Table of Contents

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 10, 2004.

OR

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

Commission file number 001-14625

HOST MARRIOTT CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**53-0085950**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
6903 Rockledge Drive, Suite 1500, Bethesda, Maryland	**20817**
(Address of Principal Executive Offices)	**(Zip Code)**

(240) 744-1000

(Registrant's telephone number, including area code)

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

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

The registrant had 348,478,763 shares of its $0.01 par value common stock outstanding as of October 13, 2004.

INDEX

CONDENSED CONSOLIDATED BALANCE SHEETS
September 10, 2004 and December 31, 2003
(unaudited, in million, except per share amounts)

	September 10, 2004	December 31, 2003
ASSETS		
Property and equipment, net	$ 7,393	$ 7,085
Assets held for sale	—	73
Notes and other receivables	54	54
Due from managers	64	62
Investments in affiliates	78	74
Deferred financing costs, net	75	82
Furniture, fixtures and equipment replacement fund	149	144
Other	128	138
Restricted cash	126	116
Cash and cash equivalents	317	764
Total assets	$ 8,384	$ 8,592
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt		
Senior notes, including $491 million, net of discount, of Exchangeable Senior Debentures as of September 10, 2004	$ 2,893	$ 3,180
Mortgage debt	2,080	2,205
Convertible Subordinated Debentures	492	—
Other	99	101
Total debt	5,564	5,486
Accounts payable and accrued expenses	134	108
Liabilities associated with assets held for sale	—	2
Other	140	166
Total liabilities	5,838	5,762
Interest of minority partners of Host Marriott L.P.	125	130
Interest of minority partners of other consolidated partnerships	87	89
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary whose sole assets are convertible subordinated debentures due 2026 ("Convertible Preferred Securities")	—	475
Stockholders' equity		
Cumulative redeemable preferred stock (liquidation preference $350 million and $354 million, respectively), 50 million shares authorized; 14.0 million and 14.1 million shares issued and outstanding, respectively	337	339
Common stock, par value $.01, 750 million shares authorized; 348.3 million shares and 320.3 million shares issued and outstanding, respectively	3	3
Additional paid-in capital	2,928	2,617
Accumulated other comprehensive income	28	28
Deficit	(962)	(851)
Total stockholders' equity	2,334	2,136
Total liabilities and stockholders' equity	$ 8,384	$ 8,592

See notes to condensed consolidated statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Quarter and Year-to-Date Ended September 10, 2004 and September 12, 2003
(unaudited, in millions, except per share amounts)

	Quarter ended		Year-to-date ended	
	September 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
REVENUES				
Rooms	$ 506	$ 441	$ 1,519	$ 1,371
Food and beverage	226	209	780	716
Other	57	47	167	154
Total hotel sales	789	697	2,466	2,241
Rental income	21	20	74	71
Other income	—	10	—	12
Total revenues	810	727	2,540	2,324
EXPENSES				
Rooms	132	119	381	345
Food and beverage	190	173	594	544
Hotel departmental expenses	237	214	693	635
Management fees	30	27	101	94
Other property-level expenses	71	70	211	215
Depreciation and amortization	85	82	250	247
Corporate expenses	18	14	43	39
Total expenses	763	699	2,273	2,119
OPERATING PROFIT	47	28	267	205
Interest income	3	2	8	7
Interest expense, including interest expense for the Convertible Subordinated Debentures in 2004	(109)	(108)	(357)	(324)
Net gains on property transactions	5	1	10	4
Loss on foreign currency and derivative contracts	(2)	—	(2)	(2)
Minority interest income	4	9	2	11
Equity in losses of affiliates	(4)	(4)	(12)	(13)
Dividends on Convertible Preferred Securities	—	(7)	—	(22)
LOSS BEFORE INCOME TAXES	(56)	(79)	(84)	(134)
Benefit for income taxes	10	12	2	10
LOSS FROM CONTINUING OPERATIONS	(46)	(67)	(82)	(124)
Income (loss) from discontinued operations	(1)	3	21	12
LOSS BEFORE CUMULATIVE CHANGE IN ACCOUNTING PRINCIPLE	(47)	(64)	(61)	(112)
Cumulative effect of adoption of SFAS No. 150	—	(24)	—	(24)
NET LOSS	(47)	(88)	(61)	(136)
Less: Dividends on preferred stock	(9)	(9)	(28)	(27)
Issuance costs of redeemed Class A preferred stock	(4)	—	(4)	—
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$ (60)	$ (97)	$ (93)	$ (163)

See notes to condensed consolidated statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Quarter and Year-to-Date Ended September 10, 2004 and September 12, 2003
(unaudited, in millions, except per share amounts)

	Quarter ended		Year-to-date ended	
	September 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
BASIC AND DILUTED LOSS PER COMMON SHARE:				
Continuing operations	$ (.17)	$ (.27)	$ (.34)	$ (.56)
Discontinued operations	—	.01	.06	.04
Cumulative effect of a change in accounting principle	—	(.09)	—	(.09)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (.17)	$ (.35)	$ (.28)	$ (.61)

See notes to condensed consolidated statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Year-to-Date Ended September 10, 2004 and September 12, 2003
(unaudited, in millions)

	September 10, 2004	September 12, 2003
OPERATING ACTIVITIES		
Net loss	$ (61)	$ (136)
Adjustments to reconcile to cash provided by operations:		
Depreciation and amortization	250	247
Cumulative effect of a change in accounting principle	—	24
Discontinued operations:		
Gain on dispositions	(20)	—
Depreciation	1	13
Amortization of deferred financing costs	22	12
Income taxes	(10)	(31)
Net gains on property transactions	(3)	(4)
Equity in losses of affiliates	12	13
Minority interest income	(2)	(11)
Changes in other assets	(5)	9
Changes in other liabilities	9	18
Cash provided by operations	193	154
INVESTING ACTIVITIES		
Acquisitions	(474)	(3)
Deposits for hotel acquisitions	(3)	—
Proceeds from sale of assets, net	155	92
Distribution from equity investments	1	3
Capital expenditures:		
Renewals and replacements	(142)	(115)
Development	(9)	(7)
Other investments	(2)	(6)
Cash used in investing activities	(474)	(36)
FINANCING ACTIVITIES		
Issuance of debt, net of financing costs	822	85
Issuance of common stock	301	251
Issuance of Class E preferred stock	98	—
Redemption of Class A preferred stock	(104)	—
Scheduled principal repayments	(43)	(37)
Debt prepayments	(1,196)	(198)
Dividends on preferred stock	(29)	(27)
Distributions to minority interests	(5)	(5)
Change in restricted cash	(10)	(1)
Cash provided by (used in) financing activities	(166)	68
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(447)	186
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	764	361
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 317	$ 547

See notes to condensed consolidated statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Year-to-Date Ended September 10, 2004 and September 12, 2003
(unaudited, in millions)

Supplemental disclosure of noncash investing and financing activities:

Through year-to-date September 10, 2004 and year-to-date September 12, 2003, we issued approximately 1.4 million shares and 3.5 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 $17.6 million and $33.3 million, respectively.

During June 2003, we acquired the remaining general partner interest and the preferred equity interest held by outside partners in the JW Marriott in Washington, D.C. for approximately $3 million. We also became the sole limited partner after the partnership foreclosed on a note receivable from the other limited partner. As a result, we began consolidating the partnership and recorded $95 million of mortgage debt secured by the hotel and property and equipment of $131 million.

See notes to condensed consolidated statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

Host Marriott Corporation, a Maryland corporation operating through an umbrella partnership structure, is primarily the owner of hotel properties. We operate as a self-managed and self-administered real estate investment trust, or REIT, with our operations conducted solely through Host Marriott, L.P., or the operating partnership, or Host LP, and its subsidiaries. We are the sole general partner of the operating partnership and as of September 10, 2004, owned approximately 94% 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, 2003 and as amended from time to time in other filings with the Securities and Exchange Commission.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of September 10, 2004 and the results of our operations for the quarter and year-to-date ended September 10, 2004 and September 12, 2003 and cash flows for year-to-date September 10, 2004 and September 12, 2003. 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.

Reporting Periods

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

Two consequences of the reporting cycle we have adopted are: (1) quarterly start dates will usually differ between years, except for the first quarter which always commences on January 1, and (2) our first and fourth quarters of operations and year-to-date operations may not include the same number of days as reflected in prior years. For example, the third quarter of 2004 ended on September 10 and the third quarter of 2003 ended on September 12, though both quarters reflect twelve weeks of operations. In contrast, year-to-date results as of September 10, 2004 reflect 254 days of operations, while our year-to-date results as of September 12, 2003 reflect 255 days.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

year-to-date 2004 operations include 244 days for our monthly hotels compared to 243 days of operations for the year-to-date 2003 operations (because there were 29 days in February 2004).

Principles of Consolidation

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

Restricted Cash

Restricted cash includes reserves for debt service, real estate taxes, insurance as well as cash collateral and excess cash flow deposits which are the result of mortgage debt agreement restrictions and provisions.

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Quarter ended		Year-to-date ended	
	September 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
	(in millions, except per share amounts)			
Net loss, as reported	$ (47)	$ (88)	$ (61)	$ (136)
Add: Total stock-based employee compensation expense included in reported net loss, net of related tax effects	7	4	14	9
Deducted: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(7)	(4)	(14)	(9)
Pro forma net loss	(47)	(88)	(61)	(136)
Dividends on preferred stock	(9)	(9)	(28)	(27)
Issuance costs of redeemed Class A preferred stock	(4)	—	(4)	—
Pro forma net loss available to common stockholders	$ (60)	$ (97)	$ (93)	$ (163)
Loss per share				
Basic and diluted—as reported	$ (.17)	$ (.35)	$ (.28)	$ (.61)
Basic and diluted—pro forma	$ (.17)	$ (.35)	$ (.28)	$ (.61)

Application of Accounting Standards

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

In December 2003, the FASB issued a revision to FIN 46, which we refer to as FIN 46R. Under FIN 46R, we are not the primary beneficiary and we are required to deconsolidate the accounts of the Convertible Preferred Securities Trust. We adopted the provisions of FIN 46R on January 1, 2004. As a result, we recorded the $492 million in debentures (the Convertible Subordinated Debentures) issued by the Convertible Preferred Securities Trust and eliminated the $475 million of Convertible Preferred Securities that were previously classified in the mezzanine section of our consolidated balance sheet prior to January 1, 2004. The difference of $17 million is our investment in the Convertible Preferred Securities Trust, which is included in “Investments in affiliates” on our consolidated balance sheet. Additionally, we classified the related dividend payments of approximately $7 million and $22 million for the third quarter and year-to-date 2004, respectively, as interest expense. We adopted FIN 46R prospectively and, therefore, did not restate prior periods. The adoption of FIN 46R had no effect on our net income (loss), earnings (loss) per share or the financial covenants under our senior notes indentures.

On September 30, 2004, the Emerging Issues Task Force, or EITF, confirmed their tentative conclusion on EITF 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 does require restatement of prior period earnings per share amounts.

As a result, we will include the common shares that are convertible from our Exchangeable Senior Debentures issued in March of this year, if dilutive, in our earnings (loss) per share.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

As of the third quarter, the Exchangeable Senior Debentures would be anti-dilutive for both the quarter and year-to-date ended September 10, 2004 for loss per share.

Cumulative Effect of Change in Accounting Principle

The FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," or SFAS No. 150, which was effective for interim periods beginning after June 15, 2003. This statement required issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer. Previously, many such instruments had been classified as equity. As a result of further discussion by the FASB on October 8, 2003, it was determined that any minority partners' interest in consolidated partnerships with finite lives specified in the related partnership agreement should be reclassified as a liability and presented at its fair value as of the date of the balance sheet unless the interests are convertible into equity of the parent. The effect of this change is shown on our statements of operations as a cumulative effect of a change in accounting principle.

We adopted SFAS No. 150 on June 21, 2003 and recorded a loss of $24 million as a cumulative effect of change in accounting principle in the third quarter. Subsequently, on November 7, 2003, the FASB issued a FASB Staff Position (FSP) 150-3 indefinitely deferring the application of a portion of SFAS 150 with respect to minority interests in consolidated ventures entered into prior to November 5, 2003, effectively reversing its guidance of October 8, 2003. In accordance with the FSP 150-3, we recorded a gain from a cumulative effect of a change in accounting principle of $24 million in the fourth quarter of 2003, reversing the impact of our adoption of SFAS 150 with respect to consolidated ventures with finite lives.

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 and other minority interests that have the option to convert their interests into common shares and the Convertible Subordinated Debentures. No effect is shown for securities if they are anti-dilutive.

	Quarter ended					
	September 10, 2004			September 12, 2003		
	(in millions, except per share amounts)					
	Income/ (loss)	Shares	Per Share Amount	Income/ (loss)	Shares	Per Share Amount
Net loss	$ (47)	348.7	$ (.13)	$ (88)	275.6	$ (.32)
Dividends on preferred stock	(9)	—	(.03)	(9)	—	(.03)
Issuance costs of redeemed Class A preferred stock [1]	(4)	—	(.01)	—	—	—
Basic and diluted loss	$ (60)	348.7	$ (.17)	$ (97)	275.6	$ (.35)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Year-to-date ended					
	September 10, 2004			September 12, 2003		
	(in millions, except per share amounts)					
	Income/ (loss)	Shares	Per Share Amount	Income/ (loss)	Shares	Per Share Amount
Net loss	$ (61)	331.5	$ (.18)	$ (136)	268.1	$ (.51)
Dividends on preferred stock	(28)	—	(.09)	(27)	—	(.10)
Issuance costs of redeemed Class A preferred stock [1]	(4)	—	(.01)	—	—	—
Basic and diluted loss	$ (93)	331.5	$ (.28)	$ (163)	268.1	$ (.61)

[1] Represents the original issuance costs associated with the Class A preferred stock. For further detail see Note 5.

4. Debt

On September 10, 2004, we entered into an amended and restated credit facility (the "Credit Facility") with Deutsche Bank Trust Company Americas, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Citicorp North America Inc., Société Générale and Calyon New York Branch, as Co-Documentation Agents and certain other lenders. The Credit Facility replaces our prior credit facility and provides aggregate revolving loan commitments in the amount of $575 million with an option to increase the amount of the facility by up to $100 million to the extent that any one or more lenders, whether or not currently party to the Credit Facility, commits to be a lender for such amount. The Credit Facility also includes subcommitments for the issuance of letters of credit in an aggregate amount of $10 million and loans to our Canadian subsidiaries in Canadian Dollars in an aggregate amount of $150 million. The Credit Facility has an initial scheduled maturity in September 2008. We have an option to extend the maturity for an additional year if certain conditions are met at the time of the initial scheduled maturity. Interest on borrowings under the Credit Facility will be calculated based on a spread over LIBOR ranging from 2.00% to 3.75%. The rate will vary based on our leverage ratio. We are required to pay a quarterly commitment fee that will vary based on the amount of unused capacity under the Credit Facility. Currently, the commitment fee is .55% on an annual basis. As of October 15, 2004, we have not drawn on the Credit Facility.

On August 4, 2004, we issued $350 million of 7% Series L senior notes and received net proceeds of $345 million after discounts, underwriting fees and expenses. The Series L senior notes mature on August 15, 2012 and are equal in right of payment with all of our other senior indebtedness. Interest is payable semiannually in arrears on February 15 and August 15 of each year beginning on February 15, 2005.

On September 2, 2004, we used the net proceeds from the issuance of the Series L senior notes and available cash to redeem $336 million of our $7^{7}/_{8}$% Series B senior notes, which were scheduled to mature in 2008. The terms of the senior notes required that we pay the holders a premium (2.657% based on the date of redemption), in exchange for the right to retire this debt in advance of its maturity date. We recorded a loss on the retirement of our Series B senior notes, which has been included in interest expense on our consolidated statement of operations, in the third quarter of approximately $12.9 million on the early extinguishment of debt, which includes the premium and the acceleration of the related discount and deferred financing costs.

5. Preferred Stock Redemption

On August 3, 2004, we used the net proceeds from the issuance of the Class E preferred stock along with available cash to redeem all 4.16 million shares of the outstanding 10% Class A preferred stock at a redemption price of $25.00 per share plus dividends accrued to that date. On July 31, 2003, the Securities and Exchange Commission ("SEC") issued a clarification of Emerging Issues Task Force Topic D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock." Topic D-42 provides, among other things, that any excess of the fair value of the consideration transferred to the holders of preferred stock redeemed over the carrying amount of the preferred stock should be subtracted

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

from net earnings to determine net earnings available to common stockholders in the calculation of earnings per share. The SEC's clarification of the guidance in Topic D-42 provides that the carrying amount of the preferred stock should be reduced by the related original issuance costs.

When we redeemed the Class A preferred stock, the fair value (which was equal to the redemption price and par value) exceeded the carrying value of the preferred stock by approximately $4 million. The $4 million represented the original issuance costs. 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 (loss) per share.

6. Stock Dividends

On September 8, 2004, our Board of Directors declared a cash dividend of $0.05 per share for our common stock. The dividend will be paid on December 20, 2004 to stockholders of record as of November 30, 2004.

In addition, on September 8, 2004, our Board of Directors declared a quarterly dividend of $0.625 per share for our publicly-traded Class B and C preferred stock and a dividend of $0.5546875 for our publicly-traded Class E preferred stock. The third quarter dividends were paid on October 15, 2004 to stockholders of record as of September 30, 2004. Also, on August 3, 2004, we paid $0.125 per share of Class A preferred stock for dividends accrued from July 15, 2004 to their redemption date of August 3, 2004.

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 10, 2004, 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 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
	(in millions)		(in millions)	
United States	$ 784	$ 700	$ 2,466	$ 2,251
Canada	20	15	57	43
Mexico	6	12	17	30
Total revenue	$ 810	$ 727	$ 2,540	$ 2,324

8. Comprehensive Income (Loss)

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Quarter ended		Year-to-date ended	
	September 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
	(in millions)		(in millions)	
Net loss	$ (47)	$ (88)	$ (61)	$ (136)
Other comprehensive income (loss)	4	(3)	—	9
Comprehensive loss	$ (43)	$ (91)	$ (61)	$ (127)

9. Dispositions

We sold seven hotels during the first two quarters of 2004, (the Atlanta Marriott Northwest, the Detroit Romulus Marriott, the Detroit Marriott Southfield, the Atlanta Marriott Norcross, the Fullerton Marriott, the Mexico City Airport Marriott and Dallas/Fort Worth Airport Marriott) for net proceeds of approximately $155 million. The following table summarizes the revenues, income before taxes, and the gain on disposal, net of tax, of the hotels which have been reclassified to discontinued operations in the consolidated statements of operations for the periods presented, including the operations of eight additional hotels through the date of their disposition in 2003.

	Quarter ended		Year-to-date ended	
	September 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
	(in millions)		(in millions)	
Revenues	$ —	$ 37	$ 16	$ 120
Income before taxes	—	3	2	12
Gain (loss) on disposals, net of tax	—	—	20	—
Net income (loss)	(1)	3	21	12

10. Acquisitions

On July 15, 2004, we acquired the 450-suite Fairmont Kea Lani Maui for approximately $355 million. The effect of the purchase of the hotel has been deemed not significant and, therefore, no pro forma statements of operations have been presented. During the quarter, we also purchased a retail building adjacent to one of our hotels and the land under the JW Marriott Hotel Lenox in Atlanta, which we previously leased, for a combined total of approximately $30 million.

11. Subsequent Event

On September 22, 2004, we acquired the 270-suite Scottsdale Marriott at McDowell Mountains for a purchase price of approximately $58 million, including the assumption of approximately $34 million of mortgage debt on the hotel.

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

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

Forward-Looking Statements

This discussion includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We identify forward-looking statements in this report by using words or phrases such as "believe," "expect," "may be," "intend," "predict," "project," "plan," "objective," "will be," "should," "estimate," or "anticipate," or similar expressions. Forward-looking statements are 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, 2003 and in our 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

We are a real estate investment trust, or REIT, that, as of October 15, 2004, owns 113 full-service hotel properties, which operate primarily in the luxury and upper-upscale hotel sectors. For a general overview of our business, see our Annual Report on Form 10-K.

Our Outlook. We believe that lodging demand will continue to grow in the fourth quarter and in 2005. With this growth and, in particular, as corporate group and corporate transient business strengthen, we believe that RevPAR at our hotels will continue to increase. In the third quarter of 2004, RevPAR for our comparable hotels increased 7.9% over the same period last year. RevPAR is defined as the product of the average daily room rate charged and the average daily occupancy achieved and is generally considered a key indicator of revenues for hotels. For the full year of 2004, we expect RevPAR to increase approximately 6.0% to 7.0% for our comparable hotels as compared to 2003.

Improvements in RevPAR for the first half of 2004 were primarily driven by increases in occupancy at our hotels. As lodging demand continued to strengthen during the year, we anticipated that average room rates would begin to increase. In the third quarter of 2004, this expectation was realized and the increase in RevPAR was attributable to increases in both occupancy and average room rates. We expect that demand will continue to grow and allow for additional growth in average room rates in the fourth quarter and in 2005. This is a result of a number of positive trends such as strong U.S. GDP growth, low supply growth of new hotels, a continued increase in corporate transient demand and a solid group booking pace. As a result of these trends, we expect comparable hotel RevPAR to increase approximately 5.0% to 7.0% for full year 2005.

We assess profitability by measuring changes in our operating margins, which are operating profit as a percentage of total revenues. We saw solid improvement in our operating margins in the third quarter. Operating margins continue to be affected by certain of our costs, primarily wages, benefits, utilities and sales and marketing, which increased at a rate greater than inflation. We expect these costs to continue to increase at a rate greater than inflation in the near term. In addition to room revenues, approximately 30% of our revenues are from food and beverage operations. During the third quarter, food and beverage revenues growth at our comparable hotels was only 2.4% because catering business decreased compared to year-to-date growth of 5.6%. As the economy continues to expand, we expect to see an increase catering business within our in food and beverage revenues, which should improve operating margins.

We also expect to see improvements in RevPAR and operating margins as we continue our strategy of recycling assets. Over the past year, we have been acquiring upper-upscale and luxury properties in urban and resort/convention locations, where further large-scale lodging development is limited, and selling assets in suburban, secondary and tertiary markets. The assets we have been acquiring have higher RevPAR, higher margins and, we believe, higher growth potential than those we have sold. Over time, this 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 improved demand trends and low supply growth trends in the lodging industry discussed in our Annual Report on Form 10-K creates the possibility for improvements in our business in 2004 and 2005, there can be no assurances that any increases in hotel revenues or earnings at our properties will continue.

Recent Events

During August and September, four hurricanes caused significant damage in Florida. Our 12 properties in the region and the New Orleans Marriott experienced varying levels of property damage and business interruption. While, we are still assessing the impact on our properties, we believe that, after insurance proceeds, the total damages will be approximately $3 million to $7 million, a majority of which would be recorded in the fourth quarter. We also believe that the hurricanes could have a modest impact on business next year, as planners of group business may elect to book business in other markets during the hurricane season.

On September 22, 2004, we acquired the 270-suite Scottsdale Marriott at McDowell Mountains in Scottsdale, Arizona for a purchase price of approximately $58 million, including the assumption of approximately $34 million of mortgage debt on the hotel.

Results of Operations

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

	Quarter ended		
	September 10, 2004	September 12, 2003	% Increase (Decrease)
Revenues			
Total hotel sales	$ 789	$ 697	13.2%
Operating costs and expenses:			
Property-level costs [1]	745	685	8.8
Corporate expenses	18	14	28.6
Operating profit	47	28	67.9
Interest expense [2]	109	108	0.9
Dividends on Convertible Preferred Securities [2]	—	7	(100.0)
Minority interest income	4	9	(55.6)
Income (loss) from discontinued operations	(1)	3	(133.3)
Net loss [3]	(47)	(88)	46.6%
Comparable Hotel Operating Statistics			
RevPAR	$ 101.92	$ 94.49	7.9%
Average room rate	$ 138.12	$ 132.68	4.1%
Average occupancy	73.8%	71.2%	2.6 pts.

	Year-to-date ended		
	September 10, 2004	September 12, 2003	% Increase (Decrease)
Revenues			
Total hotel sales	$ 2,466	$ 2,241	10.0%
Operating costs and expenses:			
Property-level costs [1]	2,230	2,080	7.2
Corporate expenses	43	39	10.3
Operating Profit	267	205	30.2
Interest expense [2]	357	324	10.2
Dividends on Convertible Preferred Securities [2]	—	22	(100.0)
Minority interest income	2	11	(81.8)
Income from discontinued operations	21	12	75.0
Net loss [3]	(61)	(136)	55.1%
Comparable Hotel Operating Statistics			
RevPAR	$ 107.00	$ 100.35	6.6%
Average room rate	$ 146.27	$ 143.71	1.8%
Average occupancy	73.1%	69.8%	3.3 pts.

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

(2) Dividends on the Convertible Subordinated Debentures are presented as interest expense in 2004. See “Liquidity and Capital Resources—Debt” for further information.

(3) During the third quarter 2003, we adopted SFAS No. 150 and recorded a loss of $24 million due to a cumulative effect of a change in accounting principle for the third quarter and year-to-date 2003. We reversed this charge in the fourth quarter 2003. For more information, see Note 2 to the consolidated financial statements.

2004 Compared to 2003

Revenues. In third quarter 2004, our hotel sales increased $92 million, or 13.2%, from third quarter 2003 and increased $225 million, or 10.0%, year-to-date. The growth in revenues reflects the increase in comparable RevPAR of 7.9% for the quarter and 6.6% year-to-date as a result of strong increases in occupancy of 2.6 percentage points for the quarter and 3.3 percentage points year-to-date, as well as an increase in average room rates of 4.1% for the quarter and 1.8% year-to-date at our comparable hotels. In addition, hotel sales include approximately $49.4 million in the third quarter and $96.3 million year-to-date in 2004 of sales for three hotels acquired subsequent to the third quarter of 2003. Hotel sales exclude sales for the properties we have sold through September 10, 2004 for all periods presented, which have been reclassified to discontinued operations. See “Discontinued Operations” below.

The majority of our customers fall into two broad groups: transient and group travelers. Continuing a trend we noted in the first half of 2004, the business mix of our portfolio is showing a shift in transient room nights, which represents approximately 55% of our business, from lower-rated discount business to higher-rated corporate and premium business. During the third quarter, total transient business was up only slightly compared to last year, but premium and corporate demand represented 27% of total transient demand, up from 23.5% last year. This shift was the result of premium demand increasing 34% and corporate demand growing 11% in the quarter while lower-rated discount business decreased. This indicates that our hotel managers are having greater success in reducing the number of rooms sold at discounted rates as the result of improving transient demand. We believe the upward trend in occupancy and average room rate should continue as a result of increased corporate and premium business in the fourth quarter. Group business, which represents approximately 45% of our business, experienced an increase in demand of approximately 6% in the third quarter.

As noted previously as compared to 2003, RevPAR increased significantly at the majority of our comparable hotels driven almost equally by increased occupancy and higher average rates in the third quarter of 2004. We experienced RevPAR improvements across the portfolio in the quarter as RevPAR increased 7.9%, 10.8%, 4.9% and 11.0% for comparable hotels classified as urban, resort, suburban and airport properties, respectively. Year-to-date, comparable hotel RevPAR increased 6.2%, 5.8%, 5.9% and 11.6% for urban, resort, suburban and airport properties, respectively. Additionally, the performance of our portfolio is significantly affected by the performance of our large

convention hotels. Due to the longer booking lead-time for large group business, these convention hotels have historically outperformed in the early stages of the industry downturn; however, they also lag the industry in performance in the early stages of recovery. As with other recoveries, we expect that these hotels will ultimately outperform and their performance will stay relatively strong for a longer period of time.

During the third quarter of 2004, we also experienced comparable hotel RevPAR gains in most geographic regions in our portfolio. Of the 112 hotels that we owned as of September 10, 2004, 105 have been classified as comparable hotels. See “Comparable Hotel Operating Statistics” for a description of our comparable hotels, as well as hotel statistical data for our comparable hotels based on geographic regions.

Our New England region was the top performing region during the third quarter of 2004 as comparable hotel RevPAR increased by 19.6%. The region benefited from the Democratic National Convention and was led by the Boston Hyatt, which was converted from the Swissôtel brand in late 2003, where RevPAR improved by 35.5% for the quarter. the convention business, however did not meet our expectations in terms of food and beverage business as few events were held in the hotels. The improvement in this region was driven by increases in both average room rates and occupancy, as the average room rate increased 8.4% and occupancy increased by 7.5 percentage points for the quarter. Year-to-date, comparable hotel RevPAR in this region improved 10.4% over prior year.

Comparable hotel RevPAR increased 2.2% and 7.2% for the third quarter and year-to-date, respectively, for our DC Metro region due primarily to a 2.4% and 4.8% increase in average room rates for the third quarter and year-to-date, respectively. Growth was slowed in the quarter by rooms renovations at four of our hotels in the region. However, we expect that the region will again experience strong RevPAR growth in the fourth quarter as the rooms renovations are completed.

For our Atlanta region, comparable hotel RevPAR grew by 6.4% and 6.5% for the quarter and year-to-date, respectively. The improvement was led by our downtown and midtown hotels, such as The Four Seasons, Atlanta and The Ritz-Carlton, Buckhead, where RevPAR increased by 24.2% and 18.0%, respectively, during the third quarter of 2004. We expect the Atlanta region to continue its strong performance for the remainder of the year.

Our Pacific region, which had lagged behind the portfolio as a whole during 2002 and 2003, continued to improve during the third quarter of 2004 as comparable hotel RevPAR increased 7.8% and 8.4% for the quarter and year-to-date, respectively, with significant increases in occupancy. The primary reason this market had been underperforming over the past three years is due to the decline in travel related to the area’s technology companies, particularly in the San Francisco Bay area. The improvement in the Pacific region in 2004 reflects an increase in comparable hotel RevPAR at our San Francisco market hotels of 9.6% and 15.6% for the quarter and year-to-date, respectively. The results for the Pacific region also reflect a 6.0% and 9.9% increase in comparable hotel RevPAR for the quarter and year-to-date, respectively, at our properties in the Los Angeles market. While we expect San Francisco’s RevPAR growth to moderate during the fourth quarter as city-wide conventions decline, the Pacific region overall should continue to exhibit improving performance.

Our Mid-Atlantic region performed very well during the third quarter of 2004 as comparable hotel RevPAR improved by 15.7%. Our New York City properties benefited from the Republican National Convention as RevPAR improved 19.6% for the quarter. The rooms renovation at the New York Marriott Marquis has been completed and the hotel achieved an increase in RevPAR of 16.1% for the quarter.Convention business at the New York Marriott Marquis fell slightly short of expectations as transient business was slightly slower and there was little increase in food and beverage revenues. Year-to-date, the comparable hotel RevPAR in our Mid-Atlantic region improved 9.8% over the prior year.

Comparable hotel RevPAR in our Florida region grew by 10.7% in the third quarter, as a result of an increase in demand at the Orlando World Center Marriott, where RevPAR increased by 24.6%. The 12 properties in the Florida region have experienced varying levels of impact and property damage as a result of the four hurricanes in the region during August and September. See “Recent Events.” Year-to-date, comparable hotel RevPAR in this region has improved 5.7%.

The South Central region experienced a disappointing comparable RevPAR decline of 4.0%, as our San Antonio and Dallas properties were down 8.2% and 6.9% for the quarter, respectively. Stronger performance by our hotels in the Houston market, with a RevPAR increase of 4.9%, helped the region. Year-to-date, RevPAR declined 1.2%

Our North Central region experienced a comparable RevPAR decline of 1.6% for the quarter and had no change year-to-date. The region's performance was characterized by mixed performance throughout the portfolio.

Our Mountain region experienced comparable RevPAR increases of 1.3% and 0.9% for the quarter and year-to-date, respectively. The Phoenix and Salt Lake City markets were strong performers in the quarter, but the region was negatively impacted by particularly weak performance in the Denver and Albuquerque markets.

Comparable hotel RevPAR for our international properties increased 15.5% and 22.5% for the third quarter and year-to-date. Our four Canadian properties, three of which are in Toronto, experienced increases in RevPAR of 24.2% and 31.5% for the third quarter and year-to-date, respectively, as the region has recovered from the SARs related travel restrictions in 2003 and the appreciation in the Canadian dollar versus the U.S. dollar.

Operating Costs and Expenses. Operating costs and expenses increased $64 million, or 9.2%, from the third quarter of 2003 and increased $154 million, or 7.3%, year-to date. The increase in operating costs and expenses is due to additional costs associated with an increase in occupancy at our hotels and an increase in wage, benefit, utility and sales and marketing costs, all of which we believe will continue to increase at a rate greater than inflation. In addition, the operating costs and expenses include the costs of three properties acquired subsequent to the end of third quarter 2003 of approximately $32.9 million and $66.9 million for the third quarter and year-to-date 2004, respectively, and exclude the costs for hotels we have sold, which are included in discontinued operations.

Corporate Expenses. Corporate expenses increased by $4 million for both the quarter and year-to-date, due primarily to an increase in our restricted stock expense. Stock compensation expense increased due to an increase in the estimate of the number of shares that may be issued that are subject to performance criteria and the appreciation in our stock price since the end of the second quarter.

Interest Expense. Interest expense increased $1 million and $33 million for the quarter and year-to-date, respectively, as a result of both the accounting treatment of the Convertible Subordinated Debentures and acceleration of call premiums and deferred financing costs associated with the prepayment of debt. The change in treatment of the Convertible Subordinated Debentures resulted in an increase of approximately $7 million and $22 million for the third quarter and year-to-date. See Note 2 to the consolidated financial statements for further discussion. The change in interest expense associated with the prepayment of $1.1 billion of senior notes and certain mortgages during 2004 includes $9 million and $40 million of call premiums and $4 million and $14 million of accelerated deferred financing costs and original issue discounts for the third quarter and year-to-date, respectively.

Net Gains on Property Transactions. Net gains on property transactions increased approximately $4 million for the quarter and approximately $6 million year-to-date due primarily to the recognition of deferred gains from the 1994 sale of a portfolio of Fairfield Inns by Marriott.

Minority Interest Income. As of September 10, 2004, Host Marriott held approximately 94% of the partnership interests in Host LP. The decrease in Host Marriott's minority interest income in 2004 is due to the increase in the net income for certain of our partnerships that are partially owned by third parties and the decrease in the loss at Host LP, partially offset by the decline in third party ownership of the partnership interests in Host LP from approximately 8% as of September 12, 2003 to approximately 6% as of September 10, 2004.

Discontinued Operations. Discontinued operations represent the results of operations and the gain or loss on disposition of 15 hotels during 2004 and 2003. For the third quarter 2003, revenues for these properties were $37 million, and our income before taxes was $3 million. For year-to-date 2004 and 2003, revenues for these properties were $16 million and $120 million, respectively, and our income before taxes was $2 million and $12 million, respectively. We recognized a gain of $20 million on the disposal of hotels during 2004. We did not dispose of any properties during the third quarter of 2004.

Liquidity and Capital Resources

Cash Requirements

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

Cash Balances. As of September 10, 2004, we had $317 million of cash and cash equivalents, which was a decrease of $447 million from December 31, 2003. The decrease is primarily attributable to significant debt prepayments and acquisitions in 2004. For a further discussion, see "Sources and Uses of Cash" below. Due to the volatile operating environment in 2002 and 2003, our cash balances have been in excess of the $100 million to $150 million which we had historically maintained. With the added flexibility of our new Credit Facility and the continuing growth of the economy, we expect to lower our cash balances to previous levels over the next several quarters.

As of September 10, 2004, we also had $126 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 $33 million and $15 million as of September 10, 2004 and December 31, 2003, respectively, which are held in escrow in accordance with restrictive debt covenant requirements (see "Debt and the Effect of Financial Covenants"). The restricted cash balances do not have a significant effect on our liquidity. On September 10, 2004, we amended and restated our credit facility, which now provides aggregate revolving loan commitments of $575 million. This represents an increase of $275 million in capacity under our credit facility. The amendments also extend the life of the credit facility to September 2008.

Debt Repayments and Refinancings. Proceeds from the disposition of hotels and the issuance of the Exchangeable Senior Debentures have been used to repay or redeem debt in 2004. As a result of the repayments and refinancings completed during 2003 and 2004, our annual interest expense obligations, excluding the effect of call premiums and accelerated deferred financing costs, have declined approximately $74 million. We have no significant debt maturities prior to February 2006, though principal amortization will total approximately $19 million and $65 million for the remainder of 2004 and full year 2005, respectively. We believe we have sufficient cash to deal with our near-term debt maturities, as well as any decline in the cash flow from our business.

The following table summarizes our significant financing activities (net of deferred financings costs) since the beginning of 2004 (in millions):

Transaction Date	Description of Transaction	Transaction Amount
September	Assumed 6.08% mortgage on the Scottsdale Marriott at McDowell Mountains hotel (acquired on September 22, 2004)	$ 34
September	Redemption of 7 7/8% Series B senior notes	(336)
August	Proceeds from the issuance of 7% Series L senior notes	345
August	Redemption of 4.16 million shares of 10% Class A preferred stock	(104)
June	Proceeds from the issuance of 25 million shares of common stock	301
May/June	Proceeds from the issuance of approximately 4 million shares of 8 7/8% Class E preferred stock	98
May	Redemption of 7 7/8% Series B senior notes	(65)
April	Redemption of 7 7/8% Series B senior notes	(494)
March	Proceeds from the issuance of 3.25% Exchangeable Senior Debentures due 2024	483
January	Payment of the 12.68% mortgage on the Mexico Airport Marriott	(11)
January	Prepayment of the 8.58% mortgage on the Hanover Marriott	(27)
January	Redemption of the remaining 8.45% Series C senior notes	(218)
January	Partial prepayment of The Ritz-Carlton, Naples and Buckhead 9% mortgage loan	(44)

Reducing future interest payments and our leverage remains a key management priority. In November 2003, Host Marriott's Board of Directors authorized us to purchase or retire up to $600 million of our senior notes ($317 million of which remains available under this authorization) with proceeds from additional asset sales. Senior notes redeemed in connection with a refinancing transaction do not affect the availability under this authorization. As a result, we may continue to redeem or refinance additional senior notes and mortgage debt from time to time to take advantage of favorable market conditions. We may purchase senior notes for cash through open market purchases, privately negotiated transactions, a tender offer or, in some cases, through the early redemption of such securities pursuant to their terms. Repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Any refinancing or retirement before the maturity date would affect earnings and FFO per diluted share, as defined herein, as a result of the payment of any applicable call premiums and the acceleration of previously deferred financing costs. For example, year-to-date 2004, we incurred interest expense resulting from the payment of call premiums of $40 million and the acceleration of deferred financing costs and original issue discounts totaling $14 million.

During the third quarter, we issued $350 million of 7% Series L senior notes for net proceeds of $345 million, after underwriting fees and expenses and original issue discount. On September 2, 2004, we used the net proceeds from the issuance of the Series L senior notes, along with available cash, to redeem approximately $336 million of our $7^{7}/_{8}$% Series B senior notes, including redemption premiums and accrued interest, which were scheduled to mature in 2008.

Equity. On August 3, 2004, we used the net proceeds from the May 2004 issuance of $8^{7}/_{8}$% Class E preferred stock along with available cash, to redeem all 4.16 million shares of the 10% Class A preferred stock for approximately $104 million.

Capital Expenditures. For year-to-date 2004, total capital expenditures, which include both renewal and replacement expenditures and return on investment ("ROI") and development projects, were approximately $153 million. We expect total renewal, replacement and ROI capital expenditures for 2004 to be approximately $250 million to $300 million. The renewal and replacement expenditures will be funded by the furniture, fixture and equipment funds established at certain of our hotels (typically funded annually with approximately 5% of property revenues) and by our available cash.

For 2004, approximately 10% to 15% of our capital expenditures will be for ROI projects. ROI projects have historically generated returns greater than the return on our initial investments in our hotel properties and over the next several years we expect to spend approximately $200 million to $300 million on such investments.

On July 27, 2004, we announced that we have commenced construction of an extensive renovation and repositioning of the Newport Beach Marriott Hotel. The renovation is expected to cost approximately $60 million. The renovation project will include the addition of a world-class spa and 20 new luxury suites, redesigned guest rooms, a new restaurant concept and updated meeting space.

On September 3, 2004, we converted the 590-room Denver Southeast Marriott to the Four Points by Sheraton Denver Southeast. We anticipate spending approximately $5 million for the conversion, which we believe will result in improved cash flows.

Acquisitions. We remain interested in pursuing single asset and portfolio acquisitions and believe that there will be opportunities over the next several years to acquire assets that are consistent with our target profile of upper-upscale and luxury properties in urban and resort/convention locations where further large scale development is limited. A recent example of this is the July 15, 2004 acquisition of the 450-suite Fairmont Kea Lani Maui, a premier luxury resort hotel located on 21 acres of Wailea's Polo Beach, for $355 million. We also acquired the 270-suite Scottsdale Marriott at McDowell Mountains on September 22, 2004 for approximately $58 million, $34 million of which was funded through the assumption of the existing mortgage debt on the hotel. We have acquired three properties for a total of approximately $502 million in 2004. In addition, during the quarter, we purchased a retail building adjacent to one of our hotels and the land under the JW Marriott Hotel Lennox in Atlanta, which we previously leased, for a combined total of approximately $30 million. Any additional 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 Host Marriott or the issuance of 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.

Other. On September 3, 2004, we closed the 337-room Marriott Mountain Shadows Resort Hotel. We are currently reviewing alternative uses of the property. The fair value of the property exceeds our carrying value.

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 increased $39 million to $193 million for year-to-date 2004 from $154 million for year-to-date 2003, due primarily to the increase in operating profit in 2004.

Cash Used in Investing Activities. Year-to-date 2004, we acquired two hotel properties and other assets for total cash expenditures of $474 million. During the same period, we received net proceeds of $155 million from the sale of seven non-core properties. Capital expenditures at our properties totaled $153 million for year-to-date 2004, an increase of $25 million, when compared to the same period in 2003. See “Cash Requirements—Capital Expenditures” above. We believe our total dispositions for full year 2004 will be approximately $250 million to $350 million, the net proceeds of which will be used to repay debt, fund acquisitions or for general corporate purposes; however, we currently have not entered into contracts to sell any of our hotels.

