualification, term or condition of redemption or other term of the Class C Preferred Stock is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, then, to the extent permitted by law, all other preferences, rights, voting powers, restrictions, limitations as to dividends, qualifications, terms or conditions of redemption and other terms of the Class C Preferred Stock which can be given effect without the invalid, unlawful or unenforceable preference, right, voting power, restriction, limitation as to dividends, qualification, term or condition of redemption or other term of the Class C Preferred Stock will remain in full force and effect and will not be deemed dependent upon any other such preference, right, voting power, restriction, limitation as to dividends, qualification, term or condition of redemption or other term of the Class C Preferred Stock unless so expressed herein.

Section 6(g) 8⁷/₈% Class E Cumulative Redeemable Preferred Stock.

1. Designation and Amount. A series of Preferred Stock of the Corporation, designated as the “8⁷/₈% Class E Cumulative Redeemable Preferred Stock” (the “Class E Preferred Stock”), par value \$0.01 per share, is hereby established. The number of authorized shares of Class E Preferred Stock is 8,000,000. The Corporation may reclassify additional shares of Preferred Stock from time to time as Class E Preferred Stock, which additional shares, together with the shares classified pursuant to the Charter, shall constitute a single class of preferred stock.

2. Ranking. In respect of rights to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, the Class E Preferred Stock ranks (i) senior to the Corporation’s common stock, par value \$0.01 per share (the “Common Stock”), senior to the Corporation’s Series A Junior Participating Preferred Stock, par value \$0.01 per share (the “Junior Participating Series A Preferred Stock”) and senior to any other class or series of capital stock of the Corporation other than capital stock referred to in clauses (ii) and (iii) of this sentence, (ii) on a parity with the Corporation’s 10% Class C Cumulative Redeemable Preferred Stock, and any other class or series of capital stock of the Corporation the terms of which specifically provide that such class or series of capital stock ranks on a parity with the Class E Preferred Stock as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, and (iii) junior to any class or series of capital stock of the Corporation the terms of which specifically provide that such class or series of capital stock ranks senior to the Class E Preferred Stock as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation. The term “capital stock” does not include convertible debt securities.

3. Dividends.

(a) Subject to the preferential rights of the holders of any class or series of capital stock of the Corporation ranking senior to the Class E Preferred Stock as to dividends, the holders of the outstanding shares of Class E Preferred Stock will be entitled to receive, when, as and if authorized by the Board of Directors of the Corporation (the “Board of Directors”) and declared by the Corporation, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 8⁷/₈% per annum of the \$25.00 per share liquidation preference of the Class E Preferred Stock (equivalent to an annual rate of \$2.21875 per share). Such dividends will accrue daily, will accrue and be cumulative from the date of issuance and will be payable quarterly in arrears in cash on January 15, April 15, July 15 and October 15 (each, a “Dividend Payment Date”) of each year; provided, that if any Dividend Payment Date is not a Business Day (as hereinafter defined), then the dividend which would otherwise have been payable on such Dividend Payment Date may be paid on the next succeeding Business Day with the same force and effect as if paid on such Dividend Payment Date and no interest or additional dividends or other sum will accrue on the amount so payable for the period from and after such Dividend Payment Date to such next succeeding Business Day. The period from and including the date of issuance to but excluding the first Dividend Payment Date, and each subsequent period from and including a Dividend Payment Date to but excluding the next succeeding Dividend Payment Date, is

hereinafter called a "Dividend Period". Dividends will be payable to holders of record as they appear in the stock transfer books of the Corporation at the close of business on the applicable record date (each, a "Record Date"), which will be the 1st day of the calendar month in which the applicable Dividend Payment Date falls or such other date designated by the Board of Directors that is not more than 30 nor less than ten days prior to such Dividend Payment Date. Notwithstanding any provision to the contrary in the Charter, each outstanding share of Class E Preferred Stock will be entitled to receive a dividend with respect to any Record Date equal to the dividend paid with respect to each other share of Class E Preferred Stock outstanding on such Record Date. The amount of any dividend payable for any Dividend Period, or portion thereof, will be computed on the basis of a 360-day year consisting of twelve 30-day months (it being understood that the dividend payable on July 15, 2004 will be for less than a full Dividend Period). The dividends payable on any Dividend Payment Date or any other date will include dividends accrued to but excluding such Dividend Payment Date or other date, as the case may be.

"Business Day" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to be closed. All references herein to "accrued and unpaid" dividends on the Class E Preferred Stock (and all references of like import) include, unless otherwise expressly stated or the context otherwise requires, accumulated dividends, if any, on the Class E Preferred Stock; and all references herein to "accrued and unpaid" dividends on any other class or series of capital stock of the Corporation include, if (and only if) such class or series of capital stock provides for cumulative dividends and unless otherwise expressly stated or the context otherwise requires, accumulated dividends, if any, thereon.

(b) If any shares of Class E Preferred Stock are outstanding, no full dividends will be authorized or declared or paid or set apart for payment on any capital stock of the Corporation of any other class or series ranking, as to dividends, on a parity with or junior to the Class E Preferred Stock for any period unless full cumulative dividends have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Class E Preferred Stock for all past Dividend Periods (including, without limitation, any Dividend Period that terminates on any date upon which dividends on such other class or series of capital stock of the Corporation are authorized or declared or paid or set apart for payment, as the case may be). When such cumulative dividends are not paid in full (or a sum sufficient for such full payment is not set apart therefor) upon the Class E Preferred Stock and the shares of any other class or series of capital stock of the Corporation ranking on a parity as to dividends with the Class E Preferred Stock, all dividends authorized and declared upon the Class E Preferred Stock and any other class or series of capital stock of the Corporation ranking on a parity as to dividends with the Class E Preferred Stock will be authorized and declared pro rata so that the amount of dividends authorized and declared per share of Class E Preferred Stock and such other class or series of capital stock of the Corporation will in all cases bear to each other the same ratio that accrued and unpaid dividends per share on the shares of Class E Preferred Stock and such other class or series of capital stock of the Corporation, which will not

include any accrual in respect of unpaid dividends for prior dividend periods if the other class or series of capital stock does not provide for cumulative dividends, bear to each other.

Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Class E Preferred Stock have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for such payment on the Class E Preferred Stock for all past Dividend Periods (including, without limitation, any Dividend Period that terminates on a date that also is a Subject Date (as defined below)), no dividends (other than in shares of Common Stock or shares of any other class or series of capital stock of the Corporation ranking junior to the Class E Preferred Stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation) will be authorized or declared or paid or set apart for payment nor will any other distribution be authorized or declared or made upon the Common Stock of the Corporation or any other class or series of capital stock of the Corporation ranking junior to or on a parity with the Class E Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, and no shares of Common Stock of the Corporation or shares of any other class or series of capital stock of the Corporation ranking junior to or on a parity with the Class E Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation will be redeemed, purchased or otherwise acquired for any consideration (or any monies paid to or made available for a sinking fund for the redemption of any such shares of junior or parity stock) by the Corporation (except by conversion into or exchange for shares of any other class or series of capital stock of the Corporation ranking junior to the Class E Preferred Stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation and except for the redemption, purchase or acquisition by the Corporation of capital stock of the Corporation of any class or series pursuant to Article VIII (or any similar provisions) of the Charter allowing the Corporation to redeem or repurchase shares of its capital stock to preserve its status as a real estate investment trust (a "REIT") for federal income tax purposes or the status of Host Marriott, L.P., a Delaware limited partnership (the "Operating Partnership", which term includes any successor thereto), as a partnership for federal income tax purposes). As used in this paragraph, the term "Subject Date" means (A) any date on which any dividends are authorized, declared or paid or set apart for payment or other distribution authorized, declared or made upon the Common Stock or any other class or series of the Corporation's capital stock ranking junior to or on a parity with the Class E Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, and (B) any date on which any shares of Common Stock or any other class or series of the Corporation's capital stock ranking junior to or on a parity with the Class E Preferred Stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation are redeemed, purchased or otherwise acquired for any consideration or any money paid to or made available for a sinking fund for the redemption of any such shares of junior or parity stock by the Corporation.

(c) No dividends on the Class E Preferred Stock will be authorized or declared or paid or set apart for payment at such time as any agreement of the Corporation, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration, payment or setting apart for payment will be restricted or prohibited by applicable law.

Anything in the Charter to the contrary notwithstanding (including, without limitation, the provisions set forth in the immediately preceding paragraph), dividends on the Class E Preferred Stock will accrue and be cumulative from the date of issuance whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared.

(d) No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the Class E Preferred Stock which may be in arrears, and holders of the Class E Preferred Stock will not be entitled to any dividends, whether payable in cash, securities or other property, in excess of the full cumulative dividends described herein.

(e) Any dividend payment made on the Class E Preferred Stock will first be credited against the earliest accrued but unpaid dividend due with respect to the Class E Preferred Stock.

(f) If, for any taxable year, the Corporation elects to designate as "capital gain dividends" (as defined in Section 857 of the Internal Revenue Code of 1986, as amended (the "Code")), any portion (the "Capital Gains Amount") of the dividends (within the meaning of the Code) paid or made available for the year to holders of all classes and series of the Corporation's capital stock (the "Total Dividends"), then the portion of the Capital Gains Amount that is allocable to the holders of the Class E Preferred Stock will be an amount equal to (A) the total Capital Gains Amount multiplied by (B) a fraction (1) the numerator of which is equal to the total dividends (within the meaning of the Code) paid or made available to the holders of the Class E Preferred Stock for that year and (2) the denominator of which is the Total Dividends for that year.

4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, then, before any distribution or payment is made to the holders of any Common Stock of the Corporation or shares of any other class or series of capital stock of the Corporation ranking junior to the Class E Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, but subject to the preferential rights of the holders of shares of any class or series of capital stock of the Corporation ranking senior to the Class E Preferred Stock as to such distribution of assets upon such liquidation, dissolution or winding up, the holders of the shares of Class E Preferred Stock then outstanding will be entitled to receive and to be

paid out of the assets of the Corporation legally available for distribution to its shareholders liquidating distributions in the amount of \$25.00 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date of payment.

(b) After payment to the holders of the Class E Preferred Stock of the full amount of the liquidating distributions (including accrued and unpaid dividends) to which they are entitled, the holders of Class E Preferred Stock, as such, will have no right or claim to any of the remaining assets of the Corporation.

(c) If, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation legally available for distribution to its shareholders are insufficient to pay the full amount of liquidating distributions on all outstanding shares of Class E Preferred Stock and the full amount of the liquidating distributions payable on all outstanding shares of any other classes or series of capital stock of the Corporation ranking on a parity with the Class E Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, then the holders of the Class E Preferred Stock and all other such classes or series of capital stock will share ratably in any such distribution of assets in proportion to the full liquidating distributions (including, if applicable, accrued and unpaid dividends) to which they would otherwise respectively be entitled.

