

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-10-24** | Period of Report: **1994-09-09**
SEC Accession No. **0000928385-94-000030**

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FILER

HOST MARRIOTT CORP

CIK: **314733** | IRS No.: **530085950** | State of Incorpor.: **DE** | Fiscal Year End: **1229**
Type: **10-Q** | Act: **34** | File No.: **001-05664** | Film No.: **94554751**
SIC: **5812** Eating places

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3013809000

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

OR

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

FOR THE QUARTER ENDED SEPTEMBER 9, 1994

COMMISSION FILE NO. 1-5664

HOST MARRIOTT CORPORATION
10400 FERNWOOD ROAD
BETHESDA, MARYLAND 20817

(301) 380-9000

Delaware

53-0085950

(STATE OF INCORPORATION)

(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

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 X No

CLASS	SHARES OUTSTANDING AT OCTOBER 7, 1994
Common Stock, \$1.00 par value per share	153,262,970

HOST MARRIOTT CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

HOST MARRIOTT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(IN MILLIONS)

<TABLE>
<CAPTION>

	September 9, 1994	December 31, 1993
	-----	-----
	(Unaudited)	
ASSETS		

<S>	<C>	<C>
Property and Equipment.....	\$ 2,883	\$ 3,026
Investments in Affiliates.....	226	220
Notes Receivable.....	60	111
Accounts Receivable.....	85	80
Inventories.....	45	52
Other Assets.....	227	256
Cash and Cash Equivalents.....	235	103
Investment in Short-term Marketable Securities.....	50	--
	-----	-----
Total Assets	\$ 3,811	\$ 3,848
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

Debt		
Debt carrying a company guarantee of repayment.....	\$ 1,485	\$ 1,700
Debt not carrying a company guarantee of repayment.....	755	779
	-----	-----
	2,240	2,479
Accounts Payable and Accrued Expenses.....	218	194
Deferred Income.....	17	20
Deferred Income Taxes.....	435	442
Other Liabilities.....	160	188
Convertible Subordinated Debt.....	--	20
	-----	-----
Total Liabilities	3,070	3,343
	-----	-----
Shareholders' Equity		
Convertible Preferred Stock.....	13	14
Common Stock, 300 million shares authorized; 153.2 million shares and 129.7 million shares issued, respectively.....	153	130
Additional Paid-in Capital.....	477	253
Retained Earnings.....	98	108
	-----	-----
Total Shareholders' Equity.....	741	505
	-----	-----
	\$ 3,811	\$ 3,848
	=====	=====

</TABLE>

- See Notes to Condensed Consolidated Financial Statements -

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

TWELVE WEEKS ENDED SEPTEMBER 9, 1994 AND SEPTEMBER 10, 1993
(UNAUDITED, IN MILLIONS, EXCEPT PER COMMON SHARE AMOUNTS)

<TABLE>
<CAPTION>

	Historical		Pro Forma 1993
	1994	1993	
	<C>	<C>	<C>
REVENUES			
Real estate group			
Hotels.....	\$ 75	\$ 174	\$ 61
Senior living communities.....	3	18	5
Net gains on property transactions.....	2	2	2
	-----	-----	-----
	80	194	68
	-----	-----	-----
Operating group			
Airports.....	191	173	173
Travel Plazas.....	97	96	96
Other.....	19	28	28
	-----	-----	-----
	307	297	297
	-----	-----	-----
Total revenues.....	387	491	365
	-----	-----	-----
OPERATING COSTS AND EXPENSES			
Real estate group			
Hotels.....	46	143	35
Senior living communities.....	1	17	2
Other.....	1	10	10
	-----	-----	-----
	48	170	47
	-----	-----	-----
Operating group			
Airports.....	175	156	156
Travel Plazas.....	84	82	82
Other.....	19	27	27
	-----	-----	-----
	278	265	265
	-----	-----	-----
Total operating costs and expenses.....	326	435	312
	-----	-----	-----
OPERATING PROFIT			
Real estate group.....	32	24	21
Operating group.....	29	32	32
	-----	-----	-----
Operating profit before corporate expenses, interest and profit from distributed operations.....	61	56	53
Corporate expenses.....	(8)	(6)	(6)
Interest expense.....	(47)	(45)	(43)
Interest income.....	8	5	5
Profit from operations distributed to Marriott International..	-	48	-
	-----	-----	-----
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM.....			
Provision for income taxes.....	14	58	9
	(3)	(31)	(3)
	-----	-----	-----
INCOME BEFORE EXTRAORDINARY ITEM.....	11	27	\$ 6
			=====
Extraordinary item - Loss on extinguishment of debt (net of income taxes of \$1 million).....	(3)	-	
	-----	-----	
NET INCOME.....	8	27	
Dividends on preferred stock.....	-	(4)	
	-----	-----	
NET INCOME AVAILABLE FOR COMMON STOCK.....	\$ 8	\$ 23	
	=====	=====	

