HOST MARRIOTT CORP/
Form S-4/A
March 02, 2006
Table of Contents

As filed with the Securities and Exchange Commission on March 2, 2006

Registration No. 333-130249

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 4

to

FORM S-4

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

HOST MARRIOTT CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**7011**	**53-0085950**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(IRS Employer Identification Number)**

Elizabeth A. Abdoo

Executive Vice President and General Counsel

6903 Rockledge Drive, Suite 1500

Bethesda, Maryland 20817

(240) 744-1000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Scott C. Herlihy

Latham & Watkins LLP

555 11th Street, N.W., Suite 1000

Washington, D.C. 20004

(202) 637-2200

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this proxy statement/prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary proxy statement/prospectus is not an offer to sell and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Proxy Statement/Prospectus

Subject to Completion, Dated March 2, 2006

Host Marriott Corporation, or Host, Host Marriott, L.P., or Host LP, Starwood Hotels & Resorts Worldwide, Inc., or Starwood, and Starwood s majority-owned subsidiary, Starwood Hotels & Resorts, or Starwood Trust, have entered into a master agreement and plan of merger, pursuant to which Host will acquire 38 hotels from Starwood and certain Starwood subsidiaries in a series of transactions, including the merger of a direct, wholly owned subsidiary of Host LP with and into Starwood Trust.

If the transactions are completed in their entirety, Host will pay total consideration of approximately $4.037 billion to Starwood, holders of Starwood Trust s Class B shares and Class A Exchangeable Preferred Shares and holders of SLT Realty Limited Partnership s RP units and Class A RP units (which classes of units represent 100% of the outstanding limited partnership interests in SLT Realty Limited Partnership), consisting in the aggregate of approximately $2.27 billion of Host common stock (representing approximately 133.5 million shares of Host common stock at the exchange price of $17.00 per share), $1.213 billion in cash and the assumption by Host of approximately $554 million in indebtedness, subject to adjustments described in this proxy statement/prospectus. The portion of the consideration to be received from Host by holders of Class B shares or Class A Exchangeable Preferred Shares generally will consist of 0.6122 shares of Host common stock and $0.503 in cash for each share held immediately prior to the completion of the transactions. Holders of Class A Exchangeable Preferred Shares will separately receive from Starwood a cash amount representing the value of the shares of Starwood common stock into which their Class A Exchangeable Preferred Shares are exchangeable immediately prior to the completion of the transactions. Currently, each Class B share trades as a unit with a share of Starwood common stock. Holders of these paired shares will retain their shares of Starwood common stock, which will not be affected by the transactions, except that the shares of Starwood common stock and Class B shares will be de-paired and the shares of Starwood common stock will trade independently of the Class B shares.

Host s management estimates that immediately after the transactions, Starwood Trust shareholders will hold approximately 26% of the then-outstanding shares of Host common stock, based on the number of shares of Host common stock outstanding on March 1, 2006. Host stockholders will continue to own their existing shares, which will not be affected by the transactions.

Host common stock is currently traded on the New York Stock Exchange under the trading symbol HMT. On March 1, 2006, Host common stock closed at $19.53 per share as reported on the New York Stock Exchange Composite Transaction Tape. However, the value of the consideration to be received by Starwood Trust shareholders will depend upon the market price per share of Host common stock and, with respect to the cash consideration payable by Starwood, Starwood common stock, which prior to the de-pairing is derived from the market price of the paired shares of Starwood and Starwood Trust, at the time of the completion of the transactions. There can be no assurance as to the market price of those securities at any time prior to, at or after the completion of the transactions.

The transactions cannot be completed unless the holders of a majority of shares of Host common stock voting in person or by proxy at the meeting approve the issuance of shares of Host common stock in the transactions, provided that the total votes cast represent over 50% of the outstanding shares of Host common stock entitled to vote. More information about Host, Starwood, Starwood Trust and the transactions is contained in this proxy statement/prospectus. **We encourage you to read carefully this proxy statement/prospectus, including the section entitled Risk Factors beginning on page 22.**

Based on its review, the board of directors of Host has determined that the master agreement and the transactions contemplated by the master agreement are advisable and in the best interests of Host and its stockholders and has unanimously approved the master agreement and the issuance of shares of Host common stock in the transactions. **Host s board of directors unanimously recommends that Host common stockholders vote FOR the proposal to approve the issuance of shares of Host common stock in the transactions.**

The vote of Host common stockholders is very important. Whether or not you plan to attend the Host special meeting, please take the time to vote by completing and mailing to us the enclosed proxy card or, by granting your proxy electronically over the Internet or by telephone. If your shares are held in street name, you must instruct your broker in order to vote.

The sole holder of Starwood Trust s Class A shares, a Starwood subsidiary, has already adopted the master agreement and approved the transactions and no other approval of Starwood Trust shareholders or Starwood stockholders is required. Accordingly, no vote of Starwood Trust shareholders or Starwood stockholders is being sought, and therefore no proxy is being requested, with respect to the transactions.

Sincerely,

Richard E. Marriott

Chairman of the Board

Host Marriott Corporation

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these transactions or the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated March 2, 2006, and is being mailed to stockholders of Host and shareholders of Starwood Trust on or about March 6, 2006.

Table of Contents

ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about Host and Starwood Trust from documents that are not included in or delivered with this proxy statement/prospectus. For a more detailed description of the information incorporated by reference into this proxy statement/prospectus and how you may obtain it, see Additional Information Where You Can Find More Information beginning on page 193.

You can obtain any of the documents incorporated by reference into this proxy statement/prospectus from Host or Starwood Trust, as applicable, or from the Securities and Exchange Commission, which is referred to as the SEC, through the SEC s website at www.sec.gov. Documents incorporated by reference are available from Host and Starwood Trust, as applicable, without charge, excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference as an exhibit in this proxy statement/prospectus. Host stockholders and Starwood Trust shareholders may request a copy of such documents in writing or by telephone by contacting the applicable department at:

Host Marriott Corporation	Starwood Hotels & Resorts
6903 Rockledge Drive, Suite 1500	1111 Westchester Avenue
Bethesda, Maryland 20817-1109	White Plains, New York 10604
Attn: Investor Relations	Attn: General Counsel
Telephone: (240) 744-1000	Telephone: (914) 640-8100

In addition, you may obtain copies of the information relating to Host, without charge, by sending an e-mail to iiinfo@hostmarriott.com.

We are not incorporating the contents of the websites of the SEC, Host, Starwood Trust, Starwood or any other person into this document. We are only providing the information about how you can obtain certain documents that are incorporated by reference into this proxy statement/prospectus at these websites for your convenience.

In order for Host stockholders to receive timely delivery of the documents in advance of the Host special meeting, Host or Starwood Trust, as applicable, should receive your request no later than March 29, 2006. While Starwood Trust shareholders are not entitled to vote at the Host special meeting, the transactions may be completed soon after that meeting, subject to the other conditions described in this proxy statement/prospectus. Accordingly, in order for Starwood Trust shareholders to receive timely delivery of the documents, Host or Starwood Trust, as applicable, should receive your request no later than March 29, 2006.

For information about where to obtain copies of documents, see Additional Information Where You Can Find More Information beginning on page 193.

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form S-4 filed with the SEC by Host, constitutes a prospectus of Host under the Securities Act of 1933, as amended, which is referred to in this document as the Securities Act, with respect to the shares of Host common stock to be issued to the holders of Starwood Trust shares in connection with the transactions. This document also constitutes a proxy statement of Host under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to in this document as the Exchange Act, and the rules thereunder, and a notice of meeting with respect to the Host special meeting of stockholders, at which, among other things, the holders of Host common stock will consider and vote upon a proposal to approve the issuance of shares of Host common stock in the transactions.

Table of Contents

HOST MARRIOTT CORPORATION

6903 Rockledge Drive, Suite 1500

Bethesda, Maryland 20817-1109

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On April 5, 2006

To the Stockholders of Host Marriott Corporation:

We will hold a special meeting of stockholders of Host at the Marriott at Metro Center in Washington, D.C., on April 5, 2006, at 9:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of shares of Host common stock pursuant to the Master Agreement and Plan of Merger, dated as of November 14, 2005, among Host Marriott Corporation, Host Marriott, L.P., Horizon Supernova Merger Sub, L.L.C., Horizon SLT Merger Sub, L.P., Starwood Hotels & Resorts Worldwide, Inc., Starwood Hotels & Resorts, Sheraton Holding Corporation and SLT Realty Limited Partnership.

2. To transact any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

These items of business are described in the attached proxy statement/prospectus. Only Host common stockholders of record at the close of business on February 22, 2006, the record date for the special meeting, are entitled to notice of and to vote at the special meeting and any adjournments or postponements of the special meeting.

The board of directors of Host unanimously recommends that you vote FOR the proposal to approve the issuance of shares of Host common stock in the transactions.

Your vote is very important. It is important that your shares be represented and voted whether or not you plan to attend the special meeting in person. You may vote by completing and mailing the enclosed proxy card, or you may grant your proxy electronically via the Internet or by telephone. If your shares are held in street name, which means shares held of record by a broker, bank or other nominee, you should check the voting form used by that firm to determine whether you will be able to submit your proxy by telephone or on the Internet. Submitting a proxy over the Internet, by telephone or by mailing the enclosed proxy card will ensure your shares are represented at the special meeting. Please review the instructions in this proxy statement/prospectus and the enclosed proxy card or the information forwarded by your bank, broker or other holder of record regarding each of these options.

By Order of the Board of Directors,

/s/ Elizabeth A. Abdoo

ELIZABETH A. ABDOO

Corporate Secretary

Host Marriott Corporation

March 2, 2006

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

QUESTIONS AND ANSWERS ABOUT VOTING PROCEDURES FOR THE HOST SPECIAL MEETING

The sole holder of Starwood Trust s Class A shares, a Starwood subsidiary, has already adopted the master agreement and approved the transactions and no other approval of Starwood Trust shareholders or Starwood stockholders is required. Accordingly, no vote of Starwood Trust shareholders or Starwood stockholders is being sought with respect to the transactions. ***Accordingly, Starwood Trust shareholders may skip this section and proceed to the Summary section beginning on page 1.***

If you are a Host stockholder, the following questions and answers highlight only selected procedural information from this proxy statement/prospectus. They do not contain all of the information that may be important to you. You should read carefully this entire proxy statement/prospectus and the additional documents incorporated by reference into this proxy statement/prospectus to fully understand the voting procedures for the Host special meeting.

Q: Why are Host stockholders receiving this proxy statement/prospectus?

A: Host and Starwood have agreed to the transactions contemplated by the master agreement that is described in this proxy statement/prospectus.

Under the rules of the New York Stock Exchange, which is referred to throughout this proxy statement/prospectus as the NYSE, on which Host common stock is traded, in order to complete the transactions, holders of shares of Host common stock must vote to approve the issuance of shares of Host common stock in the transactions. Host will hold a special meeting of its stockholders to obtain this approval.