(d) If liquidating distributions are made in full to all holders of Class E Preferred Stock and any other classes or series of capital stock of the Corporation ranking on a parity with the Class E Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Corporation, then, the remaining assets of the Corporation will be distributed among the holders of any other classes or series of capital stock of the Corporation ranking junior to the Class E Preferred Stock as to the distribution of assets upon liquidation, dissolution or winding up, according to their respective rights and preferences.

(e) For purposes of this Section 4, neither the consolidation or merger of the Corporation with or into any other corporation, trust or other entity, nor the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, will be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

5. Redemption.

(a) The Class E Preferred Stock is not redeemable prior to June 2, 2009, except that the Corporation will be entitled, pursuant to the provisions of Article VIII (or any similar provision) of the Charter, to redeem, purchase or acquire shares of Class E Preferred Stock in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes. Any date fixed for the redemption of shares of Class E Preferred Stock is hereinafter called a "Redemption Date".

(b) On and after June 2, 2009, the Corporation may, at its option, upon not less than 30 nor more than 60 days' prior written notice to the holders of record of the Class E Preferred Stock to be redeemed, redeem the Class E Preferred Stock, in whole or from time to time in part, for a cash redemption price equal to \$25.00 per share together with (except as provided in Section 6(f) below) all accrued and unpaid dividends to the date fixed for redemption (the "Optional Redemption Price").

(c) In the event of any redemption of Class E Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes, such redemption shall be made on the terms and subject to the conditions set forth in Article VIII of the Charter and in accordance with the further terms and conditions set forth in this Section 5(c) and Section 6 below. If the Corporation calls for redemption any shares of Class E Preferred Stock pursuant to and in accordance with such provisions of Article VIII of the Charter and this Section 5(c), then, anything in the Charter to the contrary notwithstanding, the redemption price for such shares will be an amount in cash equal to \$25.00 per share together with (except as provided in Section 6(f) below) all accrued and unpaid dividends to the date fixed for redemption (the "Charter Redemption Price"). Anything in the Charter to the contrary notwithstanding, the provisions of this Section 5(c) shall apply only to the redemption of Class E Preferred Stock pursuant to Article VIII (or any similar provisions) of the Charter and not to any other purchase or acquisition of shares of Class E Preferred Stock pursuant to Article VIII (or any similar provisions) of the Charter.

(d) Any redemption of shares of Class E Preferred Stock, whether pursuant to paragraph (b) or (c) of this Section 5, will be made in accordance with the applicable provisions set forth in Section 6 below.

6. Procedures for Redemption; Limitations on Redemption.

(a) If fewer than all of the outstanding shares of Class E Preferred Stock are to be redeemed at the option of the Corporation pursuant to Section 5(b) above, the number of shares to be redeemed will be determined by the Corporation and the shares to be so redeemed will be selected by the Corporation pro rata from the holders of record of such shares in proportion to the number of such shares held by such holders (as nearly as may be practicable without creating fractional shares) or by lot or by any other equitable manner determined by the Corporation that will not result in the transfer of any shares of Class E Preferred Stock to a trust for the benefit of a charitable beneficiary pursuant to Article VIII (or any similar provision) of the Charter.

(b) Notice of redemption will be given by publication in The Wall Street Journal or, if such newspaper is not then being published, another newspaper of general circulation in The City of New York, such publication to be made at least once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the Redemption Date, except that no such notice need be published in the case of a redemption pursuant to Section 5(c) above. Notice of any redemption (whether pursuant to Section 5(b) or 5(c) above, as the case may be) will also be mailed by or on behalf of

the Corporation, first class postage prepaid, not less than 30 nor more than 60 days prior to the applicable Redemption Date, addressed to each holder of record of shares of Class E Preferred Stock to be redeemed at the address set forth in the share transfer records of the Corporation; provided, that if the Corporation reasonably concludes, based upon the advice of independent tax counsel experienced in such matters, that any redemption made pursuant to Section 5(c) must be made on a date (the "Early Redemption Date") which is earlier than 30 days after the date of such mailing in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or to comply with federal tax laws relating to the Corporation's qualification as a REIT, then the Corporation may give such shorter notice as is necessary to effect such redemption on the Early Redemption Date. Any notice which has been mailed in the manner provided for in the preceding sentence will be conclusively presumed to have been duly given on the date mailed whether or not the applicable holder receives such notice. In addition to any information required by law or by the applicable rules of any exchange upon which Class E Preferred Stock may be listed or admitted to trading, such notice will state: (1) the Redemption Date; (2) the Optional Redemption Price or the Charter Redemption Price, as the case may be (the "Redemption Price"); (3) the number of shares of Class E Preferred Stock to be redeemed and whether such shares are being redeemed at the option of the Corporation pursuant to Section 5(b) or in order to preserve the Corporation's status as a real estate investment trust for federal income tax purposes pursuant to Section 5(c); (4) the place or places (which will include a place in the Borough of Manhattan, The City of New York) where certificates for such shares are to be surrendered for payment of the Redemption Price; and (5) that dividends on the shares of Class E Preferred Stock to be redeemed will cease to accrue on such Redemption Date. If fewer than all of the outstanding shares of Class E Preferred Stock are to be redeemed, the notice mailed to each holder of shares to be redeemed will also specify the number of shares of Class E Preferred Stock to be redeemed from such holder. No failure to mail or defect in such mailed notice or in the mailing thereof will affect the validity of the proceedings for the redemption of any shares of Class E Preferred Stock except as to the holder to whom notice was defective or not given.

(c) If notice has been published (with respect to a redemption pursuant to Section 5(b) only) and mailed in accordance with Section 6(b) above and all funds necessary for such redemption have been irrevocably set aside by the Corporation on or before the Redemption Date specified in such notice, separate and apart from its other funds, in trust for the benefit of the holders of the Class E Preferred Stock so called for redemption, so as to be, and to continue to be, available therefor, then, from and after the Redemption Date, dividends on the shares of Class E Preferred Stock so called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding, and all rights of the holders thereof as holders of such shares (except the right to receive the Redemption Price together with, if applicable, accrued and unpaid dividends thereon to the Redemption Date) will terminate. In the event any Redemption Date is not a Business Day, then payment of the Redemption Price may be made on the next succeeding Business Day with the same force and effect as if made on such Redemption Date and no interest, additional dividends or other sum will accrue on the amount payable for the period from and after such Redemption Date to such next succeeding Business Day.

(d) Upon surrender, in accordance with such notice, of the certificates for any shares of Class E Preferred Stock to be so redeemed (properly endorsed or assigned for transfer, if the Corporation so requires and the redemption notice so states), such shares of Class E Preferred Stock will be redeemed by the Corporation at the Redemption Price. In case fewer than all the shares of Class E Preferred Stock represented by any such certificate are redeemed, a new certificate or certificates will be issued representing the unredeemed shares of Class E Preferred Stock without cost to the holder thereof.

(e) Any deposit of monies with a bank or trust company for the purpose of redeeming Class E Preferred Stock will be irrevocable and such monies will be held in trust for the benefit of the holders of Class E Preferred Stock entitled thereto, except that (1) the Corporation will be entitled to receive from such bank or trust company the interest or other earnings, if any, earned on the monies so deposited in trust; and (2) any balance of the monies so deposited by the Corporation and unclaimed by the holders of the Class E Preferred Stock entitled thereto at the expiration of two years from the applicable Redemption Date will be repaid, together with any interest or other earnings earned thereon, to the Corporation and, after any such repayment, the holders of the shares entitled to the funds so repaid to the Corporation will look only to the Corporation for payment without interest or other earnings thereon.

(f) Anything in the Charter to the contrary notwithstanding, the holders of record of shares of Class E Preferred Stock at the close of business on a Record Date will be entitled to receive the dividend payable with respect to such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares after such Record Date and on or prior to such Dividend Payment Date or the Corporation's default in the payment of the dividend due on such Dividend Payment Date, in which case the amount payable upon redemption of such shares of Class E Preferred Stock will not include the dividend payable on such Dividend Payment Date and the full amount of the dividend payable on such Dividend Payment Date will instead be paid on such Dividend Payment Date to the holders of record at the close of business on such Record Date as aforesaid. Except as provided in this Section 6(f) and except to the extent that accrued and unpaid dividends are payable as part of the Redemption Price pursuant to Section 5, the Corporation will make no payment or allowance for unpaid dividends, regardless of whether or not in arrears, on shares of Class E Preferred Stock called for redemption.

(g) Unless full cumulative dividends on all outstanding shares of Class E Preferred Stock have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for payment for all past Dividend Periods (including, without limitation, any Dividend Period that terminates on the date of any redemption of shares of Class E Preferred Stock referred to below or on the date of any direct or indirect purchase or other acquisition of shares of Class E Preferred Stock referred to below, as the case may be), (i) no shares of Class E

Preferred Stock will be redeemed unless all outstanding shares of Class E Preferred Stock are simultaneously redeemed; provided, however, that the foregoing will not prevent the redemption, repurchase or acquisition of shares of Class E Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to the holders of all outstanding shares of Class E Preferred Stock, and (ii) the Corporation will not purchase or otherwise acquire, directly or indirectly, any shares of Class E Preferred Stock (except by conversion into or exchange for capital stock of the Corporation ranking junior to the Class E Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation); provided, however, that the foregoing will not prevent the redemption, purchase or acquisition of shares of Class E Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Class E Preferred Stock.

7. Voting Rights. Except as set forth below in this Section 7, the holders of the Class E Preferred Stock do not have any voting rights.

(a) Whenever dividends on any shares of Class E Preferred Stock are in arrears for six or more Dividend Periods, whether or not such Dividend Periods are consecutive, the number of directors then constituting the Board of Directors of the Corporation will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and with which the Class E Preferred Stock is entitled to vote as a class with respect to the election of such two directors) and the holders of shares of Class E Preferred Stock (voting together as a single class with all other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Class E Preferred Stock in the election of such two directors) will be entitled to vote for the election of a total of two additional directors of the Corporation at a special meeting called by an officer of the Corporation at the request of the holders of record of at least 10% of the outstanding shares of Class E Preferred Stock or by the holders of any other class or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which is entitled to vote as a class with the Class E Preferred Stock in the election of such two additional directors (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of stockholders of the Corporation, in which case the vote for such two directors will be held at the earlier of the next such annual or special meeting of stockholders), and at each subsequent annual meeting of stockholders, until all dividends accumulated on the Class E Preferred Stock for all past Dividend Periods and the then current Dividend Period have been fully paid or authorized and declared and a sum sufficient for the payment thereof set aside for payment in full, whereupon the right of the holders of Class E Preferred Stock to elect

such two directors will cease and (unless there are one or more other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable) the term of office of such two directors previously so elected will immediately and automatically terminate, such directors will no longer be qualified to serve and the authorized number of directors of the Corporation will thereupon return to the number of authorized directors otherwise in effect, but subject always to the same provisions for the reinstatement and divestment of the right to elect such two additional directors in the case of any such future dividend arrearage.