</TABLE>

- See Notes to Condensed Consolidated Financial Statements -

<TABLE>
<CAPTION>

	Historical		Pro Forma 1993
	1994	1993	
<S>	<C>	<C>	<C>
EARNINGS PER COMMON SHARE:			
INCOME BEFORE EXTRAORDINARY ITEM.....	\$.07	\$.21	\$.05
			=====
Extraordinary item - Loss on extinguishment of debt (net of income taxes).....	(.02)	-	
	-----	-----	
NET INCOME.....	\$.05	\$.21	
	=====	=====	

</TABLE>

- See Notes to Condensed Consolidated Financial Statements -

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THIRTY-SIX WEEKS ENDED SEPTEMBER 9, 1994 AND SEPTEMBER 10, 1993
(UNAUDITED, IN MILLIONS, EXCEPT PER COMMON SHARE AMOUNTS)

<TABLE>
<CAPTION>

	Historical		Pro Forma 1993
	1994	1993	
<S>	<C>	<C>	<C>
REVENUES			
Real estate group			
Hotels.....	\$ 225	\$ 496	\$ 181
Senior living communities.....	14	55	16
Net gains on property transactions.....	5	4	4
	-----	-----	-----
	244	555	201
	-----	-----	-----
Operating group			
Airports.....	516	479	479
Travel Plazas.....	218	214	214
Other.....	69	68	68
	-----	-----	-----
	803	761	761
	-----	-----	-----
Total revenues.....	1,047	1,316	962
	-----	-----	-----
OPERATING COSTS AND EXPENSES			
Real estate group			
Hotels.....	133	408	106
Senior living communities.....	5	50	8
Other.....	3	21	21
	-----	-----	-----
	141	479	135
	-----	-----	-----
Operating group			
Airports.....	486	449	449
Travel Plazas.....	207	198	198
Other.....	75	68	68
	-----	-----	-----
	768	715	715
	-----	-----	-----
Total operating costs and expenses.....	909	1,194	850
	-----	-----	-----
OPERATING PROFIT			
Real estate group.....	103	76	66
Operating group.....	35	46	46
	-----	-----	-----
Operating profit before corporate expenses, interest and profit from distributed operations.....	138	122	112
Corporate expenses.....	(25)	(20)	(20)
Interest expense.....	(142)	(140)	(131)
Interest income.....	19	19	19
Profit from operations distributed to Marriott International...	-	177	-

INCOME (LOSS) BEFORE INCOME TAXES, EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES.....	(10)	158	(20)
Benefit (provision) for income taxes.....	3	(76)	2
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES.....	(7)	82	\$ (18)
Extraordinary item - Loss on extinguishment of debt (net of income taxes of \$1 million).....	(3)	-	
Cumulative effect of a change in accounting for income taxes...	-	30	
Cumulative effect of a change in accounting for assets held for sale (net of income taxes of \$22 million).....	-	(32)	
NET INCOME (LOSS).....	(10)	80	
Dividends on preferred stock.....	-	(12)	
NET INCOME (LOSS) AVAILABLE FOR COMMON STOCK.....	\$ (10)	\$ 68	

</TABLE>

- See Notes to Condensed Consolidated Financial Statements -

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- - - Continued -

<TABLE>
<CAPTION>

	Historical		Pro Forma 1993
	1994	1993	
<S>	<C>	<C>	<C>
EARNINGS (LOSS) PER COMMON SHARE:			
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES.....	\$ (.05)	.65	\$ (.16)
Extraordinary item - Loss on extinguishment of debt (net of income taxes).....	(.02)	-	
Cumulative effect of a change in accounting for income taxes..	-	.27	
Cumulative effect of a change in accounting for assets held for sale (net of income taxes).....	-	(.29)	
NET INCOME (LOSS).....	\$ (.07)	\$.63	

</TABLE>

- See Notes to Condensed Consolidated Financial Statements -

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

THIRTY-SIX WEEKS ENDED SEPTEMBER 9, 1994 AND SEPTEMBER 10, 1993
(UNAUDITED, IN MILLIONS)

<TABLE>
<CAPTION>

	1994	1993
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income (loss).....	\$ (10)	\$ 80
Adjustments to reconcile to cash from operations:		
Depreciation and amortization.....	121	200
Extraordinary loss on extinguishment of debt, net of taxes.	3	-
Cumulative effect of changes in accounting principles, net.	-	2
Income taxes.....	(10)	21
Changes in operating accounts.....	14	77
Other.....	10	9

Cash from operations.....	128	389
INVESTING ACTIVITIES		
Proceeds from sales of assets.....	450	44
Less noncash proceeds.....	(79)	(3)
Cash received from sales of assets.....	371	41
Acquisitions.....	(277)	(29)
Capital expenditures for renewals and replacements.....	(52)	(55)
Lodging construction funded by project financing.....	(39)	-
Other capital expenditures.....	(48)	(129)
Purchases of short-term marketable securities.....	(90)	-
Sales of short-term marketable securities.....	40	-
Note receivable collections.....	53	8
Advances to affiliates, net.....	(5)	(36)
Other.....	41	(46)
Cash used in investing activities.....	(6)	(246)
FINANCING ACTIVITIES		
Issuances of debt.....	34	151
Issuances of common stock.....	237	10
Scheduled principal repayments.....	(68)	(273)
Debt prepayments.....	(193)	-
Dividends paid.....	-	(34)
Cash from (used in) financing activities.....	10	(146)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ 132	\$ (3)