This proxy statement/prospectus contains important information about the transactions, the transaction agreements and the special meeting of the stockholders of Host, which you should read carefully. The enclosed voting materials allow you to vote your shares without attending the Host special meeting.

Your vote is very important. We encourage you to vote as soon as possible.

Q: When and where will the special meeting of Host stockholders be held?

A: The Host special meeting will take place at the Marriott at Metro Center, 775 12th Street, NW in Washington, D.C. on April 5, 2006 at 9:00 a.m., local time.

Q: Who can attend and vote at the Host special meeting?

A: All Host common stockholders of record as of the close of business on February 22, 2006, the record date for the Host special meeting, are entitled to receive notice of and to vote at the Host special meeting.

Q: What should holders of Host common stock do now?

A: After carefully reading and considering this proxy statement/prospectus, Host common stockholders of record as of the record date for the Host special meeting may now vote by proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope or by submitting a proxy over the Internet or by telephone by following the instructions on the enclosed proxy card. If you hold shares of Host common stock in street name, which means your shares are held of record by a broker, bank or nominee, you must provide the record holder of your shares with instructions on how to vote your shares. Please refer to the voting instruction card used by your broker, bank or nominee to see if you may submit voting instructions using the Internet or telephone.

Q: May holders of Host common stock vote at the Host special meeting?

A: Yes. You may also vote in person by attending the special meeting of Host stockholders. If you plan to attend the Host special meeting and wish to vote in person, you will be given a ballot at the special meeting.

Table of Contents

Please note, however, that if your shares are held in street name, and you wish to vote at the Host special meeting, you must bring a proxy from the record holder of the shares authorizing you to vote at the special meeting. Whether or not you plan to attend the Host special meeting, you should grant your proxy as described in this proxy statement/prospectus.

Q: What will happen if I abstain from voting or fail to vote?

A: An abstention by a Host stockholder, which occurs when a stockholder attends a meeting, either in person or by proxy, but abstains from voting, will have the same effect as voting against the issuance of shares of Host common stock in the transactions. Your failure to vote or to instruct your broker to vote if your shares are held in street name may have a negative effect on Host s ability to obtain the number of votes cast necessary for approval of the issuance of shares of Host common stock in the transactions in accordance with the listing requirements of the NYSE.

Q: May I change my vote after I have delivered my proxy?

A: Yes. If you are a holder of record, you can change your vote at any time before your proxy is voted at the Host special meeting by:

delivering a signed written notice of revocation to Host s transfer agent at:

Computershare Trust Company, N.A.

P.O. Box 8611

Edison, New Jersey 08818

signing and delivering a new, valid proxy bearing a later date; and if it is a written proxy, it must be signed and delivered to Host s transfer agent at the address listed above;

submitting another proxy by telephone or on the Internet (your latest telephone or Internet voting instructions are followed); or

attending the Host special meeting and voting in person, although your attendance alone will not revoke your proxy.

If your shares are held in a street name account, you must contact your broker, bank or other nominee to change your vote.

Q: What should holders of Host common stock do if they receive more than one set of voting materials for the Host special meeting?

A: You may receive more than one set of voting materials for the Host special meeting, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q: Who can help answer my questions?

A: If you have any questions about the transactions or how to submit your proxy, or if you need additional copies of this proxy statement/prospectus, the enclosed proxy card or voting instructions, you should contact:

MacKenzie Partners, Inc.

105 Madison Avenue, 14^{th} Floor

New York, New York 10016

Call toll-free: (800) 322-2885

Table of Contents

SUMMARY

The following is a summary that highlights information contained in this proxy statement/prospectus. This summary may not contain all of the information that may be important to you. For a more complete description of the master agreement and other transaction agreements and the transactions contemplated thereby, we encourage you to read carefully this entire proxy statement/prospectus, including the attached annexes. In addition, we encourage you to read the information incorporated by reference into this proxy statement/prospectus, which includes important business and financial information about Host and Starwood Trust that has been filed with the SEC. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled Additional Information Where You Can Find More Information beginning on page 193.

The Companies

Host Marriott Corporation

6903 Rockledge Drive, Suite 1500

Bethesda, Maryland 20817-1109

(240)744-1000

Host Marriott Corporation, or Host, is a Maryland corporation and operates as a self-managed and self-administered real estate investment trust, or REIT. Host owns properties and conducts operations through Host Marriott, L.P., which is referred to throughout this proxy statement/prospectus as Host LP, a Delaware limited partnership of which Host is the sole general partner, and of which Host currently holds approximately 95% of the partnership interests. References throughout this proxy statement/prospectus to Host will include a reference to Host LP to the extent applicable. As of March 1, 2006, Host s lodging portfolio consisted of 103 upper-upscale and luxury full-service hotels containing approximately 54,000 rooms. Host s portfolio is geographically diverse with hotels in most of the major metropolitan areas in 26 states, Washington, D.C., Toronto and Calgary, Canada and Mexico City, Mexico. Host s locations include central business districts of major cities, near airports and resort/conference locations. Upon the completion of the transactions, Host intends to change its name to Host Hotels & Resorts, Inc.

Host was formed in 1998 as a Maryland corporation in connection with its reorganization to qualify as a REIT. Host common stock is currently traded on the NYSE under the symbol HMT. Upon the completion of the transactions, Host common stock will trade on the NYSE under the symbol HST.

Starwood Hotels & Resorts Worldwide, Inc.

Starwood Hotels & Resorts

1111 Westchester Avenue

White Plains, New York 10604

(914) 640-8100

Starwood Hotels & Resorts Worldwide, Inc., or Starwood, is one of the world s largest hotel and leisure companies. Starwood conducts its hotel and leisure business both directly and through its subsidiaries, including Starwood Hotels & Resorts, a Maryland real estate investment trust, which is referred to in this proxy statement/prospectus as Starwood Trust. At January 31, 2006, Starwood s hotel portfolio included owned, leased, managed and franchised hotels totaling approximately 844 hotels with approximately 260,000 rooms in more than 100 countries and territories, and is comprised of approximately 126 hotels that Starwood owns or leases or in which Starwood has a majority equity interest, approximately 377 hotels managed by Starwood on behalf of third-party owners (including entities in which Starwood has a minority equity interest) and approximately 341 hotels for which Starwood receives franchise fees. Starwood s brand names include St. Regis®, The Luxury Collection®,

1

Sheraton®, Westin®, Four Points by Sheraton®, W®, Le Meridien® and aloft(SM). Starwood also owns Starwood Vacation Ownership, Inc., a developer and operator of high quality vacation interval ownership resorts.

Starwood Trust was organized in 1969, and Starwood was incorporated in 1980, both under the laws of Maryland. The shares of Starwood common stock and the Class B shares of Starwood Trust are paired and trade together as a unit on the NYSE under the symbol HOT.

The Transactions (see page 50)

Host and Starwood have agreed to engage in a series of transactions pursuant to which Host will acquire 38 hotels from Starwood and certain Starwood subsidiaries for total consideration of approximately $4.037 billion. The transactions include:

- the acquisition by Host LP of certain domestic hotels in a separate purchase structured to allow Host LP to complete like-kind exchange transactions for federal income tax purposes;
- the merger of a direct, wholly owned subsidiary of Host LP with and into Starwood Trust, resulting in Starwood Trust becoming a direct, wholly owned subsidiary of Host LP and SLT Realty Limited Partnership becoming an indirect, majority-owned subsidiary of Host LP;
- the merger of an indirect, wholly owned subsidiary of Host LP with and into SLT Realty Limited Partnership, resulting in the exchange of all outstanding RP units and Class A RP units in SLT Realty Limited Partnership into the right to receive cash, and resulting in SLT Realty Limited Partnership becoming an indirect wholly owned subsidiary of Host LP;
- the acquisition by Host LP of the equity interests in Sheraton Holding Corporation, or SHC;
- the acquisition by Host LP (through certain subsidiary REITs and foreign subsidiaries formed for this transaction) of certain foreign hotels not owned by Starwood Trust, SHC or SLT Realty Limited Partnership through the acquisition of the equity interests in various Starwood subsidiaries; and
- the acquisition by Host LP (or a designated taxable REIT subsidiary or other subsidiary of Host LP) of certain domestic improvements and working capital, as well as other ancillary assets from Starwood.

We have attached the master agreement, indemnification agreement and tax sharing and indemnification agreement as *Annex A*, *Annex B* and *Annex C*, respectively, to this proxy statement/prospectus. We encourage you to carefully read the annexed transaction agreements as they are the principal legal documents that govern the transactions.

Consideration for the Transactions

The total consideration payable by Host in the transactions, if completed in their entirety, will be approximately $4.037 billion, consisting of approximately $1.213 billion in cash, the assumption by Host of approximately $554 million in indebtedness and approximately $2.27 billion of Host common stock (representing 133,529,412 shares of Host common stock at the exchange price of $17.00 per share), in each case subject to adjustments described herein. Because the total consideration includes shares of Host common stock, the value of such consideration to Starwood Trust shareholders depends on the market price of Host common stock at the time of closing. In the event that either Starwood assumes the $450 million of the 7 $^{3}/8$% debentures due November 15, 2015 (the 2015 SHC Debentures) or the 2015 SHC Debentures do not remain outstanding at the closing of the transactions, the cash consideration will be increased by, and the aggregate indebtedness assumed by Host will be decreased by, approximately $450 million.

The portion of the consideration to be received from Host LP by holders of Class B shares or Class A Exchangeable Preferred Shares of Starwood Trust generally consists of 0.6122 shares of Host common stock and $0.503 in cash for each share held immediately prior to the completion of the transactions. Holders of Class A Exchangeable Preferred Shares of Starwood Trust will also separately receive from Starwood a cash amount representing the value of the shares of Starwood common stock into which their Class A Exchangeable Preferred Shares are exchangeable immediately prior to the completion of the transactions. Holders of these paired shares of Starwood and Starwood Trust will retain their shares of Starwood common stock, which will not be affected by the transactions, except that the shares of Starwood common stock and Class B shares of Starwood Trust will be de-paired prior to the date of the merger of the Host LP subsidiary with and into Starwood Trust, after which the shares of Starwood common stock will trade independently of the Class B shares of Starwood Trust.

Starwood and its subsidiaries will directly receive the consideration not payable in respect of Starwood Trust s Class B shares or Class A Exchangeable Preferred Shares or SLT Realty Limited Partnership s RP units or Class A RP units.