In the case of any such request for a special meeting (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of stockholders), such meeting will be held on the earliest practicable date at the place designated by the holders of capital stock requesting such meeting or, if none, at a place designated by the Corporate Secretary of the Corporation, upon notice similar to that required for an annual meeting of stockholders. If such special meeting is not called by an officer of the Corporation within 30 days after such request, then the holders of record of at least 10% of the outstanding shares of Class E Preferred Stock may designate in writing a holder of Class E Preferred Stock to call such meeting at the expense of the Corporation, and such meeting may be called by the holder so designated upon notice similar to that required for an annual meeting of stockholders and will be held at the place designated by the holder calling such meeting. At all times that the voting rights conferred by this Section 7(a) are exercisable, the holders of Class E Preferred Stock will have access to the stock transfer records of the Corporation. The Corporation will pay all costs and expenses of calling and holding any meeting and of electing directors pursuant to this Section 7(a), including, without limitation, the cost of preparing, reproducing and mailing the notice of such meeting, the cost of renting a room for such meeting to be held, and the cost of collecting and tabulating votes.

The procedures in this Section 7(a) for the calling of meetings and the election of directors will, to the extent permitted by law, supersede anything inconsistent contained in the Charter or Bylaws of the Corporation and, without limitation to the foregoing, the provisions of Sections 13(a)(2) and 13(b) of Article II of the Bylaws of the Corporation will not be applicable to the election of directors by holders of Class E Preferred Stock pursuant to this Section 7. Notwithstanding the provisions of Section 2 of Article III of the Bylaws of the Corporation, subject to the limitations on the number of directors set forth in Article VII of the Charter, the number of directors constituting the entire Board of Directors of the Corporation will be automatically increased to include the directors to be elected pursuant to this Section 7(a).

So long as any shares of Class E Preferred Stock are outstanding, the number of directors constituting the entire Board of Directors of the Corporation will at all times be such so that the exercise, by the holders of the Class E Preferred Stock and the holders of any other classes or series of capital stock of the Corporation upon which like voting rights have been conferred, of the right to elect directors under the circumstances provided above will not contravene any provision of the Corporation's Charter or Bylaws restricting the number of directors which may constitute the entire Board of Directors of the Corporation.

If at any time when the voting rights conferred upon the Class E Preferred Stock pursuant to this Section 7(a) are exercisable, any vacancy in the office of a director elected pursuant to this Section 7(a) occurs, then such vacancy may be filled only by the remaining director elected pursuant to this Section 7(a) or by vote of the holders of record of the outstanding Class E Preferred Stock and any other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Class E Preferred Stock in the election of directors pursuant to this Section 7(a). Any director elected or appointed pursuant to this Section 7(a) may be removed only by the holders of the outstanding Class E Preferred Stock and any other classes or series of capital stock of the Corporation upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Class E Preferred Stock in the election of directors pursuant to this Section 7(a), and may not be removed by the holders of the Common Stock.

(b) So long as any shares of Class E Preferred Stock remain outstanding, the Corporation will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of Class E Preferred Stock outstanding at the time, given in person or by proxy either in writing or at a meeting (with the Class E Preferred Stock voting separately as a class), (A) authorize, create or issue, or increase the authorized or issued amount of, any class or series of capital stock of the Corporation ranking senior to the Class E Preferred Stock as to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Corporation or reclassify any authorized capital stock of the Corporation into such shares, or create, authorize or issue any obligation or security convertible into, exchangeable or exercisable for, or evidencing the right to purchase, any such shares, or (B) amend, alter or repeal any provisions of the Charter, whether by the merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Class E Preferred Stock; provided, however, with respect to the occurrence of any Event, so long as each share of Class E Preferred Stock then outstanding remains outstanding or is converted into like securities of the surviving or resulting entity, in each case with the preferences, rights, privileges, voting powers and other terms thereof materially unchanged, taking into account that upon the occurrence of an Event the Corporation may not be the surviving entity and the surviving entity may be a non-corporate entity, such as a limited liability company, limited partnership or business trust, in which case the Class E Preferred Stock would be converted into an equity interest, other than capital stock, having preferences, rights, privileges, voting powers and other terms which are materially unchanged from those of the Class E Preferred Stock, the occurrence of such Event will not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers of the Class E Preferred Stock; and provided, further, that (i) any increase in the amount of authorized Preferred Stock or Common Stock, (ii) any increase in the amount of authorized shares of Class E Preferred Stock, or (iii) the creation, issuance or increase in the amount of authorized shares of any other class or series of capital stock of the Corporation, in each case ranking on a parity with or junior to the Class E Preferred Stock as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up of the Corporation, will not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers. For purposes of this paragraph, the filing in

accordance with applicable law of articles supplementary or any similar document setting forth or changing the designations, preferences, conversion or other rights, voting powers, restrictions, limitation as to dividends, qualifications or other terms of any class or series of capital stock of the Corporation will be deemed an amendment to the Charter.

(c) The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required is effected, all outstanding shares of Class E Preferred Stock have been redeemed or called for redemption and sufficient funds have been deposited in trust in accordance with the terms of Section 6 hereof to effect such redemption.

(d) On any matter submitted to a vote of the holders of Class E Preferred Stock or on which the Class E Preferred Stock otherwise is entitled to vote (as expressly provided in the Charter), including any action by written consent, each share of Class E Preferred Stock is entitled to one vote, except that when shares of any other class or series of Preferred Stock of the Corporation have the right to vote with the Class E Preferred Stock as a single class on any matter, the Class E Preferred Stock and the shares of each such other class or series will have one vote for each \$25.00 of liquidation preference (excluding accrued dividends). The provisions of this paragraph will supersede any inconsistent provisions of the Bylaws of the Corporation.

8. Conversion. The Class E Preferred Stock is not convertible into or exchangeable for any other property or securities of the Corporation.

9. Office or Agency in New York City. The Corporation will at all times maintain an office or agency in the Borough of Manhattan, The City of New York, where shares of Class E Preferred Stock may be surrendered for payment (including upon redemption), registration of transfer or exchange.

10. No Preemptive Rights. The Class E Preferred Stock has no preemptive rights.

11. Status of Redeemed and Reacquired Class E Preferred Stock. In the event any shares of Class E Preferred Stock are redeemed pursuant to Section 5 hereof or otherwise reacquired by the Corporation, the shares so redeemed or reacquired will become authorized but unissued shares of Class E Preferred Stock, available for future issuance and reclassification by the Corporation.

12. Severability. If any preference, right, voting power, restriction, limitation as to dividends or other distributions, qualification, term or condition of redemption or other term of the Class E Preferred Stock is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, then, to the extent permitted by law, all other preferences, rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, terms or conditions of redemption and other terms of the Class E Preferred Stock which can be given effect without the invalid, unlawful or unenforceable preference, right, voting power, restriction, limitation as to dividends or other distributions, qualification, term or condition of redemption or other term of the

Class E Preferred Stock will remain in full force and effect and will not be deemed dependent upon any other such preference, right, voting power, restriction, limitation as to dividends, qualification, term or condition of redemption or other term of the Class E Preferred Stock unless so expressed herein.

ARTICLE VII
Board of Directors

Section 7(a) Number of Directors. Effective upon the filing of these Articles of Amendment and Restatement with the State Department of Assessments and Taxation of Maryland, the number of directors shall be increased from two (2) to eight (8). Except as otherwise fixed by or pursuant to the provisions of Article VI hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of directors may thereafter be increased or decreased pursuant to the Bylaws of the Corporation; provided such number established in accordance with the Bylaws is not decreased to less than three (3) nor increased to more than thirteen (13).

Section 7(b) Removal of Directors. Subject to the rights of holders of one or more classes or series of Capital Stock other than Common Stock to elect one or more directors, any director may be removed only for cause and only by the affirmative vote of stockholders holding at least two thirds of all the votes entitled to be cast for the election of directors.

Section 7(c) Vacancies. Except in the case of a vacancy on the Board of Directors among the directors elected by a class or series of Capital Stock other than Common Stock, any vacancy on the Board of Directors may be filled by the affirmative vote of the remaining directors (except that a vacancy which results from an increase in the number of directors may be filled by a majority of the entire Board of Directors) and, in the case of a vacancy resulting from the removal of a director, by the stockholders by the affirmative vote of two-thirds of the votes entitled to be cast for the election of directors. Any vacancy on the Board of Directors among the directors elected by a class or series of Capital Stock other than Common Stock may be filled by a majority of the remaining directors elected by that class or series or by the sole remaining director elected by that class or series, or by the stockholders of that class or series unless otherwise provided in the articles supplementary for that class or series.

Section 7(d) Amendments. Notwithstanding any other provisions of the charter or Bylaws of the Corporation, the affirmative vote of stockholders holding at least two-thirds of all of the votes entitled to be cast thereon shall be required to amend, alter, change, repeal, or adopt any provisions inconsistent with the provisions of this ARTICLE VII.

ARTICLE VIII
Restriction on Transfer and Ownership of Shares of Capital Stock

Section 8.1 Definitions. For the purpose of this Article VIII, the following terms shall have the following meanings:

Beneficial Ownership. The term “Beneficial Ownership” shall mean ownership of shares of Capital Stock by a Person, whether the interest in the shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include (in addition to direct ownership and indirect ownership through a nominee or similar arrangement) interests that would be treated as owned through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms “Beneficial Owner,” “Beneficially Owns” and “Beneficially Owned” shall have the correlative meanings.

Benefit Plan Investor. The term “Benefit Plan Investor” shall have the meaning provided in 29 C.F.R. § 2510.3-101(f)(2), or any successor regulation thereto.

Business Day. The term “Business Day” shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in the state of Maryland or in the state of New York are authorized or required by law, regulation or executive order to close.

Charitable Beneficiary. The term “Charitable Beneficiary” shall mean one or more beneficiaries of the Charitable Trust as determined pursuant to Section 8.3.7, provided that each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) (other than clause (vii) or (viii) thereof) and 170(c)(2) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Charitable Trust. The term “Charitable Trust” shall mean any trust provided for in Section 8.2.1(b)(i) and Section 8.3.1.

Charitable Trustee. The term “Charitable Trustee” shall mean the Person, unaffiliated with the Corporation and a Prohibited Owner, that is appointed by the Corporation from time to time to serve as trustee of the Charitable Trust. In the absence of such designation, the Charitable Trustee shall be First National Bank of Chicago.

Closing Price. The “Closing Price” on any date shall mean the last sale price for such shares of Capital Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such shares of Capital Stock, in either case as reported on the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if such shares of Capital Stock are not listed or admitted to trading on the

NYSE, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such shares of Capital Stock are listed or admitted to trading or, if such shares of Capital Stock are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices, in the over-the-counter market, as reported by the NASDAQ Stock Market or, if such system is no longer in use, the principal other automated quotation system that may then be in use or, if such shares of Capital Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such shares of Capital Stock selected by the Board of Directors or, in the event that no trading price is available for such shares of Capital Stock, the fair market value of such shares, as determined in good faith by the Board of Directors.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended.