Cash Used in Financing Activities. Approximately $1.2 billion of cash has been provided by financing activities year-to-date 2004 through the issuance of 25 million shares of common stock, 4 million shares of Class E preferred stock and the issuance of the Exchangeable Senior Debentures and the Series L senior notes. Cash used in financing activities primarily consisted of debt prepayments of $1.2 billion, including the redemption of $218 million of our 8.45% Series C senior notes due in 2008, the redemption of $895 million of our $7^{7}/_{8}$% Series B senior notes and the prepayment of $82 million of mortgage debt on four of our hotels. On August 3, 2004, we redeemed all 4.16 million shares of our 10% Class A preferred stock for approximately $104 million.

Debt and the Effect of Certain Financial Covenants

As of September 10, 2004, our total debt was $5.6 billion, which includes the $492 million of Convertible Subordinated Debentures, which, prior to January 1, 2004, were classified in the mezzanine section of our consolidated balance sheet. See Note 2 to the consolidated financial statements for further discussion. The weighted average interest rate of our debt is approximately 7.0% and the current average maturity is 6.9 years. Additionally, approximately 85% of our debt has a fixed rate of interest as of September 10, 2004. 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.

During the third quarter, we issued $350 million of 7% Series L senior notes for net proceeds of $345 million, after underwriting fees and expenses and the original issue discount. On September 2, 2004, we used the net proceeds from the issuance of the Series L senior notes and available cash to redeem $336 million of our $7^{7}/_{8}$% Series B senior notes, which were scheduled to mature in 2008. We recorded a loss, which has been included in interest expense on our consolidated statement of operations, in the third quarter of approximately $12.9 million on the early extinguishment of debt, which includes the premium and the acceleration of the related discounts and deferred financing costs.

Amended and Restated Credit Facility. On September 10, 2004, we entered into an amended and restated credit facility (the “Credit Facility”). The Credit Facility replaces our prior credit facility and provides aggregate revolving loan commitments in the amount of $575 million. The Credit Facility also includes subcommitments for the issuance of letters of credit in an aggregate amount of $10 million and loans to certain of our Canadian subsidiaries in Canadian Dollars in an aggregate amount of $150 million. The Credit Facility has an initial scheduled maturity in September 2008. We have an option to extend the maturity for an additional year if certain conditions are met at the time of the initial scheduled maturity. We also have the option to increase the amount of the Credit Facility by up to $100 million to the extent that any one or more lenders, whether or not currently party to the Credit Facility, commits to be a lender for such amount.

As with the prior facility, the debt under the Credit Facility is guaranteed by certain of our existing subsidiaries and is currently secured by pledges of equity interests in many of our subsidiaries. The guarantees and pledges ratably

benefit our Credit Facility as well as the notes outstanding under our senior notes indenture, certain other senior debt, and interest rate swap agreements and other hedging agreements with lenders that are parties to the Credit Facility. As with the prior credit facility, the pledges are permitted to be released in the event that our leverage ratio falls below 6.0x for two consecutive fiscal quarters.

Unlike our prior facility, the revolving loan commitment under the Credit Facility is divided into two separate tranches: (1) a Revolving Facility A tranche of $385 million and (2) a Revolving Facility B tranche of $190 million. Amounts available for borrowing under Revolving Facility A vary depending on our leverage ratio which is defined as total debt to our pro forma EBITDA (as defined in the Credit Facility agreement), with $385 million being available when our leverage ratio is less than 6.5x, $300 million being available when our leverage ratio equals or exceeds 6.5x but is less than 6.75x, $150 million being available when our leverage ratio equals or exceeds 6.75x but is less than 7.0x, and no amounts being available when our leverage ratio equals or exceeds 7.0x. By contrast, the entire amount of Revolving Facility B is available for borrowing at any time that our leverage ratio does not exceed levels ranging from 7.5x to 7.0x (depending on the time period) and our unsecured interest coverage ratio equals or exceeds 1.5x.

We are subject to different financial covenants depending on whether amounts are borrowed under Revolving Facility A or Revolving Facility B, and we are permitted to convert amounts borrowed under either tranche into amounts borrowed under the other tranche. While the financial covenants applicable under Revolving Facility A are generally comparable to those contained in our prior facility (including covenants for leverage, fixed charge coverage and unsecured interest coverage), the financial covenants applicable to Revolving Facility B are limited to leverage and unsecured interest coverage, and are set at less restrictive levels than the corresponding covenants applicable to Revolving Facility A. As a result of this structure, we have gained the flexibility to make and maintain borrowings in circumstances where adverse changes to our financial condition could have prohibited the maintenance of borrowings under the prior facility.

The new Credit Facility not only extends the maturity of our previous facility but more importantly, it allows us greater flexibility in future transactions by increasing our immediate access to capital both for potential acquisitions or in the case of unforeseen events. For further information on our new Credit Facility, please read our Form 8-K filed on September 16, 2004.

Senior Notes. Under the terms of our senior notes indenture and the Credit Facility, our ability to incur indebtedness and pay dividends is subject to restrictions and the satisfaction of various conditions, including an EBITDA-to-interest coverage ratio for Host LP of at least 2.0x. This ratio is calculated in accordance with our senior notes indenture and excludes from interest expense items such as interest on our Convertible Subordinated Debentures, call premiums and deferred financing charges that are included in interest expense on our consolidated statement of operations. In addition, the calculation is based on our pro forma results for the four prior fiscal quarters giving effect to the transactions, such as acquisitions, dispositions and financings, as if they occurred at the beginning of the period. Currently, our EBITDA-to-interest coverage ratio is above 2.0 to 1.0 based upon our pro forma results of operations for the four fiscal quarters ended September 10, 2004. Accordingly, we are not contractually restricted by this covenant in our ability to pay preferred or common dividends, or prohibited from incurring additional debt, including debt incurred in connection with an acquisition as long as we maintain the required level of interest coverage.

Mortgage Debt. 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 10, 2004, we have 28 assets that are secured by mortgage debt. As a result of the decline in operations of our properties in 2002 and 2003, we have triggered restrictive covenants on two loans that are secured by mortgages on a total of 11 properties. These loans have restrictive covenants which require the mortgage servicer or lender to retain and hold in escrow the cash flow after debt service when it declines below specified operating levels. (The remaining mortgage loans generally do not have restrictive covenants that require such escrows.) Included in restricted cash on our balance sheet are $33 million and $15 million as of September 10, 2004 and December 31, 2003, respectively, that will remain in escrow until operating cash flow from these properties meets the covenant requirements or until the loans are repaid. We do not believe that the covenant requirements will be achieved on one of the loans in 2004 and, accordingly, estimate that a total of approximately $50 million will be escrowed at December 31, 2004. For additional information on these mortgages and their restricted covenants, see our Annual Report on Form 10-K.

As of September 10, 2004 and December 31, 2003, our debt is comprised of:

	September 10, 2004	December 31, 2003
Series B senior notes, with a rate of 7 7/8% due August 2008	$ 304	$ 1,196
Series C senior notes, with a rate of 8.45% due December 2008	—	218
Series E senior notes, with a rate of 8 3/8% due February 2006	300	300
Series G senior notes, with a rate of 9¼% due October 2007 (1)	244	244
Series I senior notes, with a rate of 9½% due January 2007 (2)	471	484
Series J senior notes, with a rate of 7 1/8% due November 2013	—	725
Series K senior notes, with a rate of 7 1/8% due November 2013	725	—
Series L senior notes, with a rate of 7% due August 2012	345	—
Exchangeable Senior Debentures, with a rate of 3.25% due 2008	491	—
Senior notes, with an average rate of 9¾%, maturing through 2012	13	13
Total senior notes	2,893	3,180
Mortgage Debt, with an average interest rate of 7.7% and 7.8% at September 10, 2004 and December 31, 2003, respectively	2,080	2,205
Credit Facility	—	—
Convertible Subordinated Debentures, with a rate of 6.75% due December 2026 (3)	492	—
Other	99	101
Total debt	$ 5,564	$ 5,486

(1) Includes an increase due to the fair value adjustments for interest rate swap agreements of $2 million as of both September 10, 2004 and December 31, 2003.

(2) Includes an increase due to the fair value adjustments for interest rate swap agreements of $21 million and $34 million as of September 10, 2004 and December 31, 2003, respectively.

(3) Beginning in January 2004, we recorded the Convertible Subordinated Debentures as debt in accordance with a revision to FIN 46. The Convertible Subordinated Debentures were previously classified in the mezzanine section of our consolidated balance sheet. See Note 2 to the consolidated financial statements for further discussion.

Dividend

Host Marriott is required to distribute to its stockholders at least 90% of its taxable income in order to qualify as a REIT, including taxable income we recognize for tax purposes but with regard to which we do not receive corresponding cash. Funds used by Host Marriott to pay dividends on its common and preferred stock are provided through distributions from Host LP. For every share of common and preferred stock of Host Marriott, Host LP has issued to Host Marriott a corresponding common OP unit and preferred OP unit. As of September 10, 2004, Host Marriott is the owner of substantially all of the preferred OP units and approximately 94% of the common OP units. The remaining 6% of the common OP units are held by various third-party limited partners. As a result of the minority position in Host LP common OP units, these holders share, on a pro rata basis, in amounts being distributed by Host LP. As a general rule, when Host Marriott pays a common or preferred dividend, Host LP pays an equivalent per unit distribution on all common or corresponding preferred OP units. For example, if Host Marriott paid a five cent per share dividend on its common stock, it would be based on payment of a five cent per common OP unit distribution by Host LP to Host Marriott and all other common OP unit holders.

Host Marriott's current policy on dividends is generally to distribute at least 100% of its taxable income, unless otherwise contractually restricted. As previously discussed, Host Marriott was restricted in its ability to pay dividends on its common and preferred equity, except to the extent necessary to maintain Host Marriott's status as a REIT, as long as its EBITDA-to interest coverage ratio was under 2.0x. Host Marriott's EBITDA-to-interest coverage ratio is above 2.0x and Host Marriott may make distributions in excess of the minimum amount necessary to maintain its REIT status.

On September 8, 2004, our Board of Directors declared a $0.05 dividend per share for our common stock representing primarily the final distribution of 2003 taxable income. The dividend will be payable on December 20, 2004 to stockholders of record as of November 30, 2004. Assuming the continued improvement in operations

throughout 2005 and a corresponding growth in taxable income, Host Marriott intends to reinstate a quarterly dividend on its common stock in the $.04 to $.06 per share range beginning with the first quarter of 2005 dividend (which would be payable on or about April 15, 2005). The amount of any future common dividend will be determined by our Board of Directors.

On September 8, 2004, our Board of Directors also declared a quarterly cash dividend of $0.625 per share for our publicly-issued Class B and C preferred stock and a cash dividend of $0.5546875 for our publicly-issued Class E preferred stock. The third quarter dividends were paid on October 15, 2004 to stockholders of record as of September 30, 2004. Also, we paid $0.125 per share of our Class A preferred stock for dividends accrued from July 15, 2004 to the redemption date of August 3, 2004. Host Marriott currently intends to continue to pay dividends on its preferred stock regardless of the amount of taxable income as long as it is over the 2.0x EBITDA-to-interest coverage ratio.

Investments in Affiliates

We have made investments in certain ventures which we do not consolidate and, accordingly, are accounted for under the equity method of accounting in accordance with our accounting policies as described in Note 1 to the consolidated financial statements. Currently, we and an affiliate of Marriott International each own a 50% interest in CBM Joint Venture LLC, which owns, through two limited partnerships, 120 Courtyard by Marriott properties totaling 17,550 rooms. The joint venture has approximately $1,085 million of assets and $899 million of debt. This debt consists of approximately $524 million of first mortgage loans secured by 119 of the 120 properties owned by the partnerships, approximately $127 million of senior notes secured by the ownership interest in one partnership and mezzanine debt in the amount of $248 million. The lender of the mezzanine debt is an affiliate of Marriott International. None of the debt is recourse to, or guaranteed by, us or any of our subsidiaries. RevPAR at the partnerships' Courtyard hotels increased 5.8% for third quarter 2004 with an average occupancy increase of 1.7 percentage points and an increase in average room rate of 3.3%. Year-to-date, RevPAR at these hotels increased 4.6% with an average occupancy increase of 1.9 percentage points and an increase in average room rate of 1.8%. We have not received any cash distributions from this partnership since 2001 and do not expect to receive any distributions in 2004.

Lodging Statistics

Reporting Periods for Hotel Operating Statistics and Comparable Hotel Results

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

Two consequences of the reporting cycle we have adopted are: (1) quarterly start dates will usually differ between years, except for the first quarter which always commences on January 1, and (2) our first and fourth quarters of operations and year-to-date operations may not include the same number of days as reflected in prior years. For example, the third quarter of 2004 ended on September 10, and the third quarter of 2003 ended on September 12, though both quarters reflect twelve weeks of operations. However, the September 10, 2004 year-to-date operations include 254 days of operations, while the September 12, 2003 year-to-date operations include 255 days of operations.

In addition, for results reported by hotel managers using a monthly reporting period (approximately one-fourth of our full-service hotels), the month of operation that ends after our fiscal quarter-end is included in our results of operations in the following fiscal quarter. Accordingly, our results of operations include results from hotel managers reporting results on a monthly basis as follows: first quarter (January, February), second quarter (March to May), third quarter (June to August), and fourth quarter (September to December). The year-to-date 2004

operations include 244 days of operations for our monthly hotels compared to 243 days of operations for the year-to-date 2003 operations.

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

- Hotel results for the third quarter of 2004 reflect 12 weeks of operations for the period from June 19, 2004 to September 10, 2004 for our Marriott-managed hotels and results from June 1, 2004 to August 31, 2004 for operations of all other hotels which report results on a monthly basis.
- Hotel results for the third quarter of 2003 reflect 12 weeks of operations for the period from June 21, 2003 to September 12, 2003 for our Marriott-managed hotels and results from June 1, 2003 to August 31, 2003 for operations of all other hotels which report results on a monthly basis.
- Hotel results for year-to-date 2004 reflect 36 weeks for the period from January 3, 2004 to September 10, 2004 for our Marriott-managed hotels and results from January 1, 2004 to August 31, 2004 for operations of all other hotels which report results on a monthly basis.
- Hotel results for year-to-date 2003 reflect 36 weeks for the period from January 4, 2003 to September 12, 2003 for our Marriott-managed hotels and results from January 1, 2003 to August 31, 2003 for operations of all other hotels which report results on a monthly basis.

Comparable Hotel Operating Statistics

We present certain operating statistics (i.e., RevPAR, average daily rate and average occupancy) and operating results (revenues, expenses and adjusted operating profit) for the periods included in this report on a comparable hotel basis. We define our comparable hotels as full-service properties (i) that are owned or leased by us and the operations of which are included in our consolidated results, whether as continuing operations or discontinued operations, for the entirety of the reporting periods being compared, and (ii) that have not sustained substantial property damage or undergone large-scale capital projects during the reporting periods being compared. Of the 112 full-service hotels that we owned on September 10, 2004, 105 have been classified as comparable hotels. The operating results of the following seven hotels that we owned as of September 10, 2004 are excluded from comparable hotel results for these periods:

- The JW Marriott, Washington, D.C. (consolidated in our financial statements beginning in the second quarter of 2003);
- The Hyatt Regency Maui Resort and Spa (acquired in November 2003);
- The Memphis Marriott (construction of a 200-room expansion started in 2003 and completed in 2004);
- The Embassy Suites Chicago Downtown-Lakefront Hotel (acquired in April 2004);
- The Fairmont Kea Lani Maui (acquired in July 2004);
- The Newport Beach Marriott Hotel (major renovation started in July 2004); and
- Mountain Shadows Resort Hotel (closed in September 2004).

In addition, the operating results of the 15 hotels we disposed of in 2004 and 2003 are also not included in comparable hotel results for the periods presented herein. Moreover, because these statistics and operating results are for our full-service hotel properties, they exclude results for our non-hotel properties and leased limited-service hotels.

The following table sets forth performance information for our comparable full-service hotels by geographic region for 2004 and 2003.

Comparable by Region

	As of September 10, 2004		Quarter ended September 10, 2004			Quarter ended September 12, 2003			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Pacific	20	10,720	$ 141.16	78.0%	$ 110.08	$ 138.79	73.6%	$ 102.12	7.8%
Florida	12	7,337	132.70	67.3	89.32	124.48	64.8	80.67	10.7
Mid-Atlantic	10	6,720	175.44	81.3	142.56	164.24	75.0	123.19	15.7
Atlanta	13	5,940	138.42	67.8	93.80	128.82	68.4	88.15	6.4
North Central	13	4,923	122.41	73.9	90.47	124.06	74.1	91.96	(1.6)
South Central	7	4,816	112.27	73.2	82.13	114.90	74.4	85.52	(4.0)
DC Metro	11	4,297	146.10	73.0	106.67	142.72	73.1	104.33	2.2
New England	7	3,413	147.31	79.8	117.55	135.95	72.3	98.27	19.6
Mountain	7	2,861	93.43	65.3	61.02	91.50	65.8	60.25	1.3
International	5	1,953	122.97	73.4	90.28	119.90	65.2	78.18	15.5
All Regions	105	52,980	138.12	73.8	101.92	132.68	71.2	94.49	7.9

	As of September 10, 2004		Year-to-date ended September 10, 2004			Year-to-date ended September 12, 2003			
	No. of Properties	No. of Rooms	Average Room Rate	Average Occupancy Percentages	RevPAR	Average Room Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Pacific	20	10,720	$ 148.72	75.3%	$ 111.95	$ 149.84	68.9%	$ 103.26	8.4%
Florida	12	7,337	164.82	73.6	121.37	161.78	70.9	114.78	5.7
Mid-Atlantic	10	6,720	178.16	77.6	138.28	171.69	73.4	125.96	9.8
Atlanta	13	5,940	141.13	68.9	97.22	136.50	66.9	91.31	6.5
North Central	13	4,923	119.33	68.6	81.82	121.38	67.4	81.78	—
South Central	7	4,816	129.73	77.0	99.83	131.40	76.9	100.99	(1.2)
DC Metro	11	4,297	151.13	73.6	111.21	144.21	71.9	103.73	7.2
New England	7	3,413	141.61	73.4	103.96	139.13	67.7	94.19	10.4
Mountain	7	2,861	103.31	63.4	65.46	100.62	64.5	64.86	0.9
International	5	1,953	120.72	72.8	87.83	113.48	63.2	71.73	22.5
All Regions	105	52,980	146.27	73.1	107.00	143.71	69.8	100.35	6.6

The following statistics are for all of our full-service properties as of September 10, 2004 and September 12, 2003, respectively. The operating statistics include the results of operations for seven hotels sold in 2004 and eight hotels sold in 2003 prior to their disposition.

All Full-Service Properties

	Quarter ended		Year-to-date ended	
	September 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
Average Room Rate	$ 142.30	$ 130.43	$ 148.53	$ 140.23
Average Occupancy	74.0%	71.3%	73.3%	69.9%
RevPAR	$ 105.32	$ 92.97	$ 108.90	$ 98.07

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 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.

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 Loss Available to Common Stockholders to Funds From Operations per Diluted Share [d]

	Quarter ended					
	September 10, 2004			September 12, 2003		
	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount
Net loss available to common stockholders	$ (60)	348.7	$ (.17)	$ (97)	275.6	$ (.35)
Adjustments:						
Gain on dispositions, net	(4)	—	(.01)	—	—	—
Cumulative effect of change in accounting principle	—	—	—	24	—	.09
Depreciation and amortization	85	—	.24	86	—	.31
Partnership adjustments	1	—	—	(3)	—	(.01)
FFO of minority partners of Host LP[a]	(1)	—	—	(1)	—	—
Adjustments for dilutive securities:						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	2.0	—	—	2.9	—
FFO per diluted share[b] [c]	$ 21	350.7	$ .06	$ 9	278.5	$ .03

	Year-to-date ended					
	September 10, 2004			September 12, 2003		
	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount
Net loss available to common stockholders	$ (93)	331.5	$ (.28)	$ (163)	268.1	$ (.61)
Adjustments:						
Gain on dispositions, net	(28)	—	(.08)	(2)	—	(.01)
Cumulative effect of change in accounting principle	—	—	—	24	—	.09
Depreciation and amortization	251	—	.75	259	—	.97
Partnership adjustments	12	—	.04	3	—	.01
FFO of minority partners of Host LP[a]	(9)	—	(.03)	(12)	—	(.05)
Adjustments for dilutive securities:						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	2.1	—	—	2.5	—
FFO per diluted share[b] [c] [d]	$ 133	333.6	$ .40	$ 109	270.6	$ .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, other minority interests that have the option to convert their limited partnership interest to common OP units and the Convertible Subordinated Debentures of Host Marriott. No effect is shown for securities if they are anti-dilutive.

(c) Quarterly and year-to-date 2004 and 2003 results were significantly affected by several transactions, the effect of which is shown in the table below (in millions, except per share amounts):

	Quarter ended			
	September 10, 2004		September 12, 2003	
	Net Income (Loss)	FFO	Net Income (Loss)	FFO
Senior notes redemptions [1]	$ (14)	$ (14)	$ (2)	$ (2)
Class A preferred stock redemption [2]	(6)	(6)	—	—
Directors' and officers' insurance settlement [3]	—	—	7	7
Minority interest benefit [4]	1	1	—	—
Total	$ (19)	$ (19)	$ 5	$ 5
Per diluted share	$ (.05)	$(.05)	$ .02	$ .02

	Year-to-date			
	September 10, 2004		September 12, 2003	
	Net Income (Loss)	FFO	Net Income (Loss)	FFO
Senior notes redemptions [1]	$ (59)	$ (59)	$ (2)	$ (2)
Class A preferred stock redemption [2]	(6)	(6)	—	—
Directors' and officers' insurance settlement [3]	—	—	7	7
Loss on foreign currency forward contracts [5]	—	—	(1)	(1)
Minority interest benefit [4]	4	4	—	—
Total	$ (61)	$ (61)	$ 4	$ 4
Per diluted share	$ (.18)	$(.18)	$ .01	$ .01

(1) Represents call premiums and the acceleration of original issue discounts and deferred financing costs, as well as incremental interest during the call period for refinancings, included in interest expense in the consolidated statements of operations. We recognized these costs in conjunction with the prepayment of senior notes and mortgages during the third quarter and year-to-date of 2004 and 2003.

(2) Represents the original issuance costs for the Class A preferred stock, which was required to be charged against net loss available to common stockholders in conjunction with the redemption of the Class A preferred stock in the third quarter of 2004, as well as 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 additional information, see Note 5 to the condensed consolidated statements.

(3) During the third quarter of 2003, we recognized approximately $9.6 million of other income from the settlement of a claim that we brought against our directors' and officers' insurance carriers for reimbursement of defense costs and settlement payments incurred in resolving a series of related actions brought against us and Marriott International that arose from the sale of certain limited partnership units to investors prior to 1993. The effect on net loss and FFO is approximately $7 million due to income taxes on the proceeds.

(4) Represents the portion of the above listed amounts attributable to minority partners in Host LP.

(5) During 2003, we made partial repayments of the Canadian mortgage debt, which resulted in certain of our forward currency hedge contracts being deemed ineffective for accounting purposes. Accordingly, we recorded an approximate $1 million charge to net income and FFO.

(d) EITF 04-08 became effective in the fourth quarter, and, as a result, the Exchangeable Senior Debentures will be included as a potentially dilutive security. For the third quarter and year-to-date 2004, the conversion to common shares of the Exchangeable Senior Debentures would be anti-dilutive. See Note 2 to our financial statements for more information on EITF 04-8.

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

Comparable Hotel Results
(in millions, except hotel statistics)

	Quarter ended		Year-to-date ended	
	September 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
Number of hotels	105	105	105	105
Number of rooms	52,980	52,980	52,980	52,980
Percent change in Comparable Hotel RevPAR	7.9%	—	6.6%	—
Comparable hotel sales				
Room	$ 463	$ 429	$ 1,422	$ 1,334
Food and beverage	211	206	739	700
Other	48	48	155	154
Comparable hotel sales[1]	722	683	2,316	2,188
Comparable hotel expenses				
Room	123	117	360	335
Food and beverage	178	169	560	529
Other	33	31	98	94
Management fees, ground rent and other costs	262	255	795	765
Comparable hotel expenses[2]	596	572	1,813	1,723
Comparable Hotel Adjusted Operating Profit	126	111	503	465
Non-comparable hotel results, net[3]	24	3	58	13
Office building and limited service properties, net [4]	—	—	(1)	1
Other income	—	10	—	12
Depreciation and amortization	(85)	(82)	(250)	(247)
Corporate and other expenses	(18)	(14)	(43)	(39)
Operating Profit	$ 47	$ 28	$ 267	$ 205

[1] 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 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
Revenues per the consolidated statements of operations	$ 810	$ 727	$ 2,540	$ 2,324
Non-comparable hotel sales	(78)	(26)	(191)	(87)
Hotel sales for the property for which we record rental income, net	8	9	31	31
Rental income for office buildings and limited service hotels	(18)	(17)	(53)	(51)
Other income	—	(10)	—	(12)
Adjustment for hotel sales for comparable hotels to reflect Marriott's fiscal year for Marriott- managed hotels	—	—	(11)	(17)
Comparable hotel sales	$ 722	$ 683	$ 2,316	$ 2,188

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

	Quarter ended		Year-to-date ended	
	September 10, 2004	September 12, 2003	September 10, 2004	September 12, 2003
Operating costs and expenses per the consolidated statements of operations	$ 763	$ 699	$ 2,273	$ 2,119
Non-comparable hotel expenses	(54)	(24)	(135)	(81)
Hotel expenses for the property for which we record rental income	8	10	32	36
Rent expense for office buildings and limited service hotels	(18)	(17)	(54)	(50)
Adjustment for hotel expenses for comparable hotels to reflect Marriott's fiscal year for Marriott-managed hotels	—	—	(10)	(15)
Depreciation and amortization	(85)	(82)	(250)	(247)
Corporate and other expenses	(18)	(14)	(43)	(39)
Comparable hotel expenses	$ 596	$ 572	$ 1,813	$ 1,723

(3) Non-comparable hotel results, net includes the following items: (i) the results of operations of our non-comparable hotels whose operations are included in our consolidated statements of operations as continuing operations and (ii) the difference between comparable hotel adjusted operating profit which reflects 252 days of operations and the operating results included in the consolidated statements of operations which reflects 254 days and 255 days of operations for year-to-date 2004 and 2003, respectively.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

The percentage of our debt that is floating rate was 15% at both September 10, 2004 and December 31, 2003. Accordingly, there have been no changes in our interest rate sensitivity. See our Annual Report on Form 10-K.

Exchange Rate Sensitivity

Foreign Currency Forward Exchange Agreements

Other than those transactions disclosed in our Annual Report on Form 10-K, there have been no other changes to, nor have we purchased or sold any other derivative instruments 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-14(c). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures at the end of the period with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As of September 10, 2004, the end of the quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On June 23, 2004, we reached a preliminary agreement with plaintiffs to settle for $2.5 million (including attorneys' fees) all claims in the matter of *Joseph S. Roth et al v. MHOS Corporation et. al*, a putative class action lawsuit filed on October 5, 2000 in the Circuit Court of Cook County, Illinois. The parties subsequently executed a more formal settlement agreement, which was approved by the Circuit Court at a preliminary hearing on October 13, 2004. A notice of the proposed settlement will be sent to class members who will have 60 days to opt out of the class. After the notice period ends, the court will hold a final hearing on the settlement, which should occur in early 2005. Once final approval is received and the time for a class member to appeal the final order has run, funds would be distributed to class members.

Item 2. Issuer Purchases of Equity Securities

Period	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (Or Approximate Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
June 19, 2004 - July 18, 2004	11,606*	$ 12.53	—	—
July 19, 2004 - August 18, 2004	124,242*	$ 12.86	—	—
August 19, 2004 - September 10, 2004	—	$ —	—	—
Total	138,848	$ 12.83		

* Reflects shares of restricted common stock forfeited for failure to meet vesting criteria and shares withheld and used for purposes of paying taxes in connection with the release of restricted common shares to plan participants.

Item 6. Exhibits and Reports on Form 8-K

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

(b) Reports on Form 8-K.

- On August 4, 2004, Host Marriott filed a current report on Form 8-K to announce the closing of its offer of $350 million of 7% Series L senior notes. The proceeds were used to redeem $336 million of its 7 7/8% Series B senior notes.
- On July 27, 2004, Host Marriott filed a current report on Form 8-K to announce the offering of $350 million of 7% Series L senior notes.
- On July 26, 2004, Host Marriott filed a current report on Form 8-K to revise the Annual Report on Form 10-K to solely reflect the reclassification of the Mexico Airport Marriott Hotel and the Dallas/Fort Worth Airport Marriott to discontinued operations.

- On July 22, 2004, Host Marriott filed a current report of Form 8-K to file the balance sheet, statement of operations and other financial data for the second quarter ended June 18, 2004.
- On July 21, 2004, Host Marriott furnished a current report on Form 8-K announcing its financial results for the second quarter ended June 18, 2004.
- On July 7, 2004, Host Marriott filed a current report on Form 8-K to announce the redemption of 4.16 million shares of its 10% Class A Cumulative Redeemable Preferred Stock on August 3, 2004 at a redemption price of $25.00 per share plus accrued dividends.

Exhibit No.	Description
4.17	Amended and Restated Twelfth Supplemental Indenture, dated as of July 28, 2004, by and among Host Marriott, L.P., the Subsidiary Guarantors signatories thereto and The Bank of New York, as successor to HSBC Bank USA (formerly Marine Midland Bank), as trustee, to the Amended and Restated Indenture dated August 5, 1998.
10.43	Amended and Restated Credit Agreement, dated as of September 10, 2004, among Host Marriott, L.P., Certain Canadian Subsidiaries of Host Marriott, L.P., Deutsche Bank Trust Company Americas, Bank of America, N.A., Citicorp North America, Inc., Société Générale, Calyon New York Branch, and Various Lenders (incorporated by reference to Host Marriott Corporation's Form 8-K filed on September 16, 2004).
10.44	Amended and Restated Pledge and Security Agreement, dated as of September 10, 2004, among Host Marriott, L.P., the other Pledgors named therein and Deutsche Bank Trust Company Americas, as Pledgee (incorporated by reference to Host Marriott Corporation's Form 8-K filed on September 16, 2004).
10.45	Amended and Restated Subsidiaries Guaranty, dated as of September 10, 2004, by the subsidiaries of Host Marriott, L.P. named as Guarantors therein (incorporated by reference to Host Marriott Corporation's Form 8-K filed on September 16, 2004).
10.46	Host Marriott Corporation Severance Plan for Executives effective March 6, 2003, as amended as of May 20, 2004.
10.47	Host Marriott, L.P. Retirement and Savings Plan effective January 2004, as amended and restated as of May 20, 2004.
10.48	Form of Restricted Stock Agreement for use under the 1997 Host Marriott Corporation and Host Marriott, L.P. Comprehensive Stock and Cash Incentive Plan.
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 19, 2004

/s/ Larry K. Harvey

Larry K. Harvey
Senior Vice President and
Corporate Controller

AMENDED AND RESTATED
TWELFTH SUPPLEMENTAL INDENTURE TO
AMENDED AND RESTATED INDENTURE

AMENDED AND RESTATED TWELFTH SUPPLEMENTAL INDENTURE dated July 28, 2004 amending and restating the TWELFTH SUPPLEMENTAL INDENTURE, dated as of November 6, 2003, among HOST MARRIOTT, L.P., a Delaware limited partnership (the "Company"), the Subsidiary Guarantors signatory to this Twelfth Supplemental Indenture and THE BANK OF NEW YORK, as Trustee (the "Trustee") to the Amended and Restated Indenture, dated as of August 5, 1998, as amended and supplemented through the date of this Amended and Restated Twelfth Supplemental Indenture (the "Indenture").

RECITALS

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

WHEREAS, the Company and the Subsidiary Guarantors desire to create two series of Securities to be issued under the Indenture, as hereby supplemented, to be known as (i) the 7 1/8% Series J Senior Notes due 2013 and Subsidiary Guarantees thereof of the Subsidiary Guarantors (hereinafter, the "Series J Notes") and (ii) the 7 1/8% Series K Senior Notes due 2013 and the Subsidiary Guarantees therof of the Subsidiary Guarantors to be exchanged for the Series J Notes (hereinafter, the "Series K Notes");

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

WHEREAS, all acts and things prescribed by the Indenture, by law and by the Certificate of Incorporation and the Bylaws of the Company, the Subsidiary Guarantors and the Trustee necessary to make this Twelfth Supplemental Indenture a

valid instrument legally binding on the Company, the Subsidiary Guarantors and the Trustee, in accordance with its terms, have been duly done and performed;

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

WHEREAS, Section 9.1 of the Indenture, as supplemented by Section 3.04 of the Twelfth Supplemental Indenture, provides that the Company, the Subsidiary Guarantors and the Trustee may amend or supplement the Indenture and the 7 1/8% Notes without the consent of any Securityholder (a) to cure any ambiguity, defect or inconsistency, or (b) to conform the text of the Indenture or the 7 1/8% Notes to any provision of the "Description of Notes" section of the Company's Offering Memorandum dated October 27, 2003, relating to the initial offering of the 7 1/8% Notes (the "Offering Memorandum"), to the extent that such provision in that "Description of Notes" section was intended to be a verbatim recitation of a provision of the Indenture or the 7 1/8% Notes;

WHEREAS, the definition of "Permitted Investment" contained in the "Description of Series J Senior Notes" section of the Offering Memorandum was intended to be a verbatim recitation of a provisions of the Indenture applicable to the 7 1/8% Notes;

WHEREAS, the reference in the last sentence of the definition of "Credit Facility" to clause (l) of paragraph (4) of the covenant entitled "Limitation on Incurrences of Disqualified Stock" was intended to be a verbatim recitation of the reference to the provision of the Indenture set forth in clause (xii) of paragraph (d) of Section 5.01 of the Twelfth Supplemental Indenture;

WHEREAS, the Company and the Subsidiary Guarantors desire to amend and restate the Twelfth Supplemental Indenture to (I) insert into its proper place in Section 4.01 of the Twelfth Supplemental Indenture the definition of "Permitted Investment" set forth in the Description of Series J Senior Notes section of the Offering Memorandum, so that such definition is thereby added to the Indenture solely with respect to the 7 1/8% Notes, and (II) provide that the reference in the last sentence of the definition "Credit Facility" to clause (xii) of paragraph (d) of Section 5.04 of the Twelfth Supplemental Indenture shall, instead, be a reference to clause (xii) of paragraph (d) of Section 5.01 of the Twelfth Supplemental Indenture, as was intended by the reference in the Offering Memorandum to clause (l) of paragraph (4) of the covenant entitled "Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock;" and

WHEREAS, the parties hereto intend that, unless the context otherwise requires, all references to the Twelfth Supplemental Indenture herein and in the 7 1/8% Notes shall be to the Twelfth Supplemental Indenture as amended and restated hereby;

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

ARTICLE 1

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

Section 1.02 Establishment of New Series. Pursuant to Section 2.2 of the Indenture, there is hereby established the Series J Notes and the Series K Notes (collectively, the "7 1/8% Notes") having the terms, in addition to those set forth in the Indenture and this Twelfth Supplemental Indenture, set forth in the form of 7 1/8% Notes, attached to this Twelfth Supplemental Indenture as Exhibit A, which is incorporated herein as a part of this Twelfth Supplemental Indenture. In addition to the initial aggregate principal amount of Series J Notes issued on the Series Issue Date, the Company may issue additional Series J Notes (the "Additional Notes") under the Indenture and this Twelfth Supplemental Indenture in accordance with Section 2.2 of the Indenture and Section 4.7 of the Indenture, as supplemented by Section 5.01 below of this Twelfth Supplemental Indenture.

Section 1.03 Redemption. (a) At any time prior to November 1, 2008, the Company may redeem the 7 1/8% Notes in whole but not in part at any time at a Redemption Price equal to 100% of the principal amount thereof plus the Make-Whole Premium, together with accrued and unpaid interest thereon, if any, to the applicable Redemption Date (subject to the right of Holders of record on the relevant Record Date to receive interest).

(b) At any time on or after November 1, 2008, the Company may redeem the 7 1/8% Notes for cash at its option, in whole or in part, at the following Redemption Prices (expressed as percentages of the principal amount) if redeemed during the 12-month period commencing November 1 of the years indicated below, in each case, together with accrued and unpaid interest, if any, thereon to the applicable Redemption Date (subject to the right of Holders of record on the relevant Record

Date to receive interest due on an Interest Payment Date that is on or prior to the applicable Redemption Date):

Year	Percentage
2008	103.563%
2009	102.375%
2010	101.188%
2011 and thereafter	100.000%

(c) Prior to November 1, 2006, the Company may redeem from time to time up to 35% of the aggregate principal amount of the 7 1/8% Notes outstanding at a Redemption Price equal to 107.125% of the principal amount thereof, together with accrued and unpaid interest thereon, if any to the applicable Redemption Date (subject to the right of Holders of record on the relevant Record Date to receive interest due on an Interest Payment Date that is on or prior to the applicable Redemption Date) with the Net Cash Proceeds of one or more Equity Offerings; *provided*, that at least 65% of the aggregate principal amount of the 7 1/8% Notes originally issued on the Series Issue Date remain outstanding after such redemption; and *provided*, *further*, that such redemption shall occur within 90 days after the date on which any such Equity Offering is consummated.

(d) The 7 1/8% Notes will not have the benefit of any sinking fund.

(e) Notice of a redemption of the 7 1/8% Notes made pursuant to this Section 1.03 shall be given in the manner set forth in Section 3.3 of the Indenture; *provided*, *however*, that any such notice need not set forth the Redemption Price but need only set forth the calculation thereof as described in subsection (a) of this Section 1.03. The Redemption Price, calculated as aforesaid, shall be set forth in an Officer's Certificate delivered by the Company to the Trustee no later than one Business Day prior to the Redemption Date.

ARTICLE 2

Section 2.01 "*Subsidiary Guarantors*" means, with respect to the 7 1/8% Notes, (A) the Subsidiary Guarantors listed in Section 2.03 below and (B) any Future Subsidiary Guarantors that become Subsidiary Guarantors pursuant to the terms of the Indenture, but excluding any Persons whose Guarantees have been released pursuant to the terms of the Indenture. The provisions of Article 12 of the Indenture will be applicable to the 7 1/8% Notes.

Section 2.02 The second sentence of the definition of "*Subsidiary Guarantee*" set forth in Section 1.1 of the Indenture shall read, for purposes of the 7

1/8% Notes, as follows: “Each Subsidiary Guarantee with respect to the 7 1/8% Notes will be a senior obligation of the Subsidiary Guarantor and will be full and unconditional regardless of the enforceability of the 7 1/8% Notes, the Twelfth Supplemental Indenture or the Indenture.”

Section 2.03 The following entities shall constitute the “*Subsidiary Guarantors*” with respect to the 7 1/8% Notes, the Series A Notes, the Series B Notes, the Series C Notes, the Series E Notes, the Series G Notes and the Series I Notes until such time as their guarantees are released in accordance with the terms of the Indenture:

(1) Airport Hotels LLC;
(2) Host of Boston, Ltd.;
(3) Host of Houston, Ltd;
(4) Host of Houston 1979;
(5) Chesapeake Financial Services LLC;
(6) City Center Interstate Partnership LLC;
(7) HMC Retirement Properties, L.P.;
(8) HMH Marina LLC;
(9) Farrell’s Ice Cream Parlour Restaurants LLC;
(10) HMC Atlanta LLC;
(11) HMC BCR Holdings LLC;
(12) HMC Burlingame LLC;
(13) HMC California Leasing LLC;
(14) HMC Capital LLC;
(15) HMC Capital Resources LLC;
(16) HMC Park Ridge LLC;
(17) HMC Partnership Holdings LLC;
(18) Host Park Ridge LLC;
(19) HMC Suites LLC;
(20) HMC Suites Limited Partnership;
(21) PRM LLC;
(22) Wellsford-Park Ridge HMC Hotel Limited Partnership;
(23) YBG Associates LLC;
(24) HMC Chicago LLC;
(25) HMC Desert LLC;
(26) HMC Palm Desert LLC;
(27) MDSM Finance LLC;
(28) HMC Diversified LLC;
(29) HMC East Side II LLC;
(30) HMC Gateway LLC;
(31) HMC Grand LLC;

(32) HMC Hanover LLC;
(33) HMC Hartford LLC;
(34) HMC Hotel Development LLC;
(35) HMC HPP LLC;
(36) HMC IHP Holdings LLC;
(37) HMC Manhattan Beach LLC;
(38) HMC Market Street LLC;
(39) New Market Street LP;
(40) HMC Georgia LLC;
(41) HMC Mexpark LLC;
(42) HMC Polanco LLC;
(43) HMC NGL LLC;
(44) HMC OLS I L.P.;
(45) HMC OP BN LLC;
(46) HMC Pacific Gateway LLC;
(47) HMC PLP LLC;
(48) Chesapeake Hotel Limited Partnership;
(49) HMC Potomac LLC;
(50) HMC Properties I LLC;
(51) HMC Properties II LLC;
(52) HMC SBM Two LLC;
(53) HMC Seattle LLC;
(54) HMC SFO LLC;
(55) HMC Swiss Holdings LLC;
(56) HMC Waterford LLC;
(57) HMH General Partner Holdings LLC;
(58) HMH Norfolk LLC;
(59) HMH Norfolk, L.P.;
(60) HMH Pentagon LLC;
(61) HMH Restaurants LLC;
(62) HMH Rivers LLC;
(63) HMH Rivers, L.P.;
(64) HMH WTC LLC;
(65) HMP Capital Ventures LLC;
(66) HMP Financial Services LLC;
(67) Host La Jolla LLC;
(68) City Center Hotel Limited Partnership;
(69) Times Square LLC;
(70) Ivy Street LLC;
(71) Market Street Host LLC;
(72) MFR of Illinois LLC;
(73) MFR of Vermont LLC;

(74) MFR of Wisconsin LLC;

(75) Philadelphia Airport Hotel LLC;

(76) PM Financial LLC;

(77) PM Financial LP;

(78) HMC Property Leasing LLC;

(79) HMC Host Restaurants LLC;

(80) Santa Clara HMC LLC;

(81) S.D. Hotels LLC;

(82) Times Square GP LLC;

(83) Durbin LLC;

(84) HMC HT LLC;

(85) HMC JWDC LLC;

(86) HMC OLS I LLC;

(87) HMC OLS II L.P.;

(88) HMT Lessee Parent LLC;

(89) HMC/Interstate Ontario, L.P.;

(90) HMC/Interstate Manhattan Beach, L.P.;

(91) Host/Interstate Partnership, L.P.;

(92) HMC/Interstate Waterford, L.P.;

(93) Ameliatel;

(94) HMC Amelia I LLC;

(95) HMC Amelia II LLC;

(96) Rockledge Hotel LLC;

(97) Fernwood Hotel LLC;

(98) HMC Copley LLC;

(99) HMC Headhouse Funding LLC;

(100) Ivy Street Hopewell LLC;

(101) HMC Diversified American Hotels, L.P.; and

(102) Potomac Hotel Limited Partnership.

