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 June 20, 2003.

OR

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

Commission file number 001-14625

HOST MARRIOTT CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

The registrant had 265,019,079 shares of its $0.01 par value common stock outstanding as of July 15, 2003.

Table of Contents

INDEX

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
June 20, 2003 and December 31, 2002
(in millions, except per share amounts)

	June 20, 2003	December 31, 2002
	(unaudited)	
ASSETS		
Property and equipment, net	$ 7,063	$ 7,031
Notes and other receivables	55	53
Due from managers	98	82
Investments in affiliates	88	133
Other assets	505	523
Restricted cash	130	133
Cash and cash equivalents	312	361
Total assets	$ 8,251	$ 8,316
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt		
Senior notes	$ 3,249	$ 3,247
Mortgage debt	2,335	2,289
Other	102	102
	5,686	5,638
Accounts payable and accrued expenses	112	118
Other liabilities	202	252
Total liabilities	6,000	6,008
Minority interest	214	223
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary whose sole assets are convertible subordinated debentures due 2026 ("Convertible Preferred Securities")	475	475
Shareholders' equity		
Cumulative redeemable preferred stock (liquidation preference $354 million), 50 million shares authorized; 14.1 million shares issued and outstanding	339	339
Common stock, par value $.01, 750 million shares authorized; 265.0 million shares and 263.7 million shares issued and outstanding, respectively	3	3
Additional paid-in capital	2,106	2,100
Accumulated other comprehensive income (loss)	10	(2)
Accumulated deficit	(896)	(830)
Total shareholders' equity	1,562	1,610
	$ 8,251	$ 8,316

See Notes to Condensed Consolidated Statements

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Quarter Ended and Year-to-Date June 20, 2003 and June 14, 2002
(unaudited, in millions, except per share amounts)

	Quarter ended		Year-to-date	
	June 20, 2003	June 14, 2002	June 20, 2003	June 14, 2002
REVENUES				
Rooms	$ 512	$ 541	$ 984	$ 1,005
Food and beverage	281	288	533	530
Other	57	64	109	119
Total hotel sales	850	893	1,626	1,654
Rental income	24	24	51	50
Other income	—	—	2	—
Total revenues	874	917	1,679	1,704
OPERATING COSTS AND EXPENSES				
Rooms	123	129	239	239
Food and beverage	202	204	389	379
Hotel departmental expenses	230	225	445	420
Management fees	37	44	70	80
Other property-level expenses	78	71	149	133
Depreciation and amortization	86	84	174	167
Corporate and other expenses	13	12	27	29
Total operating costs and expenses	769	769	1,493	1,447
OPERATING PROFIT	105	148	186	257
Minority interest income (expense)	1	(6)	2	(11)
Interest income	2	4	5	7
Interest expense	(107)	(106)	(218)	(211)
Net gains on property transactions	2	1	3	2
Equity in earnings (losses) of affiliates	(3)	1	(9)	(3)
Dividends on Convertible Preferred Securities	(8)	(8)	(15)	(15)
INCOME (LOSS) BEFORE INCOME TAXES	(8)	34	(46)	26
Provision for income taxes	(6)	(11)	(2)	(15)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(14)	23	(48)	11
Income from discontinued operations	—	1	—	14
NET INCOME (LOSS)	(14)	24	(48)	25
Less: Dividends on preferred stock	(9)	(9)	(18)	(18)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (23)	$ 15	$ (66)	$ 7
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE:				
Continuing operations	$ (.09)	$ .06	$ (.25)	$ (.02)
Discontinued operations	—	—	—	.05
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	$ (.09)	$ .06	$ (.25)	$ .03

See Notes to Condensed Consolidated Statements

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Year-to-Date June 20, 2003 and June 14, 2002
(unaudited, in millions)

	Year-to-date	
	June 20, 2003	June 14, 2002
OPERATING ACTIVITIES		
Net income (loss)	$ (48)	$ 25
Adjustments to reconcile to cash provided by operations:		
Non-cash effect of discontinued operations	—	(12)
Depreciation and amortization	174	167
Income taxes	(20)	5
Net gains on property transactions	(3)	(2)
Equity in losses of affiliates	9	3
Minority interest expense (income)	(2)	11
Changes in other assets	7	(8)
Changes in other liabilities	(18)	(5)
Cash provided by operations	99	184
INVESTING ACTIVITIES		
Acquisitions	(3)	(117)
Proceeds from sale of assets, net	25	—
Capital expenditures:		
Renewals and replacements	(86)	(80)
Development	(3)	(10)
Other investments	(5)	(6)
Cash used in investing activities	(72)	(213)
FINANCING ACTIVITIES		
Financing costs	(1)	(7)
Scheduled principal repayments	(24)	(22)
Debt prepayments	(32)	(14)
Dividends on preferred stock	(18)	(18)
Distributions to minority interests	(4)	(7)
Purchase of interest rate cap	—	(3)
Change in restricted cash	3	(9)
Cash used in financing activities	(76)	(80)
DECREASE IN CASH AND CASH EQUIVALENTS	(49)	(109)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	361	352
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 312	$ 243

See Notes to Condensed Consolidated Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Year-to-Date June 20, 2003 and June 14, 2002
(unaudited, in millions)

Supplemental schedule of noncash investing and financing activities:

Through year-to-date June 20, 2003 and year-to-date June 14, 2002, we issued approximately 579,000 and 353,000 shares, respectively, of common stock upon the conversion of operating partnership units, or OP Units, of Host Marriott, L.P., held by minority partners valued at $4.6 million and $3.9 million, respectively.

During February 2002, we issued 1.1 million shares to acquire additional interests in the partnership owning the San Diego Marriott Hotel and Marina. This transaction resulted in an increase of $10.5 million to property and equipment and equity to reflect the fair value of the interests acquired. During April 2002, in a separate transaction, our ownership percentage in the San Diego partnership increased to 90% when certain of the minority partners in the San Diego partnership exchanged their interests for approximately 6.9 million OP Units. The transaction resulted in an increase of $56.1 million in property and equipment and a corresponding increase in minority interest liability to reflect the fair value of the interest acquired.

During January 2002, we transferred the St. Louis Marriott Pavilion to the mortgage lender. We recorded the difference between the debt extinguished, the deferred incentive management fees forgiven and the fair value of the assets surrendered of $22 million, net of tax expense of $9 million, as income from discontinued operations in the accompanying consolidated statements of operations.

On June 14, 2002, we acquired the Boston Marriott Copley Place in Boston, Massachusetts for a purchase price of $214 million, including the assumption of $97 million of mortgage debt.

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 June 20, 2003, owned approximately 90% of the partnership interests in the operating partnership, which are referred to as OP Units.

2. Summary of Significant Accounting Policies

We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with accounting principles generally accepted in the United States of America, or GAAP, in the accompanying unaudited condensed consolidated financial statements. We believe the disclosures made are adequate to prevent the information presented from being misleading. However, the unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2002.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of June 20, 2003 and the results of our operations for the quarter ended and year-to-date June 20, 2003 and June 14, 2002 and cash flows for year-to-date June 20, 2003 and June 14, 2002. Interim results are not necessarily indicative of full year performance because of the impact of seasonal and short-term variations.

Certain reclassifications, primarily debt extinguishments as a result of adopting SFAS No. 145, have been made to the prior period financial statements to conform to the current presentation.

Reporting Periods

We receive the results of operations of our hotels from our managers based on their reporting cycles, which are either monthly or every four weeks. As a REIT, we are required by tax laws to report results on a calendar year ended December 31. However, our quarterly results reflect the reporting cycle that is used by Marriott International, Inc., the manager of the majority of our properties, whose year ends on the Friday closest to December 31 and which reflect twelve weeks of operations for the first three quarters of the year and sixteen or seventeen weeks for the fourth quarter of the year. Our results are also adjusted to reflect a fiscal calendar year that has a January 1 starting date and a December 31 ending date. In any given quarter, quarter-over-quarter results could have different starting and/or ending dates. For example, the second quarter of 2003 ended on June 20 and the second quarter of 2002 ended on June 14, though both quarters reflect twelve weeks of operations. In addition, because our starting and ending dates may not match Marriott International's starting and ending dates, our first and fourth quarters of each year and year-to-date periods may not have the same number of days as was reflected in a prior year. For example, our consolidated financial statements as of June 20, 2003 reflect 171 days, while our year-to-date results as of June 14, 2002 reflect 165 days.

Approximately one-fourth of our full-service hotels are operated by managers other than Marriott International and report revenues on a monthly basis versus our four week period. The accompanying consolidated financial statements reflect three months of operations for the second quarter (March, April and May), but only five months of operations year-to-date (January through May). Results in the third quarter will reflect three months of operations and fourth quarter results will reflect four months of operations for these hotels.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Principles of Consolidation

In the absence of other factors determining control, we consolidate entities when we own over 50% of the voting shares of another company or, in the case of partnership investments, when we own a majority of the general partnership interest. The control factors we consider include the ability of minority shareholders or other partners to participate in or block management decisions. Additionally, if we determine that we are an owner in a variable interest entity within the meaning of FASB Interpretation No. 46, “Consolidation of Variable Interest Entities” and that our variable interest will absorb a majority of the entity’s 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.

Accounting for Stock-based Compensation

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

	Quarter ended		Year-to-date	
	June 20, 2003	June 14, 2002	June 20, 2003	June 14, 2002
	(in millions, except per share amounts)			
Net income (loss), as reported	$ (14)	$ 24	$ (48)	$ 25
Add: Total stock-based employee compensation expense included in reported net income, net of related tax effects	3	3	5	8
Deducted: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(3)	(3)	(5)	(8)
Pro forma net income (loss)	(14)	24	(48)	25
Dividends on preferred stock	(9)	(9)	(18)	(18)
Pro forma net income (loss) available to common shareholders	$ (23)	$ 15	$ (66)	$ 7
Earnings (loss) per share				
Basic—as reported	$ (.09)	$ .06	$ (.25)	$ .03
Basic—pro forma	$ (.09)	$ .06	$ (.25)	$ .03
Diluted—as reported	$ (.09)	$ .06	$ (.25)	$ .03
Diluted—pro forma	$ (.09)	$ .06	$ (.25)	$ .03

New Accounting Pronouncements

The Financial Accounting Standards Board recently issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity,” or SFAS 150. This statement requires 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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

instruments had been classified as equity. A freestanding financial instrument is an instrument that is entered into separately and apart from any of the entity's other financial instruments or equity transactions, or that is entered into in conjunction with some other transaction and is legally detachable and separately exercisable, such as certain put and call options. These provisions are effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We have no financial instruments that are affected by this statement.