Constructive Ownership. The term “Constructive Ownership” shall mean ownership of shares of Capital Stock by a Person, whether the interest in shares of Capital Stock is held directly or indirectly (including by a nominee), and shall include any interests that would be treated as owned through the application of Section 318(a) of the Code, as modified by Section 856(d)(5) of the Code. The terms “Constructive Owner,” “Constructively Owns” and “Constructively Owned” shall have the correlative meanings.

Effective Date. The term “Effective Date” shall mean the date on which the Effective Time occurs.

Effective Time. The term “Effective Time” shall mean the later of (i) the time the State Department of Assessments and Taxation of Maryland accepts the articles of merger for the Merger for record or (ii) the time established under the articles of merger for the Merger.

ERISA Investor. The term “ERISA Investor” shall mean any holder of shares of Capital Stock that is (i) an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), (ii) a plan as defined in Section 4975(e) of the Code (any such employee benefit plan or “plan” described in clause (i) or this clause (ii) being referred to herein as a “Plan”), (iii) a trust which was established pursuant to a Plan, or a nominee for such trust or Plan, or (iv) an entity whose underlying assets include assets of a Plan by reason of such Plan’s investment in such entity.

Excepted Holder. The term “Excepted Holder” shall mean a stockholder of the Corporation for whom an Excepted Holder Limit is created by the Board of Directors pursuant to Section 8.2.7.

Excepted Holder Limit. The term “Excepted Holder Limit” shall mean, provided that (and only so long as) the affected Excepted Holder complies with all of the requirements established by the Board of Directors pursuant to Section 8.2.7, and subject to adjustment pursuant to Section 8.2.8, the percentage limit established by the Board of Directors pursuant to Section 8.2.7.

Excluded Holder. The term “Excluded Holder” shall mean any Person who acquires Constructive Ownership or Beneficial Ownership of shares of Common Stock solely by reason of the Transfer of Common Stock in the Merger and who, immediately following the Merger, either Beneficially Owns or Constructively Owns shares of Common Stock in excess of the Ownership Limit solely by reason of such Transfer of Common Stock in the Merger.

Excluded Holder Limit. The term “Excluded Holder Limit” shall mean, with respect to any Excluded Holder, the lesser of (i) shares of Capital Stock representing 9.9% (in value) of the outstanding shares of Capital Stock of the Corporation or (ii) the shares of Capital Stock that such Excluded Holder was considered to Constructively Own immediately following the Merger solely by reason of the Merger (taking into account only such shares of Capital Stock and no other shares as to which such Person may thereafter become, for any reason, the Constructive Owner or the Beneficial Owner), provided, however, that if at any time the Excluded Holder Limit for any Excluded Holder would be less than the Ownership Limit, such Excluded Holder shall cease to be an Excluded Holder and the Ownership Limit shall thereafter apply to such Person.

Market Price. The term “Market Price” on any date shall mean, with respect to any class or series of outstanding shares of Capital Stock, the Closing Price for such shares of Capital Stock on such date.

Merger. The term “Merger” shall mean the merger of Host Marriott Corporation, a Delaware corporation, with and into the Corporation, with the Corporation being the surviving entity and with the outstanding shares of capital stock of Host Marriott Corporation being converted into shares of Capital Stock as set forth in the articles of merger for the Merger.

NYSE. The term “NYSE” shall mean the New York Stock Exchange, Inc.

Ownership Limit. The term “Ownership Limit” shall mean (i) with respect to shares of Common Stock, 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding Common Stock of the Corporation; and (ii) with respect to any class or series of shares of Preferred Stock or other stock, 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of such class or series of Preferred Stock or other stock of the Corporation.

Person. The term “Person” shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Sections 401(a) or 501(c) (17) of the Code), portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company, limited liability company, or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; provided, however, that the term “Person” shall not include any group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, if such “group” would be an Excluded Holder (but any Person that is a member of such “group” shall still be considered to be a “Person” for purposes hereof).

Prohibited Owner. The term “Prohibited Owner” shall mean any Person, who, but for the provisions of Section 8.2.1, would Beneficially Own or Constructively Own shares of Capital Stock, and if appropriate in the context, shall also mean any Person who would have been the record owner of shares of Capital Stock that the Prohibited Owner would have so owned.

Publicly Offered Securities. The term “Publicly Offered Securities” shall have the meaning provided in 29 C.F.R. Section 2510.3-101(b)(2), or any successor regulation thereto.

REIT. The term “REIT” shall mean a real estate investment trust within the meaning of Section 856 of the Code.

Restriction Date. The term “Restriction Date” shall mean the first day after the Effective Date.

Restriction Termination Date. The term “Restriction Termination Date” shall mean the first day after the Effective Date on which the Board of Directors determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT or that compliance with the restrictions and limitations on Beneficial Ownership, Constructive Ownership and Transfers of shares of Capital Stock set forth herein is no longer required in order for the Corporation to qualify as a REIT.

Transfer. The term “Transfer” shall mean any issuance, sale, transfer, gift, assignment, devise or other disposition, as well as any other event (or any agreement to take any such actions or cause any such events) that causes any Person to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock, or the right to vote or receive dividends on shares of Capital Stock, including without limitation, (a) the issuance and transfer to holders of shares of Host Marriott Corporation of shares of Capital Stock in the Merger, (b) a change in the capital structure of the Corporation, (c) a change in the relationship between two or more Persons which causes a change in ownership of shares of Capital Stock by application of either Section 544 of the Code, as modified by Section 856(h) or Section 318(a) of the Code, as modified by Section 856(d)(5), (d) the grant or exercise of any option or warrant (or any disposition of

any option or warrant, or any event that causes any option or warrant not theretofore exercisable to become exercisable), pledge, security interest or similar right to acquire shares of Capital Stock, (e) any disposition of any securities or rights convertible into or exchangeable for shares of Capital Stock or any interest in shares of Capital Stock or any exercise of any such conversion or exchange right, (f) Transfers of interests in other entities that result in changes in Beneficial Ownership or Constructive Ownership of shares of Capital Stock, and (g) solely for purposes of applying the Excluded Holder Limit, any change in the value of one class or series of shares of Capital Stock relative to the value of any other class or series of shares of Capital Stock, in each case, whether voluntary or involuntary, whether owned of record, Constructively Owned or Beneficially Owned, and whether by operation of law or otherwise. (For purposes of this Article VIII, the right of a limited partner in Host Marriott, L.P., a Delaware limited partnership (or any successor thereto), to require the partnership to redeem such limited partner's units of limited partnership interest pursuant to Section 8.6 of the Amended and Restated Agreement of Limited Partnership of Host Marriott, L.P. shall not be considered to be an option or similar right to acquire shares of Capital Stock of the Corporation so long as such Section 8.6 is not amended in a manner that would grant to a limited partner a legal right to require that either Host Marriott, L.P. (or any successor thereto) or the Corporation issue to such limited partner shares of Capital Stock and so long as the restrictions in Section 8.6.C of such Agreement apply to the exercise of the rights set forth in such Section 8.6.) The terms "Transferring" and "Transferred" shall have the correlative meanings.

Section 8.2 Restrictions on Ownership and Transfer of Shares.

Section 8.2.1 Ownership Limitations. During the period commencing at the Effective Time and ending at the close of business on the Restriction Termination Date:

(a) Basic Restrictions.

(i) (1) No Person, other than an Excepted Holder or an Excluded Holder, shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Ownership Limit, (2) no Excepted Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excepted Holder Limit for such Excepted Holder, and (3) commencing at 12:01 a.m. (Eastern Standard Time) on the Restriction Date, no Excluded Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excluded Holder Limit for such Excluded Holder.

(ii) No Person shall Beneficially Own or Constructively Own shares of Capital Stock to the extent that (1) such Beneficial Ownership of shares of Capital Stock would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), (2) such Constructive Ownership would cause either the Corporation to be considered to Constructively Own an interest in a tenant that

is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 856(c) of the Code or Host Marriott, L.P. (or any successor thereto) to be considered to Constructively Own an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 7704(d) of the Code, or (3) such Beneficial Ownership or Constructive Ownership of shares of Capital Stock would result in the Corporation otherwise failing to qualify as a REIT or Host Marriott, L.P. (or any successor thereto) to fail to qualify as a partnership for federal income tax purposes.

(iii) No Person shall Transfer any shares of Capital Stock if, as a result of the Transfer, the outstanding shares of all classes and series of Capital Stock would be Beneficially Owned by less than 100 Persons (determined without reference to the rules of attribution under Section 544 of the Code). Subject to Section 8.5 and notwithstanding any other provisions contained herein, any Transfer of shares of Capital Stock (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) that, if effective, would result in outstanding shares of all classes and series of Capital Stock being Beneficially Owned by less than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

(b) Transfer in Trust. If, as a result of the Merger and the Transfer of shares of Capital Stock to holders of shares of Host Marriott Corporation, a Delaware corporation, any Person Beneficially Owns or Constructively Owns shares of Capital Stock in violation of Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii) as of 12:01 a.m. (Eastern Standard Time) on the Restriction Date, then that number of shares of Capital Stock the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii) (whichever is applicable) (rounded upward to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 8.3, effective as of 12:01 a.m. (Eastern Standard Time) on the Restriction Date, and such Person shall have no rights in such shares of Capital Stock (except as otherwise provided in Section 8.3.5(b)). If any Transfer of shares of Capital Stock other than as a result of the Merger and Transfer of shares of Capital Stock to holders of shares of Host Marriott Corporation (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system) occurs which, if effective, would result in any Person Beneficially Owning or Constructively Owning shares of Capital Stock in violation of Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii), as applicable.

(i) then that number of shares of Capital Stock the Beneficial Ownership or Constructive Ownership of which otherwise would cause such Person to violate Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii) (rounded upward to the nearest whole share) shall be automatically transferred to a Charitable Trust for the benefit of a Charitable Beneficiary, as described in Section 8.3, effective as of the close of business on the Business Day prior to the date of such Transfer (or as of the close of

business on the Effective Date as to any such Transfer that occurs on the Effective Date), and such Person shall acquire no rights in such shares of Capital Stock; or

(ii) if the transfer to the Charitable Trust described in clause (i) of this sentence would not be effective for any reason to prevent the violation of Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii), as applicable, then the Transfer of that number of shares of Capital Stock that otherwise would cause any Person to violate Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii), as applicable, shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Capital Stock.