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

ARTICLE 3

Section 3.01 Subject to the further provisions of this Article 3 and Article 5 of this Twelfth Supplemental Indenture, the covenants set forth in Article 4 of the Indenture shall be applicable to the Notes. By virtue of the occurrence of the REIT Conversion, Section 4.15 of the Indenture (as replaced and superceded by Section 5.03 of this Twelfth Supplemental Indenture) is applicable, and Section 4.9 of the Indenture is inapplicable, to the 7 1/8% Notes.

Section 3.02 The provisions of Sections 4.10 and 4.11 of the Indenture and Section 5.02, 5.03 and 5.04 of the Twelfth Supplemental Indenture shall be applicable to the 7 1/8% Notes only for so long as and during any time that such 7 1/8% Notes are not rated Investment Grade.

Section 3.03 For avoidance of doubt, the definition of "GAAP" contained in the Indenture shall apply in all instances to the 7 1/8% Notes and the provisions of Section 1.4(c) of the Indenture shall not apply in any instance to the 7 1/8% Notes.

Section 3.04 Section 9.1 of the Indenture is hereby supplemented by the following clause solely with respect to the 7 1/8% Notes:

"(k) to conform the text of this Indenture or the Notes to any provision of the "Description of Notes" section of the Company's Offering Memorandum dated October 27, 2003, relating to the initial offering of the 7 1/8% Notes, to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of this Indenture of the 7 1/8% Notes."

ARTICLE 4

Section 4.01 The following definitions are hereby added to the Indenture solely with respect to the 7 1/8% Notes:

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

"*Certificated Note"* means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 6.01 of this Twelfth Supplemental Indenture, in the form of Exhibit A to this Twelfth Supplemental Indenture except that such Note shall not include the information called for by footnotes 2, 5 and 8 thereof.

"*Clearstream"* means Clearstream Banking S.A., or its successors.

"*Credit Facility"* means the credit facility established pursuant to the Credit Agreement, dated as of August 5, 1998 among the Company, Host, certain other Subsidiaries party thereto, the lenders party thereto, Bankers Trust Company, as Arranger and Administrative Agent, and Wells Fargo Bank, N.A., The Bank of Nova Scotia and Credit Lyonnais New York Branch, as Co-Arrangers, together with all

other agreements, instruments and documents executed or delivered pursuant thereto or in connection therewith, in each case as such agreements, instruments or documents may be amended, supplemented, extended, renewed, replaced or otherwise modified or restructured from time to time (including by way of adding Subsidiaries of the Company as additional borrowers or guarantors thereof), whether by the same or any other agent, lender or group of lenders (including by means of sales of debt securities to institutional investors) but excluding Indebtedness incurred under clause (xii) of paragraph (d) of Section 5.01 of this Twelfth Supplemental Indenture.

"*Equity Offering*" means any public or private sale of (i) Qualified Capital Stock by the Company or (ii) Capital Stock by Host REIT where the Net Cash Proceeds of such sale are contributed to the Company as a Capital Contribution substantially concurrently therewith, and in each case, other than public offerings registered on Form S-8.

"*Euroclear*" means Euroclear Bank S.A./N.V., or its successor, as operator of the Euroclear system.

"*Exchange Notes*" means the Series K Notes, which will be issued in exchange for Series J Notes pursuant to an Exchange Offer.

"*Exchange Offer*" means that the offer that is to be made by the Company and the Subsidiary Guarantors in accordance with the terms of the Registration Rights Agreement.

"*Existing Senior Notes*" means amounts outstanding from time to time of (i) the 7 7/8% Senior Notes due 2005 of the Company, (ii) the 7 7/8% Senior Notes due 2008 of the Company, (iii) the 8.45% Senior Notes due 2008 of the Company, (iv) the 8 3/8% Senior Notes due 2006 of the Company, (v) the 9¼% Senior Notes due 2007 of the Company; and (vi) the 9½% Senior Notes due 2007 of the Company, in each case not in excess of amounts outstanding immediately following the Series Issue Date of the 7 1/8% Notes, less amounts retired from time to time.

"*Global Note*" means a 7 1/8% Note that includes the information referred to in footnotes 2, 5 and 8 to the form of 7 1/8% Note, attached to this Twelfth Supplemental Indenture as Exhibit A, issued under the Indenture, that is deposited with or on behalf of and registered in the name of the Depository or a nominee of the Depository.

"*Global Note Legend*" means the legend set forth in Section 6.01(g)(ii) of this Twelfth Supplemental Indenture, which is required to be placed on all Global Notes issued under the Indenture.

"*HMH Properties*" means HMH Properties, Inc., a Delaware corporation, which was merged into the Operating Partnership on December 16, 1998.

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

"*Host REIT Merger*" means the merger of Host with and into Host REIT, with Host REIT surviving the merger, which merger occurred on December 29, 1998.

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

"*Initial Purchasers*" means Banc of America Securities LLC, Deutsche Banc Securities Inc., BNY Capital Markets, Inc., Citigroup Global Markets Inc., Credit Lyonnais Securities (USA) Inc., Fleet Securities, Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Scotia Capital (USA) Inc., SG Cowen Securities Corporation, UBS Securities LLC, and Wells Fargo Brokerage Services, LLC.

"*Institutional Accredited Investor*" means an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act, who is not also a QIB.

"*Letter of Transmittal*" means the letter of transmittal to be prepared by the Company and sent to all Holders of the Series J Notes for use by such Holders in connection with the Exchange Offer.

"*Make-Whole Premium*" means, with respect to any 7 1/8% Note at any Redemption Date, the excess, if any, of (a) the present value of the sum of the principal amount and premium, if any, that would be payable on such 7 1/8% Note on November 1, 2008, as set forth in Section 1.03(b) of this Twelfth Supplemental Indenture and all remaining interest payments (not including any portion of such payments of interest accrued as of the Redemption Date) to and including November 1, 2008, discounted on a semi-annual bond equivalent basis from such maturity date to the Redemption Date at a per annum interest rate equal to the sum of the Treasury Yield (determined on the Business Day immediately preceding such Redemption Date), plus 50 basis points, over (b) the principal amount of the 7 1/8% Note being redeemed.

"*Merger*" means, the merger of HMH Properties with and into the Operating Partnership with the Operating Partnership as the surviving entity, which merger occurred on December 16, 1998.

"*Net Cash Proceeds*" means, (i) with respect to any Asset Sale other than the sale of Capital Stock of a Restricted Subsidiary, the proceeds of such Asset Sale in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Cash Equivalents (except to the extent such obligations are financed or sold with recourse to the Company or any of its Restricted Subsidiaries) and proceeds from the conversion of other property received when converted to cash or Cash Equivalents, net of (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale, (b) provisions for all Taxes (including Taxes of Host REIT) actually paid or payable as a result of such Asset Sale by the Company and its Restricted Subsidiaries, taken as a whole, (c) payments made to repay Indebtedness (other than Indebtedness subordinated in right of payment to the notes or a Subsidiary Guarantee) or any other obligations outstanding at the time of such Asset Sale that either (I) is secured by a Lien on the property or assets sold; or (II) is required to be paid as a result of such sale, (d) amounts reserved by the Company and its Restricted Subsidiaries against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined on a consolidated basis in conformity with GAAP; and (e) any Permitted REIT Distributions related to such Asset Sale (*provided*, *however*, that with respect to an Asset Sale by any Person other than the Company or a Wholly Owned Subsidiary, Net Cash Proceeds shall be the above amount multiplied by the Company's (direct or indirect) percentage ownership interest in such Person); and (ii) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Cash Equivalents (except to the extent such obligations are financed or sold with recourse to the Company or any of its Restricted Subsidiaries) and proceeds from the conversion of other property received when converted to cash or Cash Equivalents, net of attorney's fees, accountant's fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of tax paid or payable as a result thereof (provided, however, that with respect to an issuance or sale by any Person other than the Company or a Wholly Owned Subsidiary, Net Cash Proceeds shall be the above amount multiplied by the Company's (direct or indirect) percentage ownership interest in such Person).

"*Notes*" means collectively, the Series J Notes and, when and if issued as provided in the Registration Rights Agreement, the Exchange Notes.

"*Offering Memorandum*" means the Offering Memorandum of the Company and the Subsidiary Guarantors dated October 27, 2003 with respect to the 7 1/8% Notes.

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

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

"*Paying Agent*" means, until otherwise designated, the Trustee.

"*Permitted Investment*" means any of the following: (i) an Investment in Cash Equivalents; (ii) Investments in a Person substantially all of whose assets are of a type generally used in a Related Business (an "Acquired Person") if, as a result of such Investments: (a) the Acquired Person immediately thereupon is or becomes a Restricted Subsidiary of the Company; or (b) the Acquired Person immediately thereupon either (I) is merged or consolidated with or into the Company or any of its Restricted Subsidiaries and the surviving Person is the Company or a Restricted Subsidiary of the Company or (II) transfers or conveys all or substantially all of its assets to, or is liquidated into, the Company or any of its Restricted Subsidiaries; (iii) an Investment in a Person, *provided* that: (A) such Person is principally engaged in a Related Business; (B) the Company or one or more of its Restricted Subsidiaries participates in the management of such Person, as a general partner, member of such Person's governing board or otherwise; and (C) any such Investment shall not be a Permitted Investment if, after giving effect thereto, the aggregate amount of Net Investments outstanding made in reliance on this clause (iii) subsequent to the Issue Date would exceed 10% of Total Assets; (iv) Permitted Sharing Arrangement Payments; (v) securities received in connection with an Asset Sale so long as such Asset Sale complied with the Indenture including Section 5.04 of this Twelfth Supplemental Indenture (but, only to the extent the fair market value of such securities and all other non-cash and non-Cash Equivalent consideration received complies with

clause (ii) of the first paragraph of Section 5.04 of this Twelfth Supplemental Indenture; (vi) Investments in the Company or in Restricted Subsidiaries of the Company; (vii) Permitted Mortgage Investments; (viii) any Investments constituting part of the REIT Conversion; and (ix) any Investments in a Non-Consolidated Entity, *provided* that (after giving effect to such Investment) the total assets (before depreciation and amortization) of all Non-Consolidated Entities attributable to the Company's proportionate ownership interest therein, plus an amount equal to the Net Investments outstanding made in reliance upon clause (iii) above, does not exceed 20% of the total assets (before depreciation and amortization) of the Company and its Consolidated Subsidiaries (to the extent of the Company's proportionate ownership interest therein).

"*Permitted REIT Distributions*" means, so long as Host REIT believes in good faith after reasonable diligence that Host REIT qualifies as REIT under the Code, a declaration or payment of any dividend or the making of any distribution: (i) to Host REIT equal to the greater of: (a) the amount estimated by Host REIT in good faith after reasonable diligence to be necessary to permit Host REIT to distribute to its shareholders with respect to any calendar year (whether made during such year or after the end thereof) 100% of the "real estate investment trust taxable income" of Host REIT within the meaning of Code Section 857(b)(2), determined without regard to deductions for dividends paid and the exclusions set forth in Code Sections 857(b)(2)(C), (D), (E) and (F) but including therein all net capital gains and net recognized built-in gains within the meaning of Treasury Regulations 1.337(d)-6 (whether or not such gains might otherwise be excluded or excludable therefrom), or (b) the amount that is estimated by Host REIT in good faith after reasonable diligence to be necessary either to maintain Host REIT's status as a REIT under the Code for any calendar year or to enable Host REIT to avoid the payment of any tax for any calendar year that could be avoided by reason of a distribution by Host REIT to its shareholders, with such distributions to be made as and when determined by Host REIT, whether during or after the end of the relevant calendar year, in either the case of (a) or (b) if: (I) the aggregate principal amount of all outstanding Indebtedness (other than the QUIPs Debt) of the Company and its Restricted Subsidiaries on a consolidated basis at such time is less than 80% of Adjusted Total Assets of the Company; and (II) no Default or Event of Default shall have occurred and be continuing; and (ii) to any Person in respect of any Units, which distribution is required as a result of or a condition to the distribution or payment of such dividend or distribution to Host REIT.

"*Private Placement Legend*" means the legend set forth in Section 6.01(g)(i) of this Twelfth Supplemental Indenture to be placed on all Series J Notes issued under the Indenture except where otherwise permitted by the provisions of the Indenture.

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

"*Qualified Assets*" means (i) Capital Stock of the Company or any of its Subsidiaries or of other Subsidiaries of Host, Host REIT and each other Parent of the Company substantially all of whose sole assets are direct or indirect interests in Capital Stock of the Company, and (ii) other assets related to corporate operations of Host, Host REIT and each other Parent of the Company which are de minimus in relation to those of Host, Host REIT and each other Parent of the Company and their Restricted Subsidiaries, taken as a whole.

"*Refinancing Indebtedness*" means Indebtedness or Disqualified Stock (i) issued in exchange for, or the proceeds from the issuance and sale of which are used substantially concurrently to repay, redeem, defease, refund, refinance, discharge or otherwise retire for value, in whole or in part, or (ii) constituting an amendment, modification or supplement to, or a deferral or renewal of ((i) and (ii) above are, collectively, a "*Refinancing*"), any Indebtedness or Disqualified Stock in a principal amount (or accreted value, if applicable) or, in the case of Disqualified Stock, liquidation preference, not to exceed: (a) the principal amount (or accreted value, if applicable) or, in the case of Disqualified Stock, liquidation preference, of the Indebtedness or Disqualified Stock so refinanced, plus (b) all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith), *provided that* Refinancing Indebtedness (other than a revolving line of credit from a commercial lender or other Indebtedness whose proceeds are used to repay a revolving line of credit from a commercial lender to the extent such revolving line of credit or other Indebtedness was not put in place for purposes of evading the limitations described in this definition) shall: (x) not have an Average Life shorter than the Indebtedness or Disqualified Stock to be so refinanced at the time of such Refinancing, and (y) be subordinated in right of payment to the rights of holders of the notes if the Indebtedness or Disqualified Stock to be refinanced was so subordinated.

"*Registration Rights Agreement*" means the Registration Rights Agreement, dated as of November 6, 2003, by and among the Company, the Subsidiary Guarantors and the Initial Purchasers, as such agreement may be amended, modified or supplemented from time to time.

"*Regulation S*" means Regulation S promulgated under the Securities Act, as it may be amended from time to time, and any successor provision thereto.

"*Regulation S Global Note*" means a Global Note issued in accordance with Regulation S.

"*Regulation S Restricted Global Note*" means a Regulation S Global Note until the expiration of the Regulation S Restricted Period; such Regulation S Global Note constitutes a Restricted Global Note.

"*Regulation S Restricted Period*" means the 40-day period beginning on the later of (i) the day that the Initial Purchasers advise the Company and the Trustee in writing is the first day on which the Notes were offered to persons other than distributors (as defined in Regulation S) in reliance on Regulation S and (ii) November 6, 2003.

"*Regulation S Unrestricted Global Note*" means a Regulation S Global Note following the expiration of the Regulation S Restricted Period; such Regulation S Global Note constitutes an Unrestricted Global Note.

"*Restricted Certificated Note*" means a Certificated Note that includes the information called for in footnotes 6 and 7 (and not in footnotes 2, 5 and 8) to the form of 7 1/8% Note, attached to this Twelfth Supplemental Indenture as Exhibit A, issued under the Indenture.

"*Restricted Global Note*" means a Global Note that includes the information called for in footnotes 2, 5, 6, 7 and 8 to the form of Note, attached to this Twelfth Supplemental Indenture as Exhibit A, issued under the Indenture; *provided*, that in no case shall an Exchange Note issued in accordance with the Indenture and the terms of the Registration Rights Agreement be a Restricted Global Note; *provided, further*, that any Regulation S Global Note shall, following the completion of the Regulation S Restricted Period, automatically become an Unrestricted Global Note for the purposes of this Twelfth Supplemental Indenture, regardless of the information appearing on such Global Note.

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

"*Rule 144A Global Note*" means a Global Note issued in accordance with Rule 144A.

"*Rule 144A Restricted Global Note*" means a Restricted Global Note issued in accordance with Rule 144A.

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

"*Shelf Registration Statement*" shall have the meaning set forth in the Registration Rights Agreement.

"*SLC*" means HMC Senior Communities, Inc., a Delaware corporation, and its successor Crestline Capital Corporation, a Maryland corporation, and its successors and assigns.

"*Transfer Restricted Notes*" means Series J Notes that include the information called for by footnotes 6 and 7 to the form of 7 1/8% Note, attached to this Twelfth Supplemental Indenture as Exhibit A, issued under the Indenture.

"*Treasury Yield*" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the date fixed for redemption (or, if such Statistical Release is no longer published, any publicly available source of similar data)) most nearly equal to the then remaining average life of the 7 1/8% Notes, *provided* that if the average life of the 7 1/8% Notes is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the average life of the 7 1/8% Notes is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

"*Unrestricted Certificated Notes*" means one or more Certificated Notes that do not include and are not required to include the information called for by footnotes 6 and 7 to the form 7 1/8% Note, attached to this Twelfth Supplemental Indenture as Exhibit A, issued under the Indenture.

"*Unrestricted Global Note*" means a permanent Global Note in the form of Exhibit A attached to this Twelfth Supplemental Indenture that includes the information referred to in footnotes 2, 5 and 8 thereof, and that is deposited with or on behalf of and registered in the name of the Depository.

ARTICLE 5

Section 5.01 *Limitation on Incurrences of Indebtedness and Issuance of Disqualified Stock*. For purposes of 7 1/8% Notes, Section 4.7 of the Indenture is hereby replaced and superceded by the following covenant and the following covenant shall apply to the 7 1/8% Notes:

(a) Except as set forth below, neither the Company, the Subsidiary Guarantors nor any of its or their respective Restricted Subsidiaries will, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) or issue any Disqualified Stock. Notwithstanding the foregoing sentence, if, on the date of any such Incurrence or issuance, after giving effect to, on a pro forma basis, such Incurrence or issuance and the receipt and application of the proceeds therefrom:

(i) the aggregate amount of all outstanding Indebtedness (other than the QUIPs Debt) and the Disqualified Stock of the Company and the Subsidiary Guarantors and its or their respective Restricted Subsidiaries (including amounts of Refinancing Indebtedness outstanding pursuant to paragraph (d)(iii) hereof or otherwise), determined on a consolidated basis (it being understood that the amounts of Indebtedness and Disqualified Stock of Restricted Subsidiaries shall be consolidated with that of the Company only to the extent of the Company's proportionate interest in such Restricted Subsidiaries), without duplication, is less than or equal to 65% of the Adjusted Total Assets of the Company; and

(ii) the Consolidated Coverage Ratio of the Company would be greater than or equal to 2.0 to 1, the Company and its Restricted Subsidiaries may Incur such Indebtedness or issue such Disqualified Stock.

(b) In addition to the foregoing limitations set forth in (a) above, except as set forth below, the Company, the Subsidiary Guarantors and its or their Restricted Subsidiaries will not Incur any Secured Indebtedness or Subsidiary Indebtedness. Notwithstanding the foregoing sentence, if, immediately after giving effect to the Incurrence of such additional Secured Indebtedness and/or Subsidiary Indebtedness and the application of the proceeds thereof, the aggregate amount of all outstanding Secured Indebtedness and Subidiary Indebtedness of the Company, the Subsidiary Guarantors and its or their Restricted Subsidiaries (including amounts of Refinancing Indebtedness outstanding pursuant to paragraph (d)(iii) hereof or otherwise), determined on a consolidated basis (it being understood that the amounts of Secured Indebtedness and Subsidiary Indebtedness of Restricted Subsidiaries shall be consolidated with that of the Company only to the extent of the Company's proportionate interest in such Restricted Subsidiaries), without duplication, is less than or equal to 45% of Adjusted Total Assets of the Company, the Company and its Restricted Subsidiaries may Incur such Secured Indebtedness and/or Subsidiary Indebtedness.

(c) In addition to the limitations set forth in (a) and (b) above, the Company, the Subsidiary Guarantors and its and their Restricted Subsidiaries will maintain at all times Total Unencumbered Assets of not less than 125% of the aggregate outstanding amount of the Unsecured Indebtedness (other than the QUIPs Debt) (including amounts of Refinancing Indebtedness outstanding pursuant to paragraph (d)(iii) hereof or otherwise) determined on a consolidated basis (it being understood that the Unsecured Indebtedness of the Restricted Subsidiaries shall be

consolidated with that of the Company only to the extent of the Company's proportionate interest in such Restricted Subsidiaries).

(d) Notwithstanding paragraphs (a) or (b), the Company, the Subsidiary Guarantors and its and their respective Restricted Subsidiaries (except as specified below) may Incur or issue each and all of the following:

(i) Indebtedness outstanding (including Indebtedness issued to replace, refinance or refund such Indebtedness) under the Credit Facility at any time in an aggregate principal amount, together with all Indebtedness Incurred pursuant to clause (xii) and (xiii) of this paragraph (d), not to exceed $1.5 billion, less any amount repaid subsequent to the Series Issue Date as provided under Section 5.04 of the Twelfth Supplemental Indenture (including that, in the case of a revolver or similar arrangement, such commitment is permanently reduced by such amount);

(ii) Indebtedness or Disqualified Stock owed:

a) to the Company; or

b) to any Subsidiary Guarantor; provided that any event which results in any Restricted Subsidiary holding such Indebtedness or Disqualified Stock ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Disqualified Stock (other than to the Company or a Subsidiary Guarantor) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness or issuance of Disqualified Stock not permitted by this clause (ii);

(iii) Refinancing Indebtedness with respect to outstanding Indebtedness (other than Indebtedness Incurred under clause (i), (ii), (iv), (vi), (viii), (xii) or (xiii) of this paragraph) and any refinancings thereof;

(iv) Indebtedness:

(A) in respect of performance, surety or appeal bonds Incurred in the ordinary course of business;

(B) under Currency Agreements and Interest Swap and Hedging Obligations; provided that such agreements:

(a) are designed solely to protect the Company, the Subsidiary Guarantors or any of its or their Restricted Subsidiaries against fluctuations in foreign currency exchange rates or interest rates; and

(b) do not increase the Indebtedness of the obligor outstanding, at any time other than as a result of fluctuations in foreign currency exchange rates or interest rates or by reason of fees, indemnities and compensation payable thereunder; or

(C) arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligations of the Company, the Subsidiary Guarantors or any of its or their Restricted Subsidiaries pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition), in an amount not to exceed the gross proceeds actually received by the Company, the Subsidiary Guarantors and its and their Restricted Subsidiaries on a consolidated basis in connection with such disposition;

(v) Indebtedness of the Company, to the extent the net proceeds thereof are promptly:

(A) used to purchase all of the notes tendered in a Change of Control Offer made as a result of a Change of Control; or

(B) deposited to defease the notes as described under Sections 8.3 and 8.4 of the Indenture;

(vi) Guarantees of the notes and Guarantees of Indebtedness of the Company or any of the Subsidiary Guarantors by any of its or their respective Restricted Subsidiaries; *provided* the guarantee of such Indebtedness is permitted by and made in accordance with the terms of the Indenture at the time of the incurrence of such underlying Indebtedness or at the time such guarantor becomes a Restricted Subsidiary;

(vii) Indebtedness evidenced by the Securities and the Guarantees thereof and represented by the indenture up to the amounts issued pursuant thereto as of the Issue Date;

(viii) the QUIPs Debt;

(ix) Limited Partner Notes; and

(x) Indebtedness Incurred pursuant to the Blackstone Acquisition and any Indebtedness of Host, its Subsidiaries, a Public Partnership or a Private Partnership incurred in connection with the REIT Conversion;

(xi) Acquired Indebtedness assumed in connection with an Asset Acquisition if, on the date of any such Incurrence, the Consolidated Coverage Ratio of the Person or asset or assets so acquired would be greater than or equal to 2.0 to 1; *provided however*, that an acquisition within the meaning of clause (ii) of the definition of “Asset Acquisition,” will be deemed to be an acquisition of a Person for purposes of determining such Consolidated Coverage Ratio;

(xii) Secured Indebtedness in an aggregate principal amount (or accreted value, if applicable) at any time outstanding, not to exceed $300.0 million, *provided, however*, that (A) the Incurrence of such Secured Indebtedness is otherwise permitted pursuant to paragraph (b) above and (B) the proceeds of such Secured Indebtedness are used substantially concurrently to repay and permanently reduce Indebtedness outstanding under the Credit Facility (including that, in the case of a revolver or similar arrangement, such commitment is permanently reduced by such amount); *provided further, however*, that Indebtedness Incurred in reliance on this clause (xii), together with all Indebtedness Incurred pursuant to clause (i) and (xiii) of this subsection (d) does not at any time exceed an aggregate principal amount (or accreted value, if applicable), of $1.5 billion, less any amount repaid subsequent to the Series Issue Date as provided under Section 5.04 of the Twelfth Supplemental Indenture (including that, in the case of a revolver or similar arrangement, such commitment is permanently reduced by such amount); and

(xiii) additional Indebtedness in an aggregate principal amount (or accreted value, if applicable) at any time outstanding, not to exceed $100.0 million, *provided, however*, that Indebtedness Incurred in reliance on this clause (xiii), together with all Indebtedness Incurred pursuant to clause (i) and (xii) of this subsection (d) does not at any time exceed an aggregate principal amount (or accreted value, if applicable), of $1.5 billion, less any amount repaid subsequent to the Series Issue Date as provided under Section 5.04 of the Twelfth Supplemental Indenture (including that, in the case of a revolver or similar arrangement, such commitment is permanently reduced by such amount).

(e) For purposes of determining any particular amount of Indebtedness under this Section 5.01 of this Twelfth Supplemental Indenture:

(i) Indebtedness Incurred under the Credit Facility on or prior to the Issue Date shall be treated as Incurred pursuant to clause (i) of subsection (d) of this Section 5.01 of this Twelfth Supplemental Indenture; and

(ii) Guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise included in the determination of such particular amount shall not be included as additional Indebtedness. For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described in the above clauses, the Company, in its sole discretion, shall classify such item of Indebtedness as being Incurred under only one of such clauses.

Indebtedness or Disqualified Stock of any Person that is not a Restricted Subsidiary of the Company, which Indebtedness or Disqualified Stock is outstanding at the time such Person becomes a Restricted Subsidiary of the Company (including by designation) or is merged with or into or consolidated with the Company or a Restricted Subsidiary of the Company, shall be deemed to have been Incurred or

issued at the time such Person becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company, or a Restricted Subsidiary of the Company, and Indebtedness or Disqualified Stock which is assumed at the time of the acquisition of any asset shall be deemed to have been Incurred or issued at the time of such acquisition.

Section 5.02 *Limitation on Liens*. For purposes of 7 1/8% Notes, Section 4.8 of the Indenture is hereby replaced and superceded by the following covenant and the following covenant shall apply to the 7 1/8% Notes:

Neither the Company, the Subsidiary Guarantors, nor any Restricted Subsidiary shall secure any Indebtedness under the Credit Facility or the Existing Notes by a Lien or suffer to exist any Lien on their respective properties or assets securing Indebtedness under the Credit Facility or the Existing Notes unless effective provision is made to secure the notes equally and ratably with the Lien securing such Indebtedness for so long as Indebtedness under the Credit Facility or Existing Notes is secured by such Lien.

Section 5.03 *Limitation on Restricted Payments*. For purposes of 7 1/8% Notes, Section 4.15 of the Indenture is hereby replaced and superceded by the following covenant and the following covenant shall apply to the 7 1/8% Notes:

The Company and the Subsidiary Guarantors will not, and the Company and the Subsidiary Guarantors will not permit any of its or their respective Restricted Subsidiaries to, directly or indirectly, make a Restricted Payment if, at the time of, and after giving effect to, the proposed Restricted Payment:

(A) a Default or Event of Default shall have occurred and be continuing;

(B) the Company could not Incur at least $1.00 of Indebtedness under paragraph (a) of Section 5.01 of this Twelfth Supplemental Indenture; or

(C) the aggregate amount of all Restricted Payments (the amount, if other than in cash, the fair market value of any property used therefor) made on and after the Issue Date shall exceed the sum of, without duplication:

(1) 95% of the aggregate amount of the Funds From Operations (or, if the Funds From Operations is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter in which the Issue Date occurs and ending on the last day of the last fiscal quarter preceding the Transaction Date;

(2) 100% of the aggregate Net Cash Proceeds received by the Company after the Issue Date from the issuance and sale permitted by the Indenture of its Capital Stock (other than Disqualified Stock) to a Person who is

not a Subsidiary of the Company including from an issuance to a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire the Capital Stock of the Company (in each case, exclusive of any Disqualified Stock or any options, warrants or other rights that are redeemable at the option of the holder, or are required to be redeemed, prior to the Stated Maturity of the Securities or Equity Offerings to the extent used to redeem notes in compliance with the provisions set forth in Section 1.03 of this Twelfth Supplemental Indenture), and the amount of any Indebtedness (other than Indebtedness subordinate in right of payment to the notes) of the Company that was issued and sold for cash upon the conversion of such Indebtedness after the Issue Date into Capital Stock (other than Disqualified Stock) of the Company, or otherwise received as Capital Contributions, exclusive of Capital Contributions to the extent used to redeem notes in compliance with the provisions set forth under Section 1.03 of this Twelfth Supplemental Indenture;

(3) an amount equal to the net reduction in Investments (other than Permitted Investments) in any Person other than a Restricted Subsidiary after the Issue Date resulting from payments of interest on Indebtedness, dividends, repayments of loans or advances, or other transfers of assets, in each case to the Company or any of its Restricted Subsidiaries or from the Net Cash Proceeds from the sale of any such Investment (except, in each case, to the extent any such payment or proceeds are included in the calculation of Funds From Operations) or from designations of Unrestricted Subsidiaries or Non-Consolidated Entities as Restricted Subsidiaries (valued in each case as provided in the definition of “Investments”);

(4) the fair market value of noncash tangible assets or Capital Stock (other than that of the Company or its Parent) representing interests in Persons acquired after the Issue Date in exchange for an issuance of Qualified Capital Stock; and

(5) the fair market value of noncash tangible assets or Capital Stock (other than that of the Company or its Parent) representing interests in Persons contributed as a Capital Contribution to the Company after the Issue Date.

Notwithstanding the foregoing, (i) for purposes of determining whether the Company, the Subsidiary Guarantors and its and their respective Restricted Subsidiaries may make a Restricted Payment representing the declaration or payment of any dividend or other distribution in respect of Capital Stock of such Person or the Parent or any Restricted Subsidiary of such Person constituting Preferred Stock, the Consolidated Coverage Ratio of the Company contemplated by clause (ii) of Section 5.01(a), shall be greater than or equal to 1.7 to 1 and (ii) the Company may make Permitted REIT Distributions.

Section 5.04 *Limitation on Asset Sale*. For purposes of 7 1/8% Notes, Section 4.12 of the Indenture is hereby replaced and superceded by the following covenant and the following covenant shall apply to the 7 1/8% Notes:

The Company and the Subsidiary Guarantors will not, and the Company and the Subsidiary Guarantors will not permit any of its or their respective Restricted Subsidiaries to, consummate any Asset Sale, unless:

(i) the consideration received by the Company, the Subsidiary Guarantor or such Restricted Subsidiary is at least equal to the fair market value of the assets sold or disposed of as determined by the Board of the Company, in good faith; and

(ii) at least 75% of the consideration received consists of cash, Cash Equivalents and/or real estate assets; *provided* that, with respect to the sale of one or more real estate properties, up to 75% of the consideration may consist of indebtedness of the purchaser of such real estate properties so long as such Indebtedness is secured by a first priority Lien on the real estate property or properties sold; and *provided* that, for purposes of this clause (ii) the amount of:

(A) any Indebtedness (other than Indebtedness subordinated in right of payment to the notes or a Subsidiary Guarantee) that is required to be repaid or assumed (and is either repaid or assumed by the transferee of the related assets) by virtue of such Asset Sale and which is secured by a Lien on the property or assets sold; and

(B) any securities or other obligations received by the Company, any Subsidiary Guarantor or any such Restricted Subsidiary from such transferee that are immediately converted by the Company, the Subsidiary Guarantor or such Restricted Subsidiary into cash (or as to which the Company, any Subsidiary Guarantor or such Restricted Subsidiary has received at or prior to the consummation of the Asset Sale a commitment (which may be subject to customary conditions) from a nationally recognized investment, merchant or commercial bank to convert into cash within 90 days of the consummation of such Asset Sale and which are thereafter actually converted into cash within such 90-day period) will be deemed to be cash.

In the event that the aggregate Net Cash Proceeds received by the Company, any Subsidiary Guarantors or such Restricted Subsidiaries from one or more Asset Sales occurring on or after the Closing Date in any period of 12 consecutive months (such 12 consecutive month period, an “Asset Sale Period”) exceed 1% of Total Assets (determined as of the date closest to the commencement of such Asset Sale Period for which a consolidated balance sheet of the Company and its Restricted Subsidiaries has been filed with the Securities and Exchange Commission or provided to the trustee pursuant to Section 4.2 of the Indenture), then during the period commencing 180 days prior to the commencement of such Asset Sale Period and running through the date that is 12 months after the date Net Cash Proceeds so received exceeded 1% of Total

Assets, an amount equal to the Net Cash Proceeds received during such Asset Sale Period must have been or must be: (A) invested in or committed to be invested in, pursuant to a binding commitment subject only to reasonable, customary closing conditions, and providing an amount equal to the Net Cash Proceeds are, in fact, so invested, within an additional 180 days, (x) fixed assets and property (other than notes, bonds, obligations and securities) which in the good faith reasonable judgment of the Board of the Company will immediately constitute or be part of a Related Business of the Company, Subsidiary Guarantor or such Restricted Subsidiary (if it continues to be a Restricted Subsidiary) immediately following such transaction, (y) Permitted Mortgage Investments, or (z) a controlling interest in the Capital Stock of an entity engaged in a Related Business; *provided* that concurrently with an Investment specified in clause (z), such entity becomes a Restricted Subsidiary; or (B) used to repay and permanently reduce Indebtedness outstanding under the Credit Facility (including that, in the case of a revolver or similar arrangement, such commitment is permanently reduced by such amount). Pending the application of any such Net Cash Proceeds as described above, the Company may invest such Net Cash Proceeds in any manner that is not prohibited by the Indenture. Any Net Cash Proceeds from Asset Sales that are not or were not applied or invested as provided in the first sentence of this paragraph (including any Net Cash Proceeds which were committed to be invested as provided in such sentence but which are not in fact invested within the time period provided) will be deemed to constitute "Excess Proceeds."

Within 30 days following each date on which the aggregate amount of Excess Proceeds exceeds $25 million, the Company will make an offer to purchase from the holders of the notes and holders of any other Indebtedness of the Company ranking pari passu with the Securities from time to time outstanding with similar provisions requiring the Company to make an offer to purchase or redeem such Indebtedness with the proceeds from such Asset Sale, on a pro rata basis, an aggregate principal amount (or accreted value, as applicable) of Securities and such other Indebtedness equal to the Excess Proceeds on such date, at a purchase price in cash equal to 100% of the principal amount (or accreted value, as applicable) of the Securities and such other Indebtedness, plus, in each case, accrued interest (if any) to the Payment Date. To the extent that the aggregate amount of Securities and other senior Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount (or accreted value, as applicable) of Securities and such other Indebtedness tendered pursuant to an Asset Sale Offer exceeds the amount of Excess Proceeds, the Securities to be purchased and such other Indebtedness shall be selected on a *pro rata* basis. Upon completion of such Offer to Purchase, the amount of Excess Proceeds shall be reset at zero.

Notwithstanding, and without complying with, any of the foregoing provisions:

(i) the Company, the Subsidiary Guarantors and its and their respective Restricted Subsidiaries may, in the ordinary course of business, convey, sell, lease, transfer, assign or otherwise dispose of inventory acquired and held for resale in the ordinary course of business;

(ii) the Company, the Subsidiary Guarantors and its and their respective Restricted Subsidiaries may convey, sell, lease, transfer, assign or otherwise dispose of assets pursuant to and in accordance with Article 5 and Section 4.13 of the Indenture;

(iii) the Company, the Subsidiary Guarantors and its and their respective Restricted Subsidiaries may sell or dispose of damaged, worn out or other obsolete property in the ordinary course of business so long as such property is no longer necessary for the proper conduct of the business of the Company, the Subsidiary Guarantor or such Restricted Subsidiary, as applicable; and

(iv) the Company, the Subsidiary Guarantors and their respective Restricted Subsidiaries may exchange assets held by the Company, the Subsidiary Guarantor or a Restricted Subsidiary for one or more real estate properties and/or one or more Related Businesses of any Person or entity owning one or more real estate properties and/or one or more Related Businesses; *provided* that the Board of the Company has determined in good faith that the fair market value of the assets received by the Company are approximately equal to the fair market value of the assets exchanged by the Company.

No transaction listed in clauses (i) through (iv) inclusive shall be deemed to be an "Asset Sale."

ARTICLE 6

Section 6.01 For purposes of the 7 1/8% Notes, Section 2.7 of the Indenture is hereby supplemented with, and where inconsistent replaced by, the following provisions:

(a) *Transfer and Exchange of Global Notes*. A Global Note may not be transferred as a whole except by the Depository to a nominee of the Depository, by a nominee of the Depository to the Depository or to another nominee of the Depository, or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. All Global Notes will be exchanged by the Company for Certificated Notes if (i) the Company delivers to the Trustee notice from the Depository (A) that it is unwilling or unable to continue to act as Depository and a successor Depository is not appointed by the Company within 90 days after the date of such notice from the Depository or (B) that it is no longer a clearing agency registered under the Exchange Act and a successor Depository is not appointed by the Company within 90 days after the date of such notice from the Depository, (ii) the

Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Notes or (iii) upon request of the Trustee or Holders of a majority of the aggregate principal amount of outstanding 7 1/8% Notes if there shall have occurred and be continuing a Default or Event of Default with respect to the 7 1/8% Notes. Upon the occurrence of any of the preceding events in (i), (ii) or (iii) above, upon surrender by the Depositary of the Global Note, Certificated Notes shall be issued in such names as the Depository shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.8 and 2.11 of the Indenture. A Global Note may not be exchanged for another 7 1/8% Note other than as provided in this Section 6.01(a) of this Twelfth Supplemental Indenture; however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 6.01(b), (c) or (f) of this Twelfth Supplemental Indenture.

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

(i) *Transfer of Beneficial Interests in the Same Global Note.* Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend. Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 6.01(b)(i) of this Twelfth Supplemental Indenture.

(ii) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes*. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 6.01(b)(i) of this Twelfth Supplemental Indenture, the transferor of such beneficial interest must deliver to the Registrar either (A) (1) an order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) (1) an order from a

Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing the Depository to cause to be issued a Certificated Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depository to the Registrar containing information regarding the Person in whose name such Certificated Note shall be registered to effect the transfer or exchange referred to in (B)(1) above. Upon consummation of an Exchange Offer by the Company in accordance with Section 6.01(f) of this Twelfth Supplemental Indenture, the requirements of this Section 6.01(b)(ii) of this Twelfth Supplemental Indenture shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in the Indenture and the 7 1/8% Notes, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 6.01(h) of this Twelfth Supplemental Indenture.

(iii) *Transfer of Beneficial Interests to Another Restricted Global Note*. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 6.01(b)(ii) of this Twelfth Supplemental Indenture and the Registrar receives a certificate in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (1) or item (1A) thereof, as applicable.

(iv) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note*. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 6.01(b)(ii) of this Twelfth Supplemental Indenture and:

a) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and Section 6.01(f) of this Twelfth Supplemental Indenture, and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a Broker-Dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company or the Subsidiary Guarantors;

b) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

c) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement;

d) such transfer occurs on or after November 6, 2005 and the Registrar receives the following: (1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C to this Twelfth Supplemental Indenture, including the certifications in item (1)(a) thereof; or (2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (3) thereof; and, in each such case set forth in this subparagraph (D), an Opinion of Counsel in form reasonably acceptable to the Registrar and the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act; or

e) if the holder of a beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in a Regulation S Unrestricted Global Note, such transfer occurs after the completion of the Regulation S Restricted Period and the Registrar receives a certificate from such holder in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (3)(a1) thereof.

If any such transfer is effected pursuant to subparagraph (A), (B) or (D) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of a Company Order in accordance with Section 2.3 of the Indenture, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (A), (B) or (D) above.

(v) *Transfer of Beneficial Interests in a Regulation S Unrestricted Global Note for Beneficial Interests in a Restricted Global Note*. Until November 6,

2005, a beneficial interest in any Regulation S Unrestricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note if the transfer complies with the requirements of Section 6.01(b)(ii) of this Twelfth Supplemental Indenture and the Registrar receives a certificate in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (1) or item (1)(A) thereof, as applicable. Except for transfers described in the immediately preceding sentence, beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to, Persons who take delivery thereof in the form of a beneficial interest in a Restricted Global Note.

(c) *Transfer or Exchange of Beneficial Interests for Certificated Notes*.