Preferred Stock Purchase Rights **(see page 165)**

Each person or entity receiving shares of Host common stock in the transactions will also receive the right to acquire an equal number of Host s Series A Junior Participating Preferred Stock associated with Host common stock. These preferred stock purchase rights are traded with Host common stock, are evidenced by certificates representing common stock and may be transferred only with the common stock. Prior to the public announcement that a person (or group of affiliated persons) has acquired, obtained the right to acquire, or commenced a tender offer or exchange offer that would result in its ownership of, 20% or more of Host s outstanding shares of common stock, none of which has occurred as of this date, the rights will not be exercisable or evidenced separately from Host common stock. If a triggering event not approved by the board of directors of Host were to occur, each purchase right entitles its holder, other than the third party or parties responsible for triggering the event, to purchase common stock of either Host or the acquiring entity having a value of twice the exercise price of the right. The preferred stock purchase rights have no rights or benefits unless and until one of the triggering events described above occurs.

Ownership of Host After the Transactions

In connection with the transactions contemplated by the master agreement, Host expects to issue approximately 133.5 million shares of Host common stock, which will result in former Starwood Trust shareholders receiving in the transactions approximately 26% of the then-outstanding shares of Host common stock, based on the number of shares of Host common stock outstanding on March 1, 2006.

Recommendation of Host s Board of Directors (see page 61)

Host s board of directors has determined that the master agreement and the transactions contemplated by the master agreement are advisable and in the best interests of Host and its stockholders and has unanimously approved the master agreement and the issuance of shares of Host common stock in the transactions. Host s board of directors unanimously recommends that Host common stockholders vote **FOR** the proposal to approve of the issuance of shares of Host common stock in the transactions.

Host s Reasons for the Transactions (see page 61)

In determining whether to approve the master agreement and the proposed transactions, Host s board of directors considered a number of factors, including, among others, the strength of the portfolio, the enhanced growth potential and brand diversification (with the portfolio consisting of 20 Sheratons, 13 Westins, two W hotels, one St. Regis hotel, one The Luxury Collection hotel and one additional unbranded hotel), the international platform represented by the portfolio (with 13 of the hotels to be acquired located outside the United States), and the attractive financial terms. As a result of the transactions, 9% of Host s entire portfolio (by revenue) will be located outside United States, up from 3% prior to the transactions. With the addition of the acquired hotels, only 53% of Host s portfolio (by revenue) will consist of Marriott-branded hotels, while Westin- branded hotels will represent 9%, up from 1% prior to the transactions, and Sheraton and W-branded hotels will represent 14% and 2%, respectively. Currently, Host does not own Sheraton or W-branded hotels.

Table of Contents

Host s board also considered potentially negative factors, including the risk that the transactions could not be completed or, if completed, could fail to produce the benefits anticipated by Host. Host s board of directors did not consider it practical and did not attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered.

Opinion of Host Financial Advisor (see page 67)

Goldman, Sachs & Co., or Goldman Sachs, delivered its opinion to Host s board of directors to the effect that, as of November 14, 2005 and based upon and subject to the factors and assumptions set forth therein, the Consideration (as defined in such opinion) in the aggregate to be paid by Host and certain of its subsidiaries for the Assets and Interests (each as defined in such opinion) pursuant to the master agreement was fair from a financial point of view to Host.

The full text of the written opinion of Goldman Sachs, dated November 14, 2005, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as *Annex D* to this proxy statement/prospectus. Goldman Sachs provided its opinion for the information and assistance of Host s board of directors in connection with its consideration of the master agreement and the transactions. The Goldman Sachs opinion is not a recommendation as to how any holder of shares of Host common stock should vote with respect to the transactions. Pursuant to an engagement letter between Host and Goldman Sachs, if the aggregate consideration is greater than $4 billion, but less than or equal to $5 billion, Host has agreed to pay Goldman Sachs upon completion of the transactions a transaction fee equal to 0.33% of the aggregate consideration (as defined in such engagement letter) not to exceed $15 million. In the event that the transaction is not consummated, Goldman Sachs would not receive a fee in connection with the transaction (other than as a result of a termination in connection with which a break-up fee is payable to Host).

Opinion of Starwood and Starwood Trust s Financial Advisor (see page 72)

Bear, Stearns & Co. Inc., or Bear Stearns, at the November 13, 2005 meeting of Starwood s board of directors and Starwood Trust s board of trustees, delivered its oral opinion, which was subsequently confirmed in writing, that, as of November 13, 2005, and based upon and subject to the assumptions, qualifications and limitations set forth in the written opinion, the aggregate consideration to be received by Starwood, Starwood Trust and their shareholders for the Starwood Portfolio, as defined in Bear Stearns written opinion, was fair, from a financial point of view, to Starwood and Starwood Trust.

The full text of Bear Stearns written opinion is attached as *Annex E* to this proxy statement/prospectus. Bear Stearns provided its opinion solely for the benefit and use of Starwood s board of directors and Starwood Trust s board of trustees and the opinion did not constitute a recommendation to either of the boards in connection with the transactions. The Bear Stearns opinion is not a recommendation to Host s board of directors or any shareholders of Host as to how to vote in connection with the transactions. Pursuant to the terms of Bear Stearns engagement letter, Starwood has agreed to pay Bear Stearns a transaction fee equal to $17 million, which is payable upon consummation of the transactions contemplated by the master agreement. If the transactions are terminated, Starwood would not be required to pay Bear Stearns a fee in connection with the transactions.

Stockholders Entitled to Vote at the Host Special Meeting (see page 46)

You can vote at the Host special meeting if you owned Host common stock at the close of business on February 22, 2006, which is referred to throughout this proxy statement/prospectus as the record date. On that date, there were 385,792,520 shares of Host common stock outstanding and entitled to vote at the Host special meeting. You can cast one vote for each share of Host common stock that you owned on the record date.

Table of Contents

Vote Required (see page 46)

The sole holder of Starwood Trust s Class A shares, Starwood Hotels & Resorts Holdings, Inc., a subsidiary of Starwood, has already adopted the master agreement and approved the transactions and no other approval of Starwood Trust shareholders or Starwood stockholders is required. Accordingly, no vote of Starwood Trust shareholders or Starwood stockholders is being sought, and therefore no proxy is being requested from them, with respect to the transactions.

In order to complete the transactions contemplated by the master agreement, holders of shares of Host common stock must approve the issuance of shares of Host common stock in the transactions. In accordance with the listing requirements of the NYSE, the issuance of shares of Host common stock in the transactions requires the affirmative vote of the holders of a majority of shares of Host common stock cast on the proposal, in person or by proxy, provided that the total votes cast on the proposal represent over 50% of the outstanding shares of Host common stock entitled to vote on the proposal.

Abstentions and broker non-votes, will be counted in determining whether a quorum is present at the Host special meeting for purposes of the vote of Host stockholders on the proposal to approve the issuance of shares of Host common stock in the transactions. An abstention, which occurs when a stockholder attends a meeting either in person or by proxy, but abstains from voting, will have the same effect as a vote against the proposal. A broker non-vote occurs when shares are held in street name by a broker or other nominee on behalf of a beneficial owner and the beneficial owner does not instruct the broker or nominee how to vote the shares for a proposal that is non-routine under the listing requirements of the NYSE. Broker non-votes could have a negative effect on Host s ability to obtain the necessary number of votes cast in accordance with the NYSE s listing requirements for the proposal to approve the issuance of shares of Host common stock in the transactions because it is a non-routine proposal.

Share Ownership of Directors and Executive Officers of Host

At the close of business on the record date, directors and executive officers of Host and their affiliates beneficially owned and were entitled to vote 21,506,917 shares of Host common stock, collectively representing ..055% of the shares of Host common stock outstanding on that date.

Conditions to Completion of the Transactions (see page 90)

A number of conditions must be satisfied before the transactions will be completed. These include, among others:

- the receipt of the approval by Host common stockholders of the issuance of shares of Host common stock in the transactions;
- the receipt of the approval for listing on the NYSE of shares of Host common stock to be issued in the transactions;
- the satisfaction of all antitrust requirements in Canada and Italy;

the absence of any legal restraints or prohibitions preventing the completion of the transactions;

the representations and warranties of each party contained in the master agreement being true and correct, generally except to the extent that breaches of such representations and warranties would not reasonably be expected to result in a material adverse effect with respect to Host or the business of Starwood currently contemplated to be acquired by Host or result in a material default under certain operating agreements to be entered into between Host and Starwood at the closing;

the performance by Host and Starwood in all material respects of their respective obligations under the master agreement;

the absence of any events or developments since the date of the master agreement that would reasonably be expected to have a material adverse effect with respect to Host or the business of Starwood currently contemplated to be acquired by Host;

the absence of any actual or proposed change in tax law or regulation with respect to consolidated tax return rules that would reasonably be expected to result in a material risk of Starwood incurring an economic cost of more than $200 million that Starwood did not expect to bear from the transactions; and

the 20-trading day average closing price of a share of Host common stock being no less than $13.60 on the date on which the closing date is determined.

Each of Host and Starwood may, if legally permissible, waive the conditions to the performance of its obligations under the master agreement and complete the transactions even though one or more of these conditions has not been met. Neither Host nor Starwood can give any assurance that all of the conditions to the transactions will be either satisfied or waived or that the transactions will occur.

No Solicitation by Starwood (see page 100)

The master agreement contains restrictions on the ability of Starwood to solicit or engage in discussions or negotiations with a third party with respect to a proposal to acquire a significant interest in the hotels currently contemplated to be acquired by Host in the transactions.

Break-up Fee (see page 107)

If the master agreement is terminated, Starwood, in certain circumstances, will be required to pay a break-up fee of up to $100 million to Host and reimburse Host for up to $20 million of Host s transaction-related expenses, and Host, in the event the master agreement is terminated by either party due to the failure to obtain the requisite vote of Host stockholders, will be required to reimburse Starwood for up to $20 million of Starwood s transaction-related expenses but will not be required to pay a break-up fee.

Deferral of Hotels (see page 102)

Host and Starwood have agreed that, in the circumstances described below, one or both of them may elect to defer , or temporarily (or, ultimately, permanently) exclude from the transactions, one or more hotels or entities to be acquired by Host in the transactions. If a hotel or entity is deferred, the cash portion of the overall purchase price for the transactions will be reduced by the amount of the purchase price that was allocated to such hotel (or, in the case of a deferred entity, the hotels owned by such entity) in the master agreement.

Either Host or Starwood can defer any hotel or entity to be acquired by Host from the initial closing transactions without the other s consent upon the occurrence of any of the following deferral triggers related to such hotel or entity:

failure to obtain any consent identified prior to signing the master agreement;

required antitrust approvals are not obtained; or

any temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction is issued or laws become effective that prevent the transactions or make them illegal.

In addition, Starwood can exclude any of the Canadian hotels to be acquired by Host from the initial closing transactions without Host s consent if Starwood does not succeed in obtaining the desired ruling from the Canadian tax authorities with respect to certain Canadian restructuring transactions related to the sale of the Canadian hotels to Host.