Section 8.2.2 Remedies for Breach. If the Board of Directors or any duly authorized committee thereof shall at any time determine in good faith that a Transfer or other event has taken place that results in a violation of Section 8.2.1 or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any shares of Capital Stock in violation of Section 8.2.1 (whether or not such violation is intended), the Board of Directors or a committee thereof shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, without limitation, causing the Corporation to redeem shares of Capital Stock, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfer or attempted Transfer or other event in violation of Section 8.2.1 shall automatically result in the transfer to the Charitable Trust described above, and, where applicable under Section 8.2.1(b)(ii), such Transfer (or other event) shall be void ab initio as provided above irrespective of any action (or non-action) by the Board of Directors or a committee thereof.

Section 8.2.3 Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of shares of Capital Stock that will or may violate Section 8.2.1(a) or any Person who would have owned shares of Capital Stock that resulted in a transfer to the Charitable Trust pursuant to the provisions of Section 8.2.1(b), shall immediately give written notice to the Corporation of such event, or in the case of such a proposed or attempted transaction, give at least 15 days prior written notice, and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such acquisition or ownership on the Corporation's status as a REIT.

Section 8.2.4 Owners Required To Provide Information. During the period commencing at the Effective Time and ending at the close of business on the Restriction Termination Date:

(a) Every stockholder of record of more than five percent (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of Capital Stock within 30 days after the end of each taxable year, shall give written notice to the Corporation stating the name and address of such owner, the number of shares Beneficially Owned, and a description of the manner in which such shares of Capital Stock are held; provided that a stockholder of

record who holds outstanding shares of Capital Stock as nominee for another Person, which other Person is required to include in gross income the dividends received on such shares (an "Actual Owner"), shall give written notice to the Corporation stating the name and address of such Actual Owner and the number of shares of Capital Stock of such Actual Owner with respect to which the stockholder of record is nominee. Each such stockholder of record and each Actual Owner shall provide to the Corporation such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT and to ensure compliance with the Ownership Limit.

(b) Each Person who is a Beneficial Owner or Constructive Owner of shares of Capital Stock and each Person (including the stockholder of record) who is holding shares of Capital Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Section 8.2.5 Remedies Not Limited. Subject to Section 8.5, nothing contained in this Section 8.2 shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders in preserving the Corporation's status as a REIT.

Section 8.2.6 Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Section 8.2, Section 8.3 or any definition contained in Section 8.1, the Board of Directors shall have the power to determine the application of the provisions of this Section 8.2 or Section 8.3 with respect to any situation based upon the facts known to it. If Section 8.2 or 8.3 requires an action by the Board of Directors and the charter of the Corporation fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Sections 8.1, 8.2 or 8.3.

Section 8.2.7 Exceptions.

(a) The Board of Directors, in its sole and absolute discretion, may grant to any Person who makes a request therefor an exception to the Ownership Limit (or one or more elements thereof) with respect to the ownership of any series or class of Capital Stock of the Corporation, subject to the following conditions and limitations: (A) the Board of Directors shall have determined that (x) assuming such Person would Beneficially Own or Constructively Own the maximum amount of shares of Common Stock and stock of the Corporation (other than Common Stock) permitted as a result of the exception to be granted and (y) assuming that all other Persons who would be treated as "individuals" for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code) would Beneficially Own or Constructively Own the maximum amount of shares of Common Stock and stock of the Corporation

(other than Common Stock) permitted under this Article VIII (taking into account any exception, waiver or exemption granted under this Section 8.2.7 to (or with respect to) such Persons), the Corporation would not be “closely held” within the meaning of Section 856(h) of the Code (assuming that the ownership of shares of Capital Stock is determined during the second half of a taxable year) and would not otherwise fail to qualify as a REIT; and (B) such Person provides to the Board of Directors such representations and undertakings, if any, as the Board of Directors may, in its sole and absolute discretion, determine to be necessary in order for it to make the determination that the conditions set forth in clause (A) above of this Section 8.2.7(a) have been and/or will continue to be satisfied (including, without limitation, an agreement as to a reduced Ownership Limit or Excepted Holder Limit for such Person with respect to the Beneficial Ownership or Constructive Ownership of one or more other classes or series of shares of Capital Stock not subject to the exception), and such Person agrees that any violation of such representations and undertakings or any attempted violation thereof will result in the application of the remedies set forth in Section 8.2 with respect to shares of Capital Stock held in excess of the Ownership Limit or the Excepted Holder Limit (as may be applicable) with respect to such Person (determined without regard to the exception granted such Person under this subparagraph (a)). If a member of the Board of Directors requests that the Board of Directors grant an exception pursuant to this subparagraph (a) with respect to such member, or with respect to any other Person if such Board member would be considered to be the Beneficial Owner or Constructive Owner of shares of Capital Stock owned by such other Person, such member of the Board of Directors shall not participate in the decision of the Board of Directors as to whether to grant any such exception.

(b) In addition to exceptions permitted under subparagraph (a) above, the Board of Directors, in its sole and absolute discretion, may grant to any Person who makes a request therefor (a “Requesting Person”) an exception from the Ownership Limit (or one or more elements thereof) if: (i) such Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that such Requesting Person is not an individual for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code); (ii) such Requesting Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that no Person who is an individual for purposes of Section 542(a)(2) of the Code (determined taking into account Section 856(h)(3)(A) of the Code) would be considered to Beneficially Own shares of Capital Stock in excess of the Ownership Limit by reason of the Requesting Person’s ownership of shares of Capital Stock in excess of the Ownership Limit pursuant to the exception granted under this subparagraph (b); (iii) such Requesting Person submits to the Board of Directors information satisfactory to the Board of Directors, in its reasonable discretion, demonstrating that neither clause (2) nor clause (3) of subparagraph (a)(ii) of Section 8.2.1 will be violated by reason of the Requesting Person’s ownership of shares of Capital Stock in excess of the Ownership Limit pursuant to the exception granted under this subparagraph (b); and (iv) such Requesting Person provides to the Board of Directors such representations and undertakings, if any, as the Board of Directors may, in its sole and absolute discretion, require to ensure that the

conditions in clauses (i), (ii) and (iii) hereof are satisfied and will continue to be satisfied throughout the period during which such Requesting Person owns shares of Capital Stock in excess of the Ownership Limit pursuant to any exception thereto granted under this subparagraph (b), and such Requesting Person agrees that any violation of such representations and undertakings or any attempted violation thereof will result in the application of the remedies set forth in Section 8.2 with respect to shares of Capital Stock held in excess of the Ownership Limit with respect to such Requesting Person (determined without regard to the exception granted such Requesting Person under this subparagraph (b)).

(c) Prior to granting any exception or exemption pursuant to subparagraph (a) or (b), the Board of Directors may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors, in its sole and absolute discretion as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT; provided, however, that the Board of Directors shall not be obligated to require obtaining a favorable ruling or opinion in order to grant an exception hereunder.

(d) Subject to Section 8.2.1(a)(ii), an underwriter that participates in a public offering or a private placement of shares of Capital Stock (or securities convertible into or exchangeable for shares of Capital Stock) may Beneficially Own or Constructively Own shares of Capital Stock (or securities convertible into or exchangeable for shares of Capital Stock) in excess of the Ownership Limit, but only to the extent necessary to facilitate such public offering or private placement; and provided, that the ownership of shares of Capital Stock by such underwriter would not result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, or otherwise result in the Corporation's failing to qualify as a REIT. In this regard, at no time may either (x) an underwriter, or (y) any Person who would Constructively Own shares of Capital Stock owned by an underwriter Constructively Own, concurrently, 10% or more of the outstanding securities of any class or series of (i) the Corporation and any tenant or lessee of the Corporation (which, as of the Effective Date, includes Crestline Capital Corporation and its subsidiaries), or (ii) the Corporation and any Person that would be considered to Constructively Own or Beneficially Own 10% or more of any tenant or lessee of the Corporation (which, as of the Effective Date, includes Crestline Capital Corporation and its subsidiaries).

(e) The Board of Directors may only reduce the Excepted Holder Limit for an Excepted Holder: (1) with the written consent of such Excepted Holder at any time or (2) pursuant to the terms and conditions of the agreements and undertakings entered into with such Excepted Holder in connection with the establishment of the Excepted Holder Limit for that Excepted Holder. No Excepted Holder Limit shall be reduced to a percentage that is less than the Ownership Limit.

Section 8.2.8 Increase or Decrease in Ownership Limit. The Board of Directors may from time to time increase or decrease the Ownership Limit, subject to the limitations provided in this Section 8.2.8.

(a) Any decrease may be made only prospectively as to subsequent holders (other than a decrease as a result of a retroactive change in existing law, in which case such change shall be effective immediately).

(b) The Ownership Limit may not be increased if, after giving effect to such increase, five Persons who are considered individuals pursuant to Section 542 of the Code, as modified by Section 856(h)(3) of the Code (taking into account all of the Excepted Holders), could Beneficially Own, in the aggregate, more than 49.5% of the value of the outstanding shares of Capital Stock.

(c) Prior to the modification of the Ownership Limit pursuant to this Section 8.2.8, the Board of Directors may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT if the modification in the Ownership Limit were to be made.

Section 8.2.9 Legend. Each certificate for shares of Capital Stock (or securities exercisable for or convertible into shares of Capital Stock) shall bear substantially the following legend:

The shares of Capital Stock represented by this certificate are subject to restrictions on Beneficial Ownership and Constructive Ownership and Transfer primarily for the purpose of the Corporation's maintenance of its status as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"). Except as expressly provided in the Corporation's charter, (i) no Person may Beneficially Own or Constructively Own shares of Common Stock of the Corporation in excess of 9.8 percent (in value or number of shares, whichever is more restrictive) of the outstanding Common Stock of the Corporation unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable) or an Excluded Holder (in which case the Excluded Holder Limit shall be applicable); (ii) with respect to any class or series of shares of Capital Stock other than Common Stock, no Person may Beneficially Own or Constructively Own more than 9.8 percent (in value or number of shares, whichever is more restrictive) of the outstanding shares of such class or series of such stock of the Corporation (collectively, (i) and (ii) are referred to herein as the "Ownership Limit"), unless such Person is an Excepted Holder (in which case the Excepted Holder Limit shall be applicable) or an Excluded Holder (in which case the Excluded Holder Limit shall be applicable); (iii) no Person

may Beneficially Own or Constructively Own shares of Capital Stock that would result in the Corporation being “closely held” under Section 856(h) of the Code, would cause either the Corporation to be considered to Constructively Own an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 856(c) of the Code or Host Marriott, L.P. (or any successor thereto) to be considered to Constructively Own an interest in a tenant that is described in Section 856(d)(2)(B) of the Code for purposes of applying Section 7704(d) of the Code, or otherwise would cause the Corporation to fail to qualify as a REIT under the Code; and (iv) no Person may Transfer shares of Capital Stock if such Transfer would result in shares of Capital Stock of the Corporation being owned by fewer than 100 Persons. Notwithstanding the foregoing, commencing at 12:01 a.m. (Eastern Standard Time) on the day immediately following the effective date of the merger (the “Merger”) of Host Marriott Corporation, a Delaware corporation, with and into the Corporation, no Excluded Holder shall Beneficially Own or Constructively Own shares of Capital Stock in excess of the Excluded Holder Limit for such Excluded Holder. An “Excepted Holder” means a stockholder of the Corporation for whom an Excepted Holder Limit is created by the Board of Directors. An “Excluded Holder” means any Person who acquires Constructive Ownership or Beneficial Ownership of shares of Common Stock solely by reason of the Transfer of Common Stock in the Merger and who, immediately following the Merger, either Beneficially Owns or Constructively Owns shares of Common Stock in excess of the Ownership Limit solely by reason of the Transfer of Common Stock in the Merger. The “Excluded Holder Limit” means, with respect to any Excluded Holder, the lesser of (i) shares of Capital Stock representing 9.9% (in value) of the outstanding shares of Capital Stock of the Corporation or (ii) the shares of Capital Stock that such Excluded Holder was considered to Constructively Own immediately following the Merger solely by reason of the Merger (taking into account only such shares of Capital Stock and no other shares as to which such Person may thereafter become, for any reason, the Constructive Owner or the Beneficial Owner), provided, however, that if at any time the Excluded Holder Limit for any Excluded Holder would be less than the Ownership Limit, such Excluded Holder shall cease to be an Excluded Holder and the