(i)*Beneficial Interests in Restricted Global Notes to Restricted Certificated Notes*. If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Certificated Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Certificated Note, then, if the exchange or transfer complies with the requirements of Section 6.01(a) of this Twelfth Supplemental Indenture, upon receipt by the Registrar of the following documentation:

a) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Certificated Note, a certificate from such holder in the form of Exhibit C to this Twelfth Supplemental Indenture, including the certifications in item (2)(a) thereof;

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

c) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act, a certificate to the effect set forth in Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (2)(a) thereof;

d) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) and (C) above, a certificate to the effect set forth in Exhibit

B to this Twelfth Supplemental Indenture, including the certifications, certificates and Opinion of Counsel required by item (2)(d) thereof, if applicable;

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

f) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (2)(c) thereof; or

g) if such beneficial interest is being transferred pursuant to Regulation S under the Securities Act, a certificate to the effect set forth in Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (1A) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Restricted Global Note to be reduced accordingly pursuant to Section 6.01(h) of this Twelfth Supplemental Indenture, and the Company shall execute and, upon receipt of a Company Order pursuant to Section 2.3 of the Indenture, the Trustee shall authenticate and deliver to the Person designated in the instructions a Restricted Certificated Note in the appropriate principal amount. Any Restricted Certificated Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 6.01(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall deliver such Restricted Certificated Notes to the Persons in whose names such Series J Notes are so registered. Any Restricted Certificated Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 6.01(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) *Beneficial Interests in Restricted Global Notes to Unrestricted Certificated Notes*. A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Certificated Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Certificated Note only if the exchange or transfer complies with the requirements of Section 6.01(a) of this Twelfth Supplemental Indenture and:

a) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and Section 6.01(f) of this Twelfth Supplemental Indenture, and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a Broker-Dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company or the Subsidiary Guarantors;

b) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

c) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement;

d) such transfer occurs on or after November 6, 2005 and the Registrar receives the following: (1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Certificated Note that does not bear the Private Placement Legend, a certificate from such holder in the form of Exhibit C to this Twelfth Supplemental Indenture, including the certifications in item (1)(b) thereof; or (2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a Certificated Note that does not bear the Private Placement Legend, a certificate from such holder in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (3) thereof; and, in each such case set forth in this subparagraph (D), an Opinion of Counsel in form reasonably acceptable to the Registrar and the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act; or

e) if the holder of a beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Certificated Note pursuant to Regulation S, such transfer occurs after the completion of the Regulation S Restricted Period and the Registrar receives a certificate from such holder in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (3)(a1) thereof.

(iii) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Certificated Notes*. If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for an Unrestricted Certificated Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Certificated Note, then, if the exchange or transfer complies with the requirements of Section 6.01(a) of this Twelfth Supplemental Indenture and upon satisfaction of the conditions set forth in Section 6.01(b)(ii) of this Twelfth Supplemental Indenture, the Trustee shall cause the aggregate principal amount of the applicable Unrestricted Global Note to be reduced accordingly pursuant to Section 6.01(h) of this Twelfth Supplemental Indenture, and the Company shall execute and, upon receipt of a Company Order pursuant to Section 2.3 of the Indenture, the Trustee shall authenticate and deliver to the Person designated in the instructions an Unrestricted Certificated Note in the appropriate principal amount. Any Unrestricted Certificated Note issued in exchange for a beneficial interest pursuant to this Section 6.01(c)(iii) of this Twelfth Supplemental Indenture shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depository and the Participant or Indirect Participant. The Trustee shall deliver such Unrestricted Certificated Notes to the Persons in whose names such 7 1/8% Notes are so registered. Any Unrestricted Certificated Note issued in exchange for a beneficial interest pursuant to this Section 6.01(c)(iii) of this Twelfth Supplemental Indenture shall not bear the Private Placement Legend.

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

(i) *Restricted Certificated Notes or Unrestricted Certificated Notes to Beneficial Interests in Restricted Global Notes*. If any Holder of a Restricted Certificated Note or Unrestricted Certificated Note proposes to exchange such Series J Note for a beneficial interest in a Restricted Global Note other than a Regulation S Restricted Global Note or to transfer such Restricted Certificated Notes or Unrestricted Certificated Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

a) if the Holder of such Restricted Certificated Note or Unrestricted Certificated Note proposes to exchange such Series J Note for a beneficial interest in a Restricted Global Note that is not a Regulation S Restricted Global Note, a certificate from such Holder in the form of Exhibit C to this Twelfth Supplemental Indenture, including the certifications in item (2)(b) thereof;

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

c) if such Restricted Certificated Note or Unrestricted Certificated Note is being transferred to a person outside the United States in accordance with Regulation S under the Securities Act, a certificate to the effect set forth in Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (1A) thereof,

the Trustee shall cancel the Restricted Certificated Note or Unrestricted Certificated Note, and increase or cause to be increased the aggregate principal amount of the appropriate Restricted Global Note.

(ii) *Restricted Certificated Notes to Beneficial Interests in Unrestricted Global Notes.* A Holder of a Restricted Certificated Note may exchange such 7 1/8% Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Certificated Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

a) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and Section 6.01(f) of this Twelfth Supplemental Indenture, and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a Broker-Dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company or the Subsidiary Guarantors;

b) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

c) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement;

d) such transfer occurs on or after November 6, 2003 and the Registrar receives the following: (1) if the Holder of such Restricted Certificated Notes proposes to exchange such 7 1/8% Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the

form of Exhibit C to this Twelfth Supplemental Indenture, including the certifications in item (1)(c) thereof; or (2) if the Holder of such Restricted Certificated Notes proposes to transfer such Series J Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (3) thereof; and, in each such case set forth in this subparagraph (D), an Opinion of Counsel in form reasonably acceptable to the Registrar and the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act; or

e) if the holder of a beneficial interest in a Restricted Certificated Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in a Regulation S Unrestricted Global Note, such transfer occurs after the completion of the Regulation S Restricted Period and the Registrar receives a certificate from such holder in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (3)(a1) thereof.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 6.01(d)(ii) of this Twelfth Supplemental Indenture, the Trustee shall cancel the Restricted Certificated Notes so transferred or exchanged and increase or cause to be increased the aggregate principal amount of the appropriate Unrestricted Global Note.

(iii) *Unrestricted Certificated Notes to Beneficial Interests in Unrestricted Global Notes*. A Holder of an Unrestricted Certificated Note may exchange such 7 1/8% Note for a beneficial interest in an Unrestricted Global Note or transfer such Certificated Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or registration of transfer, the Trustee shall cancel the applicable Unrestricted Certificated Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes. If any such exchange or registration of transfer from a Certificated Note to a beneficial interest is effected pursuant to subparagraphs (ii)(B), (ii)(D) or (iii) of this Section 6.01(d) at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of a Company Order in accordance with Section 2.3 of the Indenture, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Certificated Notes so transferred.

(e) *Transfer and Exchange of Certificated Notes for Certificated Notes*. Upon request by a Holder of Certificated Notes and such Holder's compliance with the provisions of this Section 6.01(e) of this Twelfth Supplemental Indenture, the Registrar shall register the transfer or exchange of Certificated Notes. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Registrar the Certificated Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 6.01(e) of this Twelfth Supplemental Indenture.

(i) *Restricted Certificated Notes to Restricted Certificated Notes*. Any Restricted Certificated Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Certificated Note if the Registrar receives the following:

a) if the transfer will be made pursuant to Rule 144A under the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (1) thereof;

b) if the transfer will be made pursuant to Regulation S under the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (1A) thereof; and

c) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications, certificates and Opinion of Counsel required by item (2) thereof, if applicable.

(ii) *Restricted Certificated Notes to Unrestricted Certificated Notes*. Any Restricted Certificated Note may be exchanged by the Holder thereof for an Unrestricted Certificated Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Certificated Note if:

a) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and Section 6.01(f) of this Twelfth Supplemental Indenture, and the Holder, in the

case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (1) a Broker-Dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

b) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

c) any such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement;

d) such transfer occurs on or after November 6, 2005 and the Registrar receives the following: (1) if the Holder of such Restricted Certificated Notes proposes to exchange such 7 1/8% Notes for an Unrestricted Certificated Note, a certificate from such Holder in the form of Exhibit C to this Twelfth Supplemental Indenture, including the certifications in item (1)(d) thereof; or (2) if the Holder of such Restricted Certificated Notes proposes to transfer such 71/8% Notes to a Person who shall take delivery thereof in the form of an Unrestricted Certificated Note, a certificate from such Holder in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (3) thereof; and, in each such case set forth in this subparagraph (D), an Opinion of Counsel in form reasonably acceptable to the Registrar and the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act;

e) if the holder of a beneficial interest in a Restricted Certificated Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Certificated Note pursuant to Regulation S, such transfer occurs after the completion of the Regulation S Restricted Period and the Registrar receives a certificate from such holder in the form of Exhibit B to this Twelfth Supplemental Indenture, including the certifications in item (3)(a1) thereof.

(iii) *Unrestricted Certificated Notes to Unrestricted Certificated Notes*. A Holder of Unrestricted Certificated Notes may transfer such 7 1/8% Notes to a Person who takes delivery thereof in the form of an Unrestricted Certificated Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Certificated Notes pursuant to the instructions from the Holder thereof.

(f) *Exchange Offer*. Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Company shall issue and, upon receipt of a Company Order in accordance with Section 2.3 of the Indenture and an Opinion of Counsel for the Company as to certain matters discussed in this Section 6.01(f), the Trustee shall authenticate (i) one or more Unrestricted Global Notes in an aggregate principal amount equal to the sum of (A) the principal amount of the beneficial interests in the Restricted Global Notes and Regulation S Global Notes tendered for acceptance by Persons who certify in the applicable Letters of Transmittal that (x) they are not Broker-Dealers, (y) they are not participating in a distribution of the Exchange Notes and (z) they are not affiliates (as defined in Rule 144) of the Company, and accepted for exchange in the Exchange Offer and (B) the principal amount of Certificated Notes exchanged or transferred for beneficial interests in Unrestricted Global Notes in connection with the Exchange Offer pursuant to Section 6.01(d)(ii) and (ii) Certificated Notes in an aggregate principal amount equal to the principal amount of the Restricted Certificated Notes accepted for exchange in the Exchange Offer (other than Certificated Notes described in clause (i)(B) immediately above). Concurrently with the issuance of such Exchange Notes, the Trustee shall cause the aggregate principal amount of the applicable Restricted Global Notes and Regulation S Global Notes to be reduced accordingly, and the Company shall execute and, upon receipt of a Company Order pursuant to Section 2.3 of the Indenture, the Trustee shall authenticate and deliver to the Persons designated by the Holders of Certificated Notes so accepted Certificated Notes in the appropriate principal amount.

The Opinion of Counsel for the Company referenced above shall state that:

(1) the Exchange Notes have been duly authorized and, when executed and authenticated in accordance with the provisions of the Indenture delivered in exchange for Series J Notes in accordance with the Indenture and the Exchange Offer, will be entitled to the benefits of the Indenture and will be valid and binding obligations of the Company, enforceable in accordance with their terms except as (x) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally, (y) rights of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability and (z) other customary limitations and exceptions for opinions of such type; and (2) when the Exchange Notes are executed and authenticated in accordance with the provisions of the Indenture and delivered in exchange for Series J Notes in accordance with the Indenture and the Exchange Offer, the Guarantee of the Exchange Notes by the Subsidiary Guarantors will be entitled to the benefits of the Indenture and will be valid and binding obligations of the Subsidiary Guarantors, enforceable in accordance with their terms except as (x) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally, (y) rights

of acceleration and the availability of equitable remedies may be limited by equitable principles of general applicability and (z) other customary limitations and exceptions for opinions of this type.

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

(i) *Private Placement Legend*.

a) Except as permitted by subparagraph (B) below, each Global Note and each Certificated Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER: (1) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE OPERATING PARTNERSHIP OR ANY SUBSIDIARY GUARANTOR WHOLLY OWNED BY THE OEPRATING PARTNERSHIP OR ANY OF THEIR RESPECTIVE WHOLLY OWNED SUBSIDIARIES, (B) TO A PERSON WHO IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE OPERATING PARTNERSHIP THAT SUCH TRANSFER IS EXEMPT UNDER THE SECURITIES ACT, (E) OUTSIDE THE UNITED STATES IN A TRANSACTION COMPLYING WITH THE PROVISIONS OF RULE 904 OF THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE

OPERATING PARTNERSHIP), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; AND (2) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE AS TO THE ABOVE RESTRICTIONS.

b) Notwithstanding the foregoing, any Global Note or Certificated Note issued pursuant to subparagraphs (b)(iv), (c)(ii), (c)(iii), (d)(ii), (d)(iii), (e)(ii), (e)(iii) or (f) to this Section 6.01 (and all 7 1/8% Notes issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.

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

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITORY (AS DEFINED IN THE INDENTURE GOVERNING THIS GLOBAL NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 6.01 OF THE TWELFTH SUPPLEMENTAL INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 6.01(a) OF THE TWELFTH SUPPLEMENTAL INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.12 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITORY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY."

(iii) *Regulation S Restricted Global Note Legend*. To the extent required by the Depositary, each Regulation S Restricted Global Note shall bear the a legend in substantially the following form:

"THE RIGHTS ATTACHING TO THIS REGULATION S RESTRICTED GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR DEFINITIVE NOTES, ARE AS SPECIFIED IN TWELFTH SUPPLEMENTAL INDENTURE. NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS

REGULATION S RESTRICTED GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE CASH PAYMENTS OF INTEREST DURING THE PERIOD WHICH SUCH HOLDER HOLDS THIS NOTE. NOTHING IN THIS LEGEND SHALL BE DEEMED TO PREVENT INTEREST FROM ACCRUING ON THIS NOTE."

(h) *Cancellation and/or Adjustment of Global Notes*. At such time as all beneficial interests in a particular Global Note have been exchanged for Certificated Notes or a particular Global Note has been redeemed, repurchased or cancelled in whole and not in part, each such Global Note shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.12 of the Indenture. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Certificated Notes, the principal amount of 7 1/8% Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depository at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depository at the direction of the Trustee to reflect such increase.

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

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

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

(iii) The Registrar shall not be required to register the transfer of or exchange any 7 1/8% Note selected for redemption in whole or in part, except the unredeemed portion of any 7 1/8% Note being redeemed in part.

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

(v) Prior to due presentment for the registration of a transfer of any 7 1/8% Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any 7 1/8% Note is registered as the absolute owner of such 7 1/8% Note for the purpose of receiving payment of principal of and interest on such 7 1/8% Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

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

(vii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 6.01 to effect a registration of transfer or exchange may be submitted by facsimile.

Notwithstanding anything herein to the contrary, as to any certifications and certificates delivered to the Registrar pursuant to this Section 6.01 of this Twelfth Supplemental Indenture, the Registrar's duties shall be limited to confirming that any such certifications and certificates delivered to it are substantially in the form of Exhibits A, B, C and D attached to this Twelfth Supplemental Indenture. The Registrar shall not be responsible for confirming the truth or accuracy of representations made in any such certifications or certificates.

ARTICLE 7

Section 7.01 Except as specifically modified herein, the Indenture is in all respects ratified and confirmed and shall remain in full force and effect in accordance with its terms.

Section 7.02 Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed or shall be construed to be assumed by the Trustee by reason of this Twelfth Supplemental Indenture. This Twelfth Supplemental Indenture is executed and accepted by the Trustee subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee with respect to this Twelfth Supplemental Indenture.

Section 7.03 The Trustee shall not be responsible in any manner whatsoever for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Subsidiary Guarantors.

Section 7.04 THIS TWELFTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK INCLUDING, WITHOUT LIMITATION, SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND NEW YORK CIVIL PRACTICE LAWS AND RULES 327(b). EACH OF THE COMPANY AND THE SUBSIDIARY GUARANTORS HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK OR ANY FEDERAL COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE AND THE SECURITIES, AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, JURISDICTION OF THE AFORESAID COURTS. EACH OF THE COMPANY AND THE SUBSIDIARY GUARANTORS IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, ANY OBJECTION WHICH THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE TRUSTEE OR ANY SECURITYHOLDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY AND THE SUBSIDIARY GUARANTORS IN ANY OTHER JURISDICTION.

Section 7.05 The parties may sign any number of copies of this Twelfth Supplemental Indenture. Each signed copy shall be an original, but all of such executed copies together shall represent the same agreement.

Section 7.06 All capitalized terms used in this Twelfth Supplemental Indenture which are not otherwise defined herein, shall have the respective meanings specified in the Indenture, unless the context otherwise requires.

Section 7.07 The 7 1/8% Notes may be issued in whole or in part in the form of one or more Global Securities, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”).

IN WITNESS WHEREOF, the parties to this Twelfth Supplemental Indenture have caused this Twelfth Supplemental Indenture to be duly executed, all as of the date first written above and, with respect to the amendments set forth in the Amended and Restated Twelfth Supplemental Indenture, as of the date thereof.

COMPANY

HOST MARRIOTT, L.P., a Delaware limited partnership

BY: HOST MARRIOTT CORPORATION, its general partner

By: /s/ JOHN A. CARNELLA
Name: John A. Carnella
Title: Senior Vice President & Treasurer

SUBSIDIARY GUARANTORS

AIRPORT HOTELS LLC,
HOST OF BOSTON, LTD.,
HOST OF HOUSTON, LTD,
HOST OF HOUSTON 1979,
CHESAPEAKE FINANCIAL SERVICES LLC,
CITY CENTER INTERSTATE PARTNERSHIP LLC,
HMC RETIREMENT PROPERTIES, L.P.,
BY: DURBIN LLC
HMH MARINA LLC,
FARRELL'S ICE CREAM PARLOUR RESTAURANTS LLC,
HMC ATLANTA LLC,
HMC BCR HOLDINGS LLC,
HMC BURLINGAME LLC,
HMC CALIFORNIA LEASING LLC,
HMC CAPITAL LLC,
HMC CAPITAL RESOURCES LLC,
HMC PARK RIDGE LLC,
HMC PARTNERSHIP HOLDINGS LLC,
HOST PARK RIDGE LLC,
HMC SUITES LLC,
HMC SUITES LIMITED PARTNERSHIP,
BY: HMC SUITES LLC

PRM LLC,
WELLSFORD-PARK RIDGE HMC HOTEL LIMITED PARTNERSHIP,
BY: HOST PARK RIDGE LLC
YBG ASSOCIATES LLC,
HMC CHICAGO LLC,
HMC DESERT LLC,
HMC PALM DESERT LLC,
MDSM FINANCE LLC,
HMC DIVERSIFIED LLC,
HMC EAST SIDE II LLC,
HMC GATEWAY LLC,
HMC GRAND LLC,
HMC HANOVER LLC,
HMC HARTFORD LLC,
HMC HOTEL DEVELOPMENT LLC,
HMC HPP LLC,
HMC IHP HOLDING LLC,
HMC MANHATTAN BEACH LLC,
HMC MARKET STREET LLC,
NEW MARKET STREET LP,
BY: HMC MARKET STREET LLC
HMC GEORGIA LLC,
HMC MEXPARK LLC,
HMC POLANCO LLC,
HMC NGL LLC,
HMC OLS I L.P.,
BY: HMC OLS I LLC
HMC OP BN LLC,
HMC PACIFIC GATEWAY LLC,
HMC PLP LLC,
CHESAPEAKE HOTEL LIMITED PARTNERSHIP,
BY: HMC PLP LLC
HMC POTOMAC LLC,
HMC PROPERTIES I LLC,
HMC PROPERTIES II LLC,
HMC SBM TWO LLC,
HMC SEATTLE LLC,
HMC SFO LLC,
HMC SWISS HOLDINGS LLC,
HMC WATERFORD LLC,
HMH GENERAL PARTNER HOLDINGS LLC,
HMH NORFOLK LLC,
HMH NORFOLK, L.P.,

BY: HMH NORFOLK LLC
HMH PENTAGON LLC,
HMH RESTAURANTS LLC,
HMH RIVERS LLC,
HMH RIVERS, L.P.,
BY: HMH RIVERS LLC
HMH WTC LLC,
HMP CAPITAL VENTURES LLC,
HMP FINANCIAL SERVICES LLC,
HOST LA JOLLA LLC,
CITY CENTER HOTEL LIMITED PARTNERSHIP,
BY: HOST LA JOLLA LLC
TIMES SQUARE LLC,
IVY STREET LLC,
MARKET STREET HOST LLC,
MFR OF ILLINOIS LLC,
MFR OF VERMONT LLC,
MFR OF WISCONSIN LLC,
PHILADELPHIA AIRPORT HOTEL LLC,
PM FINANCIAL LLC,
PM FINANCIAL LP,
BY: PM FINANCIAL LLC
HMC PROPERTY LEASING LLC,
HMC HOST RESTAURANTS LLC,
SANTA CLARA HMC LLC,
S.D. HOTELS LLC,
TIMES SQUARE GP LLC,
DURBIN LLC,
HMC HT LLC,
HMC JWDC LLC,
HMC OLS I LLC,
HMC OLS II L.P.,
BY: HMC OLS I LLC,
HMT LESSEE PARENT LLC,
HMC/INTERSTATE ONTARIO, L.P.,
BY: HMC PARTNERSHIP HOLDINGS, LLC,
HMC/INTERSTATE MANHATTAN BEACH, L.P.
BY: HMC MANHATTAN BEACH LLC,
HOST/INTERSTATE PARTNERSHIP, L.P.,
BY: CITY CENTER INTERSTATE PARTNERSHIP LLC,
HMC/INTERSTATE WATERFORD, L.P.,
BY: HMC WATERFORD LLC,
AMELIATEL
HMC AMELIA I, LLC,

HMC AMELIA II, LLC,
ROCKLEDGE HOTEL LLC,
FERNWOOD HOTEL LLC,
HMC COPLEY LLC,
HMC HEADHOUSE FUNDING LLC,
IVY STREET HOPEWELL LLC
HMC DIVERSIFIED AMERICAN HOTELS, L.P.
POTOMAC HOTEL LIMITED PARTNERSHIP

By: /s/ JOHN A. CARNELLA
Name: John A. Carnella
Title: Vice President

TRUSTEE

THE BANK OF NEW YORK,
as Trustee

By: /s/ GEOVANNI BARRIS
Name: Geovanni Barris
Title: Vice President

EXHIBIT A

FORM OF 7 1/8% [SERIES J][/SERIES K]1 SENIOR NOTE

Unless and until it is exchanged in whole or in part for 7 1/8% Notes in definitive form, this Security may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository. Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.[2]

HOST MARRIOTT, L.P.

7 1/8% [SERIES J][/SERIES K] SENIOR NOTE DUE 2013

CUSIP:
ISIN:

No. **$**

Host Marriott, L.P., a Delaware limited partnership (hereinafter called the "Company," which term includes any successors under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of $_____, on November 1, 2013. The Security is one of the 7 1/8% [Series J][/Series K] Senior Notes due 2013 referred to in such Indenture (hereinafter referred to for purposes of this 7 1/8% Senior Note collectively as the "7 1/8% Securities").

Interest Payment Dates:	**May 1 and November 1**
Record Dates:	**April 15 and October 15**

[1] Series J should be replaced with Series K in the Exchange Notes.

[2] To be used only if the Security is issued as a Global Note.

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

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

Dated:

HOST MARRIOTT, L.P.,
a Delaware limited partnership

By: _____
Name:
Title:

Attest: _____
Name:
Title:

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 7 1/8% Securities of the Series designated therein referred to in the within mentioned Indenture.

THE BANK OF NEW YORK,
as Trustee

By: _____
Authorized Signatory

HOST MARRIOTT, L.P.

7 1/8% [Series J][/Series K] Senior Note due 2013

THIS GLOBAL NOTE IS HELD BY THE DEPOSITORY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 6.01 OF THE TWELFTH SUPPLEMENTAL INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 6.01(a) OF THE TWELFTH SUPPLEMENTAL INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.12 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITORY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.[3]

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER: (1) AGREES THAT IT WILL NOT

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[3] To be included only on Global Notes deposited with DTC as Depository.

RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE OPERATING PARTNERSHIP OR ANY SUBSIDIARY GUARANTOR WHOLLY OWNED BY THE OPERATING PARTNERSHIP OR ANY OF THEIR RESPECTIVE WHOLLY OWNED SUBSIDIARIES, (B) TO A PERSON WHO IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (D) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE OPERATING PARTNERSHIP THAT SUCH TRANSFER IS EXEMPT UNDER THE SECURITIES ACT, (E) OUTSIDE THE UNITED STATES IN A TRANSACTION COMPLYING WITH THE PROVISIONS OF RULE 904 UNDER THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE OPERATING PARTNERSHIP), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION; AND (2) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE AS TO THE ABOVE RESTRICTIONS.[4]

1. Interest.

Host Marriott, L.P., a Delaware limited partnership (hereinafter called the "Company," which term includes any successors under the Indenture hereinafter referred to), promises to pay interest on the principal amount of this Security at the rate of 7 1/8% per annum from November 6, 2003 until maturity. To the extent it is lawful, the Company promises to pay interest on any interest payment due but unpaid on such principal amount at a rate of 7 1/8% per annum compounded semi-annually.

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[4] To be included only on Transfer Restricted Notes.

The Company will pay interest semi-annually on May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing May 1, 2004. Interest on the 7 1/8% Securities will accrue from the most recent date to which interest has been paid or, if no interest has been paid on the Securities, from the date of the original issuance. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

2. Method of Payment.

The Company shall pay interest on the 7 1/8% Securities (except defaulted interest) to the Persons who are the registered Holders at the close of business on the Record Date immediately preceding the Interest Payment Date. Holders must surrender Securities to a Paying Agent to collect principal payments. Principal of, premium, if any, and interest on the 7 1/8% Securities will be payable in United States Dollars at the office or agency of the Company maintained for such purpose, in the Borough of Manhattan, The City of New York or at the option of the Company, payment of interest may be made by check mailed to the Holders of the 7 1/8% Securities at the addresses set forth upon the registry books of the Company; *provided, however*, Holders of Global Securities will be entitled to receive interest payments (other than at maturity) by wire transfer of immediately available funds, if appropriate wire transfer instructions have been received in writing by the Trustee not fewer than 15 days prior to the applicable Interest Payment Date. Such wire instructions, upon receipt by the Trustee, shall remain in effect until revoked by such Holder. No service charge will be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

3. Paying Agent and Registrar.

Initially, The Bank of New York will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar or co-Registrar without notice to the Holders. The Company or any of its Subsidiaries may, subject to certain exceptions, act as Paying Agent, Registrar or co-Registrar.

4. Indenture.

The Company issued the 7 1/8% Securities and the Subsidiary Guarantors issued their Guarantees under an Amended and Restated Indenture, dated as of August 5, 1998, as supplemented (the "Indenture"), between the Company, its Parents, the Subsidiary Guarantors and the Trustee. Capitalized terms herein are used as defined in the Indenture unless otherwise defined herein. The 7 1/8% Securities are unlimited in aggregate principal amount. The

terms of the 7 1/8% Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect on the date of the Indenture. The 7 1/8% Securities are subject to all such terms, and Holders of 7 1/8% Securities are referred to the Indenture and said Act for a statement of them. The Securities are senior, general obligations of the Company, secured initially by a pledge of Capital Stock of certain Subsidiaries of the Company, which pledge is shared equally and ratably with the Credit Facility, the Existing Senior Note and certain future Indebtedness of the Company ranking *pari passu* with the Securities. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by the provisions of the Indenture, (b) authorizes and directs the Trustee on his behalf to take such action as may be provided in the Indenture and (c) appoints the Trustee his attorney-in-fact for such purpose.

5. Redemption.

The Company may redeem the 7 1/8% Securities in whole but not in part at any time at a Redemption Price equal to 100% of the principal amount thereof plus the Make-Whole Premium, together with accrued and unpaid interest thereon, if any, to the applicable Redemption Date. Notice of a redemption of the 7 1/8% Securities made pursuant to this paragraph 5 shall be given in the manner set forth in Section 3.3 of the Indenture; *provided, however*, that any such notice need not set forth the Redemption Price but need only set forth the calculation thereof as described in the immediately preceding sentence of this paragraph 5. The Redemption Price, calculated as aforesaid, shall be set forth in an Officer's Certificate delivered by the Company to the Trustee no later than one Business Day prior to the Redemption Date.

At any time on or after November 1, 2008, the Company may redeem the 7 1/8% Securities for cash at its option, in whole or in part, at the following Redemption Prices (expressed as percentages of the principal amount) if redeemed during the 12-month period commencing November 1 of the years indicated below, in each case, together with accrued and unpaid interest, if any, thereon to the applicable Redemption Date (subject to the right of Holders of record on the relevant Record Date to receive interest due on an Interest Payment Date that is on or prior to the applicable Redemption Date):

Year	Percentage
2008	103.563%
2009	102.375%
2010	101.188%
2011 and thereafter	100.000%

Prior to November 1, 2006, the Company may redeem from time to time up to 35% of the aggregate principal amount of the 71/8% Securities outstanding at a Redemption Price equal to 107.125% of the principal amount

thereof, together with accrued and unpaid interest thereon, if any to the applicable Redemption Date (subject to the right of Holders of record on the relevant Record Date to receive interest due on an Interest Payment Date that is on or prior to the applicable Redemption Date) with the Net Cash Proceeds of one or more Equity Offerings; *provided*, that at least 65% of the aggregate principal amount of the 7 1/8% Securities originally issued on the Series Issue Date remain outstanding after such redemption; and *provided, further*, that such redemption shall occur within 90 days after the date on which any such Equity Offering is consummated.

The 7 1/8% Securities will not have the benefit of a sinking fund.

6. Denominations; Transfer; Exchange.

The 7 1/8% Securities are in registered form, without coupons, in denominations of $1,000 and integral multiples of $1,000. A Holder may register the transfer of, or exchange 7 1/8% Securities in accordance with, the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any 7 1/8% Securities (a) selected for redemption except the unredeemed portion of any 7 1/8% Security being redeemed in part or (b) for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase or redemption and ending at the close of business on the day of such mailing.

7. Persons Deemed Owners.

The registered Holder of a 7 1/8% Security may be treated as the owner of it for all purposes.

8. Unclaimed Money.

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

9. Discharge Prior to Redemption or Maturity.

Except as set forth in the Indenture, if the Company irrevocably deposits with the Trustee, in trust, for the benefit of the Holders, U.S. legal tender, U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest on such

7 1/8% Securities on the stated date for payment thereof or on the redemption date of such principal or installment of principal of, premium, if any, or interest on such 7 1/8% Securities, the Company will be discharged from certain provisions of the Indenture and the 7 1/8% Securities (including the restrictive covenants described in paragraph 11 below, but excluding its obligation to pay the principal of, premium, if any, and interest on the 7 1/8% Securities). Upon satisfaction of certain additional conditions set forth in the Indenture, the Company may elect to have its obligations and the obligations of the Subsidiary Guarantors discharged with respect to outstanding 7 1/8% Securities.

10. Amendment; Supplement; Waiver.

The Company, the Subsidiary Guarantors and the Trustee may enter into a supplemental indenture for certain limited purposes without the consent of the Holders. Subject to certain exceptions, the Indenture or the 7 1/8% Securities may be amended or supplemented with the written consent of the Holders of not less than a majority in aggregate principal amount of the 7 1/8% Securities then outstanding (except that any amendments or supplements to the provisions relating to security interests or with respect to the Guarantees of the Subsidiary Guarantors shall require the consent of the holders of not less than 66% of the aggregate principal amount of the Securities then outstanding), and any existing Default or Event of Default or compliance with any provision may be waived with the consent of the Holders of a majority in aggregate principal amount of the 7 1/8% Securities then outstanding. Without notice to or consent of any Holder, the parties thereto may under certain circumstances amend or supplement the Indenture or the 7 1/8% Securities to, among other things, cure any ambiguity, defect or inconsistency, or make any other change that does not adversely affect the rights of any Holder of a 7 1/8% Security.

11. Restrictive Covenants.

The Indenture imposes certain limitations on the ability of the Company, the Subsidiary Guarantors and any of their respective Restricted Subsidiaries to, among other things, incur additional Indebtedness and issue Disqualified Stock, pay dividends or make certain other Restricted Payments, enter into certain transactions with Affiliates, incur Liens, sell assets and subsidiary stock, merge or consolidate with any other Person or transfer (by lease, assignment or otherwise) substantially all of the properties and assets of the Company. The limitations are subject to a number of important qualifications and exceptions and certain restrictive covenants will cease to be applicable under certain circumstances. The Company must periodically report to the Trustee on compliance with such limitations.

12. Repurchase at Option of Holder.

(a) If there is a Change of Control Triggering Event, the Company shall be required to offer irrevocably to purchase on the Change of Control Purchase Date all outstanding 7 1/8% Securities at a purchase price equal to 101% of the principal amount thereof, plus (subject to the right of Holders of record on a Record Date that is on or prior to such Change of Control Purchase Date to receive interest due on the Interest Payment Date to which such Record Date relates) accrued and unpaid interest, if any, to the Change of Control Purchase Date. Holders of 7 1/8% Securities will receive a Change of Control Offer from the Company prior to any related Change of Control Purchase Date and may elect to have such 7 1/8% Securities purchased by completing the form entitled "Option of Holder to Elect Purchase" appearing below.

(b) The Indenture imposes certain limitations on the ability of the Company, the Subsidiary Guarantors or any of their respective Restricted Subsidiaries to sell assets and subsidiary stock. In the event the Net Cash Proceeds from a permitted Asset Sale exceed certain amounts, as specified in the Indenture, the Company will be required either to reinvest the proceeds of such Asset Sale in a Related Business or other permitted investments, repay certain Indebtedness or to make an offer to purchase each Holder's 7 1/8% Securities at 100% of the principal amount thereof, plus accrued interest, if any, to the purchase date. The limitations and the Company's obligations with respect to the use of proceeds from an Asset Sale are subject to a number of important qualifications and exceptions and will cease to be applicable under certain circumstances.

13. Notation of Guarantee.

As set forth more fully in the Indenture, the Persons constituting Subsidiary Guarantors from time to time, in accordance with the provisions of the Indenture, irrevocably and unconditionally and jointly and severally guarantee, in accordance with Section 12.1 of the Indenture, to the Holders and to the Trustee and its successors and assigns, that (i) the principal of and interest on the 7 1/8% Securities will be paid, whether at the Stated Maturity or Interest Payment Dates, by acceleration, call for redemption or otherwise, and all other obligations of the Company to the Holders or the Trustee under the Indenture or this 7 1/8% Security will be promptly paid in full or performed, all in accordance with the terms of the Indenture and this 7 1/8% Security, and (ii) in the case of any extension of payment or renewal of this 7 1/8% Security or any of such other obligations, they will be paid in full when due or performed in accordance with the terms of such extension or renewal, whether at the Stated Maturity, as so extended, by acceleration or otherwise. Such Guarantees shall cease to apply, and shall be null and void, with respect to any such guarantor who, pursuant to

Article 12 of the Indenture, is released from its Guarantees, or whose Guarantees otherwise cease to be applicable pursuant to the terms of the Indenture.

14. Successor.

When a successor assumes all the obligations of its predecessor under the 7 1/8% Securities and the Indenture, the predecessor will be released from those obligations.

15. Defaults and Remedies.

If an Event of Default with respect to the 7 1/8% Securities occurs and is continuing (other than an Event of Default relating to bankruptcy, insolvency or reorganization of the Company), then either the Trustee or the Holders of 25% in aggregate principal amount of the 7 1/8% Securities then outstanding may declare all 7 1/8%Securities to be due and payable immediately in the manner and with the effect provided in the Indenture. Holders of 7 1/8% Securities may not enforce the Indenture or the 7 1/8% Securities, except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the 7 1/8% Securities. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding 7 1/8% Securities may direct the Trustee in its exercise of any trust or power with respect to such 7 1/8% Securities. The Trustee may withhold from Holders of 7 1/8% Securities notice of any continuing Default or Event of Default (except a Default in payment of principal or interest) if it determines that withholding notice is in their interest.

16. Trustee and Agent Dealings with Company.

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

17. No Recourse Against Others.

No recourse for the payment of the principal of, premium, if any, or interest on the 7 1/8% Securities or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or the Subsidiary Guarantors in the Indenture, or in the 7 1/8% Securities or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, partner, stockholder, officer,

director, employee or controlling Person of the Company or the Subsidiary Guarantors or of any successor Person thereof, except as an obligor or guarantor of the 7 1/8% Securities pursuant to the Indenture. Each Holder, by accepting the 7 1/8% Securities, waives and releases all such liability.

18. Authentication.

This 7 1/8% Security shall not be valid until the Trustee or authenticating agent signs the certificate of authentication on the other side of this 7 1/8% Security.

19. Abbreviations and Defined Terms.

Customary abbreviations may be used in the name of a Holder of a 7 1/8% Security or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

20. CUSIP Numbers.

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company will cause CUSIP numbers to be printed on the 7 1/8% Securities as a convenience to the Holders of the 7 1/8% Securities. No representation is made as to the accuracy of such numbers as printed on the 7 1/8% Securities and reliance may be placed only on the other identification numbers printed hereon.

21. Additional Rights of Holders of Transfer Restricted Notes.[5]

In addition to the rights provided to Holders of 7 1/8% Securities under the Indenture, Holders of Transfer Restricted Notes shall have all the rights set forth in the Registration Rights Agreement dated as of the date of the Twelfth Supplemental Indenture, among the Company, the Subsidiary Guarantors and the Initial Purchasers.

22. Governing Law.

THE INDENTURE AND THE 7 1/8% SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK INCLUDING, WITHOUT LIMITATION, SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW AND NEW YORK CIVIL PRACTICE LAWS AND RULES 327(b).

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[5] To be included only on Transfer Restricted Notes.

[FORM OF ASSIGNMENT]

I or we assign this Security to

_____
_____
_____

(Print or type name, address and zip code of assignee)

Please insert Social Security or other identifying number of assignee

_____

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

Dated: _____ **Signed:** _____
(Sign exactly as name appears on the other side of this Security)

Signature Guarantee** _____

_____

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

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased by the Company pursuant to Section 5.04 of the Twelfth Supplemental Indenture or Article 10 of the Indenture, check the appropriate box:

☐ **Section 4.12**

☐ **Article 10.**

If you want to elect to have only part of this Security purchased by the Company pursuant to Section 4.12 or Article 10 of the Indenture, as the case may be, state the amount you want to be purchased: $_____.

Date: _____ **Signature:** _____

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

Signature Guarantee***_____

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

SCHEDULE OF EXCHANGES OF CERTIFICATED NOTES[8]

The following exchanges of a part of this Global Security for Certificated Securities have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian

[8] This should be included only if the Security is issued in global form.

EXHIBIT B
FORM OF CERTIFICATE OF TRANSFER

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

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

Re: Series J Senior Notes due 2013

Dear Sirs:

Reference is hereby made to the Amended and Restated Indenture, dated as of August 5, 1998 (the "Base Indenture"), among HMH Properties, Inc., its Parents and the Subsidiary Guarantors named therein (collectively, the "Subsidiary Guarantors") and The Bank of New York (the "Trustee"), and the Twelfth Supplemental Indenture to the Base Indenture, dated as of November 6, 2003 (the "Twelfth Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), among Host Marriott, L.P., as issuer (the "Company"), the Subsidiary Guarantors and the Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture. _____, (the "Transferor") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $_____ in such Note[s] or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

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

1A. *Check if Transferee will take delivery of a beneficial interest in a Regulation S Restricted Global Note or a Certificated Note Pursuant to Regulation S*. The Transfer is being

effected pursuant to and in accordance with Regulation S under the United States Securities Act, and, accordingly, the Transferor hereby further certifies that:

(a) the offer of the beneficial interest or Certificated Note being transferred was not made to a person in the United States;

(b) either:

(i) at the time the buy order was originated, the Transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the Transferee was outside the United States; or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;

(c) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act;

and such Transfer is in compliance with any applicable blue sky securities laws of any State of the United States and the restrictions set forth in the Private Placement Legend. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Certificated Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Note and/or the Certificated Note and in the Indenture and the Securities Act.

2. ***Check and complete if Transferee will take delivery of a beneficial interest in a Restricted Certificated Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S.*** **The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Certificated Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any State of the United States, and accordingly the Transferor hereby further certifies that (check one):**

☐ **(a) Such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act; or**

☐ **(b) Such Transfer is being effected to the Company or a subsidiary thereof; or**

☐ **(c) Such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act; or**

☐ **(d) such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, or Rule 144, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the**

Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a Restricted Global Note or Restricted Certificated Notes (including those set forth in the Private Placement Legend) and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the Transferee in a form of Exhibit D to the Twelfth Supplemental Indenture and (2) if such Transfer is in respect of a principal amount of Series H Notes at the time of transfer of less than $250,000, an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification and provided to the Company, which has confirmed its acceptability), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the Certificated Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Certificated Notes and in the Indenture and the Securities Act.

3. ***Check if Transferee will take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Certificated Note.***

☐ **(a)** ***Check if Transfer is Pursuant to Rule 144.*** **(i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Certificated Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Certificated Notes and in the Indenture and the Securities Act.**

☐ **(a1)** ***Check if Transfer is Pursuant to Regulation S.*** **(i) The Transfer is being effected pursuant to and in accordance with Regulation S under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act.**

The Transferor hereby further certifies that:

(a) the offer of the beneficial interest or Certificated Note being transferred was not made to a person in the United States;

(b) either:

(i) at the time the buy order was originated, the Transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the Transferee was outside the United States; or

(ii) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;

(c) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Certificated Note will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Certificated Notes and in the Indenture and the Securities Act.

☐ **(b)** ***Check if Transfer is Pursuant to Other Exemption.*** **(i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144 or Regulation S and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Certificated Note will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Certificated Notes and in the Indenture.**

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

Dated: _____

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

ANNEX A TO CERTIFICATE OF TRANSFER

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

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

☐ **(a) a beneficial interest in a Restricted Global Note (CUSIP[_____]), or**

☐ **(b) a Restricted Certificated Note.**

2. After the Transfer the Transferee will hold:

[CHECK ONE]

☐ **(a) a beneficial interest in a/an:**

☐ **(i) Restricted Global Note (CUSIP[_____]), or**

☐ **(ii) Unrestricted Global Note (CUSIP _____); or**

☐ **(b) a Restricted Certificated Note; or**

☐ **(c) an Unrestricted Certificated Note,**

in accordance with the terms of the Indenture.