3. Earnings (Loss) per Common Share

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

	Quarter ended June 20, 2003			Quarter ended June 14, 2002		
	(in millions, except per share amounts)					
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Net income (loss)	$ (14)	264.7	$ (.05)	$ 24	263.0	$ .09
Dividends on preferred stock	(9)	—	(.04)	(9)	—	(.03)
Basic earnings (loss)	(23)	264.7	(.09)	15	263.0	.06
Assuming distribution of common shares granted under the comprehensive stock plan, less shares assumed purchased at average market price	—	—	—	—	3.3	—
Diluted earnings (loss)	$ (23)	264.7	$ (.09)	$ 15	266.3	$ .06

	Year-to-date June 20, 2003			Year-to-date June 14, 2002		
	(in millions, except per share amounts)					
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Net income (loss)	$ (48)	264.5	$ (.18)	$ 25	262.3	$ .10
Dividends on preferred stock	(18)	—	(.07)	(18)	—	(.07)
Basic and diluted earnings (loss)	$ (66)	264.5	$ (.25)	$ 7	262.3	$ .03

4. Debt

In the first quarter of 2003, we repurchased $8 million of our 9.25% senior notes due in 2007 at par and prepaid $17 million of mortgage debt related to two of our Ritz-Carlton properties. We did not incur any prepayment penalties as a result of these debt extinguishments. The loss on the early extinguishment of debt related to the write-off of deferred financing fees, which was minimal, is included in interest expense in the accompanying consolidated statements of operations.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

During August 2001, we entered into a $97 million loan agreement for our four Canadian properties. As a result of a decline in operations at these properties in late 2001 and 2002, we were required under the loan agreement to escrow cash. In April 2003, approximately $7 million of the cash escrowed in accordance with the loan was applied to the outstanding balance of the indebtedness and approximately $2 million was released to us. As this indebtedness is denominated in United States dollars and the functional currency of the properties is Canadian dollars, at the time we entered into this loan we entered into currency forward contracts to buy U.S. dollars at a fixed price. These forward contracts hedge the currency exposure of converting Canadian dollars into U.S. dollars on a monthly basis to cover debt service payments, including the final balloon payment. These contracts have been designated as cash flow hedges of the debt service and balloon payments and are recorded at fair value on the balance sheet with offsetting changes recorded in accumulated other comprehensive income. As a result of the $7 million prepayment, a portion of the forward contracts no longer qualifies for hedge accounting. The pro-rata portion of the accumulated loss included in other comprehensive income as of the date of prepayment plus the change in the fair market value of the ineffective portion of the hedge from April 24, 2003, have been recognized in our consolidated statement of operations. All subsequent fair market value adjustments related to the ineffective portion of the hedge will be recognized in our consolidated statement of operations. The adjustments resulted in the recognition of approximately $1 million of expense, which is included in corporate and other expenses.

Operating results at our three properties located in Toronto have not yet fully recovered from the impact of SARS-related travel restrictions. As a result, in July 2003, we entered into an agreement with our lenders to modify certain covenants so that we would not be required to make additional prepayments at least through the end of the year. The terms of the modification required us to provide $10 million of cash collateral and pay an additional 25 basis points of interest on the loan. If we are required to make additional prepayments, the entire hedge may become ineffective for accounting purposes, at which time, any unrealized losses would be recognized in net income (loss). As of June 20, 2003, the unrealized loss is approximately $13 million, but is subject to adjustment based on future fluctuations in currency rates.

5. Stock Issuances and Dividends

On June 19, 2003, we issued 33,182 shares of 10% Class D Cumulative Redeemable Preferred Stock to Fernwood Holdings LLC, an indirectly wholly owned taxable subsidiary of Host LP. Dividends paid on the Class D preferred stock will equal approximately $21,000 per quarter. The holder of the Class D preferred stock is entitled to receive cumulative cash dividends at a rate of 10% per annum of the $25.00 per share liquidation preference and these dividends are payable quarterly in arrears. We have the option to redeem the Class D preferred stock at any time after July 1, 2004, for $25.00 per share, plus accrued and unpaid dividends to the date of redemption. The Class D preferred stock is on parity with our Class A, B and C preferred stock. The Class D preferred stock has not been registered with the Securities and Exchange Commission or listed on the New York Stock Exchange. In accordance with Accounting Research Bulletin No. 51, “Consolidated Financial Statements,” stock issued to a wholly-owned subsidiary is not presented on the balance sheet and dividends on such stock are not deducted in the determination of net income (loss) available to common stockholders or in the calculation of earnings per share.

On June 20, 2003, our Board of Directors declared a quarterly cash dividend of $0.625 per share for the four classes of our preferred stock. The second quarter dividend on the preferred stock was paid on July 15, 2003 to shareholders of record as of June 30, 2003. Dividends paid on the four classes of preferred stock are distributions for purposes of satisfying the minimum distribution requirement necessary to maintain our status as a REIT.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

6. Geographic Information

Our foreign operations consist of four properties located in Canada and two properties located in Mexico. There were no intercompany sales between the properties and us. The following table presents revenues for each of the geographical areas in which we own hotels.

	Quarter ended		Year-to-date	
	June 20, 2003	June 14, 2002	June 20, 2003	June 14, 2002
	(in millions)		(in millions)	
United States	$ 850	$ 889	$1,633	$1,655
International	24	28	46	49
Total revenue	$ 874	$ 917	$1,679	$1,704

7. Comprehensive Income (Loss)

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

	Quarter ended		Year-to-date	
	June 20, 2003	June 14, 2002	June 20, 2003	June 14, 2003
	(in millions)		(in millions)	
Net income (loss)	$ (14)	$ 24	$ (48)	$ 25
Other comprehensive income	4	1	12	3
Comprehensive income (loss)	$ (10)	$ 25	$ (36)	$ 28

8. Acquisitions and Dispositions

During June 2003, we acquired the remaining general partner interest and preferred equity interest held by outside partners in the 772-room JW Marriott, 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, effective June 20, 2003, we consolidated the partnership, and recorded property and equipment of $131 million and $95 million in mortgage debt.

On January 24, 2003, we sold the 299-room Ontario Airport Marriott for $26 million. Our carrying amount for this hotel on the date of sale was $24 million of fixed assets, net of depreciation, and there was no mortgage debt. We recognized a minimal gain on the sale in the first quarter of 2003. During January 2002, we disposed of the St. Louis Marriott Pavilion through a transfer of the property to the mortgage lender. For year-to-date 2003 and 2002, our revenues for these properties were $862,000, and $5,982,000, respectively, and our income before income taxes was $47,000, and $320,000, respectively.

9. Subsequent Events

On July 18, 2003, we closed on the sale of the Norfolk Waterside Marriott, Oklahoma City Waterford Marriott and the Palm Beach Gardens Marriott for $71 million. For the second quarter of 2003 and 2002, our revenues for these properties were $5.8 million and $6.0 million, respectively,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

and our income before taxes was approximately $103,000 and $250,000, respectively. Year-to-date revenues for these properties were $15.7 million and $15.9 million, respectively, and our income before taxes was $1.2 million for both year-to-date 2003 and 2002. We recorded a minimal loss on the transaction, which will be included in discontinued operations in the third quarter. The net proceeds are expected to be used to repay debt.

On July 30, 2003, we called $71 million of our 7 7/8% senior notes due in 2005 for early redemption on August 29. The terms of this debt require that we pay holders a premium in exchange for the right to retire this debt in advance of its maturity date. We will also incur a loss on the early extinguishment of debt related to the acceleration of the related deferred financing fees.

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

Overview

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements included elsewhere in this report. This discussion includes forward-looking statements about our business and operations. We identify forward-looking statements in this report by using words or phrases such as "believe," "expect," "may be," "intend," "predict," "project," "plan," "objective," "will be," "should," "estimate," or "anticipate," or the negative thereof or other variations thereof or comparable terminology. All forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause our actual transactions, results, performance or achievements to be materially different from any future transactions, results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include those risk factors included in our 2002 annual report on Form 10-K dated March 31, 2003 and in other filings with the Securities and Exchange Commission, or the SEC. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that we will attain these expectations or that any deviations will not be material. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this Form 10-Q to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

As of June 20, 2003, Host Marriott Corporation, a Maryland corporation, owned 123 hotel properties, which operate primarily in the luxury and upper-upscale hotel segments. We conduct our operations as an umbrella partnership REIT through our direct and indirect subsidiaries, including Host Marriott, L.P., a Delaware limited partnership of which we are the sole general partner and hold approximately 90% of the partnership interests. As of July 15, 2003, we were the largest hotel REIT in the National Association of Real Estate Investment Trusts composite index.

Our hotels are operated under brand names that are among the most respected and widely recognized in the lodging industry—including Marriott, Ritz-Carlton, Four Seasons, Hilton and Hyatt. The majority of our properties are located in central business districts of major cities, near airports and in resort/convention locations. Our portfolio depends on revenue from large and small group business, business travel, as well as leisure and discount travelers. The target profile of our portfolio includes upper-upscale and luxury properties in hard to duplicate locations that may allow us to maintain room rate and occupancy premiums over our competitors. We seek to maximize the value of our portfolio through aggressive asset management, by directing the managers of our hotels to reduce operating costs and increase revenues through effective marketing efforts and by completing selective capital improvements.

Our results of operations primarily represent hotel-level sales, which are room, food and beverage and other ancillary income such as telephone, parking and other guest services. Operating expenses consist of the costs to provide these services as well as depreciation, management fees, real and personal property taxes, utilities, ground rent, equipment rent, property insurance and other costs.

A significant component of the cost of owning and operating hotels is fixed in nature and does not necessarily decrease when circumstances such as market factors cause a reduction in property revenues. As a result, changes in revenues (represented by RevPAR as defined below) can result in a greater percentage change in our earnings and cash flows. In response to the decline in the operations of our hotels, we have been working with our managers to achieve certain cost reductions at the properties. We believe that these efforts have slowed the decline in the operating margins of our hotels and created meaningful efficiencies that we believe will be long-term. In 2003, our operating margin has continued to decrease from comparable periods in 2002 due to declining revenues as a result of the effect on travel of such factors as the war in Iraq, terrorist threat levels, travel reduction related to severe acute respiratory syndrome (SARS), the weak economy and because certain of our costs, such as insurance, utilities, wages and benefits, have increased at a rate greater than inflation.

Our customers can be broadly grouped into three segments: transient, group and contract. The transient segment, which includes the individual corporate and leisure traveler, is generally accommodated at a premium rate when compared to our group and contract business. The transient segment of our business has been the most severely impacted by the current operating environment. As a result, our managers have been working to increase our group and contract business, which is generally accommodated at discounted rates, in order to maintain occupancy.

Comparable Hotel-Level Results, Reporting Periods and Operating Statistics

Comparable Hotel-level Results

We define our comparable hotels as full-service properties (1) that are owned or leased by us and the operations of which we include in our consolidated results, (2) for which we reported operating results throughout the reporting periods being compared, and (3) has not sustained substantial property damage or undergone large-scale capital projects. Comparable hotel-level results do not present operating results for our non-hotel properties or the results of our leased limited service hotels.

As of June 20, 2003, we consider 119 of our portfolio of 123 full-service hotels to be comparable hotels for the periods presented. The hotels whose operating results are excluded from comparable hotel-level results for the periods presented are the New York Financial Center Marriott (substantially damaged in the September 11, 2001 terrorist attacks and re-opened in January 2002), the Boston Marriott Copley Place (acquired in June 2002), The Ritz-Carlton, Naples Golf Resort (opened in January 2002) and the JW Marriott, Washington, D.C. (consolidated in the second quarter of 2003). The comparable hotel-level results include the results of the Norfolk Waterside Marriott, the Oklahoma City Waterford Marriott and the Palm Beach Gardens Marriott, which were sold on July 18, 2003 and will be considered non-comparable when we present our third quarter hotel operating results.