Ownership Limit shall thereafter apply to such Person. Any Person who Beneficially Owns or Constructively Owns or attempts to Beneficially Own or Constructively Own shares of Capital Stock which cause or will cause a Person to Beneficially Own or Constructively Own shares of Capital Stock in excess or in violation of the above limitations must immediately notify the Corporation. If any of the restrictions on Transfer are violated, the shares of Capital Stock represented hereby will be automatically transferred to a Charitable Trustee of a Charitable Trust for the benefit (except as otherwise provided in the charter of the Corporation) of one or more Charitable Beneficiaries. In addition, upon the occurrence of certain events, attempted Transfers in violation of the restrictions described above may be void ab initio. A Person who attempts to Beneficially Own or Constructively Own shares of Capital Stock in violation of the Transfer restrictions described above shall have no claim, cause of action or any recourse whatsoever against a transferor of such shares of Capital Stock. All capitalized terms in this legend have the meanings defined in the Corporation's charter, as the same may be amended from time to time, a copy of which, including the restrictions on Transfer, will be furnished to each holder of shares of Capital Stock of the Corporation on request and without charge.

Instead of the foregoing legend, the certificate may state that the Corporation will furnish a full statement about certain restrictions on transferability to a stockholder on request and without charge.

Section 8.3 Transfer of Shares of Capital Stock in the Corporation.

Section 8.3.1 Ownership in Trust. Upon any purported Transfer or other event described in Section 8.2.1(b) that would result in a transfer of shares of Capital Stock to a Charitable Trust, such shares of Capital Stock shall be deemed to have been transferred to the Charitable Trustee as trustee of a Charitable Trust for the exclusive benefit of one or more Charitable Beneficiaries (except to the extent otherwise provided in Section 8.3.5). Such transfer to the Charitable Trustee shall be deemed to be effective (i) as of 12:01 a.m. (Eastern Standard Time) on the Restriction Date, as to any Person who Beneficially Owns or Constructively Owns shares of Capital Stock in violation of Section 8.2.1(a)(i) or 8.2.1(a)(ii) or 8.2.1(a)(iii) as of such time and date as a result of the Merger and the Transfer of shares of Capital Stock to holders of shares of Host Marriott Corporation or (ii) as of the close of business on the Business Day prior to any other purported Transfer or other event that otherwise results in the transfer to the Charitable Trust pursuant to Section 8.2.1(b) (or as of the close of business on the Effective Date if such other purported Transfer or other event occurs on that date). The

Charitable Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation and any Prohibited Owner. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 8.3.7.

Section 8.3.2 Status of Shares of Capital Stock Held by the Charitable Trustee. Shares of Capital Stock held by the Charitable Trustee shall be issued and outstanding shares of Capital Stock of the Corporation. The Prohibited Owner shall have no rights in the shares of Capital Stock held by the Charitable Trustee. The Prohibited Owner shall not benefit economically from ownership of any shares of Capital Stock held in trust by the Charitable Trustee (except to the extent otherwise provided in Section 8.3.5), shall have no rights to dividends or other distributions, and shall not possess any rights to vote or other rights attributable to the shares of Capital Stock held in the Charitable Trust. The Prohibited Owner shall have no claim, cause of action or other recourse whatsoever against the purported transferor of such shares of Capital Stock.

Section 8.3.3 Dividend and Voting Rights. The Charitable Trustee shall have all voting rights and rights to dividends or other distributions with respect to shares of Capital Stock held in the Charitable Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary (except to the extent otherwise provided in Section 8.3.5). Any dividend or other distribution paid prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Charitable Trustee shall be paid with respect to such shares of Capital Stock to the Charitable Trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the Charitable Trustee. Any dividends or distributions so paid over to the Charitable Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no voting rights with respect to shares of Capital Stock held in the Charitable Trust and, subject to Maryland law, effective as of the date that shares of Capital Stock have been transferred to the Charitable Trustee, the Charitable Trustee shall have the authority (at the Charitable Trustee's sole discretion) (i) to rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Charitable Trustee and (ii) to recast such vote in accordance with the desires of the Charitable Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken irreversible action, then the Charitable Trustee shall not have the power to rescind and recast such vote. Notwithstanding the provisions of this Article VIII, until the Corporation has received notification that shares of Capital Stock have been transferred into a Charitable Trust, the Corporation shall be entitled to rely on its share transfer and other shareholder records for purposes of preparing lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies, and otherwise conducting votes of stockholders.

Section 8.3.4 Rights Upon Liquidation. Upon any voluntary or involuntary liquidation, dissolution or winding up of or any distribution of the assets of the Corporation, the Charitable Trustee shall be entitled to receive, ratably with each other holder of shares of Capital Stock of the class or series of shares of Capital Stock that is held in the Charitable Trust, that portion of the assets of the Corporation available

for distribution to the holders of such class or series (determined based upon the ratio that the number of shares of such class or series of shares of Capital Stock held by the Charitable Trustee bears to the total number of shares of Capital Stock of such class or series of shares of Capital Stock then outstanding). The Charitable Trustee shall distribute any such assets received in respect of the shares of Capital Stock held in the Charitable Trust in any liquidation, dissolution or winding up or distribution of the assets of the Corporation in accordance with Section 8.3.5.

Section 8.3.5 Sale of Shares by Charitable Trustee.

(a) Within 20 days of receiving notice from the Corporation that shares of Capital Stock have been transferred to the Charitable Trust, the Charitable Trustee of the Charitable Trust shall sell the shares of Capital Stock held in the Charitable Trust (together with the right to receive dividends or other distributions with respect to such shares of Capital Stock as to any shares of Capital Stock transferred to the Charitable Trustee as a result of the operation of Section 8.2.1(b)) to a person, designated by the Charitable Trustee, whose ownership of the shares of Capital Stock will not violate the ownership limitations set forth in Section 8.2.1(a). Upon such sale, the interest of the Charitable Beneficiary in the shares of Capital Stock sold shall terminate and the Charitable Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in this Section 8.3.5.

(b) A person who becomes a Prohibited Owner by virtue of the first sentence of Section 8.2.1(b) shall receive the lesser of (i) all of the net sales proceeds per share received by the Charitable Trustee from the sale or other disposition of such excess shares of Capital Stock held in the Charitable Trust, or (ii) an amount equal to the Closing Price of such excess shares of Capital Stock on the Effective Date, with the balance, if any, to be paid to the Charitable Beneficiary.

(c) Any other Prohibited Owner shall receive the lesser of (1) the net price paid by the Prohibited Owner for the shares of Capital Stock or, if the Prohibited Owner did not give value for the shares of Capital Stock in connection with the event causing the shares of Capital Stock to be held in the Charitable Trust (*e.g.*, in the case of a gift, devise or other such transaction), the Market Price of the shares of Capital Stock on the day of the event causing the shares of Capital Stock to be held in the Charitable Trust, and (2) the net sales proceeds per share received by the Charitable Trustee from the sale or other disposition of the shares of Capital Stock held in the Charitable Trust. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that shares of Capital Stock have been transferred to the Charitable Trustee, such shares of Capital Stock are sold by a Prohibited Owner, then (i) such shares of Capital Stock shall be deemed to have been sold on behalf of the Charitable Trust and (ii) to the extent that the Prohibited Owner received an amount for such shares of Capital Stock that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Section 8.3.5, such excess shall be paid to the Charitable Trustee upon demand.

Section 8.3.6 Purchase Right in Shares of Capital Stock Transferred to the Charitable Trustee. Shares of Capital Stock transferred to the Charitable Trustee shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the Charitable Trust (or, in the case of a devise, gift or other such transaction, the Market Price of the shares of Capital Stock on the day of the event causing the shares of Capital Stock to be held in the Charitable Trust) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer until the Charitable Trustee has sold the shares of Capital Stock held in the Charitable Trust pursuant to Section 8.3.5. Upon such a sale to the Corporation, the interest of the Charitable Beneficiary in the shares of Capital Stock sold shall terminate and the Charitable Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

Section 8.3.7. Designation of Charitable Beneficiaries. By written notice to the Charitable Trustee, the Corporation shall designate from time to time one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Charitable Trust such that (i) shares of Capital Stock held in the Charitable Trust would not violate the restrictions set forth in Section 8.2.1(a) in the hands of such Charitable Beneficiary and (ii) each such organization must be described in Sections 501(c)(3), 170(b)(1)(A) or 170(c)(2) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code. In the absence of any such determination by the Corporation, the Charitable Beneficiary shall be the United Way of the National Capital Area.

Section 8.4 Restrictions on Ownership and Transfer of Shares of Capital Stock by Benefit Plans.

Section 8.4.1 Ownership Limitations. Notwithstanding any other provisions herein, if and to the extent that any class or series of shares of Capital Stock do not constitute Publicly Offered Securities, then Benefit Plan Investors may not, on any date, hold, individually or in the aggregate, 25 percent or more of the value of such class or series of shares of Capital Stock. For purposes of determining whether Benefit Plan Investors hold, individually or in the aggregate, 25 percent or more of the value of such class or series of shares of Capital Stock, the value of shares of Capital Stock of such class held by any director or officer of the Corporation, or any other Person who has discretionary authority or control with respect to the assets of the Corporation, or any Person who provides investment advice for a fee to the Corporation in connection with its assets, or an "affiliate" of such person, as defined in 29 C.F.R. Section 2510.3-101(f)(3), or any successor regulation thereto, shall be disregarded.