EXHIBIT C
FORM OF CERTIFICATE OF EXCHANGE

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

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

Re: Series J Senior Notes due 2013

Dear Sirs:

Reference is hereby made to the Amended and Restated Indenture, dated as of August 5, 1998 (the "Base Indenture"), among HMH Properties, Inc., its Parents and the Subsidiary Guarantors named therein (collectively, the "Subsidiary Guarantors") and The Bank of New York, as trustee (the "Trustee"), and the Twelfth Supplemental Indenture to the Base Indenture, dated as of November 6, 2003 (the "Twelfth Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), among Host Marriott, L.P., as issuer (the "Company"), the Subsidiary Guarantors and the Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

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

1. ***Exchange of Restricted Certificated Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Certificated Notes or Beneficial Interests in an Unrestricted Global Note***

☐ (a) ***Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note.*** **In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the**

Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any State of the United States.

☐ **(b)** ***Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Certificated Note***. **In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Certificated Note, the Owner hereby certifies (i) the Certificated Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Certificated Note is being acquired in compliance with any applicable blue sky securities laws of any State of the United States.**

☐ **(c)** ***Check if Exchange is from Restricted Certificated Note to beneficial interest in an Unrestricted Global Note***. **In connection with the Owner's Exchange of a Restricted Certificated Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Certificated Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any State of the United States.**

☐ **(d)** ***Check if Exchange is from Restricted Certificated Note to Unrestricted Certificated Note***. **In connection with the Owner's Exchange of a Restricted Certificated Note for an Unrestricted Certificated Note, the Owner hereby certifies (i) the Unrestricted Certificated Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Certificated Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Certificated Note is being acquired in compliance with any applicable blue sky securities laws of any State of the United States.**

2. ***Exchange of Certificated Notes or Beneficial Interests in Restricted Global Notes for Restricted Certificated Notes or Beneficial Interests in Restricted Global Notes***

☐ **(a)** ***Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Certificated Note***. **In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Certificated Note with an equal principal amount, the Owner hereby certifies that the Restricted Certificated Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Certificated Note issued**

will continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Certificated Note and in the Indenture and the Securities Act.

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

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

_____
[Insert Name of Owner]

By: _____
Name:
Title:

Dated: _____

EXHIBIT D
FORM OF CERTIFICATE FROM ACQUIRING
INSTITUTIONAL ACCREDITED INVESTOR

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

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

Re: Series J Senior Notes due 2013

Dear Sirs:

Reference is hereby made to the Amended and Restated Indenture, dated as of August 5, 1998 (the "Base Indenture"), among HMH Properties, Inc., its Parents and the Subsidiary Guarantors named therein (collectively, the "Subsidiary Guarantors") and The Bank of New York, as trustee (the "Trustee"), and the Twelfth Supplemental Indenture to the Base Indenture, dated as of November 6, 2003 (the "Twelfth Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), among Host Marriott, L.P., as issuer (the "Company"), the Subsidiary Guarantors and the Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount of: (a) a beneficial interest in a Global Note, or (b) a Certificated Note, we confirm that:

1. We understand that any subsequent transfer of the Securities or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Securities or any interest therein except in compliance with, such restrictions and conditions and the United States Securities Act of 1933, as amended (the "Securities Act").

2. We understand that the offer and sale of the Securities have not been registered under the Securities Act, and that the Securities and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Securities or any interest therein, we will do so only (a) to the Company or any Subsidiary Guarantor or any of their respective wholly owned subsidiaries, (b) to a person who is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) in a transaction meeting the requirements of a Rule 144 under the

Securities Act, (d) to an Institutional "Accredited Investor" (as defined in Rule 501 (a)(1), (2), (3) or (7) of Regulation D under the Securities Act) that, prior to such transfer, furnishes the trustee a signed letter containing certain representations and agreements relating to the transfer of this Security (the form of which can be obtained from the trustee) and, if such transfer is in respect of an aggregate principal amount of Notes less than $250,000, an opinion of counsel acceptable to the Company that such transfer is in compliance with the Securities Act, (e) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (f) in accordance with another exemption from the registration requirements of the Securities Act, (and based upon an opinion of counsel acceptable to the Company), or (g) pursuant to an effective registration statement and, in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction and in accordance with the other provisions of the Private Placement Legend.

3. We understand that, on any proposed resale of the Securities or beneficial interest therein, we will be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Securities purchased by us will bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Securities, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Securities or beneficial interest therein purchased by us for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Dated: _____, ____

[Insert Name of Accredited Investor]

By: _____
Name:
Title:

HOST MARRIOTT CORPORATION
SEVERANCE PLAN FOR EXECUTIVES

Effective March 6, 2003,
as amended May 20, 2004

HOST MARRIOTT CORPORATION
SEVERANCE PLAN FOR EXECUTIVES

SECTION 1 — PURPOSE

The purpose of the Host Marriott Severance Plan for Executives ("Plan") is to provide severance pay and benefits to certain Executives of Host Marriott Corporation and its subsidiaries (collectively the "Company") whose employment is terminated by the Company or by the Executive. The severance pay and benefits available under this Plan vary depending upon the Participant's title and the circumstances of his or her termination of employment, and they are contingent upon the execution of a release in favor of the Company.

The Plan is intended to be an "employee welfare benefit plan" as that term is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended. Severance benefits for covered Executives shall be determined exclusively under this Plan. All of the corporate policies and practices regarding severance, or similar payments upon employment termination, with respect to Executives eligible to participate herein are hereby superseded by this Plan. Benefits under this Plan are in no way contingent upon retirement under any Company retirement plan. The severance pay and benefits available under this Plan do not represent the payment of income deferred for services performed during employment.

SECTION 2 — DEFINITIONS

The following capitalized terms shall have the meanings set forth in this Section 2 unless the context clearly indicates otherwise:

2.1 "Administrator" means the Company or its delegees.

2.2 "Average Bonus" means the sum of the Executive's actual paid bonus for the three years prior to the Severance Date divided by three.

2.2 "Base Salary" means the Executive's current annual base salary, excluding the Executive's annual bonus and all other forms of compensation and allowances.

2.3 "Company" means Host Marriott Corporation and its subsidiaries.

2.4 "Cause" means any conduct that in the reasonable judgment of the Board of Directors is detrimental to the interests of the Company. Such conduct shall include, without limitation:

(A) failing to perform assigned duties in a reasonable manner;

(B) failing to perform assigned duties as a result of incompetence or neglect;

(C) engaging in any act of dishonesty or bad faith with respect to the Company or the Company's affairs;

(D) committing any act or crime that reflects unfavorably on the Executive or the Company; or

(E) engaging in any other conduct that in the reasonable judgment of the Board justifies termination.

A determination of Cause by the Board of Directors shall be final and binding on the parties for all purposes; provided however that such determination may not be arbitrary or capricious.

2.5 "Change in Control" means:

(A) the acquisition of at least thirty five percent (35%) of the voting stock of the Company by a third party;

(B) the merger, dissolution, liquidation, consolidation, reclassification or other reorganization of the Company in which the Company does not survive or is not the surviving entity;

(C) the sale of the Company under circumstances in which the Company becomes a subsidiary or affiliate of any other individual, partnership, corporation, trust, or other legal entity;

(D) the sale of substantially all of the assets of the Company; or

(E) a determination by the Company's Board of Directors, or by a court or administrative agency with jurisdiction over the Company, that a change of control has occurred.

The term "Change in Control" shall not include the act of converting the Company to another form of legal entity.

2.6 "Disability" means a physical or mental infirmity which impairs the Executive's ability, with or without reasonable accommodation, to substantially perform his duties as assigned and which continues for a period of at least one hundred eighty (180) days. An Executive on approved Family and Medical leave, worker's compensation or other medical or disability related leave will be subject to the appropriate Company leave policy as it applies to returning to work and after returning to work. The Company's determination as to whether Executive is Disabled for purposes of this Plan shall be final and binding on all parties concerned.

2.7 “Effective Date” means March 6, 2003.

2.8 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

2.9 “Executive” means any active, full-time Executive of the Company who is listed on Exhibit B hereto, as amended from time to time. These individuals shall include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Development Officer and individuals with the title of Senior Vice President as determined in the sole and absolute discretion of the Company. For purposes of this Plan, “Executive” excludes any individual who has an individual employment or severance agreement with the Company.

2.10 “Good Reason” means the occurrence of any of the following events or conditions:

(A) a materially adverse change in the Executive’s title, position or level of responsibility without the Executive’s written consent or the assignment to the Executive of any duties or responsibilities which are inconsistent with his title, position or level of responsibility, except in connection with the termination of his employment for Disability, Cause, as a result of his death, or by the Executive other than for Good Reason;

(B) failure to pay the Executive any compensation or benefits to which he is entitled within fifteen days of the date due; or

(C) the occurrence of any of the following events or conditions in the year immediately following a Change in Control:

(i) a reduction in the Executive’s Base Pay;

(ii) the failure by the Company to provide the Executive with compensation (including Base Salary and bonus compensation) and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided for under compensation or employee benefit plans, programs and practices as in effect prior to the Change in Control.

(iii) the Company requiring the Executive to be based at any place outside a 50-mile radius from the work location at which the Executive was based on the Effective Date or such other place as the Executive is assigned prior to the Change in Control, except for reasonably required travel on the Company’s business which is not greater than such travel requirements prior to the Change in Control;

(iv) any purported termination of the Executive's employment for Cause by the Company which does not comply with the terms of Section 2.4;

(v) the failure of the Company to obtain an agreement, satisfactory to the Executive, from any successor or assign of the Company to assume and agree to adopt this Plan for a period of at least one year from the Change in Control;

(vi) the failure by the Company to provide equivalent or greater vacation, holiday and sick leave to that available to the Executive immediately prior to the Change in Control.

(vii) any event or condition described in this Section which occurs prior to a Change in Control but which the Executive demonstrates (a) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control (a "Third Party"), or (b) otherwise arose in connection with, or in anticipation of a Change in Control, notwithstanding that the event or condition occurred prior to the Change in Control; provided that this subsection 2.10(C)(iv) shall apply only if the Change in Control giving rise to such events or conditions is actually consummated.

2.11 "Participant" means an Executive who is notified by the Company in writing that he is listed on Exhibit B hereto.

2.12 "Plan" means the Host Marriott Corporation Severance Plan for Executives.

2.13 "Plan Year" means the calendar year.

2.14 "Pro Rata Bonus" means the amount equal to the Executive's full target bonus for the current fiscal year of the Company, determined in accordance with the applicable incentive compensation plan, multiplied by a fraction the numerator of which is the number of days in the incentive plan year through the Severance Date and the denominator of which is 365.

2.15 "Release Agreement" means the Severance Agreement and Release in the substantially form hereto as Exhibit A and as acceptable to the Company, which shall include a general release given by the Participant to the Company regarding employment-related claims, covenants against competition and the solicitation of employees and customers of the Company, and other matters as stated therein. The Release Agreement shall bind the Participant and the Company.

2.16 "Severance Date" means the date established by the Company or the Executive, as applicable, as a Participant's last day of employment. If the Executive's employment is terminated by the Company for Cause or due to Disability, the Company

shall provide the Executive is at least thirty (30) days notice of the Severance Date. If the Executive is terminating his employment, the Executive shall provide the Company with thirty (30) days notice of the Severance Date.

2.17 "Successor" means any employer (whether or not the employer is affiliated with the Company) which acquires (through merger, consolidation, reorganization, transfer, sublease, assignment, or otherwise) all or substantially all of the business or assets of the Company, or of a division of the Company.

SECTION 3 — ELIGIBILITY AND PAYMENT

3.1 Subject to Sections 3.2, 3.3, and 3.4 of this Plan, an Executive shall become a Participant if, on or after the Effective Date, the Executive is notified by the Company that he or she is a Participant.

3.2 A Participant shall be entitled to the severance pay set forth in Section 4 hereof, if:

(A) he or she returns and does not revoke a completed and executed Release Agreement to the Company within the time period specified in the Release Agreement after such person's Severance Date; and

(B) he or she is not and does not become disqualified from receiving severance pay pursuant to Section 3.3 hereof at any time prior to such person's Severance Date; provided, that a Participant shall be disqualified from receiving or retaining any severance pay hereunder if he breaches the Release Agreement.

3.3 A Participant shall not be entitled to receive or retain the severance pay set forth in Section 4 hereof, if the Executive:

(A) fails to return a properly signed Release Agreement to the Company within the time period specified in the Release Agreement after that person's Severance Date;

(B) revokes such Release Agreement within the time period specified in the Release Agreement;

(C) prior to his or her Severance Date, the Executive:

(i) terminates voluntarily his or her employment;

(ii) fails to show up and properly attend work; or

(iii) fails to adequately perform his or her employment duties as established by the Company in its reasonable judgment;

(D) rejects an offer or fails to accept an offer of another position from a Successor or from any affiliate of the Company on or before his or her Severance Date; provided, however, that an Executive may still receive his or her severance benefits despite rejecting such offer if the rejection or failure to accept is for Good Reason; or

(E) prior to the Severance Date, the Company terminates the employment of the Executive and:

(i) the termination is for Cause, as determined by the Company in its reasonable judgment; or

(ii) the Company determines after such termination that the Executive had engaged in conduct that would have constituted Cause had such conduct been known to the Company prior to such termination.

3.4 Prior to the Severance Date, such Participant will receive a Release Agreement, substantially in the form attached to this Plan as Exhibit A. If the Participant accepts and agrees to his or her severance pay and benefits as determined, he shall execute the Release Agreement and return it to the Vice President, Human Resources within the time period specified in the Release Agreement following his Severance Date. Such Release Agreement must be timely and appropriately executed by its terms for the Participants to qualify for payments and benefits under Section 4.

SECTION 4 — AMOUNT AND PAYMENT OF SEVERANCE PAY

4.1 If the Executive's employment with the Company is terminated by the Company for Cause or Disability, or by reason of the Executive's death, or by the Executive without Good Reason, then Company shall pay the Executive all amounts earned or accrued through the Severance Date but not paid as of the Severance Date, including:

(A) Base Salary; and

(B) reimbursement for reasonable and necessary expenses incurred by the Executive on behalf of the Company during the period ending on the Severance Date; (collectively, "Accrued Compensation").

In addition to the foregoing, if the Executive's employment is terminated by the Company because of Disability or Death, the Company shall pay to the Executive or his beneficiaries an amount equal to the Executive's Pro Rata Bonus.

4.2 Except as otherwise provided in Section 4.3, if the Executive's employment with the Company is terminated by the Company without Cause, or by the Executive for Good Reason, the Executive shall be entitled to the following:

(A) the Company shall pay the Executive all Accrued Compensation;

(B) the Company shall pay the Executive as severance pay and in lieu of any further compensation for periods subsequent to the Severance Date an amount (the "Severance Amount") in cash equal to:

(i) two (2) times the sum of the Executive's Base Salary and the Executive's Average Bonus if the Participant is the Chief Executive Officer of the Company; or

(ii) one (1) times the sum of the Executive's Base Salary and the Executive's Average Bonus if the Executive is any other Participant.

4.3 If during the one year immediately following a Change in Control, the Executive's employment with the Company is terminated by the Company without Cause, or by the Executive for Good Reason, the Executive shall be entitled to the following:

(A) the Company shall pay the Executive all Accrued Compensation; and

(B) the Company shall pay the Executive as severance pay and in lieu of any further compensation for periods subsequent to the Severance Date an amount (the "Severance Amount") in cash equal to:

(i) three (3) times the sum of the Executive's Base Salary and the Executive's Average Bonus if the Participant is the Chief Executive Officer of the Company; or

(ii) two (2) times the sum of the Executive's Base Salary and the Executive's Average Bonus if the Executive is any other Participant.

4.4 Participants shall have the right to continue medical and dental benefits under the continuation health coverage provisions of Title X of the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) after his or her Severance Date, if otherwise eligible. To the extent that the Participant is eligible for and elects COBRA coverage, the Company shall cover the premium cost of such coverage on a monthly basis for the lesser of (I) 18 months; or (ii) until Participant no longer qualifies to participate. The Company's obligation to cover this premium cost is limited to Participants who are eligible to receive severance payments pursuant to Section 4.2 or Section 4.3 of the Plan and further to the extent that such an Executive becomes eligible to obtain any such benefits under a subsequent employer's benefit plans. At the end of the Executive's Company paid COBRA coverage, the Executive may continue COBRA coverage at the

Executive's expense and to the extent eligible under the terms of such Plan. In no event shall any Participant be entitled to a cash payment in lieu of health coverage.

4.5 The severance pay provided for in this Section 4 shall be paid as soon as practicable after the Participant's Severance Date. The Company may determine, in its sole and absolute discretion, to pay such amounts in one lump sum or in installments; provided that the Severance Amount shall be paid in full within twenty-four (24) months of the Severance Date.

4.6 The severance pay and benefits provided for in this Section 4 shall be in lieu of any other severance pay to which the Executive may be entitled under any Company severance plan, program or arrangement.

4.7 Employment taxes and all other deductions required by law or by any other Company plan, program or policy, shall be withheld from all severance payments. In addition, any amount payable under this Section 4, shall be reduced (but not below zero) by any payment made as required by government-mandated programs that require payment of wages and fringe benefits in lieu of notice of closing, layoffs or termination of employment.

4.8 Participants shall be paid for normal termination vacation pay and any other earned pay (if any) pursuant to existing Company policy and applicable state law.

4.9 Benefits under any other employee benefit plans, including but not limited to, restricted stock grants, stock awards, tax-qualified retirement plans, retiree health care plans, fringe benefit plans, incentive compensation plans, stock option plans and nonqualified deferred compensation plans, and life insurance plans, policies or programs sponsored by the Company are governed solely by the terms of those plans, programs or policies. Participants may exercise stock options, to the extent that such options are exercisable under their terms. This Plan does not change the eligibility, termination or other provisions for those benefits.

4.10 The Company may, in its sole and absolute discretion, offer additional benefits or programs which, if offered, shall be described in appendices to this Plan.

4.11 The Company reserves the right to offset the benefits payable under Section 4, by any advance, loan or other monies the Participant owes the Company.

SECTION 5 — DEATH BENEFITS

5.1 If a Participant dies before receiving all of his or her severance pay due under this Plan, such pay will be distributed in one lump sum cash payment to the Executive's executor or administrator, as applicable.

5.2 The Administrator may require that any individual or entity purporting to represent a Participant's estate provide such proof of such status as the Administrator may deem appropriate, including but not limited to letters testamentary or letters of administration. The Administrator may also require that such individual, as a condition to receiving severance pay, agree in a provision to be incorporated in the Release Agreement, to indemnify and hold harmless the Administrator and such other persons deemed appropriate by the Administrator for any financial responsibility, liability or expense arising out of a claim by another party or parties asserting entitlement to all or part of the benefit payable hereunder. In addition, the Company reserves the right to offset the benefits payable under this Section 5 by any advance, loan or other monies the Participant, with respect to whom the severance pay is being paid, owes the Company.

SECTION 6 — BENEFIT LIMITATIONS

6.1 In the event that the Severance Amount and other benefits provided for in this Plan (i) would constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, then such severance benefits shall be either (i) delivered in full, or (ii) delivered as to the maximum extent which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by the Executive on an after-tax basis, of the greatest amount of severance benefits under this Plan, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code.

6.2 A determination as to whether a reduction of Severance Payments will be made pursuant to Section 6.1 shall be made by the Company or at the Company's expense by an accounting firm selected by the Company (the "Accounting Firm"). The Company shall provide its determination (the "Determination"), together with detailed supporting calculations and documentation to the Executive within five days of the Severance Date if applicable, or such other time as requested by the Company or by the Executive (provided the Executive reasonably believes that any of the Payments may be subject to the Excise Tax). For purposes of making the calculations required by this paragraph, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the

Accountants may reasonably request in order to make a determination under this Section. Within ten days of the delivery of the Determination to the Executive, the Executive shall have the right to dispute the Determination (the "Dispute"), which shall be subject to the claims procedures in Section 8. If there is no Dispute, the Determination shall be binding, final and conclusive upon the Company and the Executive subject to the application of Section 6.3 below.

6.3 In the event the Company shall determine that payments pursuant to this Plan would constitute an "excess parachute payments" thereby necessitating that Severance Payments be reduced in part if consistent with Section 6.1, the Executive may consult with the Company in determining the priority in which any benefit payment shall be reduced. Any such joint determination must be made no later than seven (7) days prior to the next regular full-pay cycle, otherwise the Company's decision of which benefits shall be reduced or eliminated shall be final.

SECTION 7 — ADMINISTRATION

7.1 The Company shall have sole discretionary authority to interpret, apply and administer the terms of the Plan and to determine eligibility for and the amounts of benefits under the Plan, including interpretation of ambiguous Plan provisions, determination of disputed facts or application of Plan provisions to unanticipated circumstances. The Company's decision on any such matter shall be final and binding.

7.2 The Company shall be the administrator of the Plan for purposes of Section 3(16) of ERISA and shall have responsibility for complying with any ERISA reporting and disclosure rules applicable to the Plan for any Plan Year. The Administrator may at any time delegate to any other named person or body, or reassume therefrom, any of its fiduciary responsibilities (other than trustee responsibilities as defined in Section 405(c)(3) of ERISA) or administrative duties with respect to this Plan.

7.3 The Administrator may contract with one or more persons to render advice or services with regard to any responsibility it has under this Plan.

7.4 Subject to the limitations of this Plan, the Administrator shall from time to time establish such rules for the administration of this Plan as the Administrator may deem desirable.

SECTION 8 — CLAIMS PROCEDURE

8.1 If a Participant believes he or she has not been provided with severance pay benefits due under the Plan, then the Participant may file a request for benefits under this Plan with the Human Resources Department or its delegate within ninety (90) days after the date the Participant believes he or she should have received such benefits. If a Participant makes such a request for benefits under the Plan and that claim is denied, in whole or in part, the Administrator shall notify the Participant of the adverse

determination within ninety (90) calendar days unless the Administrator determines that special circumstances require an extension of time for processing. If the Administrator determines that an extension of time is necessary, written notice shall be furnished to the claimant prior to the end of the initial ninety-day period and the extension shall not exceed ninety days from the original ninety-day period. The extension notice shall indicate the special circumstances requiring an extension and the date by which the Administrator expects to render a determination. The Administrator shall notify the Participant of the specific reasons for the denial with specific references to pertinent Plan provisions on which the denial is based and shall notify the Participant of any additional material or information that is needed to perfect the claim and explanation of why such material or information is necessary. At that time the Participant will be advised of his or her right to appeal that determination, and given an explanation of the Plan's review and appeal procedure including time limits, and a statement regarding the Participant's right to bring a civil action under ERISA section 502(a) following an adverse determination or appeal.

8.2 A Participant may appeal the determination or denial by submitting to the Administrator within sixty (60) calendar days after receiving a denial notice by: (a) requesting a review by the Administrator of the claim; (b) setting forth all of the grounds upon which the request for review is based and any facts in support thereof; and (c) setting forth any issues or comments which the Participant deems relevant to the claim. The Participant may submit written comments, documents, records and other information relating to his claim. Upon request, the Participant may obtain free of charge, copies of all documents and records relevant to his claim.

8.3 The Administrator shall act upon the appeal taking into account all comments, documents, records and other information submitted by the Participant without regard to whether such information was submitted or considered in the initial benefit determination and shall render a decision within sixty (60) days or one hundred twenty (120) days in special circumstances after its receipt of the appeal. If the Administrator determines that an extension of time is necessary, written notice of the extension shall be furnished to the Participant prior to the end of the initial sixty-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Administrator expects to render a determination. The Administrator shall review the claim and all written materials submitted by the Participant, and may require him or her to submit, within ten (10) days of its written notice, such additional facts, documents, or other evidence as the Administrator in its sole discretion deems necessary or advisable in making such a review. On the basis of its review, the Administrator shall make an independent determination of the Participant's eligibility for benefits and the amount of such benefits under the Plan. The decision of the Administrator on any claim shall be final and conclusive upon all persons if supported by substantial evidence. If the Administrator denies a claim on review in whole or in part, it shall give the Participant written notice of its decision setting forth the following: (a) the specific reasons for the denial and specific references to the pertinent Plan provisions on which its decision was based; (b) notice that the Participant may obtain free of charge, copies of all documents, records and other information relevant to the Participant's claim; and (c) a statement of the Participant's right to bring a civil action under section 502(a) of ERISA.

8.4 A Participant or his or her legal representative may appeal any final decision by filing an action in a federal court of competent jurisdiction, provided that such action is filed no later than 90 days after receipt of a final decision by the Participant or his or her legal representative.

SECTION 9 — GENERAL

9.1 The benefits and costs of this Plan shall be paid by the Company out of its general assets.

9.2 This Plan is intended to be an "employee welfare benefit plan", as defined in Section 3(1), Subtitle A of Title 1 of ERISA. The Plan will be interpreted to effectuate this intent. Notwithstanding any other provision of this Plan, no Executive in the event of termination shall receive hereunder any payment exceeding three times that Officer's annual compensation during the year immediately preceding the termination of his service, within the meaning of 29 C.F.R. Section 2510.3-2, as the same was in effect on the effective date of this Plan.

9.3 The Executive and the Company acknowledge that the employment of the Executive by the Company is "at will" and, prior to the Effective Date, may be terminated by either the Executive or the Company at any time. If prior to the Effective Date, the Executive's employment with the Company terminates, the Executive shall have no rights under this Plan. Nothing in this Plan shall be construed to create for any Participant a right of continued employment with the Company.

SECTION 10 — AMENDMENT AND TERMINATION

The Company reserves the right to amend this Plan, in whole or in part, or discontinue or terminate the Plan; provided, however, that any such amendment, discontinuance or termination shall not affect any right of any Participant to claim benefits under the Plan or as in effect prior to such amendment, discontinuance or termination, for events occurring prior to the date of such amendment, discontinuance or termination. An amendment to this Plan, and/or resolution of discontinuance or termination, may be made by the Administrator, to the extent permitted by resolution of the Board of Directors.

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IN WITNESS WHEREOF, the Company has caused its officer, duly authorized by its Board of Directors to execute the Plan effective as of the 6th day of March, 2003.

HOST MARRIOTT CORPORATION

By: /s/ Elizabeth A. Abdoo
Name: Elizabeth A. Abdoo
Title: Executive Vice President, General Counsel and Corporate Secretary

HOST MARRIOTT, L.P.
RETIREMENT AND SAVINGS PLAN
(Amended and Restated)

Effective January 1, 2004, as amended May 20, 2004

HOST MARRIOTT, L.P.

RETIREMENT AND SAVINGS PLAN

PREAMBLE

WHEREAS, Host Marriott, L.P. has entered into the Employee Benefits and Other Employment Matters Allocation Agreement between Host Marriott Corporation, Host Marriott, L.P. and Crestline Capital Corporation (the "Agreement") in connection with the distribution of outstanding common shares of the Company (the "Distribution");

WHEREAS, pursuant to the Agreement, Host Marriott, L.P. assumed sponsorship of the Host Marriott Corporation (HMC) Retirement and Savings Plan (the "Plan");

WHEREAS, Host Marriott, L.P. amended and restated the Plan, effective as of January 31, 2002, to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001;

NOW, THEREFORE, Host Marriott, L.P. hereby amends and restates the Host Marriott Corporation (HMC) Retirement and Savings Plan to reflect certain additional changes in the tax laws. This amendment is intended as good faith compliance with the requirements of the Code and ERISA and is to be construed in accordance with the Code and ERISA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of January 1, 2004.

This amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of its various amendments.

TABLE OF CONTENTS

ARTICLE I.
DEFINITIONS

When used in this instrument, the following words and phrases have the indicated meanings except where the contrary is expressly stated:

1.1 "Account" shall have the meaning set forth in Section 6.1.

1.2 "Actual Contribution Percentage" means, for a given Plan Year, the average of the ratios, calculated separately for each Participant in a group, of (a) the sum of After-tax Savings credited to the Participant's After-tax Savings Account and Company contributions and forfeitures allocable to the Participant's Company Contribution Account for the Plan Year to (b) the Participant's Compensation for such Plan Year.

1.3 "Actual Deferral Percentage" means, for a given Plan Year, the average of the ratios, calculated separately for each Participant in a group, of (a) the Section 401(k) Contributions made on behalf of such Participant by the Company for the Plan Year to (b) the Participant's Compensation for such Plan Year.

1.4 "Additional After-tax Savings" means After-tax Savings not included in Combined Basic Savings for a payroll period.

1.5 "Additions" means, with respect to each Participant for any Fiscal Year, the total of (a) the Company contributions and forfeitures allocated for the Fiscal Year to the Participant's Company Contribution Account, plus (b) Section 401(k) Contributions allocated for the Fiscal Year to the Participant's Section 401(k) Contributions Account, plus (c) the After-tax Savings allocated for the Fiscal Year to the Participant's After-tax Savings Account.

1.6 "Administrative Expenses" means the administrative expenses described in Section 15.6(a).

1.7 "Affiliated Company" means a "Subsidiary", as defined in Section 1.69.

1.8 "After-tax Savings" means the After-tax savings deposited into the Trust Fund by a Participant in accordance with Article IV.

1.9 "After-tax Savings Account" shall have the meaning set forth in Section 6.1(a).

1.10 "Allocable Portion" means, for purposes of Section 11.2, the lesser of: (a) fifty percent (50%) of the Participant's vested Account balance; or (b) $50,000, reduced by the excess of (1) the highest outstanding balance of any previous loan from the Plan and any other plans of the Company or a Subsidiary during the one-year period ending on the day before the date on which the current loan is made over (2) the outstanding balance of any previous loan from the Plan and any other plans of the Company or a Subsidiary on the date on which the current loan is made.

1.11 “Allocation Agreement” means the Employee Benefits & Other Employment Matters Allocation Agreement entered into by and between Host Marriott Corporation, Host Marriott, L.P. and Crestline Capital Corporation.

1.12 “Alternate Payee” means any Spouse, former Spouse, child or other dependent of a Participant who is entitled under a Qualified Domestic Relations Order to receive all, or part of, the benefits payable to that Participant under the Plan.

1.13 “Annuity Starting Date” means the first day of the first period for which an amount is received as an annuity by reason of retirement or disability.

1.14 “Authorized Leave of Absence” means any absence authorized by the Company under the Company’s standard personnel practices provided that the Employee or Participant returns within the period of authorized absence. An absence due to service in the Armed Forces of the United States shall be considered an Authorized Leave of Absence provided that the absence is caused by war or other emergency, or provided that the Employee or Participant is required to serve under the laws of conscription in time of peace, and further provided that the Employee or Participant returns to employment with the Company within the period provided by law. Except for service in the Armed Forces of the United States in accordance with the preceding sentence, an Authorized Leave of Absence may not extend beyond two (2) years.

1.15 “Basic After-tax Savings” means After-tax Savings included in Combined Basic Savings for a payroll period.

1.16 “Beneficiary” means the person or persons designated as a beneficiary pursuant to Article XII.

1.17 “Board of Directors” means the Board of Directors of Host Marriott Corporation, a Delaware corporation and the General Partner of Host Marriott, L.P.

1.18 “Code” means the Internal Revenue Code of 1986, as amended, or any successor statute, including the regulations issued thereunder.

1.19 “Combined Basic Savings” means the sum of a Participant’s After-tax Savings and Section 401(k) Contributions for each payroll period, provided that such sum shall include only an amount up to six percent (6%) of Compensation for each payroll period. If the sum of a Participant’s After-tax Savings and Section 401(k) contributions for a payroll period exceed six percent (6%), the Participant’s 401(k) contributions shall be included in Combined Basic Savings before After-tax Savings.

1.20 “Committee” means the Investment Committee appointed by the Company pursuant to Section 15.1(b).

1.21 “Company” means Host Marriott, L.P. and any affiliate or Subsidiary that elects to join the Plan with the consent of the Board of Directors.

1.22 “Company Contribution Account” shall have the meaning set forth in Section 6.1 (c).

1.23 “Compensation” means:

(a) Except as hereinafter specified, (1) earned income, wages, salary, overtime, cash bonus, commissions, annual leave, sick leave and holiday pay, paid by the Company to an Employee, and (2) gratuities reported by the Employee to the Company and the Internal Revenue Service, all without regard for any election under Article V or any elections made by the Participant under any plan maintained by the Company pursuant to Section 125 of the Code, but excluding any and all other forms of compensation. Notwithstanding the foregoing, Compensation taken into account for each Employee for a Plan Year shall not exceed Two Hundred Thousand Dollars ($200,000) or such other amount as the United States Secretary of Treasury may designate under Section 401(a)(17) of the Code.

(b) For purposes of the limitation on contributions and benefits under Section 415 of the Code as set forth in Section 6.11, a Participant’s wages, salaries, and fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the Company to the extent that the amounts are includable in gross income (including, but not limited to, commissions, gratuities reported by the Employee to the Company and the Internal Revenue Service, bonuses, fringe benefits, reimbursements or other expenses allowable under a non-accountable plan (as described in Section 1.62-2(c) of the Treasury Regulations) annual leave, sick leave and holiday pay) and including amounts contributed by the Company pursuant to a salary reduction agreement and which are not includable in the gross income of the Participant under Sections 125, 132 (f)(4), 401(k), 402(g)(3), 402(h)(1)(B), 403(b) or 457 of the Code, and excluding the following:

(1) Company contributions to a plan of deferred compensation which (except as provided above with respect to Sections 125, 402(g)(3) and 402(h)(1)(B) of the Code) are not included in the Employee’s gross income for the taxable year in which contributed, or any distribution from a plan of deferred compensation;

(2) Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture; and

(3) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option.

1.24 “Default” includes: (a) a failure to pay any principal or interest when due on a loan provided pursuant to Section 11.1 that continues beyond the end of the calendar quarter following the calendar quarter in which the payment of principal and interest was due shall constitute a default of such loan; (b) a failure by a terminated Participant to repay the entire outstanding balance of a loan prior to the end of the calendar quarter following the calendar quarter in which the Participant terminated employment with the Company, or (c) any other uniform and nondiscriminatory written standards adopted by the Committee as to what constitutes default.

1.25 “Distributee” means a Participant, Former Participant, Retired Participant, Disabled Participant, the Surviving Spouse of a Deceased Participant, and an Alternate Payee.

1.26 "Effective Date" means January 1, 2004.

1.27 "Eligible Rollover Distribution" means any distribution of all or a portion of the Distributee's Account balance, except that an Eligible Rollover Distribution does not include (a) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated Beneficiary, or for a specified period of ten (10) years or more, (b) any distribution to the extent such distribution is required under Section 401(a)(9) of the Code, and (c) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Company securities). This definition shall not apply to amounts distributed due to hardships as provided in Section 10.7 of the Plan. For purposes of the direct rollover provisions in Sections 6.12 and 8.12 of the Plan, a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of After-tax employee contributions, which are not includable in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includable in gross income and the portion of such distribution which is not so includable.

1.28 "Eligible Retirement Plan" means an individual retirement account (described in Section 408(a) of the Code), an individual retirement annuity (described in Section 408(b) of the Code), an annuity plan (described in Section 403(a) of the Code), a qualified trust (described in Section 401(a) of the Code), that accepts the Distributee's Eligible Rollover Distribution, an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state, and which agrees to separately account for amounts transferred into such a plan from this plan. In the case of an Eligible Rollover Distribution to the Spouse, this definition of "Eligible Retirement Plan" shall apply.

1.29 "Employee" means any person classified by a Participating Company as an "employee" and employed by a Participating Company other than: (a) a person who is covered by a collective bargaining agreement, if there is evidence to show that retirement benefits were the subject of good faith bargaining between a Participating Company and the employee representatives with whom such agreement was entered; (b) a nonresident alien who receives no earned income (within the meaning of Section 911(d)(2) of the Code) from a Participating Company which constitutes income from sources within the United States (within the meaning of Section 861(a)(3) of the Code); (c) a participant in a profit sharing plan, pension plan or other retirement plan (other than the Plan, the Host Marriott, L.P. Executive Deferred Compensation Plan or the Host Marriott Corporation and Host Marriott, L.P. Comprehensive Stock and Cash Incentive Plan or the Host Marriott Corporation Non-Employee Directors' Deferred Stock Compensation Plan) maintained by Host Marriott Corporation or Host Marriott, L.P. or an affiliate, whether or not the plan or the trust of such plan is intended to qualify under Section 401 of the Code; (d) a leased employee (within the meaning of Section 414(n) of the Code); (e) an independent contractor; or (f) any other individual who is not classified by the Participating

Company as an employee, regardless of whether such leased employee, independent contractor or other individual is later determined to be common law employee.

1.30 "Entry Date" means the first day of the four week accounting period of the Company immediately following receipt by the Plan Administrator of an application for admission to the Plan in writing, or in such other form authorized by the Plan Administrator; provided, however, that Employees who were employed by Host Marriott Corporation on the day immediately prior to the Effective Date shall be eligible to participate in the Plan on the Effective Date. The Board of Directors may, with respect to persons who become Employees by virtue of having been employed by any business entity the stock or substantially all of the assets of which are acquired by Host Marriott, L.P. or any affiliate or Subsidiary or the management of which is assumed by the Company, establish by written resolution as a special Entry Date, solely for such Employees, the date of such acquisition or assumption of management.

1.31 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.32 "Fiduciary" means any person who (a) exercises any discretionary authority or discretionary control respecting management of the Plan or exercises any authority or control respecting management or disposition of the Plan's assets; (b) renders investment advice for a fee or other compensation, direct or indirect, with respect to any monies or other property of the Plan, or has any authority or responsibility to do so; or (c) has any discretionary authority or discretionary responsibility in the administration of the Plan. The term "Fiduciary" includes the Named Fiduciary, the Trustees and any person to whom fiduciary responsibilities have been delegated pursuant to Section 15.3.

1.33 "Fiscal Year" means the calendar year. The Fiscal Year shall be the "limitation year" of the Plan for purposes of the limitation on contributions and benefits under Section 415 of the Code, or any successor provision thereto.

1.34 "Flexible Compensation" shall have the meaning set forth in Section 5.1.

1.35 "FLSA" means the Fair Labor Standards Act, as amended from time to time.

1.36 "Fund" means any of the separate funds in which Participants' Accounts may be placed and which are allocated and invested in accordance with Article XIV.

1.37 "Hardship" means the existence of an immediate and heavy financial need of the Participant. A need exists if it is necessary for the following:

(a) expenses for medical care previously incurred by the Participant, his spouse or any of his dependents or necessary for these persons to obtain medical care within the limits of Section 213(d) of the Code;

(b) purchase (excluding mortgage payments) of a principal residence for the Participant;

(c) Payment of tuition, related education fees and room and board for the next 12 months of post-secondary education for the Participant, his spouse, children or dependents;

(d) Payment to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence; and

(e) Any other event determined by the Commissioner of Internal Revenue.

1.38 "Highly Compensated Employee" means any Employee or former Employee who performs service for a Participating Company during the Plan Year and who (i) for the prior Plan Year received Compensation from the Participating Company as determined for purposes of Section 415 of the Code in excess of $85,000 and was in the "top-paid group," as defined in Section 414(q) of the Code (as adjusted pursuant to Code Section 415(d)); or (ii) during the Plan Year or the prior Plan Year was a 5% owner (as defined in Code Section 416(I)(1)).

1.39 "Hire Date" means, for any Employee, the date on which he first becomes entitled to credit for an hour for which he is directly or indirectly paid or entitled to be paid by the Company or a Subsidiary for the performance of employment services.

1.40 "Host Marriott L.P." means Host Marriott, L.P., a Delaware limited partnership, or any successor thereto by merger, consolidation or the acquisition of substantially all of the assets and business thereof.

1.41 "Investment Expenses" means all expenses which under generally accepted accounting principles would be classified as investment expenses, including, without limitation, investment manager's or advisor's fees and expenses, custodial fees, fees of broker-dealers for effecting investment transactions or rendering investment advice, expenses relating to the making of investments and expenses relating to the recovery of any investment in a bankrupt or insolvent entity.

1.42 "Maximum Permissible Amounts" means the lesser of:

(a) $40,000, or such higher amount to which such amount may be adjusted or, pursuant to Section 415(f) of the Code, to implement special rules applicable to combining more than one defined contribution plan as a single plan; or

(b) Twenty-five percent (25%) of the Participant's Compensation as provided in Section 1.23(b).

1.43 "Month" means any calendar month.

1.44 "Month of Credit" means any Month during the entire period of which an Employee is employed by the Company. For purposes of the foregoing, a Month of Credit shall be deemed to commence on the day of hire and end on the close of business on the day preceding the next month's anniversary thereof. Months of Credit are cumulative and need not be successive. Notwithstanding any other provision to the contrary, a Participant's Months of Credit under the Plan shall include Months of Credit, if any, credited to such Participant under the Prior Plan immediately before the Effective Date.

1.45 "Named Fiduciary" means the Committee in its role as named fiduciary of the Plan as set forth in Section 15.1(a).

1.46 "Participant" means an Employee of the Company who has been admitted to participation in this Plan in accordance with Article II. As appropriate to the context a "Participant" may include one or more of the following sub-definitions.

(a) "*Former Participant*" means any present Employee of the Company who, after having been a Participant, ceases to participate in the Plan.

(b) "Terminated Participant" means any prior Employee of the Company who, after having been a Participant, terminated his employment other than by retirement, death or Permanent Disability, and has any vested balance in the Plan.

(c) "Retired Participant" means any Participant who retires from employment in accordance with Section 8.1 and who has any vested balance in the Plan.

(d) "Disabled Participant" means any Participant who terminates from employment as a result of a Permanent Disability and who has any vested balance in the Plan.

(e) "Deceased Participant" means any Participant who terminates employment by reason of death and who leaves any vested balance in the Plan.

1.47 "Participating Company" means Host Marriott, L.P. or any affiliate or Subsidiary that has elected to join the Plan with the consent of the Host Marriott Corporation's Board of Directors. All of the Participating Companies constitute the "Company", as defined in Section 1.21.