We present below certain operating results for the periods presented in this quarterly report for our comparable hotels, including hotel-level operating profit. We believe that the comparable hotel-level results help us and our investors evaluate the ongoing operating performance of our hotels and facilitate comparisons with other REITs and hotel owners. Management uses these measures to establish a baseline to assess property-level results, including when we acquire or sell assets. While these measures are based on GAAP, costs such as depreciation and amortization, income taxes, interest expense, corporate expenses, and other corporate items have been incurred by us and are not reflected in this presentation. In addition, we adjust the revenues and expenses at these properties so that the results reflect comparable reporting periods as discussed below. We believe that excluding these items provides the most accurate measure of the performance of our comparable hotels. As a result, the comparable hotel-level results do not represent our total revenues, expenses or operating profit and these hotel-level results should not be used to evaluate the performance of Host Marriott as a whole. However, our consolidated statement of operations includes such amounts, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP measures.

Reporting Periods

We receive the results of operations of our hotels from our managers based on their reporting cycles, which are either monthly or every four weeks. As a REIT, we are required by tax laws to report results on a calendar year ended December 31. However, our quarterly results reflect the reporting cycle that is used by Marriott International, Inc., the manager of the majority of our properties, whose year ends on the Friday closest to December 31 and which reflect twelve weeks of operations for the first three quarters of the year and sixteen or seventeen weeks for the fourth quarter of the year. Our results are also adjusted to reflect a fiscal calendar year that has a January 1 starting date and a December 31 ending date. In any given quarter, quarter-over-quarter results could have different starting and/or ending dates. For example, the second quarter of 2003 ended on June 20 and the second quarter of 2002 ended on June 14, though both quarters reflect twelve weeks of operations. In addition, because our starting and ending dates may not match Marriott International's starting and ending dates, our first and fourth quarters of each year and year-to-date periods may not have the same number of days as was reflected in a prior year. For example, our consolidated financial statements as of June 20, 2003 reflect 171 days, while our year-to-date results as of June 14, 2002 reflect 165 days.

Approximately one-fourth of our full-service hotels are operated by managers other than Marriott International and report revenues on a monthly basis versus our four week period. The accompanying consolidated financial statements reflect three months of operations for the second quarter (March, April and May), but five months of operations year-to-date (January through May). Results in the third quarter will reflect three months of operations and fourth quarter results will reflect four months of operations for these hotels.

Operating Statistics

Our reported hotel operating statistics (i.e., RevPAR, average daily rate and average occupancy) for the quarters ended June 20, 2003 and June 14, 2002 reflect results for the twelve week periods from March 29, 2003 to June 20, 2003 and March 23, 2002 to June 14, 2002, respectively, for our Marriott-managed hotels and results for March, April and May for operations of all other hotels which report results on a monthly basis.

Our reported hotel operating statistics for year-to-date June 20, 2003 and year-to-date June 14, 2002 reflect results for the twenty four week periods (or 168 days) from January 4, 2003 to June 20, 2003 and December 29, 2001 to June 14, 2002, respectively, for our Marriott-managed hotels and results for January through May for operations of all other hotels which report results on a monthly basis.

Recent Events

Effective June 26, 2003, we re-branded our 500-room Swissôtel-Boston as a Hyatt Regency. We believe that the broader brand name recognition and management resources of Hyatt will help improve operations and drive increased profitability in the long term. This re-branding is consistent with our strategy to engage the leading hotel management companies to operate our properties.

During June 2003, we acquired the remaining general partner interest and the preferred equity interest held by outside partners in the 772-room JW Marriott, 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, effective June 20, 2003, we consolidated the partnership. This resulted in an increase to property and equipment of $131 million and an increase in debt of $95 million for the mortgage on the property.

On July 18, 2003, we closed on the sale of the Norfolk Waterside Marriott, Oklahoma City Waterford Marriott and the Palm Beach Gardens Marriott for $71 million. We recorded a minimal loss on the transaction, which will be included in discontinued operations in the third quarter.

On July 30, 2003, we called $71 million of our 7 7/8% senior notes due in 2005 for early redemption on August 29. The terms of this debt require that we pay holders a premium in exchange for the right to retire this debt in advance of its maturity date. We will also incur a loss on the early extinguishment of debt related to the acceleration of the related deferred financing fees.

Lodging Performance

The current operating environment for our hotels remains challenging as demand continues to be soft and booking cycles short. We use a measure common in the industry to evaluate the operations of a hotel—room revenue per available room, or RevPAR. RevPAR is defined as the product of the average daily room rate charged and the average daily occupancy achieved. RevPAR does not include food and beverage or other ancillary revenues such as parking, telephone or other guest services generated by the property. Additionally, we also present certain operating results and statistics on a comparable hotel basis.

The operating environment during the second quarter of 2003 was difficult due to reduced airline travel, weak economic conditions, concern over terrorist threat levels and the lingering effects of SARS, primarily at our Toronto, Canada properties. In addition, the effect of the war in Iraq on business and leisure travel resulted in a significant drop in occupancy during March and April of 2003. This effect is particularly significant for the 25% of our hotels which report on a different quarterly accounting calendar than us, as these hotels' second quarter results include operations for March through May. See "Comparable Hotel-Level Results, Reporting Periods and Operating Statistics" for further detail. During the most recent quarter, the lodging industry and our company experienced declines in RevPAR and operating profits because of reduced demand and rising operating expenses, including increased insurance costs. We expect these conditions to persist throughout 2003. We are expecting RevPAR for our comparable hotels to decline by 2.5% to 4.0% for the third quarter and decline by 3.0% to 5.0% for the full year 2003. Although we and our operators continue to focus on reducing costs and maintaining margins, it is becoming more difficult to offset revenue declines with decreases in expenses. Certain important components of our operating costs, such as wages, benefits, utilities and insurance, are expected to increase at a rate greater than inflation in 2003. Thus, operating profits and margins for each quarter in 2003 were, or are expected to be, below 2002 levels.

For the second quarter of 2003, RevPAR for our comparable hotels decreased approximately 8.2% when compared to the same period in 2002. The decline is the result of a decrease in average occupancy of 3.6 percentage points and the decline in average room rates of 3.5%. The comparable hotels in all of our key markets experienced declines in RevPAR due to the difficult operating environment, except Florida, which experienced a 0.2% RevPAR increase, driven by strong performance in our Tampa market, which increased by 20%. Our North Central region experienced a RevPAR decline of only 2.1%, as our Downtown Chicago properties benefited from positive RevPAR growth and a strong convention market. Our Washington, D.C. region also continued to outperform the portfolio, with a RevPAR decline of just 2.5%, as several of our Northern Virginia hotels enjoyed a strong quarter.

Our Canadian hotels were significantly affected in the quarter as a result of the SARS epidemic, particularly in Toronto where RevPAR declined by 31%. The Atlanta market also had a difficult quarter with RevPAR declines of 16.4% as a result of increased convention competition from markets such as Orlando or New Orleans for large group functions. Operations in San Francisco continued to be weak, with RevPAR falling 13%, although these results were generated by softer demand in the suburbs and airport markets as opposed to the downtown hotels. Our San Diego market, which continued to benefit from a solid convention calendar, experienced a RevPAR decline of just 2% for the quarter. RevPAR for our New York hotels declined by 11%, as soft performance in the suburban markets was partially offset by better performance at the Marquis, which was down just 8%. Our Philadelphia market, which outperformed virtually all of last year, suffered from tough comparisons and a slow convention schedule, leading to a RevPAR decline of 10%.

Each of our market types (downtown, resort, airport and suburban), experienced declines in RevPAR for the second quarter of 2003 when compared to the second quarter of 2002. Our resort hotels had the best results for the quarter, with RevPAR declining just 5.8%. Within this market type, The Ritz-Carlton, Naples enjoyed a RevPAR increase of 2.7%. Our suburban hotels and urban hotels experienced RevPAR declines of 8.0% and 8.6% respectively. Our airport hotels, which were most affected by the decline in travel because of concerns surrounding the Iraq war, fell by 10.1%.

Table of Contents

The following table presents certain operating results and statistics for the periods presented in this report for our comparable hotels that we believe are useful to investors, including comparable hotel-level operating profit. See “Comparable Hotel-Level Results, Reporting Periods and Operating Statistics” for further detail.

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

	Quarter ended		Year-to-date	
	June 20, 2003	June 14, 2002	June 20, 2003	June 14, 2002
Number of hotels	119	119	119	119
Number of rooms	56,942	56,942	56,942	56,942
Percent change in Comparable RevPAR	(8.2)%	—	(7.0)%	—
Comparable hotel sales				
Room	$ 485	$ 529	$ 930	$ 1,000
Food and beverage	270	281	508	529
Other	57	65	110	123
Comparable hotel sales (b)	812	875	1,548	1,652
Comparable hotel expenses				
Room	117	125	225	236
Food and beverage	193	198	367	374
Other	34	36	64	67
Management fees, ground rent and other costs	273	277	526	525
Comparable hotel expenses (c)	617	636	1,182	1,202
Comparable Hotel-Level Operating Profit	195	239	366	450
Non-comparable hotel results, net (d)	8	5	18	3
Office building and limited service properties, net	1	—	1	—
Other income	—	—	2	—
Depreciation and amortization	(86)	(84)	(174)	(167)
Corporate and other expenses	(13)	(12)	(27)	(29)
Operating Profit for Host Marriott	$ 105	$ 148	$ 186	$ 257

(a) For further detail, see “Comparable Hotel-Level Results, Reporting Periods and Operating Statistics.”

Table of Contents

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

	Quarter ended		Year-to-date	
	June 20, 2003	June 14, 2002	June 20, 2003	June 14, 2002
Revenues per the consolidated statement of Operations	$ 874	$ 917	$ 1,679	$ 1,704
Non-comparable hotel sales	(55)	(35)	(100)	(59)
Hotel sales for the property for which we receive rental income, net	10	10	22	21
Rental income for office buildings and limited service hotels	(17)	(17)	(34)	(33)
Other income	—	—	(2)	—
Adjustment for hotel sales for comparable hotels to reflect twenty-four weeks of operations for Marriott-managed hotels	—	—	(17)	19
Comparable hotel sales	$ 812	$ 875	$ 1,548	$ 1,652

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

	Quarter ended		Year-to-date	
	June 20, 2003	June 14, 2002	June 20, 2003	June 14, 2002
Operating costs and expenses per the consolidated statements of operations	$ 769	$ 769	$ 1,493	$ 1,447
Non-comparable hotel expenses	(48)	(31)	(88)	(56)
Hotel expenses for the property for which we receive rental income	11	11	26	25
Rent expense for office buildings and limited service hotels	(16)	(17)	(33)	(33)
Adjustment for hotel expenses for comparable hotels to reflect twenty – four weeks of operations for Marriott-managed hotels	—	—	(15)	15
Depreciation and amortization	(86)	(84)	(174)	(167)
Corporate and other expenses	(13)	(12)	(27)	(29)
Comparable hotel expenses	$ 617	$ 636	$ 1,182	$ 1,202

(d) Non-comparable hotel results, net includes the following items: (i) the results of operations of our non-comparable hotels and (ii) the difference between the comparable hotel-level operating profit which reflects 168 days of operations year-to-date and the operating results included in the consolidated statement of operations which reflects 171 and 165 days for year-to-date 2003 and 2002, respectively. For further detail, see “Comparable Hotel-Level Results, Reporting Periods and Operating Statistics.”