Section 8.4.2 Remedies for Violations by Benefit Plan Investors. If the Board of Directors or any duly authorized committee thereof shall at any time determine in good faith that (i) a Transfer or other event has taken place that results in a violation of Section 8.4.1 or will otherwise result in the underlying assets and property of the

Corporation becoming assets of any ERISA Investor or (ii) that a Person intends to acquire or has attempted to acquire or hold shares of Capital Stock in a manner that will result in a violation of Section 8.4.1 or will otherwise result in the underlying assets and property of the Corporation becoming assets of any ERISA Investor, the Board of Directors or a committee thereof shall take such action as it deems advisable to mitigate, prevent or cure the consequences that might result to the Corporation from such Transfer or other event, including without limitation, refusing to give effect to or preventing such Transfer or event through redemption of such shares of Capital Stock or refusal to give effect to the Transfer or event on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event.

Section 8.4.3 Information on Benefit Plan Status. Any Person who acquires or attempts or intends to acquire or hold shares of Capital Stock shall provide to the Corporation such information as the Corporation may request in order to determine whether such acquisition or holding has resulted or will result in a violation of Section 8.4.1 or otherwise has resulted or will result in the underlying assets and property of the Corporation becoming assets of any ERISA Investor, including the name and address of any Person for whom a nominee holds shares of Capital Stock and whether the underlying assets of such Person include assets of any Benefit Plan Investor.

Section 8.5 NYSE Transactions. Nothing in this Article VIII shall preclude the settlement of any transaction entered into through the facilities of the NYSE or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction takes place shall not negate the effect of any other provision of this Article VIII and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article VIII.

Section 8.6 Enforcement. The Corporation is authorized specifically to seek equitable relief, including injunctive relief, to enforce the provisions of this Article VIII.

Section 8.7 Non-Waiver. No delay or failure on the part of the Corporation or the Board of Directors in exercising any right hereunder shall operate as a waiver of any right of the Corporation or the Board of Directors, as the case may be, except to the extent specifically waived in writing.

Section 8.8 Enforceability. If any of the restrictions on transfer of shares of Capital Stock contained in this Article VIII are determined to be void, invalid or unenforceable by any court of competent jurisdiction, then the Prohibited Owner may be deemed, at the option of the Corporation, to have acted as an agent of the Corporation in acquiring such shares and to hold such shares on behalf of the Corporation.

Section 8.9 Amendments. Notwithstanding any other provisions of the charter or Bylaws of the Corporation, the affirmative vote of stockholders holding at least two-thirds of all of the votes entitled to be cast thereon shall be required to amend, alter, change, repeal, or adopt any provisions inconsistent with, the provisions of this ARTICLE VIII.

ARTICLE IX
Merger, Consolidation, Share Exchange or Transfer of Assets

Subject to the terms of any class or series of Capital Stock at the time outstanding, the Corporation may merge with or into another entity, may consolidate with one or more other entities, may participate in a share exchange or may transfer its assets within the meaning of the MGCL, but any such merger, consolidation, share exchange or transfer of its assets must be approved (i) by the Board of Directors in the manner provided in the MGCL and (ii) by the stockholders by the affirmative vote of two-thirds of all votes entitled to be cast thereon to the extent a stockholder vote is required under the MGCL to effect any such transaction. Notwithstanding the foregoing, any merger of the Corporation with or into a trust organized for the purpose of changing the Corporation's form of organization from a corporation to a trust shall require the approval of stockholders of the Corporation by the affirmative vote only of a majority of all the votes entitled to be cast on the matter, provided that (i) the shareholders of the trust immediately following the merger are the same as the stockholders of the Corporation immediately prior to the merger and (ii) the trust's declaration of trust contains amendment provisions substantially equivalent to those contained in Section 7(d), Section 8.9, the last sentence of this Article IX and Section 10(a)(7) hereof. Notwithstanding any other provisions of the charter or Bylaws of the Corporation, the affirmative vote of stockholders holding at least two-thirds of all of the votes entitled to be cast thereon shall be required to amend, alter, change, repeal, or adopt any provisions inconsistent with, the provisions of this ARTICLE IX.

ARTICLE X
Miscellaneous Provisions

Section 10(a) Additional Provisions. The following provisions are hereby adopted for the purpose of defining, limiting, and regulating the powers of the Corporation and of the directors and stockholders of the Corporation:

(1) Authority to Issue Stock. The Board of Directors is hereby empowered to authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities convertible into shares of its stock of any class or classes, whether now or hereafter authorized, for such consideration as may be deemed advisable by the Board of Directors and without any action by the stockholders.

(2) No Preemptive Rights. No stockholder of the Corporation shall have preemptive rights to purchase, subscribe for, or otherwise acquire any stock or other securities of the Corporation, and any and all preemptive rights are hereby denied; other than such, if any, as the Board of Directors, in its sole discretion, may determine and at such price or prices and upon such other terms as the Board of Directors, in its sole discretion, may fix; and any stock or other securities which the Board of Directors may determine to offer for subscription may, as the Board of Directors in its sole discretion

shall determine, be offered to the holders of any class, series or type of stock or other securities at the time outstanding to the exclusion of the holders of any or all other classes, series or types of stock or other securities at the time outstanding.

(3) Indemnification. The Corporation shall indemnify (A) its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the general laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) other employees and agents to such extent as shall be authorized by the Board of Directors or the Bylaws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such by-laws, resolutions, or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the right to indemnification provided hereunder with respect to any act or omission occurring prior to such amendment or repeal.

(4) Liability of Directors and Officers. To the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no director or officer of this Corporation shall be personally liable to the Corporation or its stockholders for money damages. No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the benefits provided to directors and officers under this provision with respect to any act or omission which occurred prior to such amendment or repeal.

(5) Call of Special Meetings of Stockholders. A special meeting of the stockholders of the Corporation may be called by the President, the Board of Directors or any other person specified in the Bylaws. The Secretary of the Corporation shall also call a special meeting of the stockholders on the written request of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting.

(6) Bylaws. The power to adopt, alter and repeal the Bylaws of the Corporation is vested exclusively in the Board of Directors.

(7) Amendments. The Corporation reserves the right from time to time to make any amendments of its charter which may now or hereafter be authorized by law, including without limitation any amendments changing the terms or contract rights, as expressly set forth in the charter, of any of its outstanding stock by classification, reclassification or otherwise. Except as otherwise provided in the charter of the Corporation, any amendment to the charter shall be valid only if approved by the affirmative vote of stockholders of the Corporation holding not less than a majority of all the votes entitled to be cast on the matter. Notwithstanding any other provisions of the charter or Bylaws of the Corporation, the affirmative vote of stockholders holding at least

two-thirds of all of the votes entitled to be cast thereon shall be required to amend, alter, change, repeal, or adopt any provisions inconsistent with, the provisions of Section 10(a) of this ARTICLE X.

Section 10(b) No Limitation of Powers. The enumeration and definition of particular powers of the Board of Directors included herein shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article or the charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit any powers conferred upon the Board of Directors under the general laws of the State of Maryland now or hereinafter in force.

THIRD: The foregoing restatement of the charter has been approved by a majority of the entire Board of Directors.

FOURTH: The charter is not amended by these Articles of Restatement.

FIFTH: The current address of the principal office of the Corporation is set forth in Article III of the foregoing restatement of the charter.

SIXTH: The name and address of the Corporation's current resident agent is set forth in Article IV of the foregoing restatement of the charter.

SEVENTH: The number of directors of the Corporation is seven (7). The names of the directors of the Corporation currently in office are:

Robert M. Baylis
Terence C. Golden
Ann McLaughlin Korologos
Richard E. Marriott
Judith A. McHale
John B. Morse, Jr.
Christopher J. Nassetta

EIGHTH: The undersigned President acknowledges these Articles of Restatement to be the corporate act of the Corporation and as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE APPEARS ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Corporation has caused these Articles to be signed in its name and on its behalf by its President and attested to by its Secretary on this 27th day of July, 2005.

ATTEST:

HOST MARRIOTT CORPORATION

By: /s/ ELIZABETH A. ABDOO
Name: **Elizabeth A. Abdo**
Title: **Secretary**

By: /s/ CHRISTOPHER J. NASSETTA (SEAL)
Name: **Christopher J. Nassetta**
Title: **President**

**HOST MARRIOTT COMPANY
STOCK APPRECIATION RIGHTS
ISSUANCE AGREEMENT**

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**HOST MARRIOTT CORPORATION
ISSUANCE AGREEMENT**

This Issuance Agreement ("Issuance Agreement") is made as of December 29, 1998 (the "Agreement Date"), by and between Host Marriott Corporation, a Delaware corporation (the "Company"), and Richard E. Marriott (the "Grantee"), an individual who holds certain options to purchase shares of common stock of the Company ("Shares") under Company stock option plans.

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is desirable and in the best interests of the Company that options held by the Grantee to purchase: (i) 25,000 Shares granted on October 12, 1990 with an Option Price of \$1.4354, (ii) 16,200 Shares granted on October 3, 1991 with an Option Price of \$2.6428 and (iii) 14,500 Shares granted on October 20, 1992 with an Option Price of \$3.2408 (the "Prior Options") be canceled and that the Prior Options be replaced with Stock Appreciation Rights issued pursuant to the 1997 Comprehensive Stock Incentive Plan (the "Plan") on equivalent economic terms subject to adjustment in accordance with the Employee benefits And Other Employment Matters Allocation Agreement Between host Marriott corporation, Host Marriott, L.P. and Crestline Capital Corporation;

WHEREAS, the Board of Directors of the Company has approved the cancellation of the Prior Options held by the grantee and the issuance of Stock Appreciation Rights;

WHEREAS, the Grantee and the Company have agreed that it is in their mutual best interests that the Prior Options be canceled and the Stock Appreciation Rights be issued to the Grantee.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereto do hereby agree as follows:

1. CANCELLATION OF PRIOR OPTIONS; ISSUANCE OF SARS

The Prior Options are hereby terminated and canceled in their entirety as of the date hereof, and the Grantee shall have no further right to purchase Shares under the Prior Options. The Company hereby grants the Grantee Stock Appreciation Rights ("SARs") with the Exercise Price, Grant Date, Number of Shares, and Expiration Date as provided on Schedule A, subject to the terms and conditions of the Plan and this Issuance Agreement and to adjustment in accordance with the Employee Benefits And Other Employment Matters Allocation Agreement Between Host Marriott Corporation, Host Marriott, L.P. and Crestline Capital Corporation.

2. VESTING SCHEDULE

The SARs granted herein shall be fully vested.

3. EXERCISE OF SARs

3.1 Election to Exercise SARs

These SARs may be exercised by notice to the Company signed by the Grantee or, in the event of legal incapacity or incompetency, by the Grantee's guardian or legal representative, or, in the event of the Grantee's death, by his or her executor or administrator or the person or persons to whom the SARs are transferred by will or by the applicable laws of descent and distribution, and received by the Company at its principal office in Bethesda, Maryland. Such election shall specify the number of SARs and the Grant Date of the SARs being exercised. The date upon which such written notice is received by the Company shall be the exercise date of the SARs. If the individual exercising the SARs is not the Grantee, such individual shall also deliver with the notice of exercise appropriate proof of his or her right to exercise the SARs. The number of SARs which may be exercised pursuant to this Issuance Agreement shall be reduced by the number of SARs previously exercised pursuant to this Issuance Agreement.