1.48 "Permanent Disability" means that the Participant, as a result of a disability, will be prevented on a permanent basis from engaging in any occupation for which he is reasonably qualified by education, training or experience as certified by a competent medical authority designated by the Named Fiduciary to make such determination. The foregoing disability shall be attributable to the permanent loss or loss of use of a member or function of the body, or to the permanent disfigurement of the Participant.

The determination of the existence of a Permanent Disability shall be made by the Plan Administrator and shall be final and binding upon the Participant and all other parties.

1.49 "Period of Severance" means the period of time commencing on the Separation Date and ending on the Participant's Reemployment Date.

1.50 "Plan" means the Host Marriott, L.P. Retirement and Savings Plan, including any amendments thereto.

1.51 "Plan Administrator" means the person to whom the duties of Plan Administrator are delegated pursuant to Section 15.3(b).

1.52 “Plan Year” shall mean, for Plan Years beginning after the Effective Date, the same meaning as “Fiscal Year” in Section 1.33; for the Plan Year in which the Effective Date occurs, the Plan Year shall mean January 4, 1998 through December 31, 1998; for other Plan Years beginning before the Effective Date, Plan Year shall mean the Fiscal Year of Host Marriott Corporation.

1.53 “Predecessor Company” means Host Marriott Corporation.

1.54 “Prior Plan” means the Host Marriott Corporation (HMC) Retirement and Savings Plan and Trust, as in effect prior to the Effective Date.

1.55 “Pro Rata Share of Administrative Expenses” means the amount determined by multiplying the Administrative Expenses of the Plan by a fraction, the numerator of which is the total value of each Fund and the denominator of which is the total aggregate value of all such Funds.

1.56 “Qualified Domestic Relations Order” or “QDRO” shall have the same meaning as “qualified domestic relations order” under Section 414(p) of the Code and the Treasury Regulations thereunder.

1.57 “Qualified Joint and Survivor Annuity” or “QJSA” means an annuity purchased from a commercial insurance company with the Participant’s Account that pays a benefit for the life of the Participant with a survivor annuity for the life of the Participant’s Surviving Spouse in an amount elected by the Participant of either fifty percent (50%) or one hundred percent (100%) of the amount being paid to the Participant during his lifetime.

1.58 “Qualifying Employer Real Property” means parcels of real property (and related personal property) which are leased to the Company or an Affiliated Company (a) if a substantial number of the parcels are dispersed geographically; and (b) if each parcel and the improvements thereon are suitable (or adaptable without excessive cost) for more than one use.

1.59 “Qualifying Employer Securities” means (a) any stocks or other equity securities issued by the Company or an Affiliated Company; or (b) any bonds, debentures, notes or certificates or other evidences of indebtedness of the Company or an Affiliated Company which are described in Section 503(e) of the Code and Section 407(e) of ERISA.

1.60 “Reemployment Date” means, for any Employee, the first date following the Employee’s Separation Date on which he first becomes entitled to credit for an hour for which he is directly or indirectly paid or entitled to be paid by the Company or a Subsidiary for the performance of employment duties.

1.61 “Required Beginning Date” means April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2 or, if later, the calendar year in which the Participant retires from the Company; provided, however, that in the case of a Participant who is a 5% owner (as defined in Code section 416), Required Beginning Date means April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2; and provided, further, that in the case of a Participant who attained age 70-1/2 before January 1, 1988, Required Beginning Date means the April 1 following the later of the calendar year in

which he (a) attained age 70-1/2; or (b) the sixtieth (60th) day following the close of the Plan Year in which the Participant terminates employment with the Company, provided such date is not later than April 1 of the calendar year following the calendar year during which such termination occurs, unless he was a five percent (5%) owner (as defined in Section 416 of the Code) of the Company with respect to the Plan Year ending in the calendar year in which he attains age 70-1/2, in which case, clause (b) shall not apply.

1.62 "Section 401(k) Contribution" shall have the meaning set forth in Section 5.2.

1.63 "Section 401(k) Contribution Account" shall have the meaning set forth in Section 6.1(b).

1.64 "Separation Date" means the earlier of:

(a) Any date on which an Employee's employment with the Company terminates by reason of voluntary termination, discharge, retirement or death; or

(b) The first anniversary of the first date of a period in which the Employee remains absent from active employment with the Company for some reason other than voluntary termination, discharge, retirement, death, approved leave of absence, or military service.

Provided, however, that, solely for the purpose of determining whether a Period of Severance has occurred, if an Employee is absent from service beyond the first anniversary of the first date of absence by reason of a "maternity or paternity leave", then the Separation Date of such Employee shall be the second anniversary of the first date of such absence. For purposes of this Section, "maternity or paternity leave" means termination of employment or absence from work due to: (i) the pregnancy of the Participant, (ii) the birth of a child of the Participant, (iii) the placement of a child in connection with the adoption of the child by a Participant, or (iv) the caring for a Participant's child during the period immediately following the child's birth or placement for adoption. The Plan Administrator shall determine, under rules of uniform application and based on information provided to the Plan Administrator by the Participant, whether or not the Participant's termination of employment or absence from work is due to "maternity or paternity leave".

1.65 "Service" means an Employee's or a Participant's period of employment with the Company; the Predecessor Company prior to the Effective Date; as a leased employee (within the meaning of Section 414(n) of the Code) unless the leased employee is covered by a safe harbor plan described in Section 414(n)(5) of the Code; any other employer that is required to be aggregated with the Company under Section 414 of the Code, as determined in accordance with Article VII or any employer that maintains a plan from which assets are transferred to this Plan on behalf of the Employee or Participant in a transaction subject to Section 414(1) of the Code. An Employee's Service shall include any period of employment with Crestline Capital Corporation if the Employee was employed by the Company immediately after becoming employed by Crestline Capital Corporation. Employment of an Employee or a Participant by any of the following employers shall be treated as Service:

(a) A Subsidiary, both prior to and after becoming a Subsidiary, if such Subsidiary has elected to join the Plan.

(b) A Subsidiary, after becoming a Subsidiary, if such Subsidiary has not elected to join the Plan.

In addition, the Board of Directors shall have the authority by adopting written resolutions to recognize employment of an Employee or a Participant by any of the following employers as Service:

(a) A Subsidiary, prior to becoming a Subsidiary, if such Subsidiary has not elected to join the Plan.

(b) Any business entity substantially all of the assets of which are acquired by Host Marriott, L.P. or any affiliate or Subsidiary or whose management is assumed by the Company; provided that such recognition shall apply uniformly to all employees of any such employer.

1.66 "Spousal Consent" means a Spouse's written consent which acknowledges the effect of the Participant's election and is witnessed by a Plan representative or notary public. Spousal Consent may be in the form of a specific consent, general consent or limited general consent, as provided in Section 8.6(e).

1.67 "Spouse" or "Surviving Spouse" means the spouse or surviving spouse of the Participant, provided that a former spouse will be treated as the spouse or surviving spouse and a current spouse will not be treated as the spouse or surviving spouse to the extent provided in a Qualified Domestic Relations Order.

1.68 "Subaccount" means the portion of a Participant's Account placed in each Fund pursuant to Article XIV.

1.69 "Subsidiary" or "Affiliated Company" means (a) a member of a controlled group of corporations of which Host Marriott, L.P. is a member as determined in accordance with Section 414(b) of the Code; or (b) an unincorporated trade or business which is under common control by or with Host Marriott, L.P., as determined in accordance with Section 414(c) of the Code. For purposes hereof, a "controlled group of corporations" shall mean a controlled group of corporations as defined in Section 1563(a) of the Code, determined without regard to Sections 1563(a)(4) and 1563(e)(3)(C) of the Code, except that, with respect to the limitation on Annual Additions set forth in Section 6.11, instead of eighty percent (80%), the applicable percentage shall be fifty percent (50%) wherever such percentage appears in Section 1563(a)(1) of the Code.

1.70 "Trustees" means the corporate trustee or persons appointed as Trustee of the Trust Fund and any successors.

1.71 "Trust Agreement" means the Agreement providing for the terms and conditions under which the Trustee will hold and invest the Trust Fund.

1.72 "Trust Fund" means the assets of the Plan and Trust as the same shall exist from time to time.

1.73 “Valuation Date” means the last day of the Plan Year and such other dates as of which the Plan Administrator values the interest of Participants in the assets of the Trust Fund, such valuations being made in accordance with the provisions of Section 6.8.

ARTICLE II.
ELIGIBILITY AND PARTICIPATION

2.1 ***Eligibility and Participation.***

(a) *Eligibility*. Any Employee shall be eligible to participate in the Plan immediately on the Employee's Hire Date.

(b) *Commencement of Participation*. Any Employee may commence participation in the Plan on any Entry Date after the Employee's Hire Date and shall be admitted to the Plan on any such Entry Date if the Plan Administrator receives the Employee's written application for admission to the Plan.

(c) *Continued Participation*. Notwithstanding subsection (a), any person who was a Participant or Former Participant in the Prior Plan on the day before the Effective Date shall automatically become a Participant under this Plan on the Effective Date, provided that such person is an Employee on the Effective Date.

(d) *Participation Voluntary*. Participation in the Plan shall be entirely voluntary.

2.2 ***Reemployment of Employee.*** An Employee who terminates employment with the Company and subsequently resumes employment with the Company shall become eligible to participate in the Plan immediately upon again becoming an Employee and may be admitted to the Plan on any Entry Date thereafter upon written application in accordance with Section 2.1(b).

2.3 ***Termination of Plan Participation.*** A Participant may cease to participate in the Plan during the Participant's continued employment at any time by giving written notice thereof to the Plan Administrator. Such notice shall be effective to terminate participation upon its receipt by the Plan Administrator and such Employee shall thereupon become a Former Participant.

2.4 ***Readmission of Former Participant.*** Any Former Participant may be readmitted to the Plan as a Participant on any Entry Date upon written application in accordance with Section 2.1(b); provided, however, that if any Former Participant withdraws any portion of his Basic After-tax Savings pursuant to Section 10.1, he shall not be eligible for readmission to the Plan until six (6) months have elapsed from the date on which he became a Former Participant.

2.5 ***Participation During Authorized Leave of Absence or During Employment by Subsidiary That Has Not Joined Plan.*** Participation in the Plan may continue during periods of Authorized Leave of Absence, and periods during which a Participant is employed by a Subsidiary, which has not elected to join the Plan. However, the Participant may neither deposit savings in the Trust Fund nor share in the allocation of the Company contribution during such periods. A Participant on Authorized Leave of Absence who does not return to active employment with the Company by the expiration of such Authorized Leave of Absence shall be treated for the purposes of the Plan as having terminated employment pursuant to Section 9.1.

2.6 ***Treatment of Participants Who Cease Being Employees Pursuant to Section 1.29.*** Notwithstanding the provisions of Section 2.5, any Participant who ceases to be an Employee by reason of Section 1.29(a), (b), (d) or (e), or by becoming employed by a Subsidiary which has not elected to join the Plan, or by becoming a participant in a plan described in Section 1.29(c), shall be treated thereupon as a Former Participant in accordance with the provisions of this Plan.

ARTICLE III.
COMPANY CONTRIBUTION

3.1 ***Amount of Contribution.*** For each Fiscal Year or portion thereof, each Participating Company shall make the following contributions to the Trust Fund:

(a) Section 401(k) Contributions, as provided by Article V;

(b) Effective May 20, 2004, a matching contribution on behalf of each Participant in the amount of fifty percent (50%) of the Participant's Combined Basic Savings for each payroll period, but only if such Participant is an employee on the last day of the quarter or such lesser period as determined by the Committee or Plan Administrator; and

(c) Any additional contribution, if any, as determined in the absolute and sole discretion of the Host Marriott Corporation Board of Directors or the Committee.

Notwithstanding anything to the contrary, in no event shall the amount contributed by any Participating Company include an amount, if any, equal to the amount of any "excess aggregate contributions" (as defined in Section 401(m)(6)(B) of the Code) for such year that would otherwise be allocable to Participants who are Highly Compensated Employees, if such amounts were contributed to the Plan.

In no event shall the amount of the contribution exceed the maximum amount deductible by a Participating Company for the Fiscal Year with respect to which the contribution is made under Section 404(a) of the Code or the corresponding provision of any subsequent tax law.

Effective January 1, 2004, if as a result of Code Section 402(g) dollar limitation on the amount of the annual Section 401(k) Contributions or the Code Section 401(a)(17) dollar limitation on Compensation, the Participant does not receive a total matching contribution pursuant to Section 3.1(b) under the payroll matching procedure, an additional matching contribution shall be made on the Participant's behalf so that the Participant's total matching contribution is equal to 100% of the Participant's Combined Basic Savings which does not exceed 6% of the Participant's Compensation for that Plan Year.

3.2 ***Time of Payment of Contributions.*** A Participating Company may pay its contributions at such time or times and in such amount or amounts as it may deem appropriate during the Fiscal Year for which each such contribution becomes due and for such period thereafter during which payment thereof may be permitted as a deduction for the previous Fiscal Year under the Code.

3.3 ***Form of Payment of Contributions.*** All payments of contributions shall be made directly to the Trustees. Payments may be in cash, Qualifying Employer Securities (including treasury stock or previously unissued stock of Host Marriott Corporation), Qualifying Employer Real Property or in such other property of any kind as the Named Fiduciary may authorize the Trustees to accept, to the extent permitted by law. The value of any property other than cash, which may be paid to the Trustees shall be its fair market value as of the date of such payment, as determined by the Named Fiduciary, based on the report of an independent appraiser.

3.4 ***Return of Contributions to Company.*** Notwithstanding any other provisions of this Plan, any contributions made by a Participating Company pursuant to Section 3.1 shall, to the extent permitted by Section 403(c) of ERISA, be returned to a Participating Company if:

(a) The contributions are made as the result of a mistake of fact;

(b) A tax deduction claimed for the contributions pursuant to Section 404 of the Code is denied to the Company by the Internal Revenue Service; or

(c) The IRS determines that the Plan is not tax-qualified under Section 401 of the Code.

Notwithstanding the foregoing, however, no contributions may be returned to a Participating Company under the above provisions later than one (1) year from the date a mistaken contribution is made, a tax deduction for a contribution is denied, or the IRS determines that the Plan is not tax-qualified, as the case may be. Further, except as otherwise provided in this paragraph, the assets of the Plan shall not inure to the benefit of the Company, and shall be held for the exclusive purposes of providing benefits to Participants and Beneficiaries and defraying reasonable expenses of administering the Plan.

ARTICLE IV.
PARTICIPANTS' AFTER-TAX SAVINGS

4.1 ***Participant After-tax Savings.*** Subject to the provisions of Section 4.2, each Participant may deposit After-tax Savings into the Trust Fund.

4.2 ***Amount of After-tax Savings.*** Subject to the limitation provisions of Section 6.5, a Participant may deposit in the Trust Fund, specified in multiples of one percent (1%), an amount, which is at least one percent (1%), but not more than twenty percent (20%), of his Compensation paid for each payroll period. The maximum amount of After-tax Savings is reduced by the amount of the Participant's 401(k) Contributions as provided in Section 5.8.

4.3 ***Payroll Deduction.*** Each Participant's After-tax Savings shall be withheld by the Company from Compensation paid such Participant for each payroll period.

4.4 ***Change in Rate of After-tax Savings.*** A Participant may change the rate of his After-tax Savings to any other rate authorized by Section 4.2 at any time by giving written notice to the Plan Administrator. Such notice shall be effective as specified by the Committee. In addition, a Participant may discontinue his After-tax Savings at any time by giving written notice to the Plan Administrator. Such notice of discontinuation shall be effective as specified in Section 2.3, unless the Participant has made an election pursuant to Section 5.2.

4.5 ***Payment to Trustees.*** The Participants' After-tax Savings withheld shall be paid to the Trustees by the Company on the earliest date on which such After-tax Savings can reasonably be segregated from the Company's general assets. A statement showing the amount representing the After-tax Savings of each Participant shall accompany each such payment.

4.6 ***Investment of Participants' After-tax Savings.*** Subject to the Participant's right to direct investments, the Participant's After-tax Savings shall be commingled with other assets in the Trust Fund for investment purposes.

4.7 ***In-Service Withdrawal of After-tax Savings.*** A Participant may withdraw After-tax Savings from his After-tax Savings Account as provided in Sections 10.1 and 10.5.

4.8 ***Effect of Termination of Plan or Discontinuance of After-tax Contributions.*** In the event (a) the Plan is terminated or partially terminated with respect to a Participating Company or particular group or class of Participants, or (b) the Company or any Participating Company discontinues the making of After-tax Contributions, the election made by any affected Participant under the provisions of this Article IV shall be immediately null and void and of no further effect, and no additional amounts of After-tax Savings shall be contributed to the Trust Fund by the Company or the Participating Company.

ARTICLE V.
SECTION 401(K) CONTRIBUTIONS

5.1 ***Designation of Flexible Compensation.*** The books and records of the Company shall designate twenty percent (20%) of each Participant's Compensation for each payroll period as "Flexible Compensation." Flexible Compensation shall for all purposes, tax or otherwise, be treated as part of a Participant's Compensation and the designation of such amount shall be relevant only for purposes of this Article V.

5.2 ***Section 401(k) Contributions.*** Subject to the terms and conditions of this Article V, any Participant may, at any time and from time to time, elect to have contributed to the Trust Fund out of his Flexible Compensation, specified in multiples of one percent (1%), an amount which shall be designated a Section 401(k) Contribution and shall constitute a contribution to the Trust Fund by the Company on behalf of the Participant under the provisions of Section 401(k) of the Code.

5.3 ***Election Rules.***

(a) *Method of Election.* The Committee shall determine the method by which an election may be made pursuant to this Article V. Any such election method must be consistent with the provisions of Section 401(k)(2) of the Code and (assuming such consistency) may include either an affirmative election procedure whereby Participants shall only be treated as having made an election upon written direction of the Participants or a negative election procedure whereby Participants shall be deemed to have made an election until and unless a Participant files a written direction negating the election. Regardless of the method of election determined by the Committee, Participants shall be given prompt and adequate notice thereof and thus be afforded an appropriate opportunity to exercise their rights under this Article V.

(b) *Effective Date of Election.* An election shall become effective (unless previously revoked) upon the first day of the payroll period of the Company immediately following receipt by the Plan Administrator of the election.

(c) *Revocation or Amendment.* An election may be made to change a Participant's rate of Section 401(k) Contributions to any other rate authorized under Section 5.2 at any time. Such election shall be made in the manner, and shall be effective, as specified by the Committee. In addition, an election may be made to discontinue future Section 401(k) Contributions at any time. Such election to discontinue future contributions shall be effective as specified in Section 2.3, unless the Participant is depositing After-tax Savings into the Trust Fund pursuant to Section 4.2. Finally, the Plan Administrator shall have the right and obligation to reduce a Participant's rate of Section 401(k) Contribution to any rate as necessary, from time to time, in order to assure compliance by this Plan with the standards of Section 401(k)(3) of the Code.

5.4 ***Compensation Reduction.*** For each payroll period, a Participant's Compensation shall be reduced by the portion of a Participant's Flexible Compensation, which such Participant has elected to have contributed by the Company to the Trust Fund as a Section 401(k) Contribution (or such lesser amount determined by the Plan Administrator pursuant to Section 5.3(c)).

A Participant's Flexible Compensation for the payroll period in excess of such amount shall be paid to the Participant as cash compensation for the period.

5.5 ***Limitations on Section 401(k) Contributions.*** Except as permitted under Section 5.12 of the Plan and Section 414(v) of the Code, if applicable, the annual addition that may be contributed or allocated to a participant's account under the plan for any limitation year shall not exceed the lesser of:

(a) Forty Thousand Dollars ($40,000) as adjusted for increases in the cost-of-living under Section 415(d) of the Code;

(b) One Hundred percent (100%) of the participant's compensation, within the meaning of Section 415(c)(3) of the Code, for the limitation year.

(c) Such lesser amount which may be allowed in order to assure compliance by the Plan with one of the Actual Deferral Percentage Tests set forth in Section 5.6.

Furthermore, the maximum amount of a Participant's Section 401(k) Contributions for a calendar year shall not exceed the amount in effect under Section 402(g)(5) for such calendar year.

5.6 ***Actual Deferral Percentage Tests.*** The Actual Deferral Percentage Test shall be satisfied for a Plan Year if one of the following two tests is met for such Plan Year:

(a) The Actual Deferral Percentage for the eligible Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees for the prior Plan Year multiplied by 1.25; or

(b) The Actual Deferral Percentage for the Highly Compensated Employees is not more than the Actual Deferral Percentage of all other eligible Employees for the prior Plan Year multiplied by 2.0, and the excess of the Actual Deferral Percentage for the Highly Compensated Employees for the prior Plan Year over all other eligible Employees for the prior Plan Year is not more than two percentage points.

5.7 ***Recharacterization of Certain Section 401(k) Contributions.*** To the extent that contributions made on behalf of a Participant pursuant to an election under Section 5.2 by a Participant who is a Highly Compensated Employee would otherwise cause the Plan to fail to comply with the Actual Deferral Percentage Test set forth in Section 5.6, such contributions shall constitute After-tax Savings by the Participant rather than Section 401(k) Contributions. Excess contributions for a Plan Year shall be recharacterized as After-tax Savings on the basis of the amount of contributions by, or on behalf of, each Highly Compensated Employee starting with the Highly Compensated Employee having the highest dollar amount.

5.8 ***Coordination of After-tax Savings and Section 401(k) Contributions.*** A Section 401(k) Contribution is made in lieu of all or a portion of such Participant's After-tax Savings deposits into the Trust Fund under Section 4.2 of the Plan. Thus, the maximum After-tax Savings deposit which may be made by a Participant under Section 4.2 during any Fiscal Year is

equal to (a) the amount which may be made under Section 4.2 without regard to this Section 5.8, less (b) the Section 401(k) Contribution made on behalf of the Participant under Section 5.2.

5.9 ***Payment to Trustees.*** Section 401(k) Contributions shall be paid to the Trustees by the Company on the earliest date on which such Section 401(k) Contributions can reasonably be segregated from the Company's general assets. A statement showing the amount representing the Section 401(k) Contributions of each Participant shall accompany each such payment.

5.10 ***Distribution of Section 401(k) Contributions.***

(a) *Restrictions on Distributions.* Notwithstanding any provision of this Plan to the contrary, a Participant's Section 401(k) Contributions (and earnings attributable thereto) shall not be distributable other than upon:

(1) The Participant's severance from employment (within the meaning of Section 401(k)(2)(B) of the Code), death or Permanent Disability;

(2) The Participant's attainment of age 59-1/2, or termination of participation in the Plan after attaining age 59-1/2;

(3) The Participant's Hardship; or

(4) The termination of the Plan by the Company without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in Section 4975(e)(7) of the Code).

Notwithstanding the foregoing, any distribution made pursuant to subsections (a)(4) of this Section must meet the requirements of Section 410(k)(10) of the Code.

(b) *In-Service Withdrawal of Section 401(k) Contributions.* Any Participant or Former Participant who meets the requirements of subsection (a)(2) or (3) of this Section may withdraw his Section 401(k) Contributions during the Participant's continued employment, as provided in Section 10.5 or Section 10.7, as applicable.

5.11 ***Effect of Termination of Plan or Discontinuance of Section 401(k) Contributions.*** In the event (a) the Plan is terminated or partially terminated with respect to a Participating Company or particular group or class of Participants, or (b) the Company or any Participating Company discontinues the making of Section 401(k) Contributions, the election made by any affected Participant under the provisions of this Article V shall be immediately null and void and of no further effect, and no additional amounts of such Participant's Flexible Compensation shall be contributed to the Trust Fund by the Company or the Participating Company.

5.12 ***Catch-up Contributions.*** All Participants who are eligible to make elective deferrals under the Plan and who have attained age 50 before the close of the Plan Year shall be eligible to make catch-up contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of sections 402(g)

and 415 of the Code. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of section 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416 of the Code, as applicable, by reason of the making of such catch-up contributions.

5.13 ***Contribution Limitation.*** No participant shall be permitted to have elective deferrals made under this Plan, or any other qualified plan maintained by the employer during any taxable year, in excess of the dollar limitation contained in section 402(g) of the Code in effect for such taxable year, except to the extent permitted under Section 5.12 of the Plan and section 414(v) of the Code, if applicable.

ARTICLE VI.
ALLOCATION OF CONTRIBUTIONS
AND NET INCOME AMONG PARTICIPANTS

6.1 ***Maintenance of Separate Accounts.*** The Plan Administrator shall maintain the following accounts in the name of each person participating in the Plan:

(a) After-tax Savings Account (consisting of Participants' After-tax Savings pursuant to Article IV and any earnings or losses thereon);

(b) Section 401(k) Contribution Account (consisting of Section 401(k) Contributions pursuant to Article V and any earnings or losses thereon); and

(c) Company Contribution Account (consisting of Company contributions under Section 3.1(b) and (c), forfeitures and any earnings or losses thereon).

All of such separate accounts and the separate Fund Subaccounts, as established pursuant to Section 14.5(a), shall in the aggregate constitute the Participant's Account.

6.2 ***Allocation to After-tax Savings Accounts.*** The After-tax Savings deposited by a Participant pursuant to Section 4.2 shall be credited, as made, to the Participant's After-tax Savings Account.

6.3 ***Allocation of 401(k) Contribution.*** Section 401(k) Contributions made by the Company on behalf of a Participant pursuant to Section V shall be credited, as made, to the Participant's Section 401(k) Contribution Account.

6.4 ***Allocation of Company Contribution.*** Subject to Section 6.7, Company contributions shall be allocated as follows:

(a) Effective May 20, 2004, Company contributions pursuant to Section 3.1(b) shall be credited as made pursuant to Section 3.2 to each Participant's Company Contribution Account if such Participant is an employee on the last day of the quarter or such earlier date as determined by the Committee or Plan Administrator; and

(b) Company contributions pursuant to Section 3.1(c) shall be allocated and applied in the following order:

(1) To the restoration of forfeitures of Terminated Participants readmitted to the Plan in accordance with Section 9.5(b) and unclaimed benefits previously reallocated in accordance with Section 6.10, to the extent that current forfeitures are insufficient to provide for such restoration, as provided in Sections 6.9 and 6.10; and

(2) To the Company Contribution Accounts of all Participants who are Employees of the Company on the day that the Board approves the Company Contribution made pursuant to Section 3.1(c) and all Participants who become Retired, Disabled or Deceased Participants during the Fiscal Year, based on the ratio that each such Participant's Combined Basic Savings for such Fiscal Year bears to the total Combined Basic Savings of all such

Participants for such Fiscal Year. The Company Contributions allocated to each Participant's Account shall be further allocated among such Participant's Fund Subaccounts in accordance with the provisions of Article XIV.

6.5 (a) ***Limitation on After-tax Savings and Company Contributions.*** Notwithstanding any provisions of the Plan to the contrary, the Participant's After-tax Savings and Company contributions (including forfeitures used to reduce contributions under Section 3.1(b) or (c) for a Plan Year must satisfy the Actual Contribution Percentage Tests for such Plan Year. The Actual Contribution Percentage Test shall be satisfied for a Plan Year if one of the following two tests is met for such Plan Year:

(1) The Actual Contribution Percentage for the eligible Highly Compensated Employees is not more than the Actual Contribution Percentage for the prior Plan Year of all other eligible Employees multiplied by 1.25; or

(2) The Actual Contribution Percentage for the Highly Compensated Employees is not more than the Actual Contribution Percentage for the prior Plan Year of all other eligible Employees multiplied by 2.0, and the excess of the Actual Contribution Percentage for the Highly Compensated Employees over all other eligible Employees for the prior Plan Year is not more than two percentage points.

(b) *Multiple Use of the Alternative Limitation.* Notwithstanding the above, if both Section 5.6(a) and subsection (a)(1) of this Section are not satisfied for a Plan Year and one Highly Compensated Employee of the Company is eligible to have Section 401(k) Contributions made on his behalf, and to make deposits of After-tax Savings to his After-tax Savings Account or have Company contributions allocated to his Company Contribution Account during such Plan Year, then the sum of the Actual Deferral Percentage and the Actual Contribution Percentage for eligible Highly Compensated Employees shall not exceed the greater of:

(1) The sum of:

(a) 1.25 multiplied by the greater of:

(i) The Actual Deferral Percentage for eligible Employees for the prior Plan Year who are not Highly Compensated Employees, or

(ii) The Actual Contribution Percentage for eligible Employees who are not Highly Compensated Employees for the prior Plan Year; and

(b) Two (2) plus the lesser of:

(i) Subsection (b)(1)(a)(i) of this Section, or

(ii) Subsection (b)(1)(a)(ii) of this Section, which shall in no event exceed twice the lesser of subsection (b)(1)(a)(i) of this Section or subsection (b)(1)(a)(ii); or

(2) The sum of:

(a) 1.25 multiplied by the lesser of:

(i) Subsection (b)(1)(a)(i) of this Section, or

(ii) Subsection (b)(1)(a)(ii); and

(b) Two (2) plus the greater of:

(i) Subsection (b)(1)(a)(i), or

(ii) Subsection (b)(1)(a)(ii), which shall in no event exceed twice the greater of subsection (B)(1)(a)(i) or subsection (b)(1)(a)(ii) above.

In the event that the limitation of this subsection (b) is exceeded, the Actual Contribution Percentage shall be reduced in accordance with the manner described in Section 6.6.

6.6 ***Correcting Excess Aggregate Contributions.*** In the event that the limitation imposed by Section 6.5 is not satisfied for any Plan Year, Participant After-tax Savings (including recharacterized Section 401(k) Contributions) credited to a Participant's Account shall, to the extent such credited amounts constitute "excess aggregate contributions" (within the meaning of Section 401(m)(6)(B) of the Code, and after taking into account the last subsection of Section 3.1(c) and Section 6.7), be distributed to affected Participants on or before the date which is two and one-half (2-1/2) months after the end of the Plan Year to which such credited amounts relate. The excess aggregate contributions for a Plan Year shall be allocated to each Highly Compensated Employee in an amount equal to the amount by which the Highly Compensated Employees' After-tax Savings (including recharacterized Section 401(k) contributions) are reduced in accordance with the following procedure. The dollar amount of After-tax Savings (including recharachterized Section 401(k) Contributions) for the Plan Year made on behalf of the Highly Compensated Employee with the highest dollar amount of After-tax Savings (including recharacterized Section 401(k) contributions) for the Plan Year is reduced to the extent required to (1) reduce the Plan's excess aggregate contributions to zero, or (2) cause such Highly Compensated Employee's dollar amount of After-tax Savings (including recharacterized Section 401(k) contributions) for the Plan Year to equal the After-tax Savings (including recharacterized Section 401(k) contributions) of the Highly Compensated Employee with the next highest dollar amount of After-tax Savings (including recharacterized Section 401(k) contributions) for the Plan Year. This process is repeated until the Plan's excess aggregate contributions are reduced to zero. Each Highly Compensated Employee's After-tax Savings (including recharacterized Section 401(k) contributions that are treated as excess aggregate contributions) shall consist first of unmatched After-tax Savings (including recharacterized Section 401(k) contributions), and then to the extent necessary, matched Employee After-tax Savings (including recharacterized Section 401(k) contributions). Distribution of credited amounts shall include any income attributable thereto, and shall be determined in accordance with regulations promulgated by the United States Secretary of the Treasury under Section 401(m) of the Code.

6.7 ***Special Provision for Allocating Company Contributions.*** Notwithstanding any other provision of this Plan, Company contributions pursuant to Sections 3.1(b) and 3.1(c) shall be allocated and applied to the accounts of Participants who are not Highly Compensated

Employees as if the reduction of contributions provided in the last subsection of Section 3.1(c) had not taken place. Company contributions shall be allocated and applied to the accounts of Highly Compensated Employees after taking into account the reduction of contributions provided in the next to last paragraph of Section 3.1 so that no amounts constituting "excess aggregate contributions" (within the meaning of Section 401(m)(6)(B) of the Code) are allocated to the Company Contribution Account of any Participant under this Article VI.

6.8 ***Allocation of Net Income.*** As of each Valuation Date, each Fund shall be charged or credited with the net earnings, gains, losses, Investment Expenses and the Pro Rata Share of Administrative Expenses as well as any appreciation or depreciation in the market value using publicly issued fair market values when available or appropriate. To the extent that a Participant's Subaccounts are invested in Funds that are accounted for as pooled assets or investments, the allocation of earnings, gains and losses of each Participant's accounts shall be based upon the total amount of funds so invested, in a manner proportionate to the Participant's share of such pooled investment. To the extent that a Participant's Subaccounts are invested in Funds that are accounted for as segregated assets, the allocation of earnings, gains and losses from such assets shall be made on a separate and distinct basis.

6.9 ***Use of Forfeitures.*** Forfeitures, as described in Section 9.5(a), shall be applied in the following order: (a) first to restore forfeitures of Terminated Participants readmitted to the Plan in accordance with Section 9.5(b) and unclaimed benefits previously reallocated in accordance with Section 9.6, (b) second to pay Plan expenses, and (c) third, to reduce the Company Contributions.

6.10 ***Use of Unclaimed Benefits.***

(a) *Method of Allocation.* Unclaimed benefits, as described in Section 19.10, shall be reallocated in the same manner as forfeitures as provided in Section 6.9.

(b) *Reduction in Forfeitures.* If the Plan Administrator pays any unclaimed benefits, which had previously been reallocated hereunder, the amount of such benefits shall reduce the amount of forfeitures otherwise reallocated pursuant to Section 6.9. In the event that forfeitures for the Fiscal Year in question are not sufficient to pay any unclaimed benefits, the Company contribution for such Fiscal Year shall first be applied for such payment.

6.11 ***Allocation Limitations.***

(a) *Maximum Additions.* Notwithstanding anything to the contrary contained in the Plan, the sum of: (1) the total Additions made to the Account of a Participant under this Plan for any Fiscal Year; and (2) the "annual additions" (as defined in Section 415 of the Code) made to the account of a Participant under any other qualified defined contribution plan maintained by the Company or any Affiliated Company, shall not exceed the Maximum Permissible Amount.

(b) *Correction of Excess.* If the Maximum Permissible Amount is exceeded in any Plan Year for any Participant, the Plan shall distribute to the Participant any After-tax Savings or Section 401(k) Contributions made by the Participant to the Plan for the Plan Year to the extent such distribution would cause the excess to be reduced. If, after returning such

After-tax Savings or Section 401(k) Contributions to the Participant an excess still exists, such excess shall be corrected in accordance with the provisions of Treasury Regulation Section 415-6(b)(6) or such other rules or procedures as the Internal Revenue Service shall allow.

(c) *Further Limitations on Additions.* Notwithstanding the foregoing provisions of this Section 6.11, the otherwise permissible annual additions for any Participant under this Plan shall be further reduced to the extent necessary, as determined by the Committee to prevent disqualification of the Plan under Section 415 of the Code, which imposes additional limitations on the benefits payable to Participants who also may be participating in another tax-qualified pension, profit sharing, savings or stock bonus plan of the Company or any Affiliated Company. The Committee shall advise affected Participants of any additional limitation of their annual Additions required by the preceding sentence.

6.12 ***Transfers From Other Qualified Plans.***

(a) *Manner of Rollover or Direct Transfer.* An Employee (including an Employee who is not a Participant) may rollover or transfer to this Plan amounts received from a retirement plan which are eligible to be rolled over or transferred to this Plan pursuant to the provisions of Section 402 of the Code, including a direct transfer of an eligible rollover distribution pursuant to the provisions of Sections 401(a) and 403(a) of the Code, an annuity that meets the requirements of Section 403(b) of the Code, or from an eligible plan under Section 457(b) of the Code. Such rollover or transfer must comply with the requirement of Section 402 of the Code.

(b) *Governing Provisions.* The assets so rolled over or transferred shall be solely in cash. The Committee shall develop such procedures, and may require such information from the Employee desiring to make such a rollover or transfer, as it deems necessary to determine that the proposed rollover or transfer will meet the requirements of this Section and will not jeopardize the tax qualified status of the Plan. All amounts rolled over or transferred pursuant to this Section shall be deposited in the Trust Fund and shall be credited to a rollover account. The rollover account shall be one hundred percent (100%) vested in the Participant, shall share in income allocations in accordance with Section 6.8 (but shall not share in Company contributions) and shall be invested in accordance with the provisions of Article XIV. Distributions of amounts so transferred shall be subject to the same restrictions as those stated in Section 5.10.

ARTICLE VII.
VESTING

7.1 ***Vesting of After-tax Savings Account.*** The interest of each Participant in his After-tax Savings Account shall vest to the extent of one hundred percent (100%) as soon as such After-tax Savings are withheld from his Compensation pursuant to Article IV and as soon as the earnings on such After-tax Savings are credited pursuant to Article VI.

7.2 ***Vesting of Section 401(k) Contribution Account.*** The interest of each Participant in his Section 401(k) Contribution Account shall vest to the extent of one hundred percent (100%) as soon as such Section 401(k) Contributions are made on his behalf by the Company pursuant to Article V and as soon as the earnings thereon are credited pursuant to Article VI.

7.3 ***Vesting of Company Contribution Account.***

(a) *Vesting Schedule.* The interest of each Participant in his Company Contribution Account shall vest as follows:

Period of Service	Vested Percentage
Less than 2 years	0%
At least 2 years but less than 3 years	25%
At least 3 years but less than 4 years	50%
At least 4 years but less than 5 years	75%
5 years or more	100%

(b) *Service to be Credited Upon Resumption of Employment.* If an Employee terminates employment and is reemployed by the Company, upon the Employee's reemployment, all Service with the Company (including Service before and after such reemployment) shall be counted for purposes of determining his vested interest in his Company Contribution Account, if any.

(c) *Definition of "Service".* For purposes of determining a Participant's vested interest in his Company Contribution Account, "Service" means the period of time commencing on the Participant's Hire Date and ending on the Participant's Separation Date and, if applicable, the period of time commencing on the Participant's Reemployment Date and ending on the Participant's subsequent Separation Date. In addition, such Service shall include the period following a Separation Date described in Section 1.64(a) if a Participant's or Former Participant's Reemployment Date occurs within the 12-consecutive month period following such Separation Date; provided, however, that if a Participant or Former Participant is otherwise absent from employment, the period following such Separation Date shall be counted as Service only if the Participant's or Former Participant's Reemployment Date occurs within the 12-consecutive month period following the commencement of such other absence from employment. "Service" shall also include any periods of absence from active employment followed by a Separation Date, and periods of approved Leaves of Absence granted in accordance with a nondiscriminatory leave policy; provided, however, that if the Participant or Former Participant does not resume status as an employee of the Company at the time agreed

upon by the Company and the Participant, the Participant shall be deemed to be discharged at such time. Service includes periods of employment described in Section 1.65.

(d) *Automatic 100% Vesting.* Notwithstanding subsection (a) of this Section, the Participant's interest in his Company Contribution Account shall vest to the extent of one hundred percent (100%) upon the earlier of the following while employed by the Company or an Affiliate:

(1) Death;

(2) Permanent Disability; or

(3) Attainment of age 59 1/2.

Such vesting in the event of Permanent Disability is intended to provide "accident or health insurance" as described in Section 105(a) of the Code, in providing benefits for the permanent loss or loss of use of a member or function of the body, or the permanent disfigurement of Participants, to the extent that Permanent Disability results.

ARTICLE VIII.
TERMINATION AND DISTRIBUTION UPON RETIREMENT DEATH OR DISABILITY

8.1 ***Retirement.*** Upon retirement, a Participant shall be eligible to receive the balance in his Account. Retirement for purposes of this Plan may be elected by any Participant upon attaining age 59 ½.

8.2 ***Death.*** The death of any Participant or Former Participant shall be reported promptly to the Plan Administrator by the Company. The death of a Terminated Participant or a Retired Participant shall be reported to the Plan Administrator by dependents or beneficiaries who are directly concerned. Upon the Participant's death, the Participant's Beneficiary shall be entitled to payment of the balance of the Participant's vested Account in the manner provided by the Plan.

8.3 ***Disability.*** The termination of a Participant's employment with the Company by reason of Permanent Disability shall be promptly certified to the Plan Administrator by the Company. Upon such termination of employment, the Participant shall be eligible to receive the balance in his Account.

8.4 ***Valuation of Account Balance.*** The Account balance of a Retired, Deceased or Disabled Participant shall be valued as of the Valuation Date coinciding with or immediately preceding the date distribution is made to such Participant or Beneficiary, as applicable (and shall include such Participant's pro rata share of the Company contribution under Section 3.1(c), as determined under Section 6.4(b), if any, for the year in which such Participant terminated employment).

8.5 ***Available Payment Options.*** Subject to the mandatory cash-out of small amounts provided in Section 8.10, a Retired, Deceased or Disabled Participant's Account balance shall be distributed by the Trustees under such of the following payment options as the Participant (or, if a Deceased Participant shall have failed to select a payment option, as his Beneficiary) shall determine:

(a) Lump sum payment;

(b) Deferred payments in installments in any amount from time to time or over a period of time specified by the Participant, including installment payments in substantially equal amounts;

(c) Purchase of a term annuity contract from a commercial insurance company with payments for a term certain in regular installments; or

(d) Purchase of a single-life or Qualified Joint and Survivor Annuity contract from a commercial insurance company with payments for the life of the Participant or the life of the Participant and his or her Surviving Spouse. Election of a single life annuity by a married Participant and revocation of Qualified Joint and Survivor Annuity are subject to the Spousal Consent Rules of Section 8.6.

8.6 ***Spousal Consent Rules.***

(a) *Revocation of an Annuity.* A married Participant who has selected a Term Annuity pursuant to Section 8.5(c) or a single life annuity or Qualified Joint and Survivor Annuity (hereinafter "QJSA"), pursuant to Section 8.5(d), may revoke such election and elect instead to receive his or her benefits as follows:

(1) If the Participant elected a term certain annuity form of payment and the commercial annuity contract has not yet been purchased by the Plan, the Participant (or the Surviving Spouse, if the Participant has died) may elect to receive any other form of benefit available for the Plan;

(2) If the Participant elected a life annuity or a Qualified Joint and Survivor Annuity form of payment and the commercial annuity contract has not yet been purchased by the Plan, the Participant (or his Surviving Spouse, if the Participant has died) may elect to receive any other form of benefit available from the Plan, provided that the Participant and his Spouse (or the Surviving Spouse, if the Participant has died) consent in writing to the distribution revocation of such election in accordance with Section 8.6(b).