Table of Contents

The following tables set forth performance information for our full-service hotels by geographic region as of June 20, 2003 and June 14, 2002 for our comparable hotels, as well as all full-service hotels:

Comparable Hotels by Region[(1)]

	As of June 20, 2003		Quarter ended June 20, 2003			Quarter ended June 14, 2002			
	No. of Properties	No. of Rooms	Average Daily Rate	Average Occupancy Percentages	RevPAR	Average Daily Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Atlanta	15	6,563	$ 133.67	63.8%	$ 85.26	$ 147.85	69.0%	$ 101.99	(16.4)%
DC Metro	13	4,998	141.80	76.4	108.34	144.63	76.9	111.17	(2.5)
Florida	13	7,582	166.59	72.1	120.14	163.43	73.4	119.95	0.2
International	6	2,552	110.16	61.4	67.69	109.88	72.2	79.38	(14.7)
Mid-Atlantic	9	6,222	179.66	75.5	135.55	191.15	79.0	150.93	(10.2)
Mountain	8	3,313	103.78	64.3	66.78	107.90	69.3	74.79	(10.7)
New England	6	2,277	125.86	63.1	79.45	134.37	69.1	92.91	(14.5)
North Central	15	5,395	123.23	67.4	83.10	122.52	69.3	84.87	(2.1)
Pacific	22	11,526	149.32	66.5	99.27	157.27	70.1	110.22	(9.9)
South Central	12	6,514	128.39	76.7	98.53	134.14	81.0	108.66	(9.3)
All Regions	119	56,942	142.98	69.5	99.41	148.11	73.1	108.32	(8.2)

Comparable Hotels by Region[(1)]

	As of June 20, 2003		Year-to-date June 20, 2003			Year-to-date June 14, 2002			
	No. of Properties	No. of Rooms	Average Daily Rate	Average Occupancy Percentages	RevPAR	Average Daily Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Atlanta	15	6,563	$ 136.26	66.0%	$ 89.98	$ 145.25	69.1%	$ 100.50	(10.5)%
DC Metro	13	4,998	139.90	71.0	99.35	140.51	70.2	98.66	0.7
Florida	13	7,582	170.83	74.5	127.22	168.41	76.4	128.65	(1.1)
International	6	2,552	107.85	64.1	69.11	109.61	69.2	75.83	(8.9)
Mid-Atlantic	9	6,222	173.89	72.6	126.29	184.29	77.6	143.03	(11.7)
Mountain	8	3,313	109.42	64.7	70.82	117.82	68.9	81.21	(12.8)
New England	6	2,277	121.10	59.4	71.99	127.21	64.0	81.46	(11.6)
North Central	15	5,395	118.51	63.9	75.74	117.92	65.7	77.52	(2.3)
Pacific	22	11,526	153.04	66.5	101.77	157.87	70.2	110.82	(8.2)
South Central	12	6,514	130.89	77.2	101.11	137.17	79.9	109.57	(7.7)
All Regions	119	56,942	143.78	69.1	99.34	148.19	72.1	106.77	(7.0)

(1) Results include the operations of the Norfolk Waterside Marriott, Oklahoma City Waterford Marriott and the Palm Beach Gardens Marriott, which were sold on July 18, 2003. Excluding these hotels, our RevPAR would be $99.71 and $99.64, respectively, for the quarter ended and year-to-date June 20, 2003 and $108.75 and $107.16, respectively, for the quarter ended and year-to-date June 14, 2002. For further detail, see “Comparable Hotel-Level Results, Reporting Periods and Operating Statistics.”

All Full-Service Hotels by Region(1)

	As of June 20, 2003		Quarter ended June 20, 2003			Quarter ended June 14, 2002			
	No. of Properties(2)	No. of Rooms(2)	Average Daily Rate	Average Occupancy Percentages	RevPAR	Average Daily Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Atlanta	15	6,563	$133.67	63.8%	$ 85.26	$147.85	69.0%	$101.99	(16.4)%
DC Metro	14	5,770	141.80	76.4	108.34	144.63	76.9	111.17	(2.5)
Florida	14	7,877	170.68	71.7	122.34	167.10	72.9	121.78	0.5
International	6	2,552	110.16	61.4	67.69	109.88	72.2	79.38	(14.7)
Mid-Atlantic	10	6,726	180.86	75.2	136.02	190.62	78.8	150.14	(9.4)
Mountain	8	3,313	103.78	64.3	66.78	107.87	69.3	74.77	(10.7)
New England	7	3,416	149.55	69.4	103.82	134.85	69.2	93.33	11.2
North Central	15	5,395	123.23	67.4	83.10	122.52	69.3	84.87	(2.1)
Pacific	22	11,526	149.32	66.5	99.27	157.81	70.2	109.33	(9.2)
South Central	12	6,514	128.39	76.7	98.53	134.14	81.0	108.66	(9.3)
All Regions	123	59,652	145.12	69.8	101.22	148.78	73.1	108.75	(6.9)

All Full-Service Hotels by Region(1)

	As of June 20, 2003		Year-to-date June 20, 2003			Year-to-date June 14, 2002			
	No. of Properties(2)	No. of Rooms(2)	Average Daily Rate	Average Occupancy Percentages	RevPAR	Average Daily Rate	Average Occupancy Percentages	RevPAR	Percent Change in RevPAR
Atlanta	15	6,563	$136.26	66.0%	$ 89.98	$145.52	69.1%	$100.50	(10.5)%
DC Metro	14	5,770	139.90	71.0	99.35	140.51	70.2	98.66	0.7
Florida	14	7,877	174.80	74.1	129.53	171.79	75.9	130.39	(0.7)
International	6	2,552	107.85	64.1	69.11	109.61	69.2	75.83	(8.9)
Mid-Atlantic	10	6,726	175.64	72.5	127.38	183.48	77.1	141.50	(10.0)
Mountain	8	3,313	109.42	64.7	70.82	117.77	68.9	81.18	(12.8)
New England	7	3,416	140.98	65.3	92.04	127.52	64.1	81.72	12.6
North Central	15	5,395	118.51	63.9	75.74	117.92	65.7	77.52	(2.3)
Pacific	22	11,526	152.79	66.5	101.66	156.51	70.3	110.08	(7.6)
South Central	12	6,514	130.89	77.2	101.11	136.78	79.2	108.36	(6.7)
All Regions	123	59,652	145.48	69.2	100.73	148.67	72.0	106.97	(5.8)

(1) Results include the operations of the Norfolk Waterside Marriott, Oklahoma City Waterford Marriott and the Palm Beach Gardens Marriott, which were sold on July 18, 2003. For further detail, see "Comparable Hotel-Level Results, Reporting Periods and Operating Statistics."

(2) The number of properties and the room count reflect all consolidated properties as of June 20, 2003. However, the results of operations do not include the JW Marriott, Washington, D.C. We acquired the remaining partnership interests in this hotel during June 2003 and began to consolidate these operations effective June 20, 2003.

2003 Compared to 2002

Our quarterly reporting periods most closely follow the reporting periods of the manager who manages the majority of our properties. For further detail, see "Comparable Hotel-Level Results, Reporting Periods and Operating Statistics."

Revenues. Hotel sales decreased $43 million, or 5%, to $850 million for the second quarter of 2003 and decreased $28 million, or 2%, to $1.6 billion year-to-date. The decrease in revenues primarily reflects the continued weakness in the lodging industry due to reduced travel by business and leisure travelers and the slow growth of the economy. For year-to-date 2003, this was partially offset by hotel sales recorded for the six extra days in the first quarter of 2003 due to our reporting cycle. This decrease in revenues also reflects an 8.2% and 7.0% decline in comparable RevPAR for the second quarter and year-to-date, respectively, when compared to 2002.

During the second quarter of 2003, our RevPAR decline was attributable to reduced demand in the group, contract and transient segments of our business. In particular, the decline was driven by further deterioration in our corporate transient and corporate group business. The decline in group demand was most pronounced in our larger group hotels, which were affected in April and May by higher attrition levels and a reduction in short term bookings prompted by war-related concerns.

Rental income was $24 million for the second quarter of 2003 and the second quarter of 2002 but increased $1 million, or 2%, to $51 million year-to-date when compared to the same period in 2002. Rental income year-to-date 2003 and 2002 includes: 1) lease income from our limited service hotel leases of $32 million and $31 million, respectively, 2) lease income from one full-service hotel of $17 million for both periods and 3) office space rental income of $2 million for both periods.

Operating Costs and Expenses. Operating costs and expenses were $769 million for the second quarter of 2003 and the second quarter of 2002 and increased $46 million, or 3%, to $1.5 billion for year-to-date 2003. This increase is primarily the result of increased costs for insurance, utilities, wages and benefits at the hotels. In addition, for year-to-date 2003, the increase is also attributable to the six extra days included in the first quarter of 2003. Rental and other expense year-to-date June 20, 2003 and June 14, 2002 includes: 1) expense for our limited service hotel leases of $32 million for both periods, 2) expense related to one full-service property of $3 million for both periods, and 3) office building expenses of approximately $1 million for both periods. These expenses are included in other property-level expenses on the consolidated statements of operations.

Corporate and Other Expenses. Year-to-date 2003, corporate and other expenses decreased $2 million, primarily as a result of a decrease in restricted stock compensation expense.

Minority Interest Income (Expense). Minority interest expense declined $7 million for the second quarter of 2003 and $13 million year-to-date when compared to the same periods in 2002. The decrease is primarily due to the decrease in the net income of the operating partnership of $42 million for the second quarter of 2003 and $81 million for year-to-date 2003 and a decrease in the earnings from our consolidated hotel partnerships that have minority partners.

Discontinued Operations. During January 2002, we transferred the St. Louis Marriott Pavilion to the mortgage lender in a non-cash transaction. In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” which we adopted January 1, 2002, we recorded the difference between the debt extinguished, the deferred incentive management fees forgiven and the fair value of the assets surrendered of $22 million, net of tax expense of $9 million, as income from discontinued operations in the accompanying consolidated statements of operations. During January 2003, we sold the Ontario Airport Marriott. The operating results and net gain from discontinued operations for the hotel for 2003 were minimal. The operating results for the hotel were $1 million for year-to-date 2002.