Table of Contents

In addition, Host can defer any hotel or entity to be acquired by Host from the initial closing transactions without Starwood s consent upon the occurrence of any of the following deferral triggers related to such hotel or entity:

- casualty at a hotel currently contemplated to be acquired by Host that results in cost of repair (without taking into account insurance) in excess of 25% of the value of such hotel;
- condemnation of a hotel currently contemplated to be acquired by Host that results in an economic impact (without taking into account any condemnation award) in excess of 25% of the value of such hotel;
- breach of specified Starwood representations or failure to obtain a required consent not previously identified that results in an economic impact (without taking into account any indemnification or insurance) in excess of 25% of the value of a hotel or entity currently contemplated to be acquired by Host;
- failure of Starwood to complete its restructuring in a manner that satisfies Host s restructuring conditions;
- specified structuring costs attendant to the ownership of certain foreign hotels to be acquired by Host would reasonably be expected to exceed 10% of the earnings before interest, taxes, depreciation and amortization, or EBITDA, that would (but for such costs) otherwise be received by Host with respect to such foreign hotels during the twelve months immediately following the closing; or
- if Host s closing conditions are satisfied on the overall transactions, but a required consent has not been obtained (or there is another deferral trigger) with respect to one of three primary European hotels (i.e., Westin Palace Madrid, Westin Palace Milan and the Westin Europa & Regina), Host can elect to defer all acquired hotels located outside of the United States, Canada and Poland.

Host and Starwood are working with the intention that Host will acquire at closing all of the hotels in the transactions and no hotel has been deferred or excluded from the transactions as of the date of this proxy statement/prospectus. Furthermore, Host and Starwood have conditions to their respective obligations to complete the transactions, which limit the hotels that can be excluded by either party from the initial closing without the other party s consent. However, there is no guarantee that all of the deferral triggers will be satisfied or waived prior to closing. In particular, given the waiting period applicable to certain approvals that are required to be obtained from the municipality in which the Westin Europa & Regina (a hotel in Venice) is located, unless a waiver can be obtained, it is likely that the transfer of that hotel will not be capable of completion prior to the second quarter of 2006. As a result, if the requisite Host stockholder approval is obtained and all other conditions to the completion of the closing transactions have been satisfied prior to that time, it is likely that the acquisition of the Westin Europa & Regina (and, if Host so elects, all other hotels located outside of the United States, Canada and Poland) would be deferred. In such an event, if the applicable approvals are not obtained prior to 90 days after the initial closing of the transactions (or, if Host elects to defer all hotels located outside the United States, Canada and Poland, prior to October 17, 2006), the deferred hotels could ultimately be permanently excluded from the transactions and retained by Starwood.

In the event that the requisite Host stockholder vote is obtained and, following such vote, the number or value of hotels in the transactions were to materially change due to the deferral triggers described above, then Host would call another special meeting of its stockholders for the purpose of re-approving the issuance of shares of Host common stock in the transactions.

Indemnification (see page 109)

Subject to certain limitations, Starwood has agreed to indemnify and hold Host harmless from liabilities being retained by Starwood and breaches of Starwood s covenants, agreements, representations and warranties

Table of Contents

contained in the master agreement. Similarly, subject to certain limitations, Host has agreed to indemnify and hold Starwood harmless from liabilities being assumed by Host and breaches of Host s covenants, agreements, representations and warranties contained in the master agreement.

Each of Host and Starwood will indemnify the other for every dollar there is no deductible, cap or survival limitation of assumed liabilities and retained liabilities, respectively. Subject to certain survival limitations, the parties will indemnify each other for every dollar of losses arising from a breach of a covenant there is no deductible or cap except that with respect to breaches of covenants relating to the parties conduct of their respective businesses pre-closing, there is a $500,000 threshold. A party s right to indemnification for a loss that results from a breach by the other party of its representations or warranties will be subject to a specified deductible, cap and survival limitation. Generally, neither Host nor Starwood will be liable for a claim by the other with respect to breaches of representations and warranties involving (i) individual losses of less than $500,000, (ii) losses that, in the aggregate, are less than $50 million or (iii) losses in excess of $100 million.

Termination of the Master Agreement (see page 105)

Host and Starwood may mutually agree in writing, at any time before the completion of the transactions, to terminate the master agreement. Also, either Host or Starwood may terminate the master agreement in a number of circumstances, including if:

- the transactions are not completed by April 17, 2006;
- any governmental entity prohibits the transactions;
- Host common stockholders at the Host special meeting fail to approve the issuance of shares of Host common stock in the transactions;
- the 20-trading day average closing price of a share of Host common stock is less than $13.60 on the date on which the closing date is determined; or
- the breach or failure to perform of the other party s covenants, agreements, representations or warranties contained in the master agreement would result in the failure to satisfy one or more of the closing conditions, and such breach is not cured within 20 business days following notice of such breach.

Host may terminate the master agreement if:

- Starwood enters into a definitive agreement relating to, or consummates, a transaction resulting in a more than 50% change in the ownership of Starwood; or
- Host delivers to Starwood notice of actual or alleged breaches by Starwood of its representations and warranties and Starwood declines to agree that the cap on Host s indemnification will not apply for such identified breaches of representations and warranties (for more information on Starwood s indemnification obligations, see Material Terms of the Principal Transaction Agreements Indemnification Agreement beginning on page 109).

Starwood may terminate the master agreement if Starwood delivers to Host notice of actual or alleged breaches by Starwood of its representations and warranties and Host declines to limit to $50 million Starwood s total liability for Host s claims for such identified breaches or representations and warranties.

Listing of Host Common Stock (see page 81)

Application will be made to have the shares of Host common stock issued in the transactions approved for listing on the NYSE, where Host common stock is currently traded under the symbol HMT and, after the completion of the transactions, will be traded under the symbol HST.

Dissenters Rights of Appraisal (see page 81)

Under Maryland law, holders of Host common stock are not entitled to dissenters or appraisal rights in connection with the issuance of Host common stock in the transactions.

Except for the sole holder of the Class A shares of Starwood Trust, which waived its rights, no holder of shares of Starwood Trust, paired shares of Starwood and Starwood Trust or units of SLT Realty Limited Partnership is entitled to appraisal, dissenters or similar rights as a result of the consummation of the transactions.

Regulatory Matters (see page 81)

Neither Host nor Starwood is aware of any material federal or state regulatory requirements that must be complied with or approvals that must be obtained in connection with the transactions. However, there are certain antitrust requirements that must be satisfied in Canada and Italy in connection with Host s acquisition of hotels located in these countries. With respect to the Canadian antitrust approval, the Canadian Competition Bureau issued a no-action letter on January 24, 2006 indicating that it will not challenge the transactions at this time.

Transfer Taxes and Transaction Costs (see page 108)

Host and Starwood will share equally all transfer taxes and specified transaction costs incurred in connection with the closing transactions. However, this sharing by Host and Starwood is subject, except in certain circumstances, to a $50 million cap on Host s obligations, subject to reduction in certain circumstances.

In addition, each party will bear its own legal, investment banking and other fees and expenses incurred in connection with the closing transactions, including, in the case of Host, substantially all of the costs of obtaining title policies.

Relationship of Host and Starwood Following the Transactions (see page 118)

At the closing of the transactions, Host and Starwood will enter into certain agreements to govern their relationship going forward. In particular, Host and Starwood, through their respective subsidiaries, will enter into operating agreements (pursuant to which Starwood will provide management services for the hotels being acquired by Host) and license agreements (which will address rights to use service marks, logos, symbols and trademarks, such as Westin®, Sheraton® and W®). The combined terms of the operating and license agreements with Starwood would be structured to be generally comparable to Host s established management agreements with its other third-party managers (such as Marriott International, Hyatt and Hilton).

Under each operating agreement, Starwood would provide comprehensive management services for the hotels for an initial term of 20 years each, with two renewal terms of 10 years each. Starwood would receive compensation in the form of a base fee of 1% of annual gross revenues, and an incentive fee of 20% of annual gross operating profit, after Host has received a priority return of 10.75% on its purchase price and other investments in the hotels. In addition, the operating agreements would require Host to provide funding up to 5% of the gross operating revenue of each hotel for any required capital expenditures (including replacements of furniture, fixtures and equipment) and building capital improvements.

In addition to rights relating to the subject brand, the license agreement would address matters relating to compliance with certain standards and policies and the provision of certain system program and centralized services. The license agreements would have an initial term of 20 years each, with two renewal terms of 10 years each. Starwood would receive compensation in the form of a license fee of 5% of gross operating revenue attributable to room sales and 2% of gross operating revenue attributable to food and beverage sales. In addition, the license agreements would limit Host s ability to sell, lease or otherwise transfer any hotel by requiring that the transferee assume the related operating agreement and meet other specified conditions.

Table of Contents

Material Federal Income Tax Consequences (see pages 121 and 125)

The parties intend that the REIT merger will be treated as a taxable purchase by Host LP of all of the outstanding shares of Starwood Trust in exchange for the REIT merger consideration. In evaluating the tax consequences of the transactions, including the ownership and disposition of Host common stock after the transactions, you should consider the matters discussed in the section entitled Material Federal Income Tax Consequences of the REIT Merger to Holders of Paired Shares of Starwood and Starwood Trust and Holders of Starwood Trust Class A Exchangeable Preferred Shares beginning on page 121, and the section entitled Material Federal Income Tax Consequences to Holders of Shares of Host Common Stock on page 125.

Accounting Treatment (see page 77)

In accordance with SFAS No. 141, Business Combinations, Host will account for the transactions as a business combination. Upon the consummation of the transactions, Host will record the cash consideration, the market value of Host common stock issued, the fair value of the assets and liabilities assumed, as well as the amount of direct transaction costs.

Risks (see page 22)

In evaluating the transactions, the transaction agreements or the issuance of shares of Host common stock in the transactions, you should carefully read this proxy statement/prospectus and especially consider the factors discussed in the section entitled Risk Factors beginning on page 22.

Financing for the Transactions (see page 78)

Host has received commitments from Goldman Sachs Credit Partners, L.P., Deutsche Bank AG Cayman Islands Branch, Banc of America Bridge LLC and Merrill Lynch Capital Corporation in an aggregate amount of up to $1.67 billion, which is sufficient to fund the cash portion of the purchase price for the transactions. This bridge loan amount would also allow Host to consummate the transactions even if the consents of the holders of certain indebtedness of SHC necessary in order to permit the 2015 SHC Debentures to remain obligations of SHC (instead of being assumed by Starwood) at the time of the closing are not obtained. If the 2015 SHC Debentures are assumed by Starwood, or are no longer outstanding at the closing of the transactions rather than remain obligations of SHC, the cash portion of the purchase price would increase by the corresponding amount. The bridge loan facility has a term, excluding extensions, of one year.