(b) *Waiver of Life Annuity or Qualified Joint and Survivor Annuity.* A Participant who is married on the Annuity Starting Date may elect a single life annuity pursuant to Section 8.5(d) only if the Participant's Spouse provides a waiver of a Qualified Joint and Survivor Annuity. A married Participant who has selected a QJSA, pursuant to Section 8.5(d), may if permitted under Section 8.6(a) elect to revoke such election and waive the QJSA payment option. Such waivers must be made within the ninety (90) day period ending on the Participant's Annuity Starting Date with respect to such benefit. Subject to Section 8.6(a), a Participant may subsequently revoke the election to waive the QJSA and elect again to waive the QJSA at any time and any number of times prior to such Annuity Starting Date. All such elections and revocations shall be in writing. Any election to waive the QJSA must:

(1) Specify the alternate payment option elected;

(2) Be accompanied by the designation of a specific non-spouse Beneficiary (including any class of beneficiaries or any contingent beneficiaries) who will receive the benefit upon the Participant's death, if applicable; and

(3) Be accompanied by Spousal Consent.

Notwithstanding the above, no consent under this subsection (b) shall be valid unless, within thirty (30) days and no more than ninety (90) days before the Annuity Starting Date, the Plan Administrator has provided the Participant with the written explanation described in subsection (c) of this Section. A Participant may elect to receive distribution prior to the expiration of such thirty (30) day period if distribution commences more than seven (7) days after the written explanation described in the previous sentence was provided.

A Participant who is not married on the Annuity Starting Date may, subject to Section 8.6(a), revoke an election to receive a single life annuity. The election must comply with this

Section and Section 8.6(c) as if it were an election to waive the Qualified Joint and Survivor Annuity by a married participant, but without the Spousal Consent requirement.

(c) *Written Explanation.* The written explanation shall contain the following:

(1) The terms and conditions of the QJSA;

(2) The Participant's right to make, and the effect of, an election to waive the QJSA payment option;

(3) The rights of the Participant's Spouse; and

(4) The right to make, and the effect of, a revocation of a previous election to waive the QJSA.

(d) *Result of Effective Waiver.* In the event of an effective waiver of the QJSA payment option, in accordance with the terms of subsection (b) of this Section, the amount payable to the married Retired or Disabled Participant (or to the Beneficiary of a Deceased Participant) shall be distributed by the Trustees or their delegate under such of the alternate payment options set forth in Section 8.5 as the Participant or his legal representative may select.

(e) *Spousal Consent.* A Spousal Consent shall specify the non-spouse Beneficiary. Once made, a consent shall be irrevocable unless the Participant changes his Beneficiary designation or revokes his election to waive the Qualified Joint and Survivor Annuity; upon such event, the consent shall be deemed to be revoked. Notwithstanding the foregoing, Spousal Consent is not required if the Participant establishes to the satisfaction of the Plan Administrator that such written consent cannot be obtained because there is no Spouse or that the Spouse cannot be located. In addition, no Spousal Consent is necessary if the Participant has been legally separated or abandoned within the meaning of local law and the Participant provides the Plan Administrator with a court order to that effect, so long as such court order does not conflict with a Qualified Domestic Relations Order. If the Spouse is legally incompetent to consent, the Spouse's legal guardian may consent on his behalf, even if the legal guardian is a Participant.

8.7 ***Distributions Upon Married Participant's Death.*** If a Participant is married on the date of his death, the full amount of the Participant's Account balance shall be payable on the death of the Participant to the Participant's Surviving Spouse, unless the Participant's Surviving Spouse has given Spousal Consent to the designation of a specific non-spouse Beneficiary (including any class of beneficiaries or any contingent beneficiaries) who will receive the Account balance upon the Participant's death.

8.8 ***General Distribution Requirements.*** Notwithstanding any provision to the contrary, all Plan distributions to Participants and Beneficiaries shall comply with the requirements of Section 401(a)(9) of the Code and the regulations thereunder.

(a) *Distributions to Participants.* For distributions commencing on or after January 1, 2003, distribution of a Participant's Account balance shall be made or commence as provided in Appendix A to the Plan. For distributions commencing prior to January 1, 2003, the

Participant's Account balance shall be distributed or begin to be distributed no later than the Participant's Required Beginning Date and may only be distributed over:

(1) A period of years not to exceed the life-expectancy of the Participant, or the joint life expectancy of the Participant and the Participant's designated Beneficiary; or

(2) The life of the Participant, or the lives of the Participant and the Participant's designated Beneficiary.

Life expectancy shall be recalculated annually.

(b) *Distributions to Beneficiary*. For distributions commencing on or after January 1, 2003, distribution of a Participant's Account balance to a Participant's Beneficiary shall be made or commence as provided in Appendix A to the Plan. Notwithstanding any other provision of this Article VIII, any distribution, commencing prior to January 1, 2003, to a Participant's Beneficiary must comply with the following requirements:

(1) If the Participant dies after distribution of his Account balance has begun, then the remaining portion of such Account balance shall be distributed at least as rapidly as under the method of distribution being used prior to the Participant's death.

(2) If the Participant dies before receiving any portion of his Account balance then distribution of the Participant's entire Account balance shall be completed by December 31 of the calendar year containing the fifth (5th) anniversary of the Participant's death unless:

(a) The Beneficiary elects to receive payments over his life (or over a period not extending beyond his life expectancy) in which case the first installment must be made by December 31 of the calendar year immediately following the calendar year in which the Participant died; or

(b) In the case of a Beneficiary who is a Surviving Spouse, the Surviving Spouse elects to receive installment payments as set forth in subsection (b)(2)(i) of this Section, in which case the first installment may be deferred until the later of: December 31 of the calendar year immediately following the calendar year in which the Participant died or December 31 of the calendar year in which the Participant would have attained age 70-1/2.

Such an election shall be made by the earlier of: the date the distribution is required to be made under subsection (b)(2) of this Section or December 31 of the calendar year which contains the fifth (5th) anniversary of the Participant's death. If the Participant has no Beneficiary or if the Beneficiary does not elect a method of distribution, distribution of the entire Account balance shall be completed by December 31 of the calendar year containing the fifth (5th) anniversary of the Participant's death.

If the Surviving Spouse dies after the Participant but before payments to such Surviving Spouse begin, then the provisions of subsection (b)(2) of this Section with the exception of subsection (b)(2)(ii) of this Section shall be applied as if the Spouse were the Participant.

Distribution of a Participant's Account balance shall be made or commence as provided in Appendix A to the Plan.

(c) *Commencement of Distribution*. Distribution of a Participant's Account balance shall be made or commence no later than 60 days after the close of the Plan Year in which occurs the latest of:

(1) The date on which the Participant attains age 62;

(2) The tenth anniversary of the year in which the Participant commenced participation in the Plan; or

(3) The date on which the Participant terminates employment with the Company.

Notwithstanding the preceding sentence no payment will be made under the Plan until the Participant files a written claim for such payment unless otherwise required by the Plan."

8.9 ***Form of Payment.*** Distribution may be in cash or employer securities, except that any distribution of employer securities shall be limited to the amount of such securities credited to the Participant's account under the Host Marriott Corporation Stock Fund.

8.10 ***Mandatory Cash-Out of Small Accounts.*** Notwithstanding any other provision of this Article VIII, if the total vested value of the Participant's Account does not (and did not, at the time of commencement of the distribution) exceed Five Thousand Dollars ($5,000), the Plan Administrator shall direct the Trustee to distribute as soon as practicable the full amount thereof to the Participant, his legal representative or Beneficiary to the extent permitted by Section 411(a)(II) of the Code and Section 203(e) of ERISA.

8.11 ***Account Balance.*** For purposes of this Article VIII, Account balance shall include any rollover account balance.

8.12 ***Special Rule for Rollovers Out of the Plan.*** Notwithstanding any provision of the Plan to the contrary that would otherwise limit the election of a Distributee under this Article VIII, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a direct rollover. This right shall also apply in the case of Eligible Rollover Distributions to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a Qualified Domestic Relations Order as defined in Section 414(p) of the Code. Any portion of an Eligible Rollover Distribution that is not paid directly to an Eligible Retirement Plan shall be subject to applicable income tax withholding. For purposes of this Section 8.12, a "direct rollover" is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

ARTICLE IX.
TERMINATION AND DISTRIBUTION UPON TERMINATION OF EMPLOYMENT OTHER THAN FOR RETIREMENT DEATH OR DISABILITY

9.1 ***Terminated Participant.*** Upon a Participant's or Former Participant's termination of employment with the Company for any reason other than retirement, death or Permanent Disability, the Company shall promptly notify the Plan Administrator in writing of such fact and such Participant shall become (a) a Terminated Participant if such Participant has not attained retirement age (as provided in Section 8.1), or (b) a Retired Participant if such Participant has attained retirement age (as provided in Section 8.1). In the event a Terminated Participant has attained retirement age, the provisions of Article VIII shall thereafter apply to such Participant.

9.2 ***Distribution of After-tax Savings and Section 401(k) Contributions.*** The balance of a Terminated Participant's After-tax Savings Account and Section 401(k) Contribution Account (as determined in accordance with Articles IV and V) shall be valued as of the Valuation Date coinciding with or immediately preceding the date distribution is made to the Participant, and shall be subject to distribution in the same manner as provided in Sections 8.5 and 8.10 (and in the same forms as provided in Section 8.9) without discrimination in favor of or against any class.

9.3 ***Distribution of Vested Company Contribution Account.*** The vested interest of the Terminated Participant in the Terminated Participant's Company Contribution Account (as determined in accordance with Article VII) shall be valued as of the Valuation Date coinciding with or immediately preceding the date distribution is made to the Participant, and shall be subject to distribution in the same manner as provided in Section 8.5 and 8.10 (and in the same forms as provided in Section 8.9) without discrimination in favor of or against any class. A Terminated Participant may elect to defer distribution of his vested interest until the earliest of the date such Terminated Participant attains age 62, dies, or suffers a Permanent Disability; provided, however, that the Terminated Participant may elect to commence distribution in any of the forms of payment available under Section 8.5 as of any earlier date after the date on which he becomes a Terminated Participant. There will be no pro rata credit of the Company Contribution for the partial Plan Year in valuing a Terminated Participant's Company Contribution Account.

9.4 ***Mandatory Cash-Out of Small Accounts.*** Notwithstanding any other provision in this Article IX, if the total value of the Terminated Participant's vested Account does not (and did not, at the time of any prior distribution or withdrawal) exceed Five Thousand Dollars ($5,000), the Plan Administrator shall direct the Trustee to distribute as soon as practicable the full amount thereof to the Terminated Participant or his legal representative or Beneficiary to the extent permitted by Section 411(a)(11) of the Code and Section 203(e) of ERISA, and subject to Section 5.10.

9.5 ***Unvested Company Contributions.***

(a) *Forfeiture.* Any portion of a Terminated Participant's Company Contribution Account, which has not vested at the time the Participant's employment is terminated will be forfeited upon the Participant's incurring a one year Period of Severance.

(b) *Restoration of Forfeiture.* Subject to the requirements of subsection (c) of this Section, a Terminated Participant (described in subsection (a) of this Section) who resumes status as an Employee of the Company before incurring five (5) consecutive Periods of Severance and who is readmitted to the Plan in accordance with Section 2.2 shall have his forfeited amounts restored and added to his new Company Contribution Account (where it will vest in accordance with Article VII).

(c) *Distribution Prior to Reemployment.* A Terminated Participant described in subsection (b) of this Section who previously received a distribution will have his forfeitures restored only if he repays, at any time prior to the end of five (5) consecutive Periods of Severance commencing on the date such distribution is made:

(1) The entire amount of distribution, if any, previously received from the Terminated Participant's After-tax Savings Account under Section 9.2;

(2) The entire amount of distribution, if any, previously received from the Terminated Participant's Section 401(k) Contribution Account under Section 9.2; and

(3) The entire amount of distribution, if any, previously received from the Terminated Participant's Vested Company Contribution Account under Section 9.3.

Any repayment made by a Participant pursuant to this subsection (c) shall be made by means of a single lump sum cash payment.

9.6 ***Account Balance.*** For purposes of this Article IX, Account balance shall include any rollover account balance.

9.7 ***Special Rule for Rollovers Out of the Plan.*** The special rule provided in Section 8.12 shall apply to distributions under this Article IX.

ARTICLE X.
DISTRIBUTION DURING CONTINUED EMPLOYMENT

10.1 ***Withdrawal of After-tax Savings.***

(a) *Withdrawal of Additional After-tax Savings.* A Participant or Former Participant may withdraw his Additional After-tax Savings at any time and continue to participate in the Plan after such withdrawal.

(b) *Withdrawal of Basic After-tax Savings.* A Participant or Former Participant may withdraw his Basic After-tax Savings at any time. However, upon withdrawing such Basic After-tax Savings, the Participant shall cease to participate in the Plan and shall in all respects become a Former Participant, except as otherwise provided in Section 10.5 and subject to the provisions of Section 2.4.

(c) *Valuation of After-tax Savings Account.* The After-tax Savings Account of the Participant or Former Participant shall be valued as of the Valuation Date coinciding with or immediately preceding the date distribution is made to the Participant or Former Participant.

(d) *Form of Payment.* Withdrawals of After-tax Savings under this Section 10.1 (including the withdrawal of any earnings thereon) shall be distributed in whole or in part as a single lump sum payment and may be in cash or employer securities, except that any withdrawal of employer securities shall be limited to the amount of such securities credited to the Participant's or Former Participant's account under the Host Marriott Corporation Stock Fund.

(e) *Taxation of Withdrawal.* After-tax Savings (including earnings) shall be treated as a "separate contract" from all other contributions for purposes of determining the tax consequences of withdrawals.

10.2 ***Withdrawal of Section 401(k) Contribution.*** Distribution of a Participant's or Former Participant's Section 401(k) Contribution Account (and the earnings thereon) is subject to Section 5.10 and the limitations of Section 401(k) of the Code.

10.3 ***Withdrawal of Vested Company Contribution Account.*** A Participant or Former Participant may not withdraw his vested Company contributions (or any earnings thereon) prior to his Separation Date, except as provided in Section 10.5.

10.4 ***Readmission of Former Participant to Plan.*** A Former Participant who terminates participation in the Plan during continued employment shall be entitled to readmission thereto as provided in Section 2.4.

10.5 ***Distributions Upon Attainment of Age 59-1/2.*** Upon attainment of age 59-1/2, a Participant or Former Participant may elect to withdraw the entire balance of his After-tax Savings Account, Section 401(k) Contribution Account and vested Company Contribution Account and continue participation in the Plan. Application for withdrawal under this Section 10.5 by Participants or Former Participants shall be made in writing and shall be made in accordance with the distribution requirements set forth in Article VIII.

10.6 ***Account Balance.*** For purposes of this Article X, Account balance shall include any rollover account balance.

10.7 ***Hardship Withdrawals.***

(a) *Terms of Hardship Withdrawals.* Any Participant who sustains a Hardship may submit a request to the Plan Administrator for a distribution from the Plan as may be necessary to meet such Hardship. The Plan Administrator shall have the power in its sole discretion to approve or disapprove (in whole or in part) any such request, based on the standards set forth in this Section 10. 7. Any distribution to a Participant pursuant to this Section 10.7 shall not exceed the amount required to meet the Hardship, and distribution shall be made only if participant represents in writing that such amount is not reasonably available from other resources of the Participant as described in Treas. Reg. Section 1.401(k)-I(d)(2)(ii)(B). Such distributions shall be limited to the sum of (1) amounts in the Participant's Section 401(k) Contribution Account attributable to amounts transferred from the Prior Plan that had accrued on or before December 31, 1988 (along with earnings attributable thereto), plus (2) amounts in the Participant's Section 401(k) Contribution Account accrued under the Prior Plan and this Plan after December 31, 1988 (exclusive of any earnings), plus (3) amounts in the Participant's Rollover Account.

(b) *Restrictions.* Participants receiving Hardship distribution under this Section 10.7 shall be subject to the following restrictions:

(1) The Participant's limit under Section 402(g) of the Code on Section 401(k) Contributions for the Fiscal Year immediately following the Fiscal Year in which a distribution is made to the Participant shall be reduced by the amount of Section 401(k) Contributions for the Fiscal Year in which such distribution was made; and

(2) The Participant shall be prohibited for six (6) months from the date of a distribution under this Section 10.7 from electing any Section 401(k) Contributions under Article V or making contributions of Basic or Additional After-tax Savings under Article IV of this Plan. The Participant shall likewise be prohibited for the same six (6) month period from making employee contributions under any deferred compensation plan of the Company, in accordance with written guidelines set forth by the Committee.

(c) *Committee Guidelines and Determination.* The Committee shall set forth written guidelines for the Administrator to make its determination under this Section 10.7 in accordance with the above standards (and the definition of Hardship) in a uniform and nondiscriminatory manner. The Committee shall make its determination under this Section 10.7 in accordance with the above standards (and the definition of Hardship) and in a uniform and nondiscriminatory manner.

10.8 ***Special Rule for Rollovers Out of the Plan.*** Unless otherwise provided by a provision of the Code, the rule provided in Section 8.12 shall apply to distributions under this Article X.

ARTICLE XI.
LOANS TO PARTICIPANTS

11.1 ***General Provisions.*** The Committee shall direct the Trustees to make a loan to Participants who are "parties in interest" (as defined in Section 3(14) of ERISA) (and to beneficiaries of such Participants as designated in written rules set forth by the Committee) as provided in this Section 11.1. Such loan shall be in an amount that does not exceed the amount set forth in Section 11.2. Loans shall be made on written application to the Plan Administrator and on such terms and conditions as set forth in this Article XI, and in accordance with the rules and procedures established by the Committee in a written resolution. All such rules and procedures shall be uniform and nondiscriminatory and shall relate to such matters as:

(a) Procedures for applying for loans;

(b) The basis on which loans will be approved or denied;

(c) Limitations on the types of loans offered;

(d) The procedure for determining a reasonable rate of interest;

(e) The types of collateral which may secure a loan;

(f) The events constituting default;

(g) Minimum loan amounts;

(h) Frequency of loans; and

(i) Any other appropriate matters consistent with this Article XI.

11.2 ***Maximum Loan Amount.*** A loan to a Participant (when added to the outstanding balance of all other loans made to the Participant under this Plan) shall not be in an amount that exceeds the Allocable Portion of the total balance in the Participant's After-tax Savings Account and Section 401(k) Contribution Account (valued as of the Valuation Date coinciding with or immediately preceding the date of such loan). The Allocable Portion shall be adjusted accordingly in the event the maximum permissible loan amount under Section 72(p) of the Code (or any successor provision) is decreased.

11.3 ***Minimum Loan Amount.*** The minimum loan amount for each loan shall be One Thousand Dollars ($1,000).

11.4 ***Repayment Period.*** The term of a loan made under this Article XI shall be fixed by the Committee, but in no event shall such term exceed (a) one hundred twenty (120) months in the case of a loan for the purchase of a principal residence, or (b) sixty (60) months in the case of a loan for any other purpose.

11.5 ***Terms and Conditions.*** Loans made to Participants shall be made in accordance with the following terms and conditions:

(a) The loans shall be secured by the Participant's interest in the Plan, plus by the Participant's promissory note for the amount of the loan (including interest) payable to the order of the Trustees. The Plan Administrator may also require such other collateral which in a normal commercial setting would be considered adequate for the full protection of the Trust Fund.

(b) The interest rate for the loan shall be the Federal prime rate as of the last day of the quarter immediately preceding or ending on the date the loan is made.

(c) Payment of principal and interest shall be made through appropriate payroll deductions from the Compensation otherwise payable to the Participant while the Participant is an Employee. Such payroll deductions shall continue until the full outstanding balance of any loans is repaid, regardless of whether the borrower remains a Participant in the Plan. Payment of principal by an individual who is no longer an Employee shall be made through such other means (not less frequently than quarterly) as the Committee deems appropriate.

(d) The loan shall be made to the Participant from his Account and shall be treated as an investment of assets of such Account. All interest and all losses attributable to loans shall be charged to the borrowing Participant's Account, and all loan payments shall be credited to the Participant's Account.

(e) The loan shall not be used as a means of distributing benefits before they otherwise become due.

(f) Any loan made under the Plan shall be subject to such other terms and conditions as the Committee shall determine are necessary or appropriate, including the condition that the Participant pay (through payroll withholding) the reasonable expenses determined by the Committee incurred by the Plan to make and service the loan.

(g) Loan repayments will be suspended during a period of Qualified Military Service as defined in Section 414(u) of the Code.

(h) A married Participant who has elected payment in the form of a life annuity or a QJSA, pursuant to Section 8.5(d), must obtain Spousal Consent to obtain a loan.

11.6 ***Nondiscrimination.*** In making loans under this Article XI, the Committee shall not discriminate in favor of or against any Participant or group of Participant. Accordingly, loans shall be available to all Participants on a reasonably equivalent basis and shall not be made to Highly-Compensated Employees of the Company in an amount greater than the amount made available to other Participants.

11.7 ***Offset of Account Balance.*** Notwithstanding anything to the contrary contained elsewhere in the Plan, in determining the amount of any distribution made in accordance with Article VIII or Article IX, the amount of any security interest held by the Plan by reason of any loan made against the Participant's Account under this Article XI, including accrued interest, shall be collected by the Plan Administrator from any amounts standing to the credit of the Participant in the Plan in satisfaction of the loan before making any payments to the Participant or to the Participant's Beneficiary.

11.8 ***Default.*** In the event a Participant defaults on the repayment of a loan (under uniform and nondiscriminatory written standards adopted by the Committee as to what constitutes default), the Trustees may treat the loan as a distribution and pay the principal and

interest owing under the loan from the Participant's After-tax Savings Account in the following order of priority:

(a) Current year After-tax Savings;

(b) Prior years' After-tax Savings;

(c) Earnings on prior years' After-tax Savings; and

(d) Earnings on current year After-tax Savings.

In the event the Participant's After-tax Savings Account is insufficient to repay the full amount of principal and interest owing, the Plan Administrator, in its sole discretion, may treat the unpaid balance as a distribution from the vested portion of the Participant's Company Contribution Account.

In the event the Participant's After-tax Savings Account and the vested portion of the Participant's Company Contribution Account are insufficient to repay the full amount of principal and interest owing, a determination shall be made whether the Participant qualifies for a Hardship withdrawal under the provisions of Section 10.7, and, if so, a distribution shall be made in accordance therewith. If the Participant fails to qualify for a Hardship distribution, the Plan Administrator shall take such other collection action as it deems fit, in accordance with written standards adopted by the Committee; provided, however, that the Plan Administrator shall defer making any distribution from the Participant's Section 401(k) Contribution Account to repay any unpaid loan balance until such time as the Participant has incurred a Separation Date or has attained age 59 ½, or until an event described in Section 401(k)(10) of the Code has occurred or as defined in Section 1.24.

ARTICLE XII.
BENEFICIARIES

12.1 ***Designation of Beneficiary.*** Each Participant or Alternate Payee may designate, on the forms provided by the Plan Administrator, one or more Beneficiaries and contingent Beneficiaries to receive the Plan benefits in the event of the Participant's or Alternate Payee's death. Notwithstanding the preceding sentence, if the Participant is married at the time of his death and has not elected a Qualified Joint and Survivor Annuity, his Account balance shall be payable in full to his Surviving Spouse, unless he has designated a different beneficiary with the consent of his Spouse, if any, in accordance with Sections 1.66 and 8.6(c).

12.2 ***Manner of Designation.*** Such designation may be delivered, on forms provided by the Plan Administrator, at the time such Participant commences participation in the Plan, or thereafter. A beneficiary designation completed by an Alternate Payee may be delivered at the time the Administrator notifies the Alternate Payee that he is entitled to Plan benefits under a Qualified Domestic Relations Order, or thereafter. A Participant or Alternate Payee may designate different Beneficiaries at any time by delivering a new written designation to the Plan Administrator. Any such designation shall become effective only upon its receipt by the Plan Administrator. The last effective designation received by the Plan Administrator shall supersede all prior designations. A designation of a Beneficiary shall be effective only if the designated Beneficiary survives the Participant or Alternate Payee. All designations must be signed by either the Participant or Alternate Payee, as appropriate.

12.3 ***Absence of Valid Designation of Beneficiary.*** Except as provided in section 8.7, if a Participant or Alternate Payee fails to designate a Beneficiary, if no designated Beneficiary survives the Participant or Alternate Payee, or if such designation is for any reason illegal or ineffective, distribution of benefits otherwise payable under this Plan shall be made to the Participant's or Alternate Payee's estate.

12.4 ***Beneficiary Bound by Plan Provisions.*** Whenever the rights of a Participant or Alternate Payee are stated or limited in the Plan, the Participant's or Alternate Payee's Beneficiaries shall be bound thereby.

ARTICLE XIII.
QUALIFIED DOMESTIC RELATIONS ORDERS

13.1 ***Governing Provisions.*** Notwithstanding any other provisions of this Plan, a Participant's Account may be assigned in whole or in part pursuant to the provisions of a Qualified Domestic Relations Order (hereinafter "QDRO"). In such case, the following rules shall apply:

(a) A separate account shall be established for any Alternate Payee who has been awarded Plan assets, unless a QDRO obligates the Plan to distribute, as soon as administratively practicable, all or part of a Participant's Account to the Alternate Payee. In such cases, a pro rata portion of the amount payable to the Alternate Payee shall be withdrawn from each Fund in which the Participant, pursuant to Section 14.1, has invested. This pro rata withdrawal from each Fund shall be calculated according to the percentage of the Participant's total Account, which the Participant has placed in each Fund. Thus, for example, if a Participant with an Account of $200,000 has invested fifty percent (50%) in the Balanced Fund and fifty percent (50%) in the Bond Fund, and a QDRO awards $100,000 to an Alternate Payee, fifty percent (50%) of the Alternate Payee's award shall be deducted from the Bond Fund and fifty percent (50%) from the Balanced Fund.

(b) All such payments pursuant to a QDRO shall be subject to reasonable rules and regulations promulgated by the Committee respecting the time of payment pursuant to such order and the valuation of the Participant's Account from which payment is made, provided that all such payments are made in accordance with such order and Section 414(p) of the Code.

(c) The balance of a Participant's Account subject to any QDRO shall be reduced by the amount of any payment made pursuant to such order.

An Alternate Payee for whom a separate Account is established pursuant to this Article XIII shall be entitled to file an election with regard to investment of that Account in the manner specified by Article XIV and subject to the terms of the QDRO. All such elections shall be subject to the same terms and conditions as Article XIV imposes upon Participant elections, and all such elections shall be carried out by the Administrator in accordance with Article XIV.

Upon the death of an Alternate Payee, the Alternate Payee's Beneficiaries shall be entitled to payment of benefits in an amount and in the manner provided by the Plan.

ARTICLE XIV.
PARTICIPANT'S DIRECTED INVESTMENTS

14.1 ***Election by Participants.*** Subject to the terms and conditions of this Article XIV, each Participant shall have the right to direct that his (a) Account balance, (b) share of future allocations of Company contributions, (c) share of future forfeitures, and (d) future After-tax Savings and Section 401(k) Contributions, be invested, in specified multiples of one percent (1%), in any of the Funds maintained under the Plan, provided the Participant elects to do so. The Plan Administrator shall carry out the election in accordance with the provisions of this Article XIV. For the purposes of making elections under this Article XIV, the term "Participant" shall include a Beneficiary, and an Alternate Payee for whom a separate account has been established in accordance with Article XIII.

14.2 ***Election Rules.***

(a) *Election to be in Writing.* A Participant's election to direct investments shall be in writing, on a form furnished by the Plan Administrator, or shall be made under such other procedures as specified by the Plan Administrator. The election shall state the percentage to be transferred to or from a Fund.

(b) *Effective Date of Election.* An election shall become effective upon the next subsequent Transfer Date (as described in Section 14.3) occurring within a reasonable time (as determined under procedures specified by the Plan Administrator) after the receipt of the Participant's valid election by the Plan Administrator, unless such election is revoked before such Transfer Date.

(c) *Revocation of Election.* A Participant may revoke an election, in whole or in part, any time prior to the Transfer Date. Thereafter, a revocation shall become effective as of the next ensuing Transfer Date occurring within a reasonable time (as determined under procedures specified by the Plan Administrator) after the Plan Administrator's receipt of such revocation.

(d) *Change in Election.* Each Participant may elect to change the Funds (and/or the percentage to be allocated thereto) in which his (1) Account balance, (2) share of future allocations of Company contributions, (3) share of future forfeitures, and (4) future After-tax Savings and Section 401(k) Contributions, are to be invested. Upon the receipt by the Plan Administrator of a Participant's request for a change in writing or in some other form authorized by the Plan Administrator, the election shall be effective as provided in paragraph (b) of this Section.

(e) *Default Election.* In the event that a Participant does not make an initial election to direct investments, his (1) Account balance, (2) share of future allocations of Company contributions (3) share of future forfeitures, and (4) future After-tax Savings and Section 401(k) Contributions, shall be invested in the Fund(s) determined in the sole discretion of the Committee until an election is made pursuant to this Article.

14.3 ***Transfer Date.*** The Committee on behalf of the Named Fiduciary shall establish one or more Transfer Dates in each Fiscal Year; provided, however, that such Transfer Dates shall occur no less frequently than quarter-annually.

14.4 ***Confirmation.*** The Plan Administrator shall provide written confirmation to a Participant within a reasonable time after an election or change of election is made by such Participant.

14.5 ***Subdivision of Accounts.***

(a) *Establishment of Subaccounts.* The Account of a Participant who has made an election pursuant to this Article shall be subdivided as of the Transfer Date into a Subaccount corresponding to each of the Funds maintained under the Plan into which the Participant has made an election to have his Account invested. Such Participant's Fund Subaccounts shall each have a balance as of the Transfer Date giving effect to the percentages indicated by the Participant's election. If a Participant has not made an election as to any Fund, such Participant's Account shall be placed into the Fund(s) determined under Section 14.2(e) and the Participant's Fund Subaccount(s) shall have an aggregate value equal to the Participant's entire Account balance.

(b) *Allocation of After-tax Savings, Section 401(k) Contributions, Company Contributions and Forfeitures Among Subaccounts.* The following amounts shall be further allocated among such Participant's Fund Subaccounts in the appropriate percentages in accordance with the Participant's election: (1) that portion of any Company contribution which is allocated pursuant to Section 6.4 to the Company Contribution Account of a Participant who has made an election; (2) the Participant's After-tax Savings; (3) the Participant's Section 401(k) Contributions; and (4) forfeitures allocated under Section 6.9 to the Company Contribution Account of a Participant.

14.6 ***Investment Funds.***

(a) *Committee's Responsibility for Funds.* The Committee shall be responsible for designating Funds in the Trust Fund into which Participants may elect to invest their Accounts as provided in this Article. The Plan Administrator shall provide sufficient information to Participants concerning the Funds to permit them to make informed investment decisions, or, if appropriate, provide Participants with directions as to how such information may be obtained.

(b) *Investment Policy of Funds.* The Committee shall determine the Funds to be made available under the Plan; provided however, that at all times that in addition to the Host Marriott Corporation Stock Fund, three (3) or more Funds shall be maintained which (1) shall not invest in Qualifying Employer Securities or Qualifying Employer Real Property; (2) shall be designed to enable Participants, by choosing among them, to minimize the risk of large losses in their Accounts; (3) shall be designed to enable Participants, by combining them, to achieve general risk and return characteristics in their Accounts as desired by Participants; (4) shall be designed to limit a Participant's investment in Company stock or Qualifying Employer Securities to no more than twenty percent (20%) of the Participant's Account; and (5) shall be designed to

permit Participants to generally minimize the risk to their Accounts at any level of expected return.

The Named Fiduciary, acting by and through the Committee, shall establish an investment policy and method consistent with the objectives of the Plan and the requirements of Title I of ERISA. Such objectives shall include, those set forth in Article XIV with respect to the Funds. The Committee acting on behalf of the Named Fiduciary shall at least annually review such investment policy and method. In establishing and reviewing such investment policy and method, the Named Fiduciary shall endeavor to determine the Plan's short-term and long-term objectives and financial needs, taking into account the need for liquidity to pay benefits and the need for investment growth. All actions of the Committee acting on behalf of the Named Fiduciary taken pursuant to this subsection (b) and the reasons therefore shall be recorded and shall be communicated to the Trustees and to the Board of Directors.

(c) *Funds*. The Committee shall make available to the Participants the Funds described in the Investment Policy or such other Funds as the Committee shall determine from time to time.

14.7 ***Voting Rights.***

(a) Generally, all shares (including fractional shares) held in a Participant's Host Marriott Corporation Stock Fund Subaccount shall be voted in accordance with the written direction of the Participant.

(1) The Committee shall notify the Participants in writing of each occasion for the exercise of voting rights as soon as practicable, and generally not less than thirty (30) days, before such rights are to be exercised. Such notification shall include all the information that the Corporation distributes to shareholders regarding the exercise of such rights.

(2) Each Participant shall be entitled to direct the exercise of rights other than voting rights (such as, for example, a conversion privilege) with respect to all shares held in the Participant's Host Marriott Corporation Stock Fund Subaccount in the same manner as prescribed in this Section 14.7, to the extent required by the provisions of the Plan and applicable laws.

(3) Notwithstanding the above, in the event of a tender offer for Host Marriott Corporation common stock with time limits that do not permit voting rights with respect to the offer to be passed through to Participants, the Committee shall instruct the Trustee regarding the exercise of rights with respect to the tender offer.

(b) The Trustee shall exercise voting rights with respect to all investments other than Qualifying Employer Securities held in the Host Marriott Corporation Stock Fund.

14.8 ***Allocation of Income of Funds.*** The net income of each Fund shall be allocated among the Fund Subaccounts as provided in Section 6.8.

14.9 ***Investment Authority of Former Employees.*** Any Participant who ceases to be an Employee shall continue to have the authority to direct the investment of his Account in accordance with the provisions of this Article.

14.10 ***Investment for the Benefit of Incompetents.*** If the Plan Administrator receives notice that any person entitled to direct investments hereunder has been determined to be legally incompetent, his Account shall be placed in a Fund(s) determined under Section 14.2(e) until such time as the person's legal representative files an election in the manner specified in this Article.

14.11 ***Rules of Committee.*** The Committee may establish such rules as it deems necessary to carry out the provisions of this Article and to comply with the requirements of ERISA.

ARTICLE XV.
PLAN FIDUCIARIES

15.1 ***Plan Fiduciaries.***

(a) *Named Fiduciary.* The Committee is hereby named as the fiduciary of the Plan to have authority to control and manage the operation and administration of the Plan. As such, the Committee may hereinafter be referred to as the "Named Fiduciary". The Named Fiduciary shall have all of the legal liabilities and obligations set forth in ERISA with respect to employee benefit plan fiduciaries.

(b) *Investment Committee*. The function of the Committee shall be to advise and assist the Plan Administrator in the day-to-day discharge of its duties hereunder. The Committee shall consist of at least five (5), but no more than ten (10), persons appointed by the Board of Directors. The Plan Administrator shall attend all meetings of the Committee. A representative of the Office of the General Counsel shall attend all meetings of the Committee and shall act as the secretary of the Committee ex officio to record minutes of all action taken at any such meeting. Each member of the Committee shall sit at the pleasure of the Board of Directors and may be removed at any time with or without cause.

(c) *Trustees.* The Named Fiduciary shall appoint one or more trustees ("Trustees") under the terms of the Trust Agreement.

15.2 *Fiduciary Duty.* Subject to Section 403(c) of ERISA, the Named Fiduciary and each other Fiduciary shall discharge its duties with respect to the Plan solely in the interest of the Participants and their Beneficiaries and:

(a) For the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan;

(b) With the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;

(c) By diversifying the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(d) In accordance with the provisions of this Plan insofar as they are consistent with the provisions of ERISA. The diversification requirement of subsection (c) of this Section and the prudence requirement (only to the extent that it requires diversification) of subsection (b) of this Section shall not be violated by acquisition or holding of Qualifying Employer Real Property or by acquisition or holding of Qualifying Employer Securities.

15.3 ***Agents and Advisors.***

(a) *Employment of Agents.* The Named Fiduciary and the Committee shall have the power to employ suitable agents and advisors for themselves including but not limited to auditors, accountants, investment advisers and custodians and legal and other counsel, and to

pay reasonable compensation for their services. Such agents may be persons acting in a similar capacity for the Company, or may be employees of the Company. The opinion of any such agent shall be complete authority and protection for any action taken or omitted by the Named Fiduciary and the Committee acting in good faith and in accordance with such opinion.

(b) *Delegation to Agents and Plan Administrator.* The Named Fiduciary acting by and through the Committee may employ agents and delegate to them ministerial duties. The Named Fiduciary may also designate persons, including a Plan Administrator and the Committee, to carry out both ministerial and fiduciary responsibilities; provided, however, that the Trustees' responsibility to manage or control the assets of the Plan may not be so delegated except to an investment manager or managers pursuant to subsection (c) of this Section.

(c) *Appointment of Investment Manager.* The Named Fiduciary shall have the power as provided in the Trust Agreement to appoint an investment manager or managers with the power to manage, acquire or dispose of any assets of the Plan so long as each such investment manager (1)(i) is registered as an investment advisor under the Investment Advisors Act of 1940; (ii) is a bank, as defined in that Act; or (iii) is an insurance company qualified to manage, acquire, or dispose of assets of employee pension benefit plans under the laws of more than one State; and (2) has acknowledged in writing to the Named Fiduciary that he or she or it is a fiduciary with respect to the Plan.

15.4 ***Administrative Action.***

(a) *Action by Majority.* The action of a majority of the Board of Directors or the Committee at the time acting hereunder, and any instrument executed by a majority of such Directors or Committee members shall be considered the action or instrument of the Board of Directors or the Committee as the case may be. Action may be taken by the Board of Directors or the Committee at a meeting or in writing without a meeting.

(b) *Right to Vote.* No Director or Committee member or Plan Administrator shall have the right to vote or decide upon any matter relating solely to himself or solely to any of his rights or benefits under the Plan.

(c) *Authority to Execute Documents.* The Named Fiduciary or the Committee may authorize in writing any one or more of their number to execute any document or documents on their behalf, and anyone dealing with the Named Fiduciary, Committee or Trustees may accept and rely upon any document executed by such member or members as representing action by the Named Fiduciary, Committee or Trustees, as the case may be.

15.5 ***Liabilities and Indemnifications.***

(a) *Liability of Fiduciaries.* The Named Fiduciary and their assistants and representatives including members of the Committee and the Plan Administrator (other than any Investment Manager) shall be free from all liability for their acts and conduct in the administration of the Plan except for acts of willful misconduct; provided, however, that the foregoing shall not relieve any of them from any responsibility or liability for any responsibility, obligation or duty that they may have pursuant to ERISA.

(b) *Indemnity by Company.* In the event, and to the extent not insured against by any insurance company pursuant to provisions of any applicable insurance policy, the Company shall indemnify and hold harmless the Named Fiduciary and their assistants and representatives including members of the Committee and the Plan Administrator from any and all claims, demands, suits or proceedings in connection with the Plan that may be brought by the Company's (or Affiliated Company's) employees, Participants or their Beneficiaries or legal representatives, or by any other person, corporation, entity, government or agency thereof; provided, however, that such indemnification shall not apply to any such person for such person's acts of willful misconduct in connection with the Plan.

15.6 ***Plan Expenses and Taxes.***

(a) *Plan Expenses.* The administrative expenses (and the Investment Expenses) incurred by the Named Fiduciary, the Committee and Trustees in the performance of their duties, including recordkeeping fees and fees for legal services rendered to the Named Fiduciary and Trustees, such compensation to the Named Fiduciary and Trustees as may be agreed upon in writing from time to time between themselves and the Board of Directors, and all other proper charges and disbursements of the Named Fiduciary, the Committee and Trustees, shall be paid by the Trust Fund to the extent not paid from forfeitures as provided in Section 6.9 or by the Company.

(b) *Taxes.* All taxes of any and all kinds whatsoever that may be levied or assessed under existing or future laws upon or with respect to the Trust Fund or the income thereof shall be paid from the Trust Fund, subject to the making of appropriate charges.

15.7 ***Records and Financial Reporting.***

(a) *Book of Account.* The Named Fiduciary acting by and through the Committee and the Trustees shall keep accurate and detailed accounts of all investments, receipts, disbursements and other transactions hereunder. Within ninety (90) days following the close of each Fiscal Year and at the request of the Company ninety (90) days after the removal or resignation of any Trustee as provided in Section 15.1(c), the Trustees shall file with the Company a written account setting forth all investments, receipts, disbursements, allocations and other transactions effected by the Trustees during such Fiscal Year or during the period from the close of the last Fiscal Year to the date of such removal or resignation.

(b) *Financial Reporting Under ERISA.* The Named Fiduciary shall if required by ERISA cause the Plan to engage, on behalf of the Participants, an independent qualified public accountant, who shall conduct such examinations and give such opinions as are required in connection with the Plan's reporting and filing requirements under ERISA. The Named Fiduciary shall make available or cause to be made available to each Participant and each beneficiary who is receiving benefits under this Plan, such information, financial and otherwise, and in such manner and at such times as is required under ERISA.

15.8 ***Compliance with ERISA and Code.*** The Named Fiduciary shall cause the Plan to comply with all filing requirements as provided in ERISA and in the Code and all regulations promulgated thereunder. All authority granted to the Named Fiduciary, the Committee and the

Trustees hereunder is subject to their compliance with Sections 15.2, 15.9 and 15.10 and with ERISA.

15.9 ***Prohibited Transactions.*** A Fiduciary shall not engage in any prohibited transaction within the meaning of Sections 406 and 407 of ERISA, or Section 4975(c) of the Code, unless such transaction is exempt under Section 408 or Section 414(c) of ERISA or Section 4975(d) of the Code, or acquire or hold any Company securities or real property except to the extent permitted under Section 407 of ERISA.