Liquidity and Capital Resources

Our principal sources of cash are cash from operations, the sale of assets, borrowings under our credit facility and our ability to obtain additional financing through various financial markets. Our principal uses of cash are payments of debt, capital expenditures, asset acquisitions, operating costs, corporate expenses, and distributions to our equity holders and minority owners of the operating partnership. We believe our sources of cash will be sufficient to meet our liquidity needs.

As of June 20, 2003, we had $312 million of cash and cash equivalents, which was a decrease of $49 million from our December 31, 2002 balance, principally due to debt principal amortization and the decline in operations. In addition, we have $130 million of restricted cash as a result of lender and management agreement restrictions (including reserves for debt service, real estate taxes, insurance, furniture and fixtures, as well as cash collateral and excess cash flow deposits).

We will continue to maintain higher than normal cash balances in 2003 until we see consistent improvement in operations. We believe we have sufficient cash to deal with our minimal near-term debt maturities, as well as any incremental decline in business. We currently have $250 million of availability under our credit facility and have no amounts outstanding thereunder. During the second quarter of 2003, we successfully modified the credit facility to provide more flexibility in meeting certain tests under the covenants. As part of the modification, effective on or before November 2003, the commitment under the credit facility will be reduced to $300 million, with current availability of not more than $250 million. However, availability under the credit facility could increase to $300 million if, at any time after the third quarter of 2003, Host LP's leverage ratio falls below 6.75x.

Through December 2004, approximately $189 million of our mortgage debt matures, and we will have an additional $85 million of regularly scheduled amortization on our mortgage debt. The 2003 debt maturities include $65 million of mortgage debt on the Marriott World Trade Center hotel and $95 million from the recently consolidated JW Marriott, Washington, D.C. hotel. We currently intend to refinance the $95 million mortgage, which matures in December 2003, with floating rate debt. We have no other significant refinancing requirements until 2005.

In 2003, we sold four hotels not considered by our management as "core," or important hotels. We will continue to pursue opportunities to dispose of other non-core assets consistent with our strategy of recycling capital. We continue to have discussions with potential buyers for certain of our non-core hotels. We believe that, if consummated, sales of non-core properties could result in additional proceeds of $50 to $150 million for the remainder of the year. We intend to use the proceeds from dispositions to repay debt, though we may elect to invest in our current portfolio or to acquire additional hotels. There can be no assurance that any further dispositions will occur.

We remain interested in pursuing single asset and portfolio acquisitions and have discussed the possibility of these transactions with several interested parties. We 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 hard to duplicate urban, convention and resort locations. The purchase price for any new acquisition may be funded, in part, by the issuance of equity securities. However, we cannot be certain as to the size or timing of acquisition opportunities or of our ability to obtain acquisition financing, if needed.

Cash provided by Operations. Our cash provided by continuing operations for 2003 decreased $85 million, or 46%, to $99 million when compared to the same period in 2002. The decrease is primarily due to the decline in operations at our hotels, which we previously discussed, and a $23 million payment for previously deferred income taxes related to the repayment of a partnership note.

Cash used in Investing Activities. Capital expenditures at our properties have decreased by $2 million, or 2%, to $94 million when compared to the same period in 2002. Capital improvements and room refurbishments occur at intervals of approximately seven years; however, the exact timing is based on an annual review of the condition of each property. In general, we have spent approximately $200 to $250 million annually on refurbishments and capital improvements. We expect capital expenditures for 2003 to be $200 million to $220 million, the vast majority of which would be funded by the furniture and fixture reserves established at our hotels (typically 5% of property revenues) and, to a lesser extent by our available cash. During the first quarter of 2003, we received $25 million in net proceeds from our sale of the Ontario Airport Marriott. On July 18, 2003, we sold the Norfolk Waterside Marriott, Oklahoma City Waterford Marriott and the Palm Beach Gardens Marriott for approximately $71 million.

Cash used in Financing Activities. Cash used in financing activities for 2003 primarily consisted of debt prepayments of $32 million (described below), principal repayments on mortgage debt of $24 million and preferred stock dividend payments of $18 million. On June 20, 2003, we announced that our Board of Directors had declared a dividend of $0.625 per share of preferred stock, which was paid on July 15, 2003 to preferred shareholders of record on June 30, 2003. We did not declare a dividend on our common stock.

In the first quarter of 2003, we repurchased $8 million of our 9.25% senior notes due in 2007 at par and prepaid $17 million of mortgage debt related to two of our Ritz-Carlton properties. During the second quarter of 2003, we made a prepayment of $7 million on the mortgage debt secured by our four Canadian hotels.

To reduce future cash interest payments, as well as future amounts due at maturity or upon redemption, we may from time to time 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. Our Board of Directors has authorized us to purchase or retire certain of our senior notes using cash reserves in an amount not to exceed the lesser of the net proceeds from asset sales (other than sales structured as tax-free exchanges) or $150 million, of which $124 million is available. Repurchases of debt, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. On July 30, 2003, we called $71 million of our 7 $^{7}/_{8}$% senior notes due in 2005 for early redemption.

Debt. As of June 20, 2003, our total consolidated debt was $5.7 billion. The weighted average interest rate of all our debt is approximately 7.9% and our current average maturity is five years. Additionally, 90% of our debt has a fixed rate of interest as of June 20, 2003. Over time, we expect to increase the proportion of floating rate debt in our capital structure to 20% to 25% of our total debt. We may do this through the use of derivative instruments including interest rate swaps.

Under the terms of our senior notes indenture and the credit facility, our ability to incur indebtedness is subject to restrictions and the satisfaction of various conditions, including an EBITDA-to-interest coverage ratio (as defined in the senior notes indenture) of at least 2.0 to 1.0. We do not currently meet this interest coverage ratio incurrence test. As a result, our ability to incur indebtedness is limited to indebtedness specifically permitted under the credit facility and the senior notes indenture, such as borrowings under the credit facility and borrowings in connection with a refinancing of existing debt.

Our failure to meet this interest coverage ratio also restricts our ability to pay dividends on our common and preferred equity, except to the extent necessary to maintain our status as a REIT. Required income distributions for 2002 to maintain REIT status were satisfied in part by payment of dividends on the preferred stock in 2002. We believe that the remaining 2002 income distribution requirement should be satisfied by the payment of dividends that were declared on the preferred stock in the first and second quarters of 2003, and those which are expected to be declared on preferred stock in the third quarter of 2003. While we currently have, and continue to expect to have, more than adequate cash to pay dividends on our preferred stock, the payment of any fourth quarter dividend on our preferred stock will depend on 2003 operating performance and its impact on taxable income and whether our EBITDA-to-interest coverage ratio is at least 2.0 to 1.0. Our taxable income will vary based on a number of factors including our results from operations and level of capital expenditures.

Based on our current outlook of taxable income and EBITDA-to-interest coverage ratio, we think it is unlikely we will pay a fourth quarter 2003 preferred stock dividend. The ability to pay the preferred dividend in subsequent quarters will depend on several factors, including (i) our ability to comply with or modify restrictive covenants in our senior notes indenture and our credit facility that restrict our ability to pay dividends and (ii) the amount of our taxable income or loss.

We have not paid a dividend on our common stock since the third quarter of 2001, and we do not currently expect to pay a common dividend for the remainder of 2003. The decision to reinstate the dividend on our common stock (including the amount of any such dividend) will be made by our Board of Directors and will depend on several factors, including those described above, as well as our liquidity and any accrued unpaid dividends on our preferred stock.

We have $3.2 billion of senior notes outstanding that are currently rated by Moody’s and Standard & Poor’s. As a result of the significantly reduced operating levels, the ratings on these senior notes and the senior notes issued by many other lodging companies have been downgraded or placed on negative credit watch. On February 13, 2003, Standard and Poor’s downgraded its rating on our senior debt from BB- to B+. At the same time Standard & Poor’s also downgraded its rating on our preferred stock from B- to CCC+. On February 28, 2003, Moody’s affirmed its rating of Ba3 on our senior notes debt and B3 on our preferred stock. While we have no significant senior note maturities until 2005, if operations were to decline further, or if our credit ratios do not otherwise improve, the ratings on our senior notes could be reduced further. Moody’s and Standard & Poor’s also rate our preferred stock and each of these agencies have indicated that, to the extent that we are unable to continue to make dividend payments on our preferred stock (by virtue of the limitations imposed on us under our senior notes indenture), they may downgrade the rating they assign to these securities, which may, in turn, result in a further downgrade of our senior notes. If we were unable to subsequently improve our credit ratings, our cost to issue additional senior notes, to refinance this debt as it comes due or to issue additional preferred stock would likely increase.

All of our mortgage debt is recourse solely to specific assets except in instances of fraud, misapplication of funds and other customary recourse provisions. We have 31 assets that are secured by mortgage debt. Twelve of these assets are secured by mortgage debt that contains restrictive covenants that 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 impact of these covenants is discussed below.

Eight of our hotel properties secure a $601 million mortgage loan that is the sole asset of a trust that issued commercial mortgage pass-though certificates, which we refer to as the CMBS Loan. The hotels securing the CMBS Loan are the New York Marriott Marquis, the San Francisco Airport Hyatt Regency, the Cambridge Hyatt Regency, the Reston Hyatt Regency, the Boston Hyatt Regency, The Drake Hotel New York, the Swissôtel Atlanta and the Swissôtel Chicago, which we refer to as the CMBS Portfolio. The CMBS Loan contains a provision that requires the mortgage servicer to retain certain excess cash flow from the CMBS Portfolio after payment of debt service if net cash flow after payment of taxes, insurance, ground rent and reserves for furniture, fixtures and equipment for the trailing twelve months declines below $96 million. Annual debt service is $64 million. As a result of the effect of the weak economy on our operations, this provision was triggered beginning in the third quarter of 2002 and will remain in effect until the CMBS Portfolio generates the necessary minimum cash flow for two consecutive quarters, at which point, the cash that has been escrowed will be returned to us. As of June 20, 2003, approximately $13 million of cash has been escrowed. Additional amounts will be escrowed, and these amounts may be significant. There can be no assurance that the CMBS Portfolio will reach the minimum cash flow for the required period of time so that the cash will be released.

During August 2001, we entered into a $97 million loan agreement for our four Canadian properties. As a result of a decline in operations at these properties in late 2001 and 2002, we were required under the loan agreement to escrow cash. In April 2003, approximately $7 million of the cash escrowed in accordance with the loan was applied to the outstanding balance of the indebtedness and approximately $2 million was released to us. As this indebtedness is denominated in United States dollars and the functional currency of the properties is Canadian dollars, at the time we entered into this loan we entered into currency forward contracts to buy U.S. dollars at a fixed price. These forward contracts hedge the currency exposure of converting Canadian dollars into U.S. dollars on a monthly basis to cover debt service payments, including the final balloon payment. These contracts have been designated as cash flow hedges of the debt service and balloon payments and are recorded at fair value on the balance sheet with offsetting changes recorded in accumulated other comprehensive income. As a result of the $7 million prepayment, a portion of the forward contracts no longer qualifies for hedge accounting. The pro-rata portion of the accumulated loss included in other comprehensive income as of the date of prepayment plus the change in the fair market value of the ineffective portion of the hedge from April 24, 2003 have been recognized in our consolidated statement of operations. All subsequent fair market value adjustments related to the ineffective portion of the hedge will be recognized in our consolidated statement of operations. The adjustments resulted in the recognition of approximately $1 million of expense, which is included in corporate and other expenses.