</TABLE>

- See Notes to Condensed Consolidated Financial Statements -

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

- The accompanying condensed consolidated financial statements of Host Marriott Corporation and subsidiaries (the "Company", formerly Marriott Corporation) have been prepared by the Company without audit. Certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted. The Company believes the disclosures made are adequate to make the information presented not misleading. However, the condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position of Host Marriott Corporation and subsidiaries as of September 9, 1994 and December 31, 1993, the results of operations for the twelve and thirty-six weeks ended September 9, 1994 and September 10, 1993, and cash flows for the thirty-six weeks ended September 9, 1994 and September 10, 1993. Interim results are not necessarily indicative of fiscal year performance because of the impact of seasonal and short-term variations.

- On October 8, 1993 (the "Distribution Date"), Marriott Corporation distributed, through a special tax-free dividend (the "Distribution"), to holders of Marriott Corporation's common stock (on a share-for-share basis), approximately 116.4 million outstanding shares of common stock of an existing wholly-owned subsidiary, Marriott International, resulting in the division of Marriott Corporation's operations into two separate companies. The distributed operations included the former Marriott Corporation's lodging management, franchising and resort timesharing operations, senior living service operations, and the institutional food service and facilities management business. Effective at the Distribution Date, Marriott Corporation changed its name to Host Marriott Corporation.

In connection with the Distribution, the Company completed an Exchange Offer ("Exchange Offer") pursuant to which holders of senior notes and debentures in an aggregate principal amount of approximately \$1.2 billion ("Old Notes") exchanged such Old Notes for a combination of (i) cash, (ii) common stock and (iii) New Notes ("New Notes") issued by an indirect wholly-owned subsidiary of the Company, Host Marriott Hospitality, Inc. ("Hospitality"). The coupon and maturity date for each series of New Notes is 100 basis points higher and four years later, respectively, than the series of Old Notes for which it was exchanged (except that the maturity of the New Notes issued in exchange for the Series L Senior Notes due 2012 was shortened by five years). The Company redeemed all of the old Series F Senior Notes that did not tender in the Exchange Offer, and secured the old Series I Notes equally and ratably with the New Notes issued in the Exchange Offer.

In connection with the Exchange Offer, the Company effected a Restructuring (the "Restructuring"). As a result of the Restructuring, the Company's primary asset is the capital stock of a wholly-owned subsidiary, HMH Holdings, Inc. ("Holdings"). Holdings' primary asset is the capital stock of Hospitality, and Holdings is the borrower under a Revolving Line of Credit with Marriott International. In the Restructuring, most of the assets relating to the Real Estate Group and the

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

Operating Group were transferred to subsidiaries of Hospitality. Certain assets relating to such businesses were retained directly by the Company and certain of its other subsidiaries. In addition, HMC Ventures, Inc., an unrestricted subsidiary, was capitalized during the first quarter of 1994 with approximately \$50 million from recent asset dispositions.

3. The Distribution, Exchange Offer and Restructuring referred to in Note 2 substantially altered the structure of the Company. Historical operating results for the twelve and thirty-six weeks ended September 10, 1993, as presented in prior filings, have been reformatted to reflect the Company's current business segments and operating environment. The Real Estate Group is comprised of the hotel development and ownership businesses, partnership investments and undeveloped land parcels. The Operating Group consists of the food, beverage and merchandise operations at airports, on tollroads and at tourist attractions, stadiums and arenas, as well as restaurant operations. The 1993 pro forma statement of operations was prepared as if the Distribution, Exchange Offer and Restructuring and the implementation of the various related agreements entered into with Marriott International, including the lodging management and senior living community leases, occurred at the beginning of the period and include only the operations retained by the Company. The other differences between the 1993 pro forma amounts and the 1993 historical operating results are:

. The 1993 historical condensed consolidated statements of operations include the revenues, operating costs and expenses, corporate expenses, interest expense and interest income relating to Marriott International in the caption, "Profit from Operations Distributed to Marriott International," while the 1993 pro forma amounts have such results removed. Marriott International's results of operations for the twelve and thirty-six weeks ended September 10, 1993 included in the accompanying condensed consolidated financial statements consist of the following (in millions):

<TABLE>
 <CAPTION>

	Twelve Weeks Ended September 10, 1993	Thirty-six Weeks Ended September 10, 1993
	-----	-----
<S>	<C>	<C>
Sales.....	\$ 1,532	\$ 4,926
Operating costs and expenses.....	(1,467)	(4,696)
Corporate expenses.....	(12)	(39)
Net interest expense.....	(5)	(14)
	-----	-----
Income before income taxes.....	\$ 48	\$ 177
	=====	=====

</TABLE>

. In the 1994 historical and 1993 pro forma condensed consolidated statements of operations, revenues for the Real Estate Group represent

house profit from the Company's owned hotel properties, lease rentals for the Company's owned senior living communities and gains/losses on property transactions. House profit represents hotel operating results less property-level expenses excluding depreciation, real and personal property taxes, ground rent, insurance and management fees which are classified as operating costs and expenses.