Host expects to permanently finance the $1.213 billion cash portion of the purchase price for the transactions through available cash and proceeds from a combination of (i) asset sales of approximately $670 million (including the Ft. Lauderdale Marina Marriott, the Albany Marriott, the Chicago Marriott Deerfield Suites, the Marriott at Research Triangle Park and the Swissôtel The Drake, New York), (ii) sales of joint venture interests related to the six European assets to be acquired in the transactions and (iii) the issuance or other incurrence of indebtedness (including draws upon the bridge loan facility described below). Host is in discussions with third parties regarding such a joint venture and expects it would retain approximately 25% of the equity interests in the joint venture while obtaining approximately $575 million of financing, including new debt to be issued by the joint venture but excluding Host s portion of the capital contributions to the joint venture. Depending upon the timing of the closing of the contemplated asset sales and permanent financing transactions, proceeds therefrom may be used to repay draws on the bridge loan facility. In January and February 2006, Host completed the dispositions of the Fort Lauderdale Marina

Marriott, the Albany Marriott, the Chicago Marriott Deerfield Suites and the Marriott at Research Triangle Park for aggregate net proceeds of approximately $250 million. Additionally, Host expects that its planned disposition of the Swissôtel The Drake, New York will close in March 2006 for estimated net proceeds of approximately $420 million. To the extent that this sale and the above financings have not occurred prior to the closing of the transactions, Host LP has received financing commitments for a bridge loan facility in an aggregate principal amount of up to $1.67 billion from certain lenders. Host also expects to assume approximately $554 million of indebtedness of the entities acquired in the transactions (including $450 million of the 2015 SHC Debentures if the above-referenced bondholder consents are obtained and the 2015 SHC Debentures remain outstanding obligations of SHC).

Comparison of the Rights of Host Stockholders and Starwood Trust Shareholders (see page 173)

Holders of Starwood Trust shares who will be receiving consideration in the form of shares of Host common stock will have rights as Host stockholders, which are governed by Titles 1-3 of the Corporations and Associations Article of the Annotated Code of Maryland and Host s charter and bylaws, that are different than their rights as Starwood Trust shareholders, which are governed by Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland and Starwood Trust s restated declaration of trust and bylaws.

Table of Contents

Recent Events

On February 23, 2006, Host announced its results of operations for the fourth quarter and the year ended December 31, 2005. The following table presents certain selected historical financial data which has been derived from consolidated financial statements for the years ended December 31, 2005 and 2004. Certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles, or GAAP, have been omitted (unaudited, in millions, except per share amounts).

	2005	2004
Income Statement Data:		
Revenues	$ 3,881	$ 3,574
Income (loss) from continuing operations	138	(74)
Income from discontinued operations (1)	28	74
Net income (loss)	166	
Net income (loss) available to common stockholders	135	(41)
Basic and diluted earnings (loss) per common share:		
Income (loss) from continuing operations	.30	(.34)
Income from discontinued operations	.08	.22
Net income (loss)	.38	(.12)
Cash dividends declared per common share	.41	.05
Balance Sheet Data:		
Total assets	$ 8,245	$ 8,421
Debt (2)	5,370	5,523
Preferred stock	241	337
Other Data:		
Funds from Operations (FFO) per diluted share	$ 1.15	$ .77

(1) Discontinued operations reflects the operations of properties classified as held for sale, the results of operations of properties sold and the gain or loss on those dispositions.

(2) Debt includes $387 million and $492 million of Convertible Subordinated Debentures as of December 31, 2004 and 2005, respectively. From December 2005 through February 2006, the Company redeemed or converted into approximately 30.8 million common shares substantially all of the Convertible Subordinated Debentures (and the underlying Convertible Preferred Securities).

Non-GAAP Financial Measures

Host uses certain non-GAAP financial measures, which are measures of Host s historical financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. In the above table Host presents FFO per diluted share as a non-GAAP measure of Host s performance in addition to its earnings per share (calculated in accordance with GAAP). Host calculates FFO per diluted share for a given operating period as its FFO (defined as set forth below) for such period divided by the number of fully diluted shares outstanding during such period. The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income (calculated in accordance with GAAP) excluding gains (or losses) from sales of real estate, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization and adjustments for unconsolidated partnerships and joint ventures. FFO is presented on a per share basis after making adjustments for the effects of dilutive securities, including the payment of preferred stock dividends, in accordance with NAREIT guidelines.

Host believes that FFO per diluted share is a useful supplemental measure of its operating performance and that presentation of FFO per diluted share, when combined with the primary GAAP presentation of earnings per share, provides beneficial information to investors. By excluding the effect of real estate depreciation,

Table of Contents

amortization and gains and losses from sales of real estate, all of which are based on historical cost accounting and which may be of lesser significance in evaluating current performance, Host believes that such measure can facilitate comparisons of operating performance between periods and between other REITs, even though FFO per diluted share does not represent an amount that accrues directly to holders of Host s common stock. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. As noted by NAREIT in its April 2002 White Paper on Funds From Operations, since real estate values have historically risen or fallen with market conditions, many industry investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. For these reasons, NAREIT adopted the definition of FFO in order to promote an industry-wide measure of REIT operating performance.

Host calculates FFO per diluted share, in accordance with standards established by NAREIT, which may not be comparable to measures calculated by other companies who do not use the NAREIT definition of FFO or calculate FFO per diluted share in accordance with NAREIT guidance. In addition, although FFO per diluted share is a useful measure when comparing Host s results to other REITs, it may not be helpful to investors when comparing Host to non-REITs. This information should not be considered as an alternative to net income, operating profit, cash from operations, or any other operating performance measure prescribed by GAAP. Cash expenditures for various long-term assets (such as renewal and replacement capital expenditures) and other items have been and will be incurred and are not reflected in the FFO per diluted share presentations. Management compensates for these limitations by separately considering the impact of these excluded items to the extent they are material to operating decisions or assessments of Host s operating performance. Host s consolidated statements of operations and cash flows include depreciation, capital expenditures and other excluded items, all of which should be considered when evaluating Host s performance, as well as the usefulness of Host s non-GAAP financial measures. Additionally, FFO per diluted share should not be considered as a measure of Host s liquidity or indicative of funds available to fund Host s cash needs, including Host s 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 Host s stockholders benefit.

Table of Contents

The following tables provide a reconciliation of net income (loss) available to Host s common shareholders per share to FFO per diluted share (unaudited, in millions, except per share amounts):

Reconciliation of Net Income (Loss) Available to

Common Shareholders to Funds From Operations per Diluted Share

	Year ended December 31,					
	2005			2004		
	Income (Loss)	Shares	Per Share Amount	Income (Loss)	Shares	Per Share Amount
Net income (loss) available to common shareholders	$ 135	353.0	$ .38	$ (41)	337.2	$ (.12)
Adjustments:						
Gain on dispositions, net	(60)		(.17)	(52)		(.16)
Amortization of deferred gains	(8)		(.02)	(11)		(.03)
Depreciation and amortization	371		1.05	364		1.08
Partnership adjustments	10		.03	21		.06
FFO of minority partners of Host LP (a)	(24)		(.07)	(18)		(.05)
Adjustments for dilutive securities:						
Assuming distribution of common shares granted under the comprehensive stock plan less shares assumed purchased at average market price		2.5	(.01)		3.0	(.01)
Assuming conversion of Exchangeable Senior Debentures	19	28.1	(.04)	15	21.7	
Assuming conversion of Convertible Subordinated Debentures	32	30.9				
FFO per diluted share (b)	$ 475	414.5	$ 1.15	$ 278	361.9	$ .77

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

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

Table of Contents

Summary Selected Historical Financial Data

Host is providing the following information to aid you in your analysis of the financial aspects of the transactions.

Host Marriott Corporation

The following table presents certain selected historical financial data which has been derived from Host s audited consolidated financial statements for the five years ended December 31, 2004. The data presented for the year-to-date periods ended September 9, 2005 and September 10, 2004 are derived from Host s unaudited condensed consolidated financial statements and include, in the opinion of management, all adjustments necessary to present fairly the data for such periods. The results for year-to-date 2005 are not necessarily indicative of the results to be expected for the full year because of the effect of seasonal and short-term variations. The information is only a summary and should be read in conjunction with (i) the unaudited pro forma financial statements and accompanying notes included in this proxy statement/prospectus as described under Host Marriott Corporation Unaudited Pro Forma Financial Statements beginning on page 154, and (ii) the consolidated financial statements, accompanying notes and management s discussion and analysis of results of operations and financial condition of Host as of and for the periods presented, all of which can be found in publicly available documents, including those incorporated by reference into this proxy statement/prospectus. See Additional Information Where You Can Find More Information beginning on page 193.

	Year-to-date		Fiscal year				
	September 9, 2005	September 10, 2004	2004	2003	2002	2001	2000
	(in millions, except per share amounts)						
Income Statement Data:							
Revenues	$ 2,647	$ 2,452	$ 3,629	$ 3,278	$ 3,333	$ 3,362	$ 1,305
Income (loss) from continuing operations	79	(89)	(65)	(238)	(71)	7	103
Income from discontinued operations (1)	13	28	65	252	55	44	53
Net income (loss)	92	(61)		14	(16)	51	156
Net income (loss) available to common stockholders	67	(93)	(41)	(21)	(51)	19	141
Basic earnings (loss) per common share:							
Income (loss) from continuing operations	.15	(.36)	(.31)	(.97)	(.40)	(.10)	.40
Income from discontinued operations	.04	.08	.19	.90	.21	.18	.24
Net income (loss)	.19	(.28)	(.12)	(.07)	(.19)	.08	.64
Diluted earnings (loss) per common share:							
Income (loss) from continuing operations	.15	(.36)	(.31)	(.97)	(.40)	(.10)	.39
Income from discontinued operations	.04	.08	.19	.90	.21	.18	.24
Net income (loss)	.19	(.28)	(.12)	(.07)	(.19)	.08	.63
Cash dividends declared per common share	.29		.05			.78	.91
Balance Sheet Data:							
Total assets	$ 8,248	$ 8,384	$ 8,421	$ 8,592	$ 8,316	$ 8,338	$ 8,396
Debt (2)	5,501	5,564	5,523	5,486	5,638	5,602	5,322
Convertible Preferred Securities (2)				475	475	475	475
Preferred stock	241	337	337	339	339	339	196

Table of Contents

(1) Discontinued operations reflects the operations of properties classified as held for sale, the results of operations of properties sold and the gain or loss on those dispositions. Results in 2003 include the gain on disposition and business interruption proceeds of the New York Marriott World Trade Center hotel of approximately $212 million.

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

In December 2003, the FASB issued a revision to FIN 46, referred to as FIN 46R. Under FIN 46R, Host is not the primary beneficiary and Host is required to deconsolidate the accounts of the Convertible Preferred Securities Trust (the Trust). Host adopted the provisions of FIN 46R on January 1, 2004. As a result, Host recorded the $492 million in debentures (the Convertible Subordinated Debentures) issued by the Trust and eliminated the $475 million of Convertible Preferred Securities that were previously classified in the mezzanine section of Host s consolidated balance sheet prior to January 1, 2004. The difference of $17 million is Host s investment in the Trust, which is included in Investments in affiliates on Host s consolidated balance sheet. The related dividend payment of approximately $32 million for 2004 is required to be classified as interest expense effective January 1, 2004. Host adopted FIN 46R prospectively and, therefore, did not restate prior periods. The adoption of FIN 46R had no effect on Host s net loss, loss per diluted share or the financial covenants under Host s senior notes indentures.