15.10 ***Foreign Assets.*** No Fiduciary may maintain the indicia of ownership of any assets of the Plan outside the jurisdiction of the district courts of the United States, except as may be authorized by the Secretary of Labor by regulation.

15.11 ***Exclusive Benefit of Trust Fund.*** The assets of the Trust Fund shall never inure to the benefit of the Company and shall be held for the exclusive purposes of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan.

15.12 ***Board of Directors Resolution.*** Any action by the Company pursuant to any of the provisions hereof shall be evidenced by a resolution of its Board of Directors certified to the Committee or the Trustees over the signature of its secretary or of any assistant secretary. The Committee and the Trustees shall be fully protected in acting in accordance with such certified resolution.

ARTICLE XVI.
PLAN ADMINISTRATION

16.1 ***Administration of the Plan.***

(a) *Authority to Administer.* On behalf of the Named Fiduciary, the Committee shall administer the Plan in accordance with its terms and shall have all powers and discretionary authority necessary to carry out the provisions of the Plan, including but not limited to, the power to: (1) interpret and construe the provisions of the Plan, including making factual determinations; (2) prepare any rules and regulations which may become necessary or desirable in the operation of the Plan, including but not limited to specifying procedures to be followed by eligible Employees in electing to participate in the Plan and in revoking such participation; (3) determine eligibility for benefits and determine the amounts and manner of payment thereof under the provisions of the Plan; (4) keep individual accounts; (5) establish investment policies to be followed by the Trustees; and (6) perform such other duties as may be required for the proper administration of the Plan. The Committee shall have absolute discretion in interpreting the provisions of the Plan and administering the Plan in accordance with such provisions, including by way of illustration and not of limitation, the making of determinations of eligibility to participate and the calculation of benefits accruing or payable under this Plan.

(b) *Delegation of Authority to Plan Administrator.* In accordance with Section 15.3(b), the duties described in subsection (a) of this Section shall be exercised by the Plan Administrator acting on behalf of the Committee, subject to review by the Committee under Section 16.2(c) of a denial of a claim for benefits.

(c) *Finality of Decision.* Any decision of the Named Fiduciary or of the Committee on its behalf, in matters within its jurisdiction shall be final, binding and conclusive upon the Company and upon all persons who have participated or have any interest or concern, whatsoever, in the Plan.

16.2 ***Claims.***

(a) *Claims for Benefits.* Any claim for benefits under the Plan shall be made in writing to the Plan Administrator. Except as to his own account, no claimant shall have any legal right to inquire as to any payment under the Plan having been made or as to determining the amount of such payment.

(b) *Notice of Claim Denied.* If a claim for benefits is denied, in whole or in part, the claims procedure set forth in Appendix B shall apply.

ARTICLE XVII.
PARTICIPATING COMPANY WITHDRAWAL FROM PLAN; TERMINATION OR MERGER OF THE PLAN

17.1 ***Voluntary Withdrawal from Plan.***

(a) *Withdrawal By Participating Company.* Any Participating Company may at any time withdraw from the Plan upon giving the Named Fiduciary at least thirty (30) days notice in writing of its intention to withdraw, unless the Named Fiduciary shall waive such thirty (30) days notice. The withdrawal of such Participating Company shall be effective on the last day of the Month in which the foregoing thirty (30) day period ends.

(b) *Segregation of Trust Assets Upon Withdrawal.* Upon the withdrawal of a Participating Company pursuant to subsection (a) of this Section, the Plan Administrator shall segregate the share of the assets in the Trust Fund, the value of which, determined on the day the withdrawal of such Participating Company shall be effective, shall equal the total credited to the accounts of Participants of the withdrawing Participating Company. The determination of which assets are to be so segregated shall be made by the Committee acting on behalf of the Named Fiduciary in its sole discretion.

(c) *Exclusive Benefit of Participants.* Neither the segregation and transfer of the Trust assets upon the withdrawal of a Participating Company nor the execution of a new agreement and declaration of trust by such withdrawing Participating Company shall operate to permit any part of the Trust Fund to be used for or diverted to purposes other than for the exclusive benefit of the Participants.

(d) *Applicability of Withdrawal Provisions.* The withdrawal provisions contained in this Section 17.1 shall be applicable only if the withdrawing Participating Company continues to cover its Participants and eligible employees in another profit-sharing plan or pension plan and trust qualified under Sections 401 and 501 of the Code. Otherwise, the termination provisions of Section 17.3 shall apply.

17.2 ***Amendment of Plan.*** The Board of Directors may amend the Plan with respect to all Participating Companies or with respect to a particular Participating Company at any time, and from time to time, pursuant to written resolutions adopted by the Board of Directors (and all Employees and persons claiming any interest hereunder shall be bound thereby); provided, however, that no such amendment shall:

(a) Alter the rights, duties or responsibilities of the Named Fiduciary or Trustees without their written consent;

(b) Permit any portion of the Trust Fund to inure to the benefit of the Company or permit any portion of the Trust Fund to be held or used other than for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable costs of administering the Plan; or

(c) Have the effect of decreasing the “accrued benefit” of any Participant as proscribed in Section 411(d)(6) of the Code;

(d) Have the effect of reducing any then vested percentage of benefits of any Participant as computed in accordance with the vesting schedule under Article VII of the Plan.

If the vesting schedule under Article VII of the Plan shall be amended and such an amendment would, at any time, decrease the percentage of vested benefits which any Participant would have been entitled to receive had the vesting schedule not been so amended, then each Participant who is an Employee on the date such amendment is adopted, or the date such amendment is effective, whichever is later, and who has three (3) or more Periods of Service as of the end of the period within which such Participant may make the election provided for herein, shall be permitted, beginning on the date such amendment is adopted, to irrevocably elect to have the Participant's vested interest computed without regard to such amendment. Written notice of such amendment and the availability of such election must be given to each such Participant, and each such Participant shall be granted a period of sixty (60) days after the later of:

(1) The Participant's receipt of such notice; or

(2) The effective date of such amendment within which to make such election.

Such election shall be exercised by the Participant by delivering or sending written notice thereof to the Named Fiduciary prior to the expiration of such sixty (60) day period.

17.3 ***Voluntary Termination of Plan.***

(a) *Right to Terminate Plan.* Each Participating Company contemplates that the Plan shall be permanent and that it shall be able to make contributions to the Plan. Nevertheless, in recognition of the fact that future conditions and circumstances cannot now be entirely foreseen, each Participating Company reserves the right to terminate (as to such Participating Company) either the Plan (exclusive of the Trust Fund) or both the Plan and the Trust Fund, at any time, by resolution of the board of directors of the Participating Company.

(b) *Merger or Consolidation of Plan and Trust.* Neither the Plan nor the Trust Fund may be merged or consolidated with, nor may its assets or liabilities be transferred to, any other plan or trust, unless each Participant would (if the Plan then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit the Participant would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

(c) *Termination of Plan and Trust Fund.* If the board of directors of a Participating Company determines to terminate (as to such Participating Company) the Plan and Trust Fund completely, the Plan and Trust Fund shall be terminated insofar as they are applicable to such Participating Company as of the date specified in certified copies of resolutions of such board of directors delivered to the Named Fiduciary, the Committee and the Trustees. Upon such termination of the Plan and Trust Fund, after payment of all expenses and proportional adjustment of accounts of Participants employed by such Participating Company to reflect such expenses, Trust Fund earnings or losses, and allocations of any previously unallocated funds to the date of termination, such Participating Company's Participants shall be entitled to receive the

amount then credited to their respective accounts in the Trust Fund. The Named Fiduciary, in its sole discretion, may make payment of such amount in cash, in assets of the Trust Fund, or in the form of immediate or deferred payment term annuity contracts for such Participants.

17.4 ***Discontinuance of Contributions.*** Whenever a Participating Company determines that it is impossible or inadvisable for it to make further contributions as provided in the Plan, the board of directors of such Participating Company may, without terminating the Trust Fund, adopt an appropriate resolution permanently discontinuing all further contributions by such Participating Company. A certified copy of such resolution shall be delivered to the Named Fiduciary, the Committee and the Trustees. Thereafter, the Named Fiduciary, the Committee and the Trustees shall continue to administer all the provisions of the Plan, which are necessary and remain in force, other than the provisions relating to contributions by such Participating Company. However, the Trust Fund shall remain in existence with respect to such Participating Company and all of the provisions of the Plan relating to the Trust Fund shall remain in force.

17.5 ***Rights to Benefits Upon Termination of Plan or Complete Discontinuance of Contributions.*** Upon the termination or partial termination of the Plan or the complete discontinuance of contributions by a Participating Company, the rights of each of such Participating Company's Participants affected by such termination or partial termination to the amount credited to such Participant's Account at such time shall be nonforfeitable without reference to any formal action on the part of such Participating Company, the Named Fiduciary, the Committee or the Trustees.

ARTICLE XVIII.
ELECTION TO PARTICIPATE BY SUBSIDIARIES

18.1 ***Consent Required for Subsidiaries to Join Plan.*** The Plan Administrator, upon receiving a written resolution of the board of directors of a Subsidiary electing to become a Participating Company, may approve or disapprove such election acting as the delegate of the Board of Directors. The Board of Directors shall retain the final authority to override such action and approve or disapprove the Subsidiary's request.

ARTICLE XIX.
MISCELLANEOUS PROVISIONS

19.1 ***Status of Employment.*** The adoption and maintenance of the Plan shall not be deemed to constitute a contract of employment between the Company and any Employee or Participant, or to be a consideration for, or an inducement or condition of, any employment. Nothing contained herein shall be deemed to give any Employee the right to be retained in the service of the Company or to interfere with the right of the Company to discharge any Employee or Participant at any time.

19.2 ***Liability of Company.*** Except as may be determined by the Board of Directors, in its sole discretion from time to time, all benefits payable under this Plan shall be paid or provided solely from the Trust Fund and the Company (other than Host Marriott, L.P. in its role as Named Fiduciary) assumes no liability or responsibility therefore; its obligation which is expressly stated to be non-contractual is limited solely to the making of contributions to the Trust Fund as provided in this Plan.

19.3 ***Information.***

(a) *Supplied by Named Fiduciary, the Committee or Trustees.* A certification in writing to the Named Fiduciary, Plan Administrator, the Committee or the Trustees, executed in accordance with the provisions of this Plan, certifying to the existence, occurrence or happening of any event, shall constitute evidence of such existence, occurrence or happening; and the Named Fiduciary, Plan Administrator, the Committee, the Trustees and the Company shall be fully protected in accepting and relying upon such certification and shall incur no liability or responsibility for so doing.

(b) *Supplied by Company.* At the request of the Named Fiduciary, the Committee or the Trustees, the Company shall furnish in writing to the Named Fiduciary, the Committee or the Trustees such information as may be necessary or desirable in order that the Named Fiduciary, the Committee or the Trustees may be able to carry out their respective duties hereunder. The Named Fiduciary, the Committee and the Trustees shall be entitled to rely upon such information as being correct.

19.4 ***Provisions of Plan to Control.*** In the event of any conflict between the terms of the Plan as set forth in this instrument and in any description of the Plan which may be furnished to Participants or others, the Plan set forth herein shall control.

19.5 ***Payment for Benefit of Incompetent.*** The Trustees may make payment to any incompetent who is entitled to receive payments hereunder by making the same to the legal representative of such incompetent or to his parent or Spouse or may apply them for the incompetent benefit.

19.6 ***Account to be Charged Upon Payment.*** When any distribution or other payment is made to or for the benefit or on behalf of any party entitled to receive payments hereunder, the account held for the benefit of such party shall be charged accordingly.

19.7 ***Tax Qualification of Plan.*** The Plan is intended to qualify as a tax exempt profit sharing plan pursuant to the provisions of Section 401, the cash or deferred arrangement provisions of the Plan set forth in Article V and elsewhere are intended to satisfy the requirements of Sections 401(k) and 401(m), and the Trust created hereunder is intended to qualify as a tax exempt trust under the provisions of Section 501(a) of the Code together with any amendments thereto and all provisions of the Plan shall be construed to obtain those results.

19.8 ***Deductibility of Company Contributions.*** The Contributions made by the Company under this Plan are intended to be deductible as business expenses, under the provisions of Section 404 of the Code, together with any amendments thereto, and all provisions of the Plan shall be construed accordingly.

19.9 ***Restriction on Alienation or Assignment.*** Benefits provided under the Plan may not be assigned or alienated, except as permitted by Article XIII and the following:

(a) A loan made by the Plan to a Participant in accordance with Article XI shall be secured by the Participant's After-tax Savings Account and Company Contribution Account as provided in Article XI.

(b) If a Participant is indebted to the Company or to the Marriott Employees Federal Credit Union at the time any payments are to be made to such Participant or to the Participant's Beneficiary hereunder and if the Participant, prior to September 2, 1974 has executed in favor of such creditor an irrevocable security assignment of the Participant's account balances in the Plan, the Trustees are authorized to pay to such creditor all or such portion of said payments as may be required to discharge such indebtedness.

(c) An offset to a Participant's benefit against an amount the Participant is required to pay the Plan with respect to a judgment, order, decree or settlement entered into or against a Participant on or after August 5, 1997 shall be permitted in accordance with Code section 401(a)(13)(C).

19.10 ***Unclaimed Benefits.*** In the event that benefit payments owing to a Participant have not been claimed by the Participant within three (3) years of the date on which such benefits first became payable, the Plan Administrator shall, at the end of the Fiscal Year during which such three (3) year anniversary occurs reallocate such benefits to the remaining Participants in the manner provided in Section 6.10(a). If subsequent to such reallocation, the Participant entitled to such benefits makes claim therefor, the Plan Administrator shall promptly pay such forfeited benefit. Funds with which to pay any such benefits shall be provided as set forth in Section 6.10(b).

19.11 ***Recovery of Plan Benefits Payment Made by Mistake.*** A Participant or Beneficiary shall be required to return to the Plan any payments made under the Plan made by a mistake of fact or law.

19.12 ***Bonding.*** Every Fiduciary of the Plan and every person who handles funds or other property of the Plan shall be bonded if and to the extent required by Section 412 of ERISA.

19.13 ***Titles and Captions.*** The titles and captions to the Articles, Sections and subsections in the Plan are placed herein for convenience of reference only, and in case of any conflict the text of this instrument, rather than such titles, shall control.

19.14 ***Execution of Counterparts.*** This instrument may be executed in any number of counterparts, each of which shall be deemed to be an original.

19.15 ***Governing Law.*** The Plan shall be governed, construed, administered and regulated in all respects by and under the laws of the State of Maryland.

19.16 ***Separability.*** If any provisions of the Plan shall for any reason be invalid or unenforceable, the remaining provisions shall nevertheless remain in full force and effect.

19.17 ***Supplements and Appendices.*** Supplements and Appendices to the Plan or the Trust may be adopted, attached to and incorporated in the Plan or the Trust at any time. The provisions of any such Supplements or Appendices shall have the same effect that such provisions would have if they were included within the basic text of the Plan or the Trust. Supplements and Appendices shall be adopted by the Board pursuant to the amendment authority set forth in Section 17.2 of the Plan and shall specify the persons affected.

19.18 ***Military Service.*** Notwithstanding any other provision of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Internal Revenue Code.

19.19 ***Employer Securities.*** Notwithstanding any provision of the Plan or Trust to the contrary, the Plan may invest in Qualifying Employer Securities and Qualifying Employer Real Property up to 100% of the Plan’s assets or otherwise the maximum permitted by ERISA.

ARTICLE XX.
TOP HEAVY PROVISIONS

20.1 ***Determination of Top Heavy Status.*** For purposes of this Article, the Plan shall be a Top Heavy Plan if, as of the Determination Date, either:

(a) The sum of the aggregated accounts of Participants who are "key employees" (as defined in Section 416(i) of the Code) exceeds sixty percent (60%) of the sum of the aggregated accounts of all Plan Participants; or

(b) The Plan is included in a Top Heavy Group.

If a Participant has received no compensation from the Company during the five (5) year period preceding the Determination Date, his account balance may be disregarded for purposes of determining whether the Plan is top-heavy. Solely for purposes of determining which Participants are "key employees," the term "compensation" (as used in Section 416(1) of the Code) shall mean the compensation stated on an Employee's Form W-2 for the calendar year that ends with or within the Plan Year.

20.2 ***Definitions.*** For purposes of this Article, the following terms shall have the meanings set forth herein:

(a) "*Aggregation Group*" means:

(1) Each Section 401 Plan of the Company in which a "key employee" (as defined in Section 416(i) of the Code) is a participant; and

(2) Each Section 401 Plan of the Company which enables any plan described in subsection (a)(i) of this Section to meet the requirements of Section 401(a)(4) or 410 of the Code.

(3) To the extent elected by the Committee, any other Section 401 Plan of the Company that when aggregated with any plans described in Subsections (a)(1) and (2) of this Section meets the requirements of Sections 401(a)(4) and 410 of the Code.

(b) "*Determination Date*" means, with respect to any Plan Year, the last day of the preceding Plan Year. In the case of the Plan Year which includes the Effective Date of the Plan, the last day of such Plan Year.

(c) "*Section 401 Plan*" means any stock bonus, pension, or profit sharing plan subject to the qualification requirements of Section 401 of the Code.

(d) "*Top Heavy Group*" means any Aggregation Group determined to be a Top Heavy Group in accordance with the test set forth in Code Section 416(g)(2)(B).

(e) "*Valuation Date*" shall have the same meaning as set forth in Section 1.72.

20.3 ***Requirements if Plan is a Top Heavy Plan.*** Notwithstanding any other provision of this Plan, for any Plan Year for which the Plan is a Top Heavy Plan, a minimum allocation shall be made on behalf of each Participant who is not a "key employee" (as defined in Section 416(i) of the Code) and who is employed on the last day of such Plan Year in an amount equal to the lesser of (a) three percent (3%) of such Participant's Compensation or (b) the largest percentage of Compensation allocated to any key employee during such Plan Year. 401(k) elective deferrals made by a non-key employee under this Plan or any other plan of the Company or a Subsidiary pursuant to a cash or deferred arrangement shall not be credited toward the minimum allocation described in the preceding sentence. The minimum allocation shall not apply to any non-key employee who receives a minimum contribution or a minimum benefit under any other plan of the Company or a Subsidiary. Notwithstanding the above, if a non-key employee participates in this Plan and a defined benefit plan that is included in an Aggregation Group, the non-key employee shall receive a minimum benefit under the defined benefit plan rather than a minimum allocation under this Plan, provided that if the defined benefit plan does not provide for a minimum benefit, the non-key employee shall receive a minimum allocation under this Plan of five percent (5%) of Compensation.

20.4 ***Applicability of Top-Heavy Rules.*** The top-heavy requirements of Section 416 of the Code and Article 20 of the Plan shall not apply in any year beginning after December 31, 2001, in which the plan consists solely of a cash or deferred arrangement which meets the requirements of Section 401(k)(12) of the Code and matching contributions with respect to which the requirements of the Section 401(m)(11) of the Code are met.

Appendix A

MINIMUM DISTRIBUTION REQUIREMENTS

Section A-1. General Rules

A-1.1. *Effective Date*. The provisions of this Appendix will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

A-1.2. *Precedence*. The requirements of this Appendix will take precedence over any inconsistent provisions of the Plan.

A-1.3. *Requirements of Treasury Regulations Incorporated*. All distributions required under this Appendix will be determined and made in accordance with the Treasury regulations under Code Section 401(a)(9).

A-1.4. *TEFRA Section 242(b)(2) Elections*. Notwithstanding the other provisions of this Appendix, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to section 242(b)(2) of TEFRA.

Section A-2. Time and Manner of Distribution.

A-2.1. *Required Beginning Date*. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date.

A-2.2. *Death of Participant Before Distributions Begin*. If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) If the Participant's surviving spouse is the Participant's sole designated beneficiary, then distributions to the surviving spouse will begin by the later of December 31 of the calendar year immediately following the calendar year in which the Participant died or by December 31 of the calendar year in which the Participant would have attained age 70½.

(b) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, then, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(c) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse

begin, this section A-2.2, other than section A-2.2(a), will apply as if the surviving spouse were the Participant.

For purposes of this section A-2.2 and section A-4, unless section A-2.2(d) applies, distributions are considered to begin on the Participant's Required Beginning Date. If section A-2.2(d) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under section A-2.2(a). If distributions under an annuity purchased from an insurance company irrevocably commence to the Participant before the Participant's Required Beginning Date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under section A-2.2(a)), the date distributions are considered to begin is the date distributions actually commence.

A-2.3. *Forms of Distribution*. Unless the Participant's interest is distributed in a single sum on or before the Required Beginning Date, as of the first distribution calendar year distributions will be made in accordance with sections A-3 and A-4 of this Appendix. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Section 401(a)(9) of the Code and the Treasury regulations.

Section A-3. Required Minimum Distributions During Participant's Lifetime.

A-3.1. *Amount of Required Minimum Distribution For Each Distribution Calendar Year*. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(a) the quotient obtained by dividing the Participant's account balance by the distribution period in the Uniform Lifetime Table set forth in Treas. Reg. Sec. 1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(b) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's account balance by the number in the Joint and Last Survivor Table set forth in Treas. Reg. Sec. 1.401(a)(9)-9, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

A-3.2. *Lifetime Required Minimum Distributions Continue Through Year of Participant's Death*. Required minimum distributions will be determined under this section A-3 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

Section A-4. Required Minimum Distributions After Participant's Death.

A-4.1. *Death On or After Date Distributions Begin*.

(a) Participant Survived by Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the longer of the remaining

life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:

(1) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant's surviving spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(3) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(b) No Designated Beneficiary. If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

A-4.2. *Death Before Date Distributions Begin*

(a) Participant Survived by Designated Beneficiary. If the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in section A-4.1.

(b) No Designated Beneficiary. If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(c) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Begin. If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under section A-2.2(a), this section A-4.2 will apply as if the surviving spouse were the Participant.

Section A-5. Definitions.

A-5.1. *Designated beneficiary*. The individual who is designated as the beneficiary under Section 1.16 of the Plan and is the designated beneficiary under Code Section 401(a)(9). Treas. Reg. Sec. 1.401(a)(9)-1, Q&A-4.

A-5.2. *Distribution calendar year*. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under section A-2.2. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that distribution calendar year.

A-5.3. *Life expectancy*. Life expectancy as computed by use of the Single Life Table in Treas. Reg. Sec. 1.401(a)(9)-9.

A-5.4. *Participant's account balance*. The account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The account balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

A-5.5. *Required Beginning Date*. The date specified in Section 1.61 of the Plan.

The Sections marked below shall apply for purposes of this Appendix.

Section A-6. Election to Apply 5-Year Rule to Distributions to Designated Beneficiaries.

For all distributions, if the Participant dies before distributions begin and there is a designated beneficiary, distribution to the designated beneficiary is not required to begin by the date specified in section A- 2.2 of this Appendix, but the Participant's entire interest will be distributed to the designated beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to either the Participant or the surviving spouse begin, this election will apply as if the surviving spouse were the Participant.

Section A-7. Election to Allow Participants or Beneficiaries to Elect 5-Year Rule.

Participants or Beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in sections A-2.2 and A-4.2 of this Appendix applies to distributions after the death of a Participant who has a designated beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under section A-2.2 of this Appendix, or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, surviving spouse's) death. If neither the Participant nor Beneficiary makes an election under this paragraph, distributions will be made in accordance with sections A-2.2 and A-4.2 of this Appendix and, if applicable, the elections in section A-6 above.

Appendix B

Claims Procedure

CLAIMS FOR BENEFITS

The Plan Administrator shall determine the Participants', alternate payees' and Beneficiaries' rights to benefits under the Plan. Except as to their own Accounts, claimants shall not have any legal right to inquire as to any payment under this Plan having been made or as to determining the amount of such payment.

REQUIREMENTS FOR NOTICE OF DENIAL

If a claim is wholly or partially denied, the Administrator shall provide the claimant with a notice of denial written in a manner calculated to be understood by the claimant, setting forth:

1. The specific reason for such denial;
2. Specific references to the pertinent Plan provisions on which the denial is based;
3. A description of any additional material or information necessary for the claimant to perfect the claim with an explanation of why such material or information is necessary; and
4. Appropriate information as to the steps (including time limits applicable to such steps) to be taken if the claimant wishes to submit his or her claim for review and a statement of the claimant's rights to bring a civil action under Section 502(a) of ERISA.

TIMING OF NOTIFICATION OF DENIAL

The notice of denial shall be given within a reasonable time period but no later than 60 days after the claim is filed, unless special circumstances require an extension of time for processing the claim. If such extension is required, written notice shall be furnished to the claimant within 90 days of the date the claim was filed stating the special circumstances requiring an extension of time and the date by which a decision on the claim can be expected, which shall be no more than 180 days from the date the claim was filed. If no notice of denial is provided as herein described, the claimant may appeal the claim as though the claim had been denied.

CLAIM FOR APPEAL MUST BE SUBMITTED WITHIN 60 DAYS

In the event of a dispute over benefits, a Participant, alternate payee, or Beneficiary may file a written claim for benefits with the Administrator, provided such claim is filed within 60 days of the date the Participant, Beneficiary, or alternate payee receives notification of the Administrative decision. In connection with the claimant's appeal of the denial of the claim for

benefits, the claimant (or his authorized representative) may review permanent documents and may submit issues and comments regarding the claim in writing.

TIME LIMIT ON REVIEW OF DENIED CLAIM

Upon receipt of a request for review, the Administrator shall provide written notification of its decision to the claimant stating the specific reasons and referencing specific plan provisions on which its decision is based, within a reasonable time period but not later than 60 days after receiving the request, unless special circumstances require an extension for processing the review. If such an extension is required, the Administrator shall notify the claimant in writing of such special circumstances and of the date, no later than 120 days after the original date the review was requested, on which the Administrator will notify the claimant of its decision.

CLAIMANT'S RIGHTS DURING APPEAL

Claimant will have a reasonable opportunity for a full and fair review of a claim and adverse benefit determination, including the following:

1. Claimant has the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits;
2. Claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. A document is "relevant" if such document (A) was relied upon in making the benefit determination; (B) was submitted, considered, or generated in the course of making the benefit determination, without regard to whether such document, record, or other information was relied upon in making the benefit determination; (C) demonstrates compliance with the administrative processes and safeguards designed to ensure and to verify that benefit claim determinations are made in accordance with governing plan documents and that, where appropriate, the Plan provisions have been applied consistently with respect to similarly situated claimants; or (D) constitutes a statement of policy or guidance with respect to the plan concerning the denied treatment option or benefit for the claimant's diagnosis, without regard to whether such advice or statement was relied upon in making the benefit determination; and
3. The claims procedure shall provide for a review that takes into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

If a claim is wholly or partially denied, the Administrator shall provide the claimant with a notice of denial written in a manner calculated to be understood by the claimant, setting forth:

1. The specific reason for such denial;

2. Specific references to the pertinent Plan provisions on which the denial is based;

3. A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. A document, record, or other information is relevant to a claim for benefits if such document, record, or other information: (A) was relied upon in making the benefit determination; (B) was submitted, considered, or generated in the course of making the benefit determination, without regard to whether such document, record, or other information was relied upon in making the benefit determination; (C) demonstrates compliance with the administrative processes and safeguards designed to ensure and to verify that benefit claim determinations are made in accordance with governing Plan documents and that, where appropriate, the Plan provisions have been applied consistently with respect to similarly situated claimants; or (D) constitutes a statement of policy or guidance with respect to the Plan concerning the denied treatment option or benefit for the claimant's diagnosis, without regard to whether such advice or statement was relied upon in making the benefit determination; and

4. Appropriate information as to the steps (including time limits applicable to such steps) to be taken if the claimant wishes to submit his or her claim for review and a statement of the claimant's rights to bring a civil action under Section 502(a) of ERISA.

REQUIREMENTS FOR DISABILITY BENEFITS

1. *Timing of Notification of Denial*. Notwithstanding the foregoing, a notice of denial of disability benefits shall be given within a reasonable time period but no later than 45 days after the claim is filed. This period may be extended by 30 days provided that special circumstances require an extension of time for processing the claim due to matters beyond the control of the Plan. If prior to the end of the first 30 day extension, the Administrator determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within the initial 30 day extension period, the period for making the determination may be extended an additional 30 days. If such second 30 day extension is required, written notice shall be furnished to the claimant within 75 days of the date the claim was filed stating the special circumstances requiring an extension of time and the date by which a decision on the claim can be expected, which shall be no more than 105 days from the date the claim was filed. If an initial or secondary 30 day extension is required, written notice shall be furnished to the claimant within 45 days or 75 days of the date the claim was filed, as applicable, stating: (A) the special circumstances requiring an extension of time; (B) the date by which a decision on the claim can be expected, which shall be no more than 75 days or 105 days from the date the claim was filed; (C) the standards on which entitlement to a benefit is based; (D) the unresolved issues that prevent a decision on the claim; (E) any additional information needed to resolve those issues; and (F) the time period during which the claimant must provide any additional information, which shall be no less than 45 days.

2. *Requirements for Notification of Denial*. If a claim is wholly or partially denied, the Administrator shall provide the claimant with a notice of denial written in a manner calculated to be understood by the claimant, setting forth:

   a. The specific reason for such denial;

   b. Specific references to the pertinent Plan provisions on which the denial is based;

   c. A description of any additional material or information necessary for the claimant to perfect the claim with an explanation of why such material or information is necessary;

   d. Appropriate information as to the steps (including time limits applicable to such steps) to be taken if the claimant wishes to submit his or her claim for review and a statement of the claimant's rights to bring a civil action under Section 502(a) of ERISA;

   e. If an internal rule, guideline, protocol or other similar criterion was relied upon in making the denial of a claim for disability benefits, either (i) the specific rule, guideline, protocol or other similar criterion will be provided or (ii) a statement that a specific rule, guideline, protocol or other similar criterion was relied upon and that a copy of such specific rule, guideline, protocol or other similar criterion will be provided free of charge to the claimant upon request; and

   f. If the denial of a claim for disability benefits is based on a medical necessity, experimental treatment or similar exclusion or limit, either (i) an explanation of the scientific or clinical judgment for the determination as applied to the claimant's specific circumstances or (ii) a statement that such explanation will be provided free of charge upon request.

3. *Claim for Appeal Must be Submitted within 60 Days.* The claimant and/or his representative may appeal the denied claim, free of charge, provided that such appeal is made within 180 days of the date the claimant receives a notification of the denied disability claim. The decision of the claimant as to whether or not to submit a benefit dispute to this voluntary level of appeal will have no effect on the claimant's rights to any other benefits under the Plan. The Committee's review shall take into account all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether such information was submitted and/or considered in the initial determination. In the review of a claim for disability benefits, the following shall apply*:*

   a. A review shall not afford deference to the initial denial and shall be conducted by a named fiduciary of the Plan who is neither the individual who made the adverse

benefit determination that is the subject of the appeal, nor a subordinate or such individual;

b. The named fiduciary who is reviewing the appeal and making a determination based, in whole or in part, on medical judgment shall consult with a health care professional who (i) has appropriate training and experience in the field of medicine involved in the medical judgment, (ii) did not consult with respect to the initial adverse benefit determination that is the subject of the appeal, and (iii) is not a subordinate of an individual who consulted with respect to the initial adverse benefit determination that is the subject of the appeal; and

The Plan shall provide the identification of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with the denial of the claim for disability benefits.

[NAME OF EXECUTIVE]
RESTRICTED STOCK AGREEMENT

This Agreement is between _____ (the "Executive") and Host Marriott Corporation ("Company"), a Maryland corporation, and governs an award made to the Executive pursuant to the 1997 Host Marriott Corporation and Host Marriott, L.P. Comprehensive Stock and Cash Incentive Plan, as amended (the "Plan"). The Company and the Executive agree as follows:

1. Restricted Stock Award. The Company has awarded the Executive shares of Company Restricted Stock for the period 2003 – 2005 (the "Long-Term Incentive Award") subject to:

(i) General Restrictions (the "Time-Based Award");

(ii) Earnings-Based Performance Restrictions (the "Earnings-Based Award"); and

(iii) Total Shareholder Return Performance Restrictions (the "Shareholder Return Performance Award").

The total shares available under the Long-Term Incentive Award are _____ shares. These shares are allocated as follows: The Time-Based Award equals _____ shares; the Earnings-Based Award equals _____ shares; and the Shareholder Return Performance Award equals _____.

2. Time-Based Award. The Time-Based Award may vest in three (3) annual installments as follows: (i) _____ shares on December 31, 2003; (ii) _____ shares on December 31, 2004; and (iii) _____ shares on December 31, 2005. Each installment shall vest, and all restrictions shall be removed on each installment, provided that (i) during the applicable twelve (12) month period preceding the vesting date the Executive has continued in the Company's employment, or (ii) as otherwise provided in Section 9 of this Agreement. The shares shall be released by the Company as soon as practicable for the Compensation Policy Committee of the Board of Directors (the "Compensation Policy Committee") to meet after the end of the year, or otherwise in accordance with Section 9.

3. Earnings-Based Award. The Earnings-Based Award may vest in three (3) annual installments as follows: (i) _____ shares for the period January 1, 2003 to December 31, 2003; (ii) _____ shares for the period January 1, 2004 to December 31, 2004; and (iii) _____ shares for the period January 1, 2005 to December 31, 2005. Vesting and release of any shares of the Earnings-Based Award for a particular calendar year shall be based on the Company's performance as compared to a target Funds From Operations ("FFO") per share for that calendar year, which target FFO per share shall be set by the Compensation Policy Committee. Shares of the Earnings-Based Award in a calendar year shall vest and any restrictions shall be released based on the following (with vesting and release between the percentile points being *pro rata*):

Percentage of Budget	Vesting of Earnings-Based Award
<90%	0%
90%	40%
100%	60% (target)
110%	100%

Shares of the Earnings-Based Award that do not vest in each of the calendar years ending December 31, 2003, 2004 and 2005 will be carried over for assessment to the end of 2005 and may vest and be released based on satisfaction of Cumulative Performance, as described in this Agreement. Unless otherwise released pursuant to Section 9 of this Agreement, the shares of the Earning-Based Award for a particular calendar year shall vest and be released as soon as it is practicable for the Compensation Policy Committee to assess such calendar year's performance.

4. Shareholder Return Performance Award. For purposes of the Shareholder Return Performance Award in each of years ended December 31, 2003, 2004 and 2005, the starting price of Company stock shall be the average of the high and the low trading prices of Company common stock on the trading days occurring on the last sixty (60) calendar days of the prior calendar year, respectively, and the closing price shall be the average of the high and low trading prices of Company stock on the trading days occurring on the last sixty (60) calendar days of each year, respectively.

5. Vesting of Shareholder Return Performance Award. The Shareholder Return Performance Award may vest in three (3) annual installments as follows: (i) _____ shares for the period January 1, 2003 to December 31, 2003; (ii) _____ shares for the period January 1, 2004 to December 31, 2004; and (iii) _____ shares for the period January 1, 2005 to December 31, 2005. Vesting and release of restrictions on any shares of the Shareholder Return Performance Award shall be based on the Company's performance as compared to a target total return (including both stock price and dividends) to the Company's shareholders. Vesting and release of the restrictions on the shares will occur at the following levels (with vesting and release between the percentile points being *pro rata*):

Total Shareholder Return	% Share Vesting
<10%	0%
10%	30%
12%	60% (target)
16%	100%

Shareholder Return Performance Shares that do not vest in 2003, 2004 or 2005 will be carried over for assessment to the end of 2005, and may vest and be released based on satisfaction of Cumulative Performance, as described in this Agreement. Unless otherwise released pursuant to Section 9 of this Agreement, the shares of the Shareholder Return Performance Award for a particular calendar year shall vest and be released as soon as it is practicable for the Compensation Policy Committee to assess such calendar year's performance.

6. Cumulative Performance. Shares of the Earnings-Based Award and Shareholder Return Performance Award that do not vest in calendar years 2003, 2004 or 2005 may vest upon satisfaction of a cumulative performance ("Cumulative Performance") criterion. The cumulative performance target shall be a total cumulative return over the three years equal to sixteen percent (16%). The vesting and release of shares subject to Cumulative Performance shall only occur if the full (100%) Cumulative Performance target is satisfied.

7. Restricted Stock Account. The full number of shares represented by the Long-Term Incentive Award has been deposited in restricted stock account or accounts for the Executive at the Company's transfer agent. The Company reserves the right at its sole discretion to change the financial institution in which the shares are deposited. These shares are nontransferable and otherwise subject to the Plan until the restrictions are removed based on achievement of the applicable conditions to removal of the restrictions or as otherwise permitted by the Compensation Policy Committee.

8. Voting Rights and Dividends. The Executive has the right to vote the full number of shares represented by the Long-Term Incentive Award, except to the extent shares are forfeited.

The Executive shall not be paid any dividends with respect to the Long-Term Incentive Award until the Executive has become vested in the shares. At the time of vesting, the Executive shall receive the aggregate dividends (without interest) that the Executive would have received if the Executive had owned all the shares in which the Executive had vested for the period beginning on the date of grant of those shares, and ending on the date of vesting. No dividends shall be paid to the Executive with respect to any shares represented by the Long-Term Incentive Award that are forfeited by the Executive.

In the event any or all of the shares represented by the Long-Term Incentive Award are split, or combined, or in any other manner changed, modified or amended, or the Company is recapitalized, restructured, or reorganized, the Executive shall receive such number of new shares or equivalent equity interest and value so that the value of any remaining shares of restricted stock under this Agreement is not diminished or adversely affected in any manner.

9. Termination Policy. This Agreement is not an employment contract. This Agreement is, however, a contract creating enforceable rights between the Company (and any successor) and the Executive regarding the Long-Term Incentive Award. This Agreement is subject to the "Host Marriott Corporation Severance Plan for Executives" (the "Severance Plan"), attached hereto as Exhibit A. During the period covered by the Long-Term Incentive Award, if the Executive's employment with the Company is terminated for Cause or by the Executive without Good Reason, then all unvested and unreleased shares represented by the Long-Term Incentive Award shall be forfeited. During the period covered by the Long-Term Incentive Award, if the Executive's employment with the Company is terminated without Cause or by the Executive with Good Reason not following a Change in Control, then one year of the Time-Based Award, one year of the Earnings-Based Award at target level and one year of the Shareholder Return Performance Award at target level shall vest and all restrictions shall be removed. During the period covered by the Long-Term Incentive Award, if the Executive's employment with the Company is terminated by (i) reason of the Executive's death, (ii) Disability, (iii) the Company without Cause following a Change in Control or (iv) the Executive with Good Reason following a Change in Control, then all shares represented by the Long-Term Incentive Award shall vest and all restrictions shall be removed. The terms "Cause", "Good Reason", "Change in Control", and "Disability" as used in this Section 9 shall have the meaning ascribed to them in the Severance Plan, attached hereto as Exhibit A.

10. Other Long-Term Incentive Awards. The Executive understands and agrees that this Long-Term Incentive Award is granted in lieu of any other awards of long-term incentives or supplemental long-term incentives of stock options and deferred bonus stock awards for the period 2003 – 2005, and that the Executive is not entitled to receive any additional stock options award,

deferred bonus stock awards or additional restricted stock award during that period (other than awards granted and still in effect prior to January 31, 2003). The Compensation Policy Committee reserves the right to make additional long-term incentive awards to individuals in cases where it believes doing so is in the best interests of the Company and its shareholders.

11. The Plan. The awards made by the Compensation Policy Committee and described in this Agreement are made in accordance with and subject to the Plan. In the opinion of the Compensation Policy Committee and the Company, the terms of this Agreement are in full accordance with the Plan. In the event of any potential conflict between any term of this Agreement and the Plan, the Plan shall be amended pursuant to the authority of the Committee under paragraph 9.1 of the Plan to allow compliance by the Company with the terms of this Agreement.

12. Modifications to the Agreement. This Agreement represents the full and complete understanding between the Executive and the Company and this Agreement cannot be modified or changed by any prior or contemporaneous or future oral agreement of the parties. This Agreement shall only be modified by the express written agreement of the parties.

13. Governing Law. This Agreement shall be governed by the law of the State of Maryland without regard to choice of law or conflict of law rules.

14. Designation of Beneficiary. The Executive may designate a beneficiary in the space provided at the end of this Agreement.

15. Taxation. The Executive understands that upon removal of restrictions on any of the shares represented by the Long-Term Incentive Award, a taxable event will occur and Executive will be responsible for payment of taxes due. The Committee may condition the delivery of any shares or any other benefits under this Agreement on the satisfaction of applicable withholding requirements. The Committee, in its discretion, and subject to such requirements as the Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through cash payment by the Executive, through the surrender of shares of common stock of the Company that the Executive already owns, or through the surrender of shares to which the Executive is otherwise entitled under the Plan.

Accepted by the Executive:

[Name]

Date: _____

Beneficiary: _____

Relationship: _____

For the Company:

Christopher J. Nassetta

Date: _____

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

	Year-to-date ended	
	September 10, 2004	**September 12, 2003**
Income (loss) from continuing operations before income taxes	$ (84)	$ (134)
Add (deduct):		
Fixed charges	420	407
Capitalized interest	(2)	(1)
Amortization of capitalized interest	4	5
Minority interest in consolidated affiliates	(2)	(11)
Net (gains) losses related to certain 50% or less owned affiliates	12	13
Distributions from equity investments	1	3
Dividends on preferred stock	(28)	(27)
Adjusted earnings	$ 321	$ 255
Fixed charges:		
Interest on indebtedness and amortization of deferred financing costs	$ 357	$ 324
Capitalized interest	2	2
Dividends on convertible preferred securities of subsidiary trust	—	22
Dividends on preferred stock	28	27
Portion of rents representative of the interest factor	33	32
Total fixed charges and preferred stock dividends	$ 420	$ 407
Deficiency of earnings to fixed charges and preferred stock dividends [(1)]	$ (99)	$ (152)

(1) For year-to-date September 10, 2004 and September 12, 2003, deficiency of earnings to fixed charges and preferred stock dividends includes depreciation expense of $250 million and $247 millions, respectively.

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

I, Christopher J. Nassetta, certify that:

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

Date: October 19, 2004

/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-14(e)) for the registrant and we have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the report based on such evaluation;
   (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 19, 2004

/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 10, 2004 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended: and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 19, 2004

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

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

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

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