The 1993 historical condensed consolidated statements of operations report the Real Estate Group revenues as gross sales of the Company's owned hotels and senior living communities,

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

while the related property-level expenses are included in operating costs and expenses. House profit generated by the Company's owned hotels for 1994 and 1993 (on a pro forma basis) consists of:

<TABLE>
 <CAPTION>

	Twelve Weeks Ended		Thirty-six Weeks Ended	
	September 9, 1994	Pro Forma September 10, 1993	September 9, 1994	Pro Forma September 10, 1993
	(in millions)			
<S>	<C>	<C>	<C>	<C>
Revenues				
Rooms.....	\$ 152	\$ 122	\$ 447	\$ 367
Food & Beverage.....	50	32	157	108
Other.....	9	9	33	27
Total Hotel Revenues....	211	163	637	502
Department Costs				
Rooms.....	39	31	113	89
Food & Beverage.....	38	24	121	84
Other.....	6	6	18	16
Total Department Costs..	83	61	252	189
Department Profit.....	128	102	385	313
Other Deductions.....	(53)	(41)	(160)	(132)
House Profit.....	\$ 75	\$ 61	\$ 225	\$ 181

</TABLE>

- The 1993 pro forma condensed consolidated statements of operations reflect adjustments to interest expense for the impact of the Revolving Line of Credit with Marriott International (commitment fees and interest), the effects of the Exchange Offer, debt assumed by Marriott International and the income tax impact of the pro forma adjustments.
- In connection with the Exchange Offer, the Company issued 1.8 million common shares to former holders of certain senior notes and debentures and issued 10.6 million common shares to former holders of the Company's preferred stock, upon such holders' conversion. The pro forma 1993 earnings (loss) per share before cumulative effect of changes in accounting principles gives effect to these transactions as if they had occurred as of the first day of the fiscal year 1993. The related weighted average shares outstanding were 122.6 million and 114.7 million, for the twelve and thirty-six week periods ended September 10, 1993, respectively.

Additionally, the Company's assets are primarily related to its Real Estate Group and, accordingly, the balance sheet has been presented in a non-classified format.

- Earnings (loss) per common share is computed on a fully diluted basis by dividing net income (loss) available for common stock by the weighted average number of outstanding common and common equivalent shares, plus other potentially dilutive securities. Common equivalent shares and other potentially dilutive securities have been excluded from the weighted average number of outstanding shares for the thirty-six weeks ended September 9, 1994, as they are antidilutive. The weighted

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

average shares were 166.4 million and 110.1 million for the twelve weeks ended September 9, 1994 and September 10, 1993, respectively, and 151.2 million and 109.8 million, respectively, for the thirty-six weeks then ended.

5. The Company has minority interests in 28 affiliates, most of which own hotels operated by Marriott International or its subsidiaries under long-term agreements. The Company's equity in net gains (losses) of affiliates of \$1 million and \$(10) million for the twelve weeks ended September 9, 1994 and September 10, 1993, respectively, and \$2 million and \$(21) million for the thirty-six weeks then ended, respectively, is included in other operating expenses for the Real Estate Group.

Combined summarized operating results reported by affiliates follow:

<TABLE>
<CAPTION>

	Twelve Weeks Ended		Thirty-six Weeks Ended	
	September 9, 1994	September 10, 1993	September 9, 1994	September 10, 1993
	(in millions)			
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$ 147	\$ 184	\$ 487	\$ 591
Operating expenses:				
Cash charges (including interest).....	(106)	(153)	(341)	(461)
Depreciation and other noncash charges.....	(69)	(73)	(208)	(231)
	-----	-----	-----	-----
Loss before extraordinary item.....	(28)	(42)	(62)	(101)
Extraordinary item.....	16	-	115	-
	-----	-----	-----	-----
Net income (loss).....	\$ (12)	\$ (42)	\$ 53	\$ (101)
	=====	=====	=====	=====

</TABLE>

6. On January 20, 1994, the Company completed the issuance of 20.1 million shares of common stock for net proceeds of \$231 million. HMC Acquisitions, Inc. ("HMC Acquisitions"), a newly-formed, wholly-owned subsidiary, was capitalized with \$210 million of the proceeds from the common stock offering. The amount used to capitalize HMC Acquisitions and any earnings therefrom will be available for investment on an unrestricted basis under the terms of the Revolving Line of Credit with Marriott International. HMC Acquisitions is a guarantor under the Revolving Line of Credit.
7. During the twelve weeks ended March 25, 1994, the Company foreclosed on a 29% interest and completed the transfer of an additional 7% interest in the Times Square Hotel Company ("TSHCO"), the owner of the New York Marriott Marquis, to the Company. The Company currently holds an 86% interest in TSHCO, which is consolidated in the Company's financial statements.

In August 1994, the TSHCO first mortgage loan was extended for five years from its original maturity of December 1993. In connection with the extension, a \$10 million principal payment was made on the loan. The current principal balance of the loan of \$336 million has minimum maturities of: \$5 million in each of 1994 through 1997, and \$316 million in 1998.