On January 11, 2006, Host redeemed 6,396 of the Convertible Preferred Securities (and the underlying Convertible Subordinated Debentures) for a cash payment of $319,800. From December 2005 through February 10, 2006, Host also issued approximately 30.8 million shares of Host common stock in exchange for approximately $473 million of the Convertible Preferred Securities (and the underlying Convertible Subordinated Debentures). Host intends to redeem the remaining $2 million of outstanding Convertible Preferred Securities during the second quarter of 2006. The remaining $17 million of Convertible Subordinated Debentures not held by third parties and the Investment in affiliates will subsequently be eliminated in conjunction with the second quarter 2006 redemption.

Table of Contents

Starwood Hotels & Resorts (Starwood Trust)

The following table was prepared by Starwood and presents certain selected historical financial data which has been derived from Starwood Trust s audited consolidated financial statements for the five years ended December 31, 2004. The data presented for the year-to-date periods ended September 30, 2005 and September 30, 2004 are derived from Starwood Trust s unaudited condensed consolidated financial statements and include, in the opinion of Starwood s management, all adjustments necessary to present fairly the data for such periods. The results for the nine months ended September 30, 2005 are not necessarily indicative of the results to be expected for the full year because of the effect of seasonal and short-term variations. The information is only a summary and should be read in conjunction with (i) the unaudited pro forma financial statements and accompanying notes included in this proxy statement/prospectus as described under Host Marriott Corporation Unaudited Pro Forma Financial Statements beginning on page 154, and (ii) the consolidated financial statements, accompanying notes and management s discussion and analysis of results of operations and financial condition of Starwood Trust as of and for the periods presented, all of which can be found in publicly available documents, including those incorporated by reference into this proxy statement/prospectus. See Additional Information Where You Can Find More Information beginning on page 193.

	As of and for the						
	Nine Months Ended September 30,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(in millions, except per share data)						
Income Statement Data							
Revenues	$ 423	$ 398	$ 536	$ 526	$ 587	$ 633	$ 692
Operating income	302	279	377	358	362	418	499
Income from continuing operations	265	256	322	133	315	376	460
Operating Data							
Cash from continuing operations	375	418	455	43	104	602	641
Cash from (used for) investing activities	1	(47)	(61)	336	(35)	(164)	(68)
Cash used for financing activities	(375)	(372)	(395)	(379)	(70)	(444)	(565)
Aggregate cash distributions paid	176	172	172	170	40(1)	156	134
Cash distributions declared per share			0.84	0.84	0.84	0.80	0.69
Balance Sheet Data							
Total assets	$ 6,807	$ 6,861	$ 6,925	$ 6,978	$ 7,230	$ 6,984	$ 7,048
Long-term debt, net of current maturities and including exchangeable units and Class B preferred shares	431	438	435	475	486	495	600

(1) This balance reflects the payment made in January 2002 for the dividends declared for the fourth quarter of 2001. As Starwood Trust now declares dividends annually, the 2002 annual dividend payment, which was made in January 2003, is reflected in the 2003 column.

Table of Contents

Selected Unaudited Pro Forma Financial Data

The following selected unaudited pro forma financial data has been prepared based upon the audited consolidated financial statements of Host and the audited combined financial statements of the acquired business, which is referred to as the Starwood portfolio, for the year ended December 31, 2004, the unaudited financial statements of Host and the Starwood portfolio for the three quarters ended September 9, 2005 and for the eight months ended August 31, 2005, respectively, and based upon certain assumptions, as set forth in the notes to the unaudited pro forma financial statements that Host believes are reasonable under the circumstances.

The selected unaudited pro forma statements of operations information of Host reflects the acquisition of the Starwood portfolio and other matters described in the section entitled Host Marriott Corporation Unaudited Pro Forma Financial Statements beginning on page 154 for the three quarters ended September 9, 2005 and the year ended December 31, 2004 as if the transactions and other matters had been completed at the beginning of each period. The selected unaudited pro forma balance sheet information of Host as of September 9, 2005 reflects the acquisition of the Starwood portfolio and, to the extent not already reflected in the unaudited historical balance sheet, other matters as if these items had been completed on September 9, 2005.

In accordance with SFAS No. 141, Business Combinations, Host will account for the acquisition of the Starwood portfolio as a business combination. Upon consummation of the acquisition, Host will record as the purchase price the cash consideration, the market value of the Host common stock issued, the fair value of the liabilities assumed, as well as any direct transaction costs. For the purpose of the preparation of the selected unaudited pro forma financial data, based on the guidance set forth in Emerging Issues Task Force Issue No. 99-12, the market value of the Host common stock issued in the transactions, or $16.97, has been calculated based on the average of the closing prices of Host common stock during the range of trading days from two days before and after November 14, 2005, the announcement date.

For the purpose of the preparation of the selected unaudited pro forma financial data, Host has assumed that fair value is equivalent to historical cost except for the property and equipment which is recorded at the stepped-up basis and the debt assumed by Host which is recorded at fair value based on market rates as of September 9, 2005 for the 2015 SHC Debentures and is based on expected future debt service payments discounted at risk adjusted rates for the mortgage debt. The pro forma adjustments as presented are based on estimates and certain information that is currently available and may change as additional information becomes available, as estimates are refined or as additional events occur. Specifically, while the purchase price has been allocated among individual hotels, Host is in the beginning stages of evaluating the fair value of the allocation of the purchase price among each individual hotel s assets and liabilities including land, property and equipment items, other assets and liabilities, and assumed agreements, including ground and retail space leases and other intangible assets. Host management does not anticipate that there will be material changes in the total purchase price allocation as presented in these unaudited pro forma financial statements. To the extent there is any excess to the purchase price over the fair value of the net assets acquired, it will be recorded as goodwill for accounting purposes. Host believes that this presentation provides investors with the best estimate of the financial condition and results of operations because the determination of fair value will be affected by, among other things, the timing of the closing, changes in interest rates and the allocation of the final purchase price among the various hotels.

The selected unaudited pro forma financial information is for illustrative purposes only and does not purport to be indicative of the financial position or results of operations that would actually have been achieved had the transactions occurred on the dates indicated or which may be achieved in the future. In the opinion of Host management, all material adjustments necessary to reflect the effects of the transactions that can be factually supported within the SEC regulations covering the preparation of the selected unaudited pro forma financial information have been made.

The selected unaudited pro forma financial information should be read in conjunction with the separate historical consolidated financial statements and accompanying notes of Host which are incorporated by reference into this proxy statement/prospectus and the combined financial statements and accompanying notes of the Starwood portfolio to be acquired by Host in the transactions which are included elsewhere in this proxy statement/prospectus. The selected unaudited pro forma financial information also should be read in conjunction with the unaudited pro forma financial statements and accompanying notes included elsewhere in this proxy statement/prospectus. See Host Marriott Corporation Unaudited Pro Forma Financial Statements beginning on page 154.

	Year-to-date Ended September 9, 2005(1)	Year Ended December 31, 2004(1)
	(in millions, except per share amounts)	
Income Statement Data:		
Total revenues	$ 3,419	$ 4,827
Operating profit	419	530
Income from continuing operations	125	98
Basic and diluted earnings (loss) per share from continuing operations	.21	.14

	At September 9, 2005(1)
	(in millions)
Balance Sheet Data:	
Total assets	$ 12,038
Debt	6,172
Stockholders equity	5,439

(1) These amounts reflect the historical results of Host and the historical results of the Starwood portfolio to be acquired by Host in the transactions, which is referred to herein as the Acquired Businesses, which have been adjusted on a pro forma basis for the acquisition and other significant transactions. The results of operations and financial position of the Acquired Businesses have been derived from the accounting records of Starwood and Starwood Trust and their subsidiaries using the historical results of operations of 38 properties to be acquired by Host under the master agreement. Twenty-one of the properties, with a net book value of $1.2 billion at December 31, 2004 and revenues of $324 million and $462 million for the periods ended September 9, 2005 and December 31, 2004, respectively, were owned by Starwood Trust or its subsidiaries, while 17 of the properties, with a net book value at December 31, 2004 of $1.3 billion and revenues of $487 million and $736 million for the periods ended September 9, 2005 and December 31, 2004, respectively, were owned by Starwood or its subsidiaries (other than Starwood Trust and its subsidiaries). Accordingly, the acquisition of these 38 hotels results in an increase of $811 million and $1,198 million of revenues for the periods ended September 9, 2005 and December 31, 2004, respectively, for Host. Host will assume (if it obtains the necessary consents and the 2015 SHC Debentures remain outstanding obligations of SHC) approximately $450 million of the debt related to SHC, a subsidiary of Starwood, which represents the balance outstanding after Starwood repaid $450 million of this debt subsequent to September 9, 2005 and assuming Starwood will assume or repay the $150 million of this debt (which matures in 2025) in connection with SHC s making of certain asset distributions to Starwood prior to Host s acquisition of the equity interests in SHC, and pursuant to the successor obligor provision of the indenture governing such debt. In addition, Host will assume approximately $104 million of mortgage debt. For further information on the pro forma adjustments for Host related to the Starwood transactions, including the affect on Host s total assets and debt, as well as the affect of other pro forma adjustments, see Host Marriott Corporation Unaudited Pro Forma Financial Statements beginning on page 154.

Host does not intend to sell any of the assets acquired to finance the acquisition. However, Host does intend to form a joint venture with third-party partners that will own the six European assets. The basic and diluted earnings per share amounts are based on the historical weighted average shares outstanding for Host as adjusted for the estimated shares to be issued for the acquisition of the Starwood portfolio and other significant transactions.

The summary unaudited pro forma financial data should be read in conjunction with the Host Marriott Corporation Unaudited Pro Forma Financial Statements and notes thereto included on page 154 and the audited Acquired Businesses Combined Financial Statements and notes thereto included on page F-1 and the historical financial statements of Host and Starwood incorporated by reference into this proxy statement/prospectus.

Comparative Per Share Information

The following table presents, for the periods indicated, selected historical per share data for Host and Starwood Trust, as well as unaudited pro forma per share amounts, assuming the issuance of approximately $2.27 billion of Host common stock (representing 133,529,412 shares of Host common stock at the exchange price of $17.00 per share), the payment of approximately $1.213 billion in cash and the assumption of approximately $554 million in indebtedness in the transactions, as well as the effect of the conversion or redemption of the $475 million of Convertible Subordinated Debentures into 30.8 million shares of Host common stock and cash and other pro forma adjustments.