3.2 Effect of Termination of Employment or Death

If the Grantee goes on leave of absence for a period of greater than twelve months or ceases to be an employee for any reason (including retirement) except death, these SARs will expire at the earlier of (i) the expiration of the SARs in accordance with the terms for which the SARs were granted, or (ii) 90 days from the date on which the Grantee has been on leave for over twelve months or ceases to be an employee, except in the case of a grantee who is an "Approved Retiree" as defined in the Plan. If the Grantee is an Approved Retiree, then these SARs shall expire at the sooner to occur of (i) the expiration of the SARs in accordance with their original term or (ii) one year from the date on which the SARs latest in time awarded to the Grantee under the Plan have become fully exercisable. In the event of the death of the Grantee without Approved Retiree status during the three month period following termination of employment, these SARs shall then be exercisable by the Grantee's personal representative, heirs or legatees to the same extent and during the same period that the Grantee could have exercised the SARs if the Grantee had not died. In the event of the death of the Grantee while an employee or while an Approved retiree, then the SARs granted to the Grantee shall be exercisable in their entirety by the Grantee's personal representatives, heirs or legatees at any time prior to the expiration of one year from the date of death of the Grantee, but in no event after the term for which the SARs were granted. For the purposes of this Issuance Agreement, the Grantee shall be deemed to be an employee of the Company as long as the Grantee is treated as such for the purposes of the Employee Benefits And Other Employment Matters Allocation Agreement dated October 8, 1993 between Marriott Corporation and Marriott International (as amended).

4. PAYMENT FOR SARs

Promptly after the exercise of the SARs, the individual exercising the SARs shall receive from the Company in cash an amount equal to the difference between the Fair Market Value (as such term is defined in the Plan) of a share of stock on the exercise date and the Exercise Price, multiplied by the number of SARs being exercised. An attempt to exercise any SARs granted hereunder other than as set forth above shall be invalid and of no force and effect. The parties hereto recognize that the company may be obligated to withhold federal, state and local income taxes and Social Security taxes to the extent that the Grantee realizes ordinary income in connection with the exercise of the SARs or in connection with the purchase of the SARs by the Company. The Grantee agrees that the Company may withhold amounts needed to cover such taxes from payments otherwise due and owing to the Grantee.

5. NON-ASSIGNABILITY OF SARs

The SARs shall not be assignable or transferable by the Grantee except by will or by the laws of descent and distribution. During the Grantee's lifetime the SARs may be exercised only by the Grantee or, in the event of incompetence, by the Grantee's legally appointed guardian.

6. RECAPITALIZATION OR REORGANIZATION

Certain events affecting the common stock of the Company and mergers, consolidations and reorganizations affecting the Company may affect the number or type of securities upon which the SARs are based or limit the remaining terms over which these SARs may be exercised in accordance with Section 4 of the Plan.

7. GENERAL RESTRICTION

In accordance with Section 3.2 of the Plan, the Company may limit or suspend the exercisability of these SARs under certain circumstances. Any delay caused thereby shall in no way affect the date of termination of these SARs. The Company shall not be required to pay cash under the SARs if the exercise of the SARs would constitute a violation by the individual exercising the SARs or by the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities law or regulation.

8. EMPLOYMENT RIGHTS

Nothing contained in this Issuance Agreement shall be construed to limit or restrict the rights of the Company or of any subsidiary to terminate the Grantee's employment at any time, with or without cause, or to increase or decrease the Grantee's compensation from the rate of compensation in existence at the time this Issuance Agreement is executed. The loss of existing or potential profit in the SARs shall not constitute an element of damages in the event of termination of the employment of the

Grantee even if the termination is in violation of an obligation of the Company to the Grantee by contract or otherwise.

9. INTERPRETATION

The provisions of the Plan relating to stock appreciation rights are incorporated herein by reference and form an integral part of this Issuance Agreement. Except as otherwise set forth herein, capitalized terms used herein shall have the meanings given to them in the Plan. In the event of any inconsistency between this Issuance Agreement and the Plan, the terms of the Plan shall govern. A copy of the Plan is included in the Prospectus and is also available from the Human Resources Department of the Company upon request. All decisions and interpretations made by the Board or the Committee with regard to any question arising under the Plan, the Prior Option Agreements or this Issuance Agreement shall be final, binding and conclusive on the Company and the Grantee and any other person entitled to exercise the SARs as provided for herein.

10. PROSPECTUS

The Grantee has been provided with, and hereby acknowledges receipt of, a prospectus for the Plan dated October 10, 1997, which contains, among other things, a description of the Stock Appreciation Rights provisions of the Plan.

11. AMENDMENT OF THIS AGREEMENT

With the consent of the Grantee, the Committee and/or Board may require that this Issuance Agreement be amended in a manner not inconsistent with the Plan. The Committee and/or Board may require this Issuance Agreement be amended in such respects as it deems necessary to comply with the Internal Revenue Code or regulations which are in effect from time to time. Except for amendments under the previous sentence, any amendment of the Plan after the Grant Date shall not constitute an amendment of the Issuance Agreement without consent of the Grantee and the Committee and/or Board.

12. GOVERNING LAW

The validity and construction of this Issuance Agreement shall be governed by the laws of the State of Maryland (but not including the choice of law rules thereof).

13. BINDING EFFECT

Subject to all restrictions provided for in this Issuance Agreement, the Plan and by applicable law limiting assignment and transfer of this Issuance Agreement and the SARs provided for herein, this Issuance Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, and assigns.

14. NOTICE

All notices or other communications which may be or are required to be given by any party to any other party pursuant to this Issuance Agreement shall be in writing and shall be mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted by hand delivery, telecopier (fax) or telex, addressed as follows:

If to the Company:

Host Marriott Corporation
10400 Fernwood Road
Bethesda, MD 20817

Attention: General Counsel

If to the Grantee:

At the address set forth below the Grantee's
signature to this Issuance Agreement

Each party may designate by notice in writing a new address to which any notice or other communication may thereafter be so given. Each notice or other communication which shall be mailed, delivered or transmitted in the manner described above, shall be deemed sufficiently given for all purposes at such time as it is delivered to the addressee with the return receipt, the delivery receipt, the affidavit of personal courier or with respect to a telex, upon receipt of the answer back and with respect to a telecopy upon acknowledgment of receipt thereof and in all cases at such time as delivery is refused by the addressee upon presentation.

15. ENTIRE AGREEMENT

This Issuance Agreement and the Plan together constitute the entire agreement and all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. Neither this Issuance Agreement nor any term hereof may be amended, waived, discharged or terminated except by a written instrument signed by the Company and the Grantee; provided, however, that the Company unilaterally may waive any provision hereof in writing to the extent that such waiver does not adversely affect the interests of the Grantee hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Issuance Agreement, or caused this Issuance Agreement to be duly executed and delivered in their name and on their behalf, as of the day and year first above written.

HOST MARRIOTT CORPORATION

By: /s/ Christopher G. Townsend

Title:

GRANTEE:

/s/ Richard E. Marriott

ADDRESS FOR NOTICE TO GRANTEE:

Number Street

City State Zip Code

Stock Appreciation Rights Revised

Number of Shares	Grant Date	Expiration Date	Exercise Price
29,930	10/12/1990	10/12/2005	\$1.1990
19,395	10/03/1991	10/03/2006	\$2.2075
17,360	10/20/1992	10/20/2007	\$2.7070

**AMENDMENT TO HOST MARRIOTT CORPORATION
ISSUANCE AGREEMENT**

This Amendment, dated October 12, 2005, amends the Issuance Agreement dated as of December 29, 1998, by and between Host Marriott Corporation, a Maryland corporation, as successor to Host Marriott Corporation, a Delaware corporation (the "Company"), and Richard E. Marriott (the "Grantee").

W I T N E S S E T H

WHEREAS, the Issuance Agreement provides for the issuance of a series of Stock Appreciation Rights ("SARs") to the Grantee; and

WHEREAS, the parties have agreed to extend the expiration date for the first tranche of SARs set to expire on October 12, 2005.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties do hereby agree as follows:

1. The expiration date for the 29,930 SARs (with an exercise price of \$1.1990) is changed from October 12, 2005, to January 15, 2006. Attached as Exhibit A to this Amendment is a revised Schedule A to the Issuance Agreement reflecting this extension.

2. The notice address for the Company has been changed to:

Host Marriott Corporation
6903 Rockledge Drive
Suite 1500
Bethesda, MD 20817

Attention: General Counsel

3. Except as modified herein, all covenants, terms and conditions of the Issuance Agreement shall remain in full force and effect.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment as of the date first written above.

HOST MARRIOTT CORPORATION

By: /s/ W. Edward Walter

Name: W. Edward Walter

Title: Executive Vice President

GRANTEE:

/s/ Richard E. Marriott

ADDRESS FOR NOTICE TO GRANTEE:

Number

Street

City

State

Zip Code

Stock Appreciation Rights Revised

Number of Shares	Grant Date	Expiration Date	Exercise Price
29,930	10/12/1990	01/15/2006	\$1.1990
19,395	10/03/1991	10/03/2006	\$2.2075
17,360	10/20/1992	10/20/2007	\$2.7070

**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS**
(in millions, except ratio amounts)

	Year-to-date ended	
	September 9, 2005	September 10, 2004
Income (loss) from continuing operations before income taxes	\$ 102	\$ (91)
Add (deduct):		
Fixed charges	377	423
Capitalized interest	(3)	(2)
Amortization of capitalized interest	4	4
Minority interest in consolidated affiliates	12	(2)
Net losses related to certain 50% or less owned affiliates	1	12
Distributions from equity investments	2	2
Dividends on preferred stock	(21)	(28)
Issuance costs of redeemed preferred stock	(4)	(4)
Adjusted earnings	<u>\$ 470</u>	<u>\$ 314</u>
Fixed charges:		
Interest on indebtedness and amortization of deferred financing costs	\$ 317	\$ 356
Capitalized interest	3	2
Dividends on preferred stock	21	28
Portion of rents representative of the interest factor	32	33
Issuance costs of redeemed preferred stock	4	4
Total fixed charges and preferred stock dividends	<u>\$ 377</u>	<u>\$ 423</u>
Ratio of earning to fixed charges and preferred stock dividends	1.2	—
Deficiency of earnings to fixed charges and preferred stock dividends	\$ —	\$ (109)

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-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. 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; and
 - d. 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.

Dated: October 17, 2005

/s/ Christopher J. Nassetta

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-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. 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; and
 - d. 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.

Dated: October 17, 2005

/s/ W. Edward Walter

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 September 9, 2005 (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: October 17, 2005

/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.