Interest on \$165 million of the loan is fixed at 8.4% and interest on the remaining portion of the loan is based on LIBOR plus 150 basis points. All cash flow in excess of annual minimum

HOST MARRIOTT CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

principal amortization will be applied as additional amortization until the principal amount of the loan is paid down to \$300 million. Once the principal amount of the loan is paid down to \$300 million, 75% of future cash flow in excess of annual minimum amortization requirements ranging up to \$9 million per year will be applied to further principal amortization and the remaining 25% will be available for other obligations of TSHCO. The Company provided a \$10 million guarantee of principal and interest on the loan.

8. During the first quarter of 1994, the Company signed an agreement to sell its 14 senior living communities to an unrelated party for \$320 million, which approximated the communities' carrying value. The sale of nine of the communities was completed in the second quarter and the sale of the five remaining communities was completed in the third quarter of 1994.
9. In the third quarter of 1994, the Company sold 26 of its Fairfield Inn by Marriott hotels to an unrelated third party. The net proceeds from the sale of such hotels were approximately \$114 million, which exceeded the carrying value of the hotels by approximately \$12 million. Approximately \$27 million of the proceeds are payable in the form of a note from the purchaser. The gain on the sale of these hotels has been deferred.
10. Under the terms of the New Note Indenture, Hospitality is obligated to use 50% of the net proceeds of the asset sales to prepay New Notes on a pro-rata basis and must offer to utilize an additional 25% of the net proceeds to make additional New Note prepayments on a pro-rata basis. Based on qualifying proceeds from asset sales of approximately \$183 million through June 17, 1994, Hospitality redeemed approximately \$137 million of New Notes in the third quarter of 1994. Based on qualifying proceeds from asset sales of approximately \$211 million received in the third quarter of 1994, Hospitality initiated the process of redemption of \$106 million of New Notes and has initiated an offer to repurchase up to an additional \$53 million of New Notes during the fourth quarter of 1994. In connection with the 1994 third quarter redemption, the Company recognized an extraordinary loss of \$3 million, net of taxes of \$1 million.
11. Through the third quarter of 1994, the Company has acquired six full-service hotels totaling approximately 2,850 rooms in separate transactions for approximately \$236 million. The Company also provided 100% financing totaling approximately \$35 million to an affiliated partnership, in which the Company owns the sole general partner interest, for the acquisition of two full-service hotels (totaling another 685 rooms). Subsequent to September 9, 1994, the Company acquired a controlling interest in a 665-room, full-service hotel through an investment of \$52 million. The Company accounts for these properties as owned hotels.
12. Subsequent to September 9, 1994, the Company's S-1 Registration Statement to register warrants to purchase up to 7.7 million shares of the Company's common stock was declared effective by the Securities and Exchange Commission. The Company anticipates issuing the warrants early in the fourth quarter of 1994.

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

As described in Notes 2 and 3, the Company's assets, liabilities and business operations changed substantially when the Company completed the Distribution, Exchange Offer and Restructuring. The management's discussion and analysis of financial condition presented herein compares the 1994 historical results with pro forma 1993 results. Management believes that due to the substantial differences in comparability between the Company's 1994 and 1993 historical results, the use of pro forma results for 1993 provides a more meaningful basis for comparison because the pro forma results assume that the aforementioned transactions occurred at the beginning of 1993 and include only the operations retained by the Company.

The Company reported revenues of \$387 million for the 1994 third quarter, a \$22 million or 6% improvement over pro forma 1993 results. Year-to-date revenues rose \$85 million, or 9%, over the prior year to \$1,047 million. Operating profit increased \$8 million, or 15%, to \$61 million in the 1994 third quarter. The Real Estate Group posted a significant increase in operating profit for the quarter -- up \$11 million over pro forma 1993 results to \$32 million. This increase was partially offset by a \$3 million decrease in operating profit for the Operating Group. Year-to-date operating profit rose \$26 million, or 23%, to \$138 million, due to the strong performance of the Real Estate Group.

The REAL ESTATE GROUP posted an 18% increase in revenues in the 1994 third quarter to \$80 million and a 21% increase year-to-date to \$244 million. Operating profit increased 52% in the quarter and 56% year-to-date over 1993 pro forma results. The revenue and operating profit increases are primarily due to improved lodging results and the addition of eight full-service hotel properties during 1994, coupled with a reduction in equity losses on the Company's partnership investments, mainly due to the consolidation of the partnership owning the New York Marriott Marquis Hotel (TSHCO) on December 31, 1993.

Hotel revenues for the Real Estate Group increased \$14 million to \$75 million in the 1994 third quarter and \$44 million to \$225 million year-to-date over pro forma 1993 amounts, as all four of the Company's lodging concepts reported growth in room revenues generated per available room ("REVPAR") for comparable units for the quarter and year-to-date. In addition to the 1994 hotel acquisitions and the TSHCO consolidation, other non-comparable hotel transactions include the 1994 sale of 26 Fairfield Inns and the 1993 sale of 11 Residence Inns. Excluding the impact of these non-comparable items, hotel revenues increased \$5 million (9%) for the quarter and \$15 million (10%) year-to-date. Operating profit increased \$3 million (14%) for the quarter and \$9 million (14%) year-to-date over pro forma 1993 levels on a comparable basis.