	Host (2)(3)	Host Pro Forma (1)(2)(3)(4)	Starwood Trust (5)	Starwood Trust Pro Forma (6)
	Year-to-date ended September 9, 2005	Year-to-date ended September 9, 2005	Year-to-date ended September 30, 2005	Year-to-date ended September 9, 2005
Per share data:				
Income from continuing operations:				
Basic	$ .15	$ .21	N/A	$ .13
Diluted	.15	.21	N/A	.13
Cash dividends declared	.29	N/A		N/A
Book value	6.57	10.52	N/A	6.44

	Host (2)(3)	Host Pro Forma (1)(2)(3)(4)	Starwood Trust (4)	Starwood Trust Pro Forma (6)
	Year ended December 31, 2004			
Per share data:				
Income (loss) from continuing operations:				
Basic	$ (.31)	$ .14	N/A	$ .09
Diluted	(.31)	.14	N/A	.09
Cash dividend declared	.05	N/A	$ .84	N/A
Book value	6.84	N/A	N/A	N/A

(1) Pro forma results reflect the effect on Host s financial statements of the transactions, along with several other transactions which occurred in 2004 and 2005, as if all transactions had occurred on the first day of the period presented.

(2) The table above presents Host s income (loss) from continuing operations for the fiscal year ended December 31, 2004 and for the year-to-date period ended September 9, 2005 divided by their respective weighted average number of outstanding shares and share equivalents. The pro forma results reflect the effect of the acquisition of the Starwood portfolio along with several other transactions which occurred in 2004 and 2005, divided by Host s weighted average number of common shares and common share equivalents outstanding, plus the 164.3 million shares of Host common stock expected to be issued in the transactions, including approximately 30.8 million common shares issued as a result of the conversion of substantially all of Host s Convertible Preferred Securities (and the underlying Convertible Subordinated Debentures).

(3) The historical book value per share was computed by dividing Host s total unaudited stockholders equity as of September 9, 2005 and total audited stockholders equity as of December 31, 2004, by the number of shares outstanding as of those dates. The historical book value per share for the pro forma results was computed by dividing the pro forma stockholders equity as of September 9, 2005 by the pro forma shares outstanding. No pro forma book value per share is presented for the year ended December 31, 2004 as no pro forma balance sheet is

prepared in accordance with Rule 210.11-01 of Regulation S-X.

(4) The pro forma financial statements have not been prepared on a tax basis which is required for Host as a REIT to determine the amount of dividends for the periods presented. Accordingly, no dividend amount is shown.

(5) Because Starwood Trust has multiple classes of securities outstanding with significantly different rights, per share data for Starwood Trust is not meaningful and therefore is not presented.

(6) The pro forma equivalents for Starwood Trust Class B per share amounts are calculated by multiplying the Host pro forma per share amounts by the exchange ratio of 0.6122.

Table of Contents

Comparative Per Share Market Price Data

Host common stock currently trades on the NYSE under the symbol HMT. There is no market for Starwood Trust shares trading independently from shares of Starwood common stock. Paired shares , consisting of one share of Starwood common stock and one Class B share of Starwood Trust, trade as a unit on the NYSE under the symbol HOT. Each Class A Exchangeable Preferred Share of Starwood Trust, which is not traded on any exchange, is exchangeable for one paired share. The table below sets forth, for the periods indicated, dividends and the range of high and low per share closing sales prices for Host common stock, and the high and low per share sales prices for paired shares of Starwood and Starwood Trust, in each case as reported on the NYSE. For current price information, you should consult publicly available sources.

	Host Common Stock			Paired Share of Starwood and Starwood Trust		
	High	Low	Dividends Declared	High	Low	Dividends Declared
2004						
First quarter	$ 13.00	$ 11.95	$	$ 40.93	$ 34.81	$
Second quarter	12.91	11.37		45.04	38.15	
Third quarter	14.01	12.23		46.65	40.06	
Fourth quarter	17.30	13.50	0.05	59.90	46.20	0.84
2005						
First quarter	$ 17.24	$ 15.49	$ 0.08	$ 61.45	$ 55.00	$
Second quarter	17.57	16.22	0.10	61.04	51.50	
Third quarter	19.05	17.00	0.11	64.36	54.23	
Fourth quarter	18.95	16.19	0.12	65.22	55.09	0.84

The following table presents:

- the last reported sale price of a share of Host common stock, as reported on the NYSE; and

- the last reported sale price of a paired share of Starwood and Starwood Trust, as reported on the NYSE;

in each case, on November 11, 2005, the last full trading day prior to the public announcement of the transactions, and on March 1, 2006, the last practicable trading day prior to the date of this proxy statement/prospectus.

Date	Host Common Stock	Paired Share of Starwood and Starwood Trust
November 11, 2005	$ 17.44	$ 59.26
March 1, 2006	19.53	64.25

The market value of the shares of Host common stock to be issued in the transactions at the closing will not be known at the time Host common stockholders vote on the proposal to approve the issuance of shares of Host common stock in the transactions because the transactions will not be completed at the time of the Host special meeting.

The above tables show only historical comparisons. Because the market prices of Host common stock and paired shares of Starwood and Starwood Trust will likely fluctuate prior to the completion of the transactions, and because each paired share includes a share of Starwood common stock that holders of paired shares will retain, these comparisons may not provide meaningful information to Host stockholders in determining whether to approve the issuance of shares of Host common stock in the transactions. Host stockholders are encouraged to obtain current market quotations for Host common stock and for paired shares of Starwood and Starwood Trust, and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus in considering whether to approve the respective proposals before them. See Additional Information Where You Can Find More Information beginning on page 193.

Table of Contents

RISK FACTORS

In addition to the other information included in this proxy statement/prospectus, including the matters addressed in Cautionary Statement Concerning Forward-Looking Statements, you should carefully consider the following risks, including, if you hold Host common stock, before deciding whether to vote for approval of the issuance of shares of Host common stock in the transactions. In addition, you should read and consider the risks associated with the business of Host because these risks will affect Host following consummation of the transactions. These risks can be found in Host s Annual Report on Form 10-K for the year ended December 31, 2004, which is filed with the SEC and incorporated by reference into this proxy statement/prospectus.

The market value of Host common stock that holders of Starwood Trust shares will receive depends on what the market price of Host common stock will be at the effective time of the transactions and will increase or decrease if the market value of Host common stock increases or decreases.

The market value of the Host common stock that holders of Starwood Trust shares will receive in the transactions depends on what the trading price of Host common stock will be at the effective time of the transactions. The 0.6122 exchange ratio that determines the number of shares of Host common stock that holders of Starwood Trust shares are entitled to receive in the transactions is fixed. This means that there is no price protection mechanism in the master agreement that would adjust the number of shares of Host common stock that holders of Starwood Trust shares may receive in the transactions as a result of increases or decreases in the trading price of Host common stock. If the price of a share of Host common stock increases or decreases, then the market value of the consideration payable to holders of Starwood Trust shares will also increase or decrease, respectively. Similarly, the cash consideration payable for each RP Unit of SLT Realty Limited Partnership in the SLT merger may be increased or decreased based on the market price of Host common stock at the effective time of the SLT merger. The market value of the shares of Host common stock that will be received in the transactions will continue to fluctuate after the completion of the transactions.

During the twelve-month period ending on March 1, 2006, the most recent practicable date prior to the date of this proxy statement/prospectus, the closing price of Host common stock varied from a low of $15.46 to a high of $20.41, and ended that period at $19.53.

The occurrence of certain developments, including the failure to obtain required consents, could lead to Host s acquisition of the affected hotels being delayed past the initial closing and, ultimately, abandoned, which could cause Host or Starwood, or both, not to realize all of the intended benefits of the transactions.

Host and Starwood have agreed that, in the circumstances described below, one or both of them may elect to defer or temporarily (or, ultimately, permanently) exclude from the transactions one or more hotels or entities to be acquired by Host in the transactions. While neither party will be required to close if the deferrals result in the failure of its applicable closing condition in the master agreement, each party may be forced to close despite significant changes to the portfolio, including the possibility that some, or all, of the foreign hotels to be acquired may be retained by Starwood.

The deferral or exclusion of hotels from the transactions could result in either Host or Starwood, or both, failing to realize all of the intended benefits of the transactions. While Host and Starwood have already agreed to specific amounts by which the cash portion of the purchase price would be reduced as a result of the deferral or exclusion of each hotel in the portfolio, this adjustment to the purchase price may not be adequate to offset the impact of such deferral or exclusion on either party s intended benefits.

For example, when considering whether or not to approve the master agreement and the transactions, Host s board of directors considered as positive factors both the expansion of Host s geographic distribution into new markets outside the United States and Host s enhanced profile that would result from completing the transactions as currently structured. Due to the ability of the parties to defer or exclude hotels, the transactions could be completed without Host acquiring the desired international presence or the full benefit that would arise from acquiring all of the hotels in the transactions.

Table of Contents

Even if a deferred hotel is ultimately acquired by Host after the closing, the delay in acquiring that hotel could result in Host not obtaining all of the intended benefits of that hotel contemplated by Host management and Host s board of directors when the master agreement was approved and signed.

Either Host or Starwood can defer any hotel or entity to be acquired by Host from the initial closing transactions without the other s consent upon the occurrence of any of the following deferral triggers related to such hotel or entity:

- after the date of the Host special meeting, failure to obtain any consent identified prior to signing the master agreement; or
- after the date of the Host special meeting, (1) required antitrust approvals are not obtained or (2) any temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction is issued or laws become effective that prevent the transactions or make them illegal.

In addition, Starwood can exclude any of the Canadian hotels to be acquired by Host from the initial closing transactions without Host s consent if Starwood does not succeed in obtaining the desired ruling from the Canadian tax authorities with respect to certain Canadian restructuring transactions related to the sale of the Canadian hotels to Host.

In addition, Host can defer any hotel or entity to be acquired by Host from the initial closing transactions without Starwood s consent upon the occurrence of any of the following deferral triggers related to such hotel or entity:

- casualty at a hotel currently contemplated to be acquired by Host that results in cost of repair (without taking into account insurance) in excess of 25% of the value of such hotel;
- condemnation of a hotel currently contemplated to be acquired by Host that results in an economic impact (without taking into account any condemnation award) in excess of 25% of the value of such hotel;
- after the date of the Host special meeting, one or more of the following that results in an economic impact (without taking into account any indemnification or insurance) in excess of 25% of the value of a hotel or entity currently contemplated to be acquired by Host:
  - breach of any of the following Starwood representations if the economic effect of such breach exceeds $500,000: absence of changes, litigation, real property (other than title), environmental matters, sufficiency of assets, title to personal property, compliance with laws and certain types of material contracts;
  - breach of any of the following Starwood representations: due organization, power, authorization, necessary governmental or third party consents, capitalization and title to real property; or
  - failure to obtain a required, but not previously identified, consent;
- after the date of the Host special meeting, failure of Starwood to complete its restructuring in a manner that satisfies Host s restructuring conditions;

after the date of the Host special meeting, the portion of the costs of lease structures attendant to the ownership of certain foreign hotels to be acquired by Host, including costs associated with consents of works councils, and certain indemnification liabilities, in each case payable by Host, would reasonably be expected to exceed 10% of the EBITDA that would (but for such costs and liabilities) otherwise be received by Host with respect to such foreign hotels during the twelve months immediately following the closing; or

if Host s closing conditions are satisfied on the overall transactions, but a required consent has not been obtained (or there is another deferral trigger) with respect to one of three primary European hotels (i.e., Westin Palace Madrid, Westin Palace Milan and the Westin Europa & Regina), Host can elect to defer all acquired hotels located outside of the United States, Canada and Poland.