Operating results at our three properties located in Toronto have not yet fully recovered from the impact of SARS related travel restrictions. As a result, we entered into an agreement with our lenders to modify certain covenants so that we would not be required to make additional prepayments at least through the end of the year. The terms of the modification required us to provide $10 million of cash collateral and pay an additional 25 basis points of interest on the loan. If we are required to make additional prepayments, the entire hedge may become ineffective for accounting purposes, at which time, any unrealized losses would be recognized in net income(loss). As of June 20, 2003, the unrealized loss is approximately $13 million, but is subject to adjustment based on future fluctuations in currency rates.

Other Real Estate Investments. We own a 50% interest in a joint venture with Marriott International that owns, through two limited partnerships, 120 Courtyard by Marriott properties totaling 17,550 rooms. The joint venture has approximately $905 million of debt. This debt is comprised of first mortgage loans secured by the properties owned by each of the two partnerships, senior notes secured by the ownership interest in one partnership and mezzanine debt. The mezzanine debt is an obligation of the joint venture and was provided by an affiliate of Marriott International. None of the debt is recourse to, or guaranteed by, us or any of our subsidiaries. RevPAR at the Courtyard hotels declined 7.1% in the second quarter of 2003 when compared to the second quarter of 2002 and 4.8% year-to-date. Based on our current forecasts for the full year 2003, the hotels in one of these two partnerships may not generate sufficient cash flow from operations to fund the partnership's debt service obligations. If there is insufficient cash flow to fund its debt service obligations, the partnership would continue to make use of (i) a senior note debt service reserve, (ii) certain rights to require repayment to the partnership of a portion of its ground rent previously paid and (iii) subordination provisions for current payments in its ground leases and management agreements to cover any shortfall. As of June 20, 2003, the joint venture has deferred a total of $3.6 million in ground rent and base management fees. Interest does not accrue on such deferred amounts, but these amounts must be repaid prior to distributions to equityholders. In addition, we anticipate that the joint venture will defer interest payments on the mezzanine debt at least until the fourth quarter of 2003. As of June 20, 2003, the joint venture has deferred $13 million of interest payments on the mezzanine debt. Deferral of the interest payments due on the mezzanine debt is not a default. To the extent deferred, unpaid mezzanine debt interest amounts are added to principal and earn interest at 13%. As of June 20, 2003, the partnerships and the joint venture maintained aggregate unrestricted cash balances of approximately $19 million.

FFO per Diluted Share and EBITDA

FFO per Diluted Share

The National Association of Real Estate Investment Trusts, or NAREIT, defines Funds From Operations, or FFO, as net income (computed in accordance with GAAP) excluding gains (or losses) from sales of real estate and real estate-related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. FFO is presented on a per share basis after making adjustments for the effects of dilutive securities. We use FFO per diluted share as a measure of our performance because historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. However, because real estate values have historically risen or fallen with market conditions, most industry investors have considered presentation of operating results for real estate companies that use historical cost accounting to be less informative. NAREIT adopted the definition of FFO in order to promote an industry-wide standard measure of REIT operating performance. Accordingly, as a member of NAREIT, we have adopted FFO per share as a measure to evaluate our performance in comparison to our peer group in NAREIT, substantially all of which use the same measure. We believe that the presentation of FFO per diluted share provides useful information to investors regarding our results of operations because it is a better measure of our operating performance. In addition, it facilitates comparisons between us and other REITs, including when making investment decisions. FFO per diluted share is also used by the Compensation Policy Committee of the Board of Directors to establish criteria for performance-based compensation and in the annual budget process.

EBITDA

Earnings Before Interest, Income Taxes, Depreciation and Amortization, or EBITDA, is a commonly used measure of performance in many industries which management believes provides useful information to investors regarding our results of operations. EBITDA helps us and our investors evaluate the ongoing operating performance of our properties and facilitates comparisons between us and other lodging REITs, hotel owners who are not REITs and other capital-intensive companies. Management uses EBITDA to provide a baseline when evaluating property-level results. Management also uses EBITDA as one measure in determining the value of acquisitions and dispositions and, like FFO per diluted share, it is widely used by management in the annual budget process.

Adjusted EBITDA

Management has historically adjusted EBITDA when evaluating our performance because we believe that the exclusion of certain recurring items described below is necessary to provide the most accurate measure of the performance of our investment portfolio and to more fully reflect the ongoing value of the Company as a whole. Due to recent guidance provided by the SEC, we now do not reflect such items when calculating EBITDA but, instead, adjust for these items and refer to this measure as Adjusted EBITDA. Adjusted EBITDA for the second quarter of 2003 reflects EBITDA adjusted for the following items:

- Gains and Losses on Dispositions and Related Debt Extinguishments – We exclude the effect of the gains and losses recorded on the disposition of assets and the related debt extinguishments because we believe that including them in EBITDA is not consistent with reflecting the ongoing performance of our remaining assets. In addition, material gains or losses from the depreciated value of the assets disposed of, and the related debt extinguishments could be less important to investors, given that the depreciated asset often does not reflect the market value of real estate assets (as noted above for FFO).
- Consolidated Partnership Adjustments – We exclude the minority interest in the income or loss of our consolidated partnerships because we believe that including them in EBITDA does not reflect the impact of the minority interest position on our performance because these amounts effectively include our minority partners' pro-rata portion of depreciation, amortization and interest expense, which are excluded from EBITDA. However, we believe the cash distributions paid to minority partners is a more relevant measure, and have included the effect of these cash distributions in the calculation of Adjusted EBITDA.
- Equity Investment Adjustments – We exclude the equity in earnings (losses) of unconsolidated investments in partnerships and joint ventures because our percentage in the earnings (losses) does not reflect the impact of our minority interest position on our performance and these amounts effectively include our pro-rata portion of depreciation, amortization and interest expense, which are excluded from EBITDA. However, we believe that cash distributions we receive are a more relevant measure of the performance of our investment and, therefore, we include the cash distributed to us from these investments in the calculation of Adjusted EBITDA.

In previous periods, we also adjusted EBITDA for non-cash items such as stock compensation expense and fair market value adjustments to hedge instruments and foreign currency adjustments. Due to recent guidance provided by the SEC, we have modified our calculation to exclude these adjustments and, accordingly, have adjusted our prior period presentations to conform to the new presentation.

Limitations on the Use of Non-GAAP Financial Measures

FFO per diluted share, as presented, may not be comparable to measures calculated by other companies who do not use the NAREIT definition. Although FFO per diluted share is a useful measure when comparing our results to other REITs, it may not be helpful to investors when comparing us to non-REITs. EBITDA and Adjusted EBITDA, as presented, may not be comparable to measures calculated by other companies. This information should not be considered as an alternative to net income, operating profit, cash from operations, or any other operating performance measure prescribed by GAAP. Cash expenditures for various long-term assets (such as renewal and replacement capital expenditures), interest expense (for EBITDA and Adjusted EBITDA purposes only) and other items have been and will be incurred and are not reflected in the EBITDA, Adjusted EBITDA and FFO per diluted share presentations. Additionally, FFO per diluted share, EBITDA and Adjusted EBITDA should not be considered as a measure of our liquidity or indicative of funds available to fund our cash needs, including our ability to make cash distributions.In addition, FFO per diluted share does not measure, and, should not be used as a measure of amounts that accrue directly to shareholders' benefit. However, our consolidated statement of operations and cash flows include disclosure of our interest expense, capital expenditures, and other items, all of which should be considered when evaluating our performance, as well as the usefulness of our non-GAAP financial measures.

The following tables provide a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA and reconciliation of net income (loss) available to common shareholders to Funds from Operations per Diluted Share (in millions, except per share amounts):

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA

	Quarter ended		Year-to-date	
	June 20, 2003	June 14, 2002	June 20, 2003	June 14, 2002
Net income (loss)	$ (14)	$ 24	$ (48)	$ 25
Interest expense	107	106	218	211
Dividends on Convertible Preferred Securities (a)	8	8	15	15
Depreciation and amortization	86	84	174	168
Income tax expense	6	11	2	15
EBITDA	193	233	361	434
Gain and losses on dispositions and related debt Extinguishments	(1)	(1)	(2)	(15)
Consolidated partnership adjustments:				
Minority interest (income) expense	(1)	6	(2)	11
Distributions to minority interest partners of Host LP and other minority partners	(3)	(5)	(4)	(7)
Equity investment adjustments:				
Equity in (earnings) losses of affiliates	3	(1)	9	3
Distributions received from equity investments	2	1	3	2
Adjusted EBITDA	$ 193	$ 233	$ 365	$ 428

(a) These dividends are paid to a wholly-owned trust whose sole asset is the mandatorily redeemable convertible subordinated debentures due 2026. These dividends are used by the trust to make interest payments on the debentures.

Table of Contents

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

	Quarter ended June 20, 2003			Quarter ended June 14, 2002		
	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount
Net income (loss) available to common shareholders	$ (23)	264.7	$ (.09)	$ 15	263.0	$ 06
Adjustments:						
Depreciation and amortization	85	—	.32	.83	—	.31
Partnership adjustments	3	—	.02	.8	—	.03
FFO of minority partners of Host LP (a)	(6)	—	(.02)	(10)	—	(.03)
Adjustments for dilutive securities: (b)						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	2.8	(.01)	—	3.3	(.01)
Assuming conversion of Convertible Preferred Securities	—	—	—	8	30.9	(.01)
FFO per diluted share (c)	$ 59	267.5	$ .22	$ 104	297.2	$ .35

	Year-to-date June 20, 2003			Year-to-date June 14, 2002		
	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount
Net income (loss) available to common shareholders	$ (66)	264.5	$ (.25)	$ 7	262.3	$ 03
Adjustments:						
Gain from discontinued operations	—	—	—	(13)	—	(.05)
Depreciation and amortization	171	—	.65	166	—	.63
Partnership adjustments	6	—	.02	14	—	.05
FFO of minority partners of Host LP (a)	(11)	—	(.04)	(16)	—	(.06)
Adjustments for dilutive securities: (b)						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price	—	2.7	(.01)	—	3.2	(.01)
Assuming conversion of Convertible Preferred Securities	—	—	—	15	30.9	(.01)
FFO per diluted share (c)	$ 100	267.2	$ .37	$ 173	296.4	$ .58

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

(b) The share count has not been adjusted for shares of common stock issuable upon redemption of common OP Units outstanding held by minority partners in Host LP as they were antidilutive for all periods presented. For the quarters ended June 20, 2003 and June 14, 2002, there were 27.4 million and 26.9 million, respectively, weighted average units outstanding. For year-to-date June 20, 2003 and June 14, 2002, there were 27.5 million and 24.2 million, respectively, weighted average units outstanding.

(c) 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 Preferred Securities. No effect is shown for securities if they are anti-dilutive.