Overall third quarter and year-to-date revenue and operating profit for all Marriott Hotels, Resorts and Suites, the Company's full-service lodging concept, were improved or comparable to 1993 results with the exception of the Miami Airport property which achieved very high occupancy levels in early 1993 resulting from Hurricane Andrew in 1992. Improved results were driven by strong improvements in REVPAR. The Company's full-service hotels posted a 9% increase in REVPAR for comparable units for the quarter and 6% year-to-date. Average occupancy climbed two percentage points for comparable units for the quarter and year-to-date, while average room rates increased 6% for the quarter and 3% year-to-date.

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Company's moderate-priced lodging concept, Courtyard, reported significant increases in operating profit in 1994 primarily due to REVPAR increases. Courtyard's REVPAR increased 10% for the quarter and 8% year-to-date fueled by an 8% increase in average room rates for the quarter and 6% year-to-date and a one percentage point increase in average occupancy for the quarter and year-to-date.

Residence Inn, the Company's extended-stay lodging concept, also reported significant increases in operating profit in 1994 due to REVPAR increases. Residence Inn's REVPAR increased 7% for the quarter and year-to-date for comparable units due primarily to an increase in average room rate of 6% for the quarter and year-to-date, combined with a slight increase in average occupancy for the quarter and a one percentage point increase year-to-date.

On August 5, 1994, the Company sold 26 of its Fairfield Inns to an unrelated party for net proceeds of \$114 million. Year-to-date revenues and operating profit for the four remaining Fairfield Inns were comparable to 1993 pro forma amounts.

Senior living communities' revenues consist of rentals earned under the lease agreements with Marriott International. During the first quarter of 1994, the Company executed an agreement to sell all of its senior living communities to an unrelated party for \$320 million, which approximated the communities' carrying value. The sale of nine of the communities was completed during the second quarter and the sale of the five remaining communities was completed in the third quarter of 1994. Prior to their sales, year-to-date revenues and operating profit for senior living communities were comparable to the previous year.

The OPERATING GROUP generated a \$10 million, or 3%, revenue increase in the 1994 third quarter to \$307 million and a 6% increase of \$42 million to \$803 million year-to-date. Airport concessions have driven the strong performance reflecting a 6% enplanement growth during the summer and benefiting from flight delays earlier in the year during the severe winter. Airport revenues increased \$18 million, or 10%, to \$191 million in the third quarter, and were up \$37 million, or 8%, to \$516 million year-to-date. Travel Plazas' units posted modest increases in sales over last year's performance. These increases are primarily attributed to the completion of the remaining New York Thruway plazas and increased attendance at the Dallas Reunion Arena. Higher Operating Group revenues in the third quarter and year-to-date have been offset by increased contractual rents and employee compensation costs.

During the second quarter of 1994, due to favorable claims experience for the general liability and workers' compensation self-insurance programs, the Company reduced its related actuarially estimated reserves by \$8 million, which is reflected as a reduction in the Operating Group's operating costs and expenses.

In June 1994, the Company transferred its rights under an unprofitable concessions contract to a third party. In connection with the decision to discontinue servicing the contract, the Company wrote off related assets of approximately \$8 million in the second quarter and established a reserve of approximately \$4 million for amounts which are to be paid to the third party transferee over the next six years. Management believes the transfer of this

contract will have a positive impact on future earnings and cash flow.

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
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Interest expense increased by 9% to \$47 million in the 1994 third quarter and 8% to \$142 million year-to-date mainly as a result of additional expense associated with the consolidation of TSHCO debt.

During the 1994 third quarter, the Company redeemed approximately \$137 million of New Notes at their face value. In connection with the redemption, the Company recognized an extraordinary loss of \$3 million, net of taxes of \$1 million, representing the excess of the redemption price over their net carrying value.

CASH FLOWS AND FINANCIAL CONDITION

The Company reported an increase in cash and cash equivalents and marketable securities of \$182 million during 1994. This increase is primarily due to proceeds from the sale of common stock and certain assets and cash from operations, offset by the use of funds to acquire full-service properties, make required bond redemptions, repay other debt, and fund capital expenditures.

Cash used in investing activities of \$6 million in 1994 includes approximately \$371 million in sales proceeds, principally from the sale of the Company's senior living communities and 26 Fairfield Inns, and paydowns of notes receivable of \$53 million. These sources of cash from investing activities are offset by capital expenditures of \$139 million, primarily related to the construction of two full-service properties, one Residence Inn, and renewals and replacements on existing properties, and \$277 million for the acquisition of full-service properties. Cash from investing activities was also decreased by the net investment of \$50 million in marketable securities.

Cash from financing activities of \$10 million in 1994 includes \$231 million from the January 1994 common stock offering, \$34 million of mortgage financing for the construction of the Philadelphia Convention Center Hotel, offset by the redemption of \$137 million of New Notes from asset sales proceeds as required under the New Note Indenture, a \$30 million paydown on the \$630 million Revolving Line of Credit from Marriott International, \$15 million of open market repurchases of New Notes, the repurchase of approximately \$7.5 million of Old Notes in settlement of litigation, and other debt repayments of \$71 million. At September 9, 1994, \$163 million was outstanding under the Revolving Line of Credit.