The deficiency of earnings to fixed charges and preferred stock dividends was $52.5 million year-to-date 2003 and our ratio of earnings to fixed charges was 1.1 to 1.0 year-to-date 2002. In accordance with SEC regulations, the ratio is calculated as the sum of pre-tax income from continuing operations before adjustments for minority interest and income (loss) from equity investments plus amortization of capitalized interest, distributions from equity investments and fixed charges less capitalized interest and dividends on preferred stock divided by fixed charges which is the sum of interest expensed and capitalized, dividends on Convertible Preferred Securities and preferred stock and the estimate of interest within rental expense.

New Accounting Pronouncements

The Financial Accounting Standards Board recently issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” This statement requires 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. A freestanding financial instrument is an instrument that is entered into separately and apart from any of the entity’s other financial instruments or equity transactions, or that is entered into in conjunction with some other transaction and is legally detachable and separately exercisable, such as certain put and call options. These provisions are effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We have no financial instruments that are affected by this statement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

During June 2003, in connection with the consolidation of the partnership owning the JW Marriott in Washington, DC, we assumed $95 million of mortgage debt that matures in December 2003. In March 2003, we repurchased $8 million of 9.25% senior notes due in 2007 at par. On January 30, 2003, we prepaid $17 million of 8.03% mortgage debt related to two of our Ritz-Carlton properties. As a result of the $7 million prepayment on the Canadian mortgage debt, a portion of the foreign currency hedge on the debt became ineffective. Accordingly, a portion of the change in the fair market value of the forward contracts is recorded in net income (loss). There have been no other changes to, nor have we purchased or sold any other derivative instruments or debt, other than regular principal amortization on our debt, that would affect our exchange rate sensitivity and interest rate sensitivity described in our annual report on Form 10-K in "*Item 7a. Quantitative and Qualitative Disclosures about Market Risk.*"

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. 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 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 with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

As of June 20, 2003, 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 has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reports.

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

On June 19, 2003, we issued 33,182 shares of 10% Class D Cumulative Redeemable Preferred Stock for a purchase price of $829,550 in cash to Fernwood Holdings LLC, an indirectly wholly owned taxable subsidiary of Host LP., pursuant to an exemption from the securities registration laws provided by Section 4(2) of the Securities Act of 1933, as amended. The holder of the Class D preferred stock is entitled to receive cumulative cash dividends at a rate of 10% per annum of the $25.00 per share liquidation preference and these dividends are payable quarterly in arrears. We have the option to redeem the Class D preferred stock at any time after July 1, 2004 for $25.00 per share, plus accrued and unpaid dividends to the date of redemption. The Class D preferred stock is on parity with our Class A, Class B and Class C Preferred Stock.

Table of Contents

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Company held its Annual Meeting of Stockholders on May 13, 2003.

(c) (i) Votes regarding the election of three Directors for terms expiring at the 2006 annual meeting of stockholders and one director for a term expiring at the 2005 annual meeting were as follows:

Term expiring in 2006	FOR	WITHHELD
Robert M. Baylis	234,217,549	6,679,230
Ann McLaughlin Korologos	232,647,070	8,249,709
Terence C. Golden	223,685,279	17,211,500
Term expiring in 2005	FOR	WITHHELD
Judith A. McHale	232,262,711	8,634,068

(ii) Votes on the ratification of the appointment of KPMG LLP as independent auditors of the company to serve for the 2003 calendar year were as follows:

FOR	AGAINST	ABSTENTIONS AND BROKER NONVOTES
238,116,975	2,391,124	388,680

(iii) Votes on a stockholder proposal regarding the annual election of all directors were as follows:

FOR	AGAINST	ABSTENTIONS AND BROKER NONVOTES
105,556,298	110,569,943	1,185,223

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 July 23, 2003, we filed a current report on Form 8-K to furnish our second quarter 2003 earnings release.
- On May 19, 2003, we filed a current report on Form 8-K to file exhibits that describe our most recent amendment to our credit facility.

(c) Exhibits

Exhibit No.	Description
3.7	Articles Supplementary of Host Marriott Corporation classifying and designating a series of Preferred Stock as 10% Class D Cumulative Redeemable Preferred Stock.
10.38	Separation Agreement and Release dated as of May 30, 2003.
10.39	Host Marriott Severance Plan for members of senior management adopted as of March 6, 2003.

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

August 4, 2003

By: /s/ LARRY K. HARVEY

Larry K. Harvey
Senior Vice President and Corporate Controller

HOST MARRIOTT CORPORATION

ARTICLES SUPPLEMENTARY

HOST MARRIOTT CORPORATION, a Maryland corporation having its principal Maryland office in Bethesda, Maryland (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Pursuant to authority expressly vested in the board of directors (the "Board of Directors") of the Corporation by the charter of the Corporation (the "Charter"), the Board of Directors of the Corporation at a duly convened meeting held on May 13, 2003 has duly reclassified 40,000 shares of preferred stock (par value $0.01 per share) ("Preferred Stock") of the Corporation into 40,000 shares of a series designated as 10% Class D Cumulative Redeemable Preferred Stock (par value $0.01 per share) of the Corporation ("Class D Preferred Stock").

SECOND: The reclassification increases the number of shares classified as Class D Preferred Stock from no shares immediately prior to the reclassification to 40,000 shares immediately after the reclassification. Their classification decreases the number of shares classified as Preferred Stock (par value $0.01 per share) from 34,170,000 shares immediately prior to their classification to 34,130,000 shares immediately after the reclassification.

THIRD: The following is a description of the preferences, conversion and other rights, powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of the Class D Preferred Stock of the Corporation:

10% Class D Cumulative Redeemable Preferred Stock.

1. Designation and Amount. A series of Preferred Stock of the Corporation, designated as the "10% Class D Cumulative Redeemable Preferred Stock" (the "Class D Preferred Stock"), par value $0.01 per share, is hereby established. The number of authorized shares of Class D Preferred Stock is 40,000.

2. Ranking. In respect of rights to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, the Class D Preferred Stock ranks (i) senior to the Corporation's common stock, par value $0.01 per share (the "Common Stock"), senior to the Corporation's Series A Junior Participating Preferred Stock, par value $0.01 per share (the "Junior Participating Series A Preferred Stock") and senior to any other class or series of capital stock of the Corporation other than capital stock referred to in clauses (ii) and (iii) of this sentence, (ii) on a parity with the Corporation's 10%

Class A Cumulative Redeemable Preferred Stock, the Corporation's 10% Class B Cumulative Redeemable Preferred Stock, the Corporation's 10% Class C Cumulative Redeemable Preferred Stock and any other class or series of capital stock of the Corporation the terms of which specifically provide that such class or series of capital stock ranks on a parity with the Class D Preferred Stock as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation, and (iii) junior to any class or series of capital stock of the Corporation the terms of which specifically provide that such class or series of capital stock ranks senior to the Class D Preferred Stock as to the payment of dividends and the distribution of assets in the event of any liquidation, dissolution or winding up of the Corporation. The term "capital stock" does not include convertible debt securities.

3. Dividends.

(a) Subject to the preferential rights of the holders of any class or series of capital stock of the Corporation ranking senior to the Class D Preferred Stock as to dividends, the holders of the outstanding shares of Class D Preferred Stock will be entitled to receive, when, as and if authorized by the Board of Directors of the Corporation (the "Board of Directors") and declared by the Corporation, out of funds legally available for the payment of dividends, cumulative cash dividends of $2.50 per share per annum, payable quarterly in the amount of $0.625 per quarter on January 15, April 15, July 15 and October 15 (each, a "Dividend Payment Date") of each year, commencing July 15, 2003; provided, that if any Dividend Payment Date is not a Business Day (as hereinafter defined), then the dividend which would otherwise have been payable on such Dividend Payment Date may be paid on the next succeeding Business Day with the same force and effect as if paid on such Dividend Payment Date and no interest or additional dividends or other sum will accrue on the amount so payable for the period from and after such Dividend Payment Date to such next succeeding Business Day. The period from and including June 18, 2003 (the "Original Issue Date") to but excluding the first Dividend Payment Date, and each subsequent period from and including a Dividend Payment Date to but excluding the next succeeding Dividend Payment Date, is hereinafter called a "Dividend Period". Dividends will be payable to holders of record as they appear in the stock transfer books of the Corporation at the close of business on the applicable record date (each, a "Record Date"), which will be the 1st day of the calendar month in which the applicable Dividend Payment Date falls or such other date designated by the Board of Directors that is not more than 30 nor less than ten days prior to such Dividend Payment Date. The amount of any dividend payable for any Dividend Period is fixed and shall not be adjusted based on the number of days during such Dividend Period that the Class D Preferred Stock is outstanding.

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

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

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

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

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

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

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

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

4. Liquidation Preference.

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

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

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

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

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

5. <u>Redemption</u>.

(a) The Class D Preferred Stock is not redeemable prior to July 1, 2004, except that the Corporation will be entitled, pursuant to the provisions of Article VIII (or any similar provision) of the Charter, to redeem, purchase or acquire shares of Class D Preferred Stock in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes. Any date fixed for the redemption of shares of Class D Preferred Stock is hereinafter called a “Redemption Date”.

(b) On and after July 1, 2004, the Corporation may, at its option, upon not less than 10 nor more than 60 days' prior written notice to the holders of record of the Class D Preferred Stock to be redeemed, redeem the Class D Preferred Stock, in whole or from time to time in part, for a cash redemption price equal to $25.00 per share together with (except as provided in Section 6(f) below) all accrued and unpaid dividends (the "Optional Redemption Price").

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

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

6. Procedures for Redemption; Limitations on Redemption.

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

(b) Notice of any redemption (whether pursuant to Section 5(b) or 5(c) of these Articles Supplementary, as the case may be) will be mailed by or on behalf of the Corporation, first class postage prepaid, not less than 10 nor more than 60 days prior to the applicable Redemption Date, addressed to each holder of record of shares of Class D Preferred Stock to be redeemed at the address set forth in the share transfer records of the Corporation; provided, that if the Corporation reasonably concludes, based upon the advice of independent tax counsel experienced in such matters, that any redemption made pursuant to Section 5(c) must be made on a date (the "Early Redemption Date") which is earlier than 10 days after the date of such mailing in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or to comply with federal tax laws relating to the Corporation's qualification as a REIT, then the Corporation may give such shorter notice as is necessary to effect such redemption on the Early Redemption Date. Any notice which has been mailed in the manner provided for in the preceding sentence will be conclusively presumed to have been duly given on the date mailed whether or not the applicable holder receives such notice. In addition to any information required by law, such notice will state: (1) the Redemption Date; (2) the Optional Redemption Price or the Charter Redemption Price, as the case may be (the "Redemption Price"); (3) the number of shares of Class D Preferred Stock to be redeemed and whether such shares are being redeemed at the option of the Corporation pursuant to Section 5(b) or in order to preserve the Corporation's status as a real estate investment trust for federal income tax purposes pursuant to Section 5(c); (4) the place or places (which will include a place in the Borough of Manhattan, The City of New York) where certificates for such shares are to be surrendered for payment of the Redemption Price; (5) that dividends on the shares of Class D Preferred Stock to be redeemed will cease to accrue on such Redemption Date; and (6) that unless the Redemption Date falls on a date on or after the close of business on a Record Date and prior to the next succeeding Dividend Payment Date, no dividends will be paid on such Record Date with respect to the current Dividend Period. If fewer than all of the outstanding shares of Class D Preferred Stock are to be redeemed, the notice mailed to each holder of shares to be redeemed will also specify the number of shares of Class D Preferred Stock to be redeemed from such holder. No failure to mail or defect in such mailed notice or in the mailing thereof will affect the validity of the proceedings for the redemption of any shares of Class D Preferred Stock except as to the holder to whom notice was defective or not given.