The Company has used most of the net proceeds of its January 1994 common stock offering for acquisitions of full-service lodging properties. The Company is actively engaged in purchase negotiations with a number of owners of individual hotel properties and lodging chains. Through the third quarter of 1994, the Company has acquired six full-service properties totalling approximately 2,850 rooms in separate transactions for approximately \$236 million. The Company also provided 100% financing totaling approximately \$35 million to an affiliated partnership, in which the Company owns the sole general partner interest, for the acquisition of two full-service hotels (685 rooms). Subsequent to September 9, 1994, the Company acquired a controlling interest in a 665-room, full-service hotel through an investment of \$52 million. The Company accounts for these properties as owned hotels. These acquired properties are managed by Marriott International, Inc., using the Marriott brand name under management agreements that were in place with the previous owners or negotiated

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
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in connection with the acquisitions. The terms of the contracts vary, but are generally similar to the terms for hotels owned prior to the Distribution. The Company may seek additional financing in connection with such acquisitions, including debt secured by properties acquired. Management believes it will have adequate sources of funding to permit it to pursue its acquisition strategy.

The Company owns a portfolio of real estate which can be sold or used to secure new financings. Property and equipment totalled \$2.9 billion at September 9, 1994 (\$1.8 billion of which had not been pledged or mortgaged). The Company may secure long-term financing and (subject, among other things, to compliance with its existing debt agreements, including requirements to use the proceeds of

certain refinancings to repay indebtedness) may use unencumbered assets as security for future financings, if such financings are determined to be advantageous.

Such financings could take the form of traditional secured real estate financings or could be effected through vehicles such as formation of a real estate investment trust (REIT) or collateralized mortgage financings. In addition, the Company may, from time to time, consider opportunities to sell certain of its real estate properties if price targets can be achieved. All of the Fairfield Inns and the senior living communities sold were owned by subsidiaries of Hospitality, the issuer of the New Notes. Under the terms of the New Note Indenture, Hospitality is obligated to use 50% of the net proceeds of these asset sales to prepay New Notes on a pro-rata basis and must offer to utilize an additional 25% of the net proceeds to make additional New Note prepayments on a pro-rata basis. Based on proceeds from asset sales of approximately \$183 million through June 17, 1994, Hospitality redeemed approximately \$137 million of New Notes in the third quarter of 1994. Based on proceeds from assets sales of approximately \$211 million received in the third quarter of 1994, Hospitality initiated the process for redemption of \$106 million of New Notes and has initiated an offer to repurchase up to an additional \$53 million of New Notes during the fourth quarter of 1994. Hospitality may also, from time to time, make open market purchases of its debt securities. Through the third quarter of 1994, Hospitality purchased approximately \$15 million of its bonds with excess cash from operations.

In August 1994, the TSHCO first mortgage was extended for five years from its original maturity of December 1993. Under the terms of the mortgage, annual minimum principal amortization of \$5 million is required. In addition, a portion of the cash flow in excess of these annual minimum principal reductions will be required, subject to limitations, to reduce the mortgage obligation.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Between October 9, 1992 and approximately January 4, 1993, following the announcement of the Distribution, ten plaintiffs who were all holders, or former holders, of Old Notes (the "Class Action Plaintiffs") filed lawsuits against the Company purportedly brought on behalf of classes of holders and purchasers of Old Notes (the "Class Action Lawsuits"). The Class Action Lawsuits were consolidated under the caption United Apple Sales Incorporated Profit Sharing

Trust u/a DTD 8/1/71, et al. vs. Marriott Corporation et al. in the United

States District Court for the District of Maryland. The Class Action Lawsuit asserted various claims related to the Distribution and related disclosures.

On October 29, 1992, a second group of plaintiffs (the "PPM Group") purporting to hold approximately \$120 million of principal amount of Old Notes filed lawsuits against the Company (the "PPM Lawsuit") in the United States District Court for the District of Maryland. The PPM Lawsuit is limited to claims that the sale by the Company of certain series of its Old Notes was fraudulent and violated federal securities laws and similar state laws. The PPM Group alleges that it has incurred damages of approximately \$18 million.

On or about March 25, 1993, the State Board of Administration of Florida (the "Florida Plaintiff"), holding approximately \$7.5 million of principal amount of Old Notes, filed an additional lawsuit asserting claims relating to the Distribution (the "Florida Lawsuit"), purportedly on behalf of certain classes of holders of Old Notes. The Florida Lawsuit was settled on April 28, 1994. Under the terms of this settlement, the Company agreed to repurchase the Old Notes held by the Florida Plaintiff for their par value.

The Company reached an agreement to settle the Class Action Lawsuits (the "Class Action Settlement"), which settlement was approved by the court on September 10, 1993. The Class Action Settlement disposes of all legal claims challenging the Distribution, other than disclosure claims by certain holders and former holders of Old Notes (principally members of the PPM Group) who have "opted out" of the Class Action Settlement. As part of the Class Action Settlement, the Company effected the Exchange Offer, paid certain legal fees and expenses of the Class Action Plaintiffs and agreed to issue warrants to purchase up to 7.7 million shares of the Company's common stock. The Company recently filed an S-1 Registration Statement for the warrants, and the warrants will be issued by the Company in the near future.

The PPM Group continues to litigate its claims. On December 17, 1993, the Company filed a motion for summary judgment asking the court to enter judgment in favor of the defendants in the PPM Lawsuit. The PPM Group also filed a motion for summary judgment with respect to the Company's counterclaim that some of the PPM Group plaintiffs tortiously interfered with the Company's contractual relationship with some of its financial advisors. On May 23, 1994, the Court

issued an order granting in part and denying in part the Company's motion for summary judgment on the remaining claims of the PPM Group. Specifically, the Court dismissed claims brought by 13 of the 16 plaintiffs comprising the PPM Group for alleged violations of Sections 11 and 12(2) of the Securities Act. The Court denied the Company's motion for summary judgment on the PPM Group's claims for violation of Section 10(b) of the Securities and Exchange Act of 1934 and for common law fraud, as well as the Sections 11 and 12(2) claims brought by three of the plaintiffs in the PPM Group. In addition, the Court granted plaintiff's motion for summary judgment dismissing the Company's counterclaim.

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The Company has reached a settlement of all claims with five of the sixteen plaintiffs comprising the PPM Group whereby the Company agreed to make a payment primarily representing certain legal expenses incurred by these plaintiffs. Under the terms of the settlement, these plaintiffs may, in certain circumstances, receive additional amounts based on a percentage of any judgment against, or settlement with, the Company obtained by the remaining eleven plaintiffs comprising the PPM Group. Trial for the PPM Group litigation commenced on September 26, 1994. During the trial, the claims brought by three of the sixteen plaintiffs alleging violation of Section 11 of the Securities Act, which were not dismissed pursuant to the Court's order dated May 23, 1994, were voluntarily dismissed by the plaintiffs. Additionally, the Court has directed a verdict in favor of the Company on claims brought by all plaintiffs alleging common law fraud (under which such plaintiffs had requested punitive damages). The trial ended on October 19, 1994, with the jury hopelessly deadlocked and the judge declaring a mistrial.

The Company believes that the remaining claims of the PPM Group are without merit and that the litigation will not have a material effect on the financial condition or results of operations of the Company. Nevertheless, there can be no certainty as to the ultimate outcome of such litigation.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibit:

#11 Statement Re: Computation of Earnings (Loss) Per Common Share

b. Reports on Form 8-K:

None

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SIGNATURE

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

HOST MARRIOTT CORPORATION

October 24, 1994

/s/ Jeffrey P. Mayer

Date

Jeffrey P. Mayer
Senior Vice President, Finance
and Corporate Controller
(Chief Accounting Officer)

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HOST MARRIOTT CORPORATION AND SUBSIDIARIES
COMPUTATIONS OF EARNINGS (LOSS) PER COMMON SHARE
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

<CAPTION>

	Twelve Weeks Ended		Thirty-six Weeks Ended	
	September 9, 1994	September 10, 1993	September 9, 1994	September 10, 1993
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Net income (loss).....	\$ 8	\$ 27	\$ (10)	\$ 80
Less: Dividends on convertible preferred stock.....	-	(4)	--	(12)
Net income (loss) available for common shareholders..	\$ 8	\$ 23	\$ (10)	\$ 68

Primary Earnings (Loss) Per Common Share				

Shares:				
Weighted average number of common shares outstanding.....	152.7	102.8	151.2	102.2
Assuming distribution of common shares issuable for warrants in 1994 and granted under comprehensive stock plan, less shares assumed purchased at average market (2).....	8.4	7.0	--	6.9
Assuming distribution of common shares reserved under employee stock purchase plan, based on withholdings to date, less shares assumed purchased at average market (2)..	--	.1	--	.2
	161.1	109.9	151.2	109.3
Primary Earnings (Loss) Per Common Share.....	\$.05	\$.21	\$ (.07)	\$.63

Fully Diluted Earnings (Loss) Per Common Share				

Shares:				
Weighted average number of common shares outstanding....	152.7	102.8	151.2	102.2
Assuming distribution of common shares issuable for warrants in 1994 and granted under comprehensive stock plan, less shares assumed purchased at higher of average or ending market (2).....	8.8	7.2	--	7.4
Assuming distribution of common shares reserved under employee stock purchase plan, based on withholdings to date, less shares assumed purchased at higher of average or ending market (2).....	--	.1	--	.2
Assuming issuance of common shares upon conversion of convertible subordinated debt (1).....	--	--	--	--
Assuming issuance of common shares upon conversion of convertible preferred stock (1).....	4.9	--	--	--
	166.4	110.1	151.2	109.8
Fully Diluted Earnings (Loss) Per Common Share.....	\$.05	\$.21	\$ (.07)	\$.63

(1) Convertible subordinated debt and convertible preferred stock were antidilutive in the twelve and thirty-six week periods ended September 10, 1993, and the thirty-six week period ended September 9, 1994.

(2) Common equivalent shares and other potentially dilutive securities were anti-dilutive in the thirty-six week period ended September 9, 1994.

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This schedule contains summary financial information extracted from Host Marriott Corporation and Subsidiaries Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations and is qualified in its entirety by reference to such financial statements.

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