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

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

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

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

(g) Unless full cumulative dividends on all outstanding shares of Class D Preferred Stock have been or contemporaneously are authorized, declared and paid or authorized, declared and a sum sufficient for the payment thereof set apart for payment for all past Dividend Periods (excluding any Dividend Period that terminates on the date of any redemption of shares of Class D Preferred Stock referred to below or on the date of any direct or indirect purchase or other acquisition of shares of Class D Preferred Stock referred to below, as the case may be, except as set forth in Section 6(f)), (i) no shares of Class D Preferred Stock will be redeemed unless all outstanding shares of Class D Preferred Stock are simultaneously redeemed; provided, however, that the foregoing will not prevent the redemption, repurchase or acquisition of shares of Class D Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to the holders of all outstanding shares of Class D Preferred Stock, and (ii) the Corporation will not purchase or otherwise acquire, directly or indirectly, any shares of Class D Preferred Stock (except by conversion into or exchange for capital stock of the Corporation ranking junior to the Class D Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution and winding up of the Corporation); provided, however, that the foregoing will not prevent the redemption, purchase or acquisition of shares of Class D Preferred Stock pursuant to Article VIII (or any similar provision) of the Charter in order to preserve the status of the Corporation as a REIT for federal income tax purposes or the status of the Operating Partnership as a partnership for federal income tax purposes or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Class D Preferred Stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FOURTH: These Articles Supplementary have been approved by the Board of Directors in the manner and by the vote required by the law.

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

IN WITNESS WHEREOF, HOST MARRIOTT CORPORATION has caused these presents to be signed in its name and on its behalf by its Senior Vice President and Treasurer, and witnessed by its Executive Vice President, Secretary and General Counsel on, June 18, 2003.

Witness:		HOST MARRIOTT CORPORATION	
By:	/s/ Elizabeth A. Abdoo	By:	/s/ John A. Carnella
Name:	Elizabeth A. Abdoo	Name	John A. Carnella
Title:	Executive Vice President, Secretary and General Counsel	Title:	Senior Vice President and Treasurer

SEPARATION AGREEMENT AND RELEASE

This is a Waiver Agreement and Release (“Agreement”) between Host Marriott L.P., a Delaware limited partnership (which, together with its affiliates are referred to herein as the “Employer”), and Robert E. Parsons, Jr. (“Executive”). In order to forever resolve and settle any and all disputes regarding the Executive’s employment with the Employer, including but not limited to his separation from such employment, the parties agree as follows:

1. Having determined that it is in the best interests of the Employer and the Executive to terminate the employment relationship, the Executive’s last day of employment will be May 30, 2003 (“Separation Date”). On the first regularly scheduled payday after the Separation Date, the Executive will receive the balance of all accrued and unused Paid Time Off (“PTO”) to which he was entitled (not to exceed 240 hours) less applicable tax withholdings.

2. The Executive shall receive severance in an aggregate amount of $1,700,000. Payment of this amount to Executive shall be made in quarterly installments on June 30, 2003, October 31, 2003, February 27, 2004, and June 30, 2004. On each such date, Executive shall receive a check in the amount of $425,000, less applicable tax withholdings.

3. The Executive will have continued use of the Platinum Card benefits through January 5, 2004, although costs (including reimbursement for taxes) for such services between his Separation Date and January 5, 2004 shall not exceed $40,000.

4. Beginning on May 1, 2003, the Employer will provide the Executive with outplacement support through a vendor of the Employer’s choice through May 30, 2004 or until the Executive finds comparable employment, whichever occurs first. During this period, the Employer will pay the reasonable travel expenses of the Executive and his spouse incurred to meet with the vendor. The Executive acknowledges that the payments made pursuant to Paragraphs 1 through 4 of this Agreement are not employment benefits to which the Executive is already entitled.

5. (a). On the Separation Date, any unvested shares of the Restricted Stock Award made to Executive on August 1, 2002, shall vest and all restrictions shall be removed in accordance with Section 5 of the Restricted Stock Agreement. The shares shall be issued based on the average of the high and low trading prices of Host Marriott Stock on the NYSE on the Separation Date. Employer has received Board approval to have the exercise period for Executive’s vested stock options extended through May 30, 2004, provided that it is not beyond the expiration date of the option.

(b). The Employer shall distribute to Executive his 750 shares of Retirement Stock in accordance with the terms of that stock agreement.

6. The Executive agrees that, in consideration of the benefits described in Paragraphs 1 through 4 above, he will, and hereby does knowingly and voluntarily, forever and irrevocably release and discharge the Employer, its parent, subsidiaries and affiliates and each of its and their respective officers, directors, employees, agents, predecessors, successors, purchasers, assigns, representatives and benefit plans, of any and all actions, causes of action, grievances, demands, rights, claims for damages, indemnity, costs, interest, loss or injury whatsoever which he now has, has had, or may have, whether the same be at law, in equity, or mixed, in any way arising from or relating to the Executive's employment with Employer or the termination of that employment. The Executive expressly acknowledges that this release specifically includes, but is not limited to, any claim of age, race, sex, religion, national origin or any other claim of employment discrimination under the Age Discrimination in Employment Act (29 U.S.C. § 621 et seq.), Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 1001 et seq.), the American with Disabilities Act (42 U.S.C. § 12101 et seq.), the Family and Medical Leave Act (29 U.S.C. § 2601 et seq.), and any other federal, state and local law prohibiting employment discrimination. The Executive is not waiving any rights or claims that may arise after the date of execution of this Agreement, or that cannot otherwise be waived by law.

7. The Employer will permit Executive to maintain his voicemail with the Employer through December 31, 2003. In addition, Executive shall maintain his Employer cell phone on its current monthly program through December 31, 2003 at no cost to Executive. Additionally, Executive will maintain his electronic mail ("email"), Blackberry, and email address at Employer through July 31, 2003. Thereafter, the Employer will maintain and program Executive's email account to forward email to an email address designated by Executive through December 31, 2003.

8. The Executive agrees that absent compulsion of court order, he will not sue, or directly or indirectly bring, assist, join in, or participate in any way, in any claim, suit, or proceeding of any kind by any non-governmental third party against the Employer or any other person identified in Paragraph 6, that in any way relates to or results from any matter, action or inaction that occurred on or before the date of this Agreement.

9. The parties acknowledge that this agreement may be disclosed in accordance with securities laws and regulations, and other applicable laws.

10. The Executive acknowledges that while he was employed by the Employer he was exposed to certain non-public confidential and proprietary

information of the Employer. Such information may include, but is not necessarily limited to, claims and pending litigation, terms of management agreements, business plans, pricing strategies, financing plans, valuations, capitalization, budgets and other non-public financial information. It is specifically understood and agreed that the Executive will maintain all such non-public information in strict confidence and will not disclose or use such information for any purpose for five years following the execution of this Agreement.

11. The Executive recognizes that for the purposes of continuation coverage requirements of group health plans under the Consolidated Omnibus Budget and Reconciliation Act of 1985 (“COBRA”), as amended, and the group health provisions of the Maryland Annotated Code, a “qualifying event” and “applicable change in status” occurs on the Separation Date. The Employer agrees to provide the Executive all notices and information required under such laws. The Employer agrees to pay its health insurance (health and dental) provider directly for the full cost of Executive’s COBRA continuation coverage for a period of 18 months from the Separation Date or until the Executive begins new employment and is offered health benefit coverage in that employ whichever is sooner. The Executive agrees that, through November 30, 2004, he will notify the Company’s General Counsel within seven business days of accepting other employment and becoming eligible for health benefits in that employ. The Employer also agrees to provide the Executive with information regarding other benefit plans in which he is a participant, and any distributions will be made in accordance with those plans.

12. Executive agrees that he shall not criticize, disparage, slander, defame or impugn the Company or any of its staff, orally or in writing. The Company agrees that neither the Chief Executive Officer nor any of the members of senior management that attend the executive staff meeting with the Chief Executive Officer shall criticize, disparage, slander, defame or impugn the Executive, orally or in writing. If a reference is desired from Employer, the Executive shall direct any prospective employer to either the Chief Executive Officer or the Executive Vice President and General Counsel for such reference.

13. The Executive has read and fully reviewed the terms of this Agreement. The Executive acknowledges that he has been advised to consult with an attorney before signing this Agreement. The Executive acknowledges that he has been given 21 days to consider this Agreement before signing.

14. For a period of seven days following the execution of this Agreement, the Executive may revoke his consent to the Agreement. The Agreement shall not become effective until the revocation period has expired.

15. The Executive expressly acknowledges and understands that this Agreement is not an admission of liability under any statute or otherwise by the Employer, and it does not admit any violation of the Executive's legal rights.

16. The parties agree that this Agreement shall be binding upon and inure to the benefit of the Executive's assigns, heirs, executors and administrators as well as the Employer, its parent, subsidiaries and affiliates and each of its and their respective officers, directors, the Executive's agents, predecessors, successors, purchasers, assigns, representatives and benefit plans.

17. This Agreement contains the entire agreement and understanding of the parties. There are no additional promises or terms among the parties other than those contained herein. This Agreement shall not be modified except in writing signed by each of the parties. This Agreement shall in all respects be interpreted, enforced and governed in accordance with the laws of Maryland and, furthermore, any dispute regarding this Agreement shall be subject to the exclusive jurisdiction of any court of competent jurisdiction located in Montgomery County, Maryland or the southern Division of the United States District Court for the District of Maryland.

18. The language of all parts of this Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against either party. In the event that one or more provisions of this Agreement shall for any reason be held to be illegal or unenforceable, this Agreement shall be revised only to the extent necessary to make such provision(s) legal and enforceable.

/s/ Pamela Wagoner	/s/ Robert E. Parsons, Jr.
Company Representative Date: May 30, 2003	Executive Date: May 30, 2003

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 .

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) begins employment or provides services as an independent contractor with or for the Company or any of its affiliates within 6 months following his or her Severance Date;

(E) 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

(F) 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

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: August 4, 2003

/s/ CHRISTOPHER J. NASSETTA

Christopher J. Nassetta
President and Chief Executive Officer

Exhibit 31.2

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: August 4, 2003

/s/ W. EDWARD WALTER

W. Edward Walter
Executive Vice President and Chief Executive Officer

Exhibit 32

Section 906 Certification

Certification of Chief Executive and Chief Financial Officers

Pursuant to 18 U.S.C. § 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 June 20, 2003 (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: August 4, 2003

/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. § 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.