Table of Contents

Host and Starwood are working with the intention that Host will acquire at closing all of the hotels in the transactions and no hotel has been deferred or excluded from the transactions as of the date of this proxy statement/prospectus. However, there is no guarantee that all of the deferral triggers will be satisfied or waived prior to closing. In particular, given the waiting period applicable to certain approvals that are required to be obtained from the municipality in which the Westin Europa & Regina (a hotel in Venice) is located, unless a waiver can be obtained, it is likely that the transfer of that hotel will not be capable of completion prior to the second quarter of 2006. As a result, if the required Host stockholder approval is obtained and all other conditions to the completion of the closing transactions have been satisfied prior to that time, it is likely that the acquisition of the Westin Europa & Regina (and, if Host so elects, all other hotels located outside of the United States, Canada and Poland) would be deferred. In such an event, if the applicable approvals are not obtained prior to 90 days after the initial closing of the transactions (or, if Host elects to defer all hotels located outside the United States, Canada and Poland, prior to October 17, 2006), the deferred hotels could ultimately be permanently excluded from the transactions and retained by Starwood.

In the event that the requisite Host stockholder vote is obtained and, following such vote, the number or value of hotels in the transactions were to materially change due to the deferral triggers described above, then Host would call another special meeting of its stockholders for the purpose of re-approving the issuance of shares of Host common stock in the transactions. Because either Host or Starwood may terminate the master agreement if the initial closing does not occur on or prior to April 17, 2006 (assuming the failure to close has not resulted from a breach by the terminating party), the need to call another Host special meeting would likely result in Host and Starwood having the right, individually, to terminate the transactions.

The transactions are subject to a number of conditions that could have an adverse effect on Host or Starwood or could cause abandonment of the transactions.

The transactions are subject to a number of conditions beyond the control of Host or Starwood, or both, that may delay or otherwise materially adversely affect their completion. These conditions include antitrust requirements in Italy and other governmental and third party approvals. In addition, the obligations of Host and Starwood to consummate the transactions are subject to the conditions that there must not have occurred (1) a material adverse effect with respect to the business of Starwood currently contemplated to be acquired by Host in the case of Host s obligations or with respect to Host in the case of Starwood s obligations or (2) any actual or proposed change in tax law or regulation with respect to consolidated tax return rules that would reasonably be expected to result in a material risk of Starwood incurring an economic cost of more than $200 million that Starwood did not expect to bear from the transactions. Further, the master agreement may be terminated for certain other reasons, including by either Host or Starwood in the event the initial closing of the transactions has not occurred by or on April 17, 2006 or, by Host, if Starwood consummates, or enters into any definitive agreement relating to, a transaction that has resulted or will result in a more than 50% change in the ownership of Starwood.

There can be no assurance that Host and Starwood will obtain the necessary consents, orders and approvals or satisfy the other conditions to closing prior to April 17, 2006, or at any time, which could result in the abandonment of the transactions or the modification of the transactions by Host and Starwood in a manner that is adverse to Host or Starwood. Finally, if the transactions are terminated, and Host or Starwood determines to seek other business combinations, there can be no assurance that either will be able to negotiate a transaction with another company on terms comparable to the terms of the transactions.

Any delay in completing the transactions may reduce or eliminate the benefits expected.

As described in the preceding risk factor, the transactions may not be completed until the conditions to closing are satisfied or waived. Host and Starwood cannot predict whether or when these other conditions will be satisfied.

Any delay in completing the transactions may increase the likelihood that certain of these conditions will not be able to be fulfilled, resulting in either party s ability to terminate the master agreement and abandon the transactions. Further, the requirements for obtaining the required consents and antitrust approvals and satisfying the other conditions to closing could delay not only the initial closing of the transactions for a significant period of time but also result in the removal of certain hotels from the transactions as described more fully herein.

Any delay in completing the transactions could cause Host following the consummation of the transactions not to realize some or all of the benefits that Host expects to achieve if it successfully completes the transactions within its expected timeframe and integrates the business to be acquired from Starwood. See Material Terms of the Principal Transaction Agreements Conditions to Completion of the Closing Transactions beginning on page 90 for additional information regarding the applicable provisions of the master agreement.

Finally, because the master agreement generally restricts Host from issuing shares of its common stock during the period from the signing of the master agreement until 60 days after the closing of the transactions, any delay in completing the transactions will lengthen the amount of time that Host is restricted from accessing the equity capital markets for fundraising purposes.

The pendency of the transactions could materially adversely affect the future business and operations of Host and Starwood.

The pending transactions could result in the delay or deferral by the respective managements of Host and Starwood of important strategic decisions, which could negatively impact revenues, earnings and cash flows of Host and Starwood, as well as the market prices of shares of Host common stock and paired shares of Starwood and Starwood Trust, regardless of whether the transactions are completed. This risk is exacerbated by provisions in the master agreement that restrict or prevent Host and Starwood from taking or agreeing to take certain actions, including acquisition or disposition transactions, during the period between the signing of the master agreement and the closing of the transactions. In addition, in the event that the ratings agencies that provide securities ratings on Host s and Starwood s debts downgrade their ratings on such debts of one company or both companies in light of the pending transactions, such a downgrade could materially adversely affect the ability of Host and Starwood to finance their operations, including increasing the cost of obtaining financing.

Host and Starwood expect to incur significant costs and expenses in connection with the transactions, which could result in either or both not realizing some or all of the anticipated benefits of the transactions.

Host and Starwood are expected to incur significant costs in connection with the transactions, including, for Host, the financing of the cash consideration and obtaining title policies. These costs and expenses include investment banking expenses, specified taxes, severance, legal and accounting fees, printing expenses, defeasance costs and other related charges. There can be no assurance that the costs incurred by Host and Starwood in connection with the transactions will not be higher than expected. The master agreement generally provides that certain transaction costs borne by Host will generally be capped at $50 million. This cap does not apply to Host s investment banking, legal and accounting fees, printing expenses, financing and title costs or other similar costs and expenses directly incurred by Host.

Host also expects to incur costs related to the integration of the assets acquired from Starwood. While Host has assumed that a certain level of expenses would be incurred, there are a number of factors beyond its control that could affect the total amount or the timing of all of the expected integration expenses. There can be no assurance that Host will not incur additional unanticipated costs and expenses related to integration after the completion of the transactions, including in connection with the proposed structure pursuant to which Starwood will operate certain of the acquired European hotels for Host after the closing.

The allocation of REIT merger consideration to the holders of Class B shares of Starwood Trust does not reflect historical standalone trading of the shares.

The Class B shares of Starwood Trust have historically been paired with shares of Starwood common stock and have not traded on a standalone basis. The allocation of the REIT merger consideration between the Class A

Table of Contents

shares and the Class B shares of Starwood Trust was therefore made by Starwood based on certain assumptions, and certain analyses received, regarding the respective values of the two classes of shares. To the extent that the value of the Class B shares of Starwood Trust were to differ from the portion of the REIT merger consideration so allocated to such shares, the federal income tax consequences of the REIT merger to a holder of Class A Exchangeable Preferred Shares or Class B shares of Starwood Trust could differ (including potentially in an adverse matter and including with respect to the character and amount of gain, other income or loss recognized by such holder) from the consequences described in this proxy statement/prospectus.

If Host is unable to finance the transactions as contemplated, including through borrowings under its anticipated bridge loan facility, the completion of the transactions will be jeopardized.

Host expects to fund the $1.213 billion cash portion of the purchase price (which could increase by $450 million if Starwood either assumes or causes SHC to repay the 2015 SHC Debentures prior to closing, see The Transactions Financing for the Transactions Sheraton Holding Corporation Debentures beginning on page 79) for the transactions through proceeds from a combination of available cash, asset sales, sales of joint venture interests related to the European assets to be acquired and the issuance or other incurrence of additional indebtedness. There can be no assurance that Host will consummate all of these financing transactions prior to consummation of the transactions. To the extent that the contemplated financings are not completed prior to consummation of the transactions, Host has received financing commitments for a bridge loan facility in an aggregate principal amount of up to $1.67 billion from certain lenders (which would allow Host to consummate the acquisition even if the required consents with respect to the 2015 SHC Debentures are not obtained). Funding of amounts under the bridge loan facility will be subject to a number of customary conditions. There can be no assurance that all such conditions will be satisfied at or prior to consummation of the transactions.

If Host is unable to finance the transactions, and other financings are not available on acceptable terms, in a timely manner or at all, then the completion of the transactions will be jeopardized and Host could be in breach of the master agreement.

Host will need to replace, at or before maturity, the bridge loan facility that will be used to finance a portion of the cash component of the transactions.

Host has received financing commitments for a bridge loan facility in an aggregate amount of up to $1.67 billion from Goldman Sachs Credit Partners, L.P., Deutsche Bank AG Cayman Islands Branch, Banc of America Bridge LLC and Merrill Lynch Capital Corporation. This facility will have an initial maturity date of twelve months, with two six-month extension options being available subject to the payment of extension fees and the satisfaction of certain other customary conditions. There can be no assurance that Host will be able to replace this facility with indebtedness on terms that are at least as beneficial to Host as the terms of this facility. For instance, Host may incur increased interest costs on indebtedness that replaces this facility due to higher interest costs of longer-term debt, which would adversely affect Host s operating results and financial condition. The interest rate on the replacement indebtedness will depend on prevailing conditions at the time.

The master agreement does not require that the financial advisors fairness opinions be updated as a condition to closing the transactions.

The master agreement does not require that the financial advisors fairness opinions be updated as a condition to closing the transactions and neither Host nor Starwood currently intends to request that those opinions be updated. As such, the fairness opinions do not reflect any changes in the relative values of Host, Starwood Trust or the hotels currently contemplated to be acquired by Host subsequent to November 14, 2005, the date of the master agreement. The market price of Host common stock and paired shares of Starwood and Starwood Trust at the closing of the transactions may vary significantly from the market prices as of the date of the master agreement, which is the same date as the fairness opinions of the financial advisors.

Table of Contents

The termination fee may have discouraged, and the expiration of Starwood s ability to terminate the transactions in favor of a superior proposal may continue to discourage, other companies from trying to acquire the assets to be acquired by Host.

In the master agreement, Starwood has agreed to pay Host a termination fee of $100 million and to reimburse Host for up to $20 million of its transaction-related expenses if Starwood terminates the master agreement in order to accept a superior proposal from a third party to acquire the assets that would otherwise be acquired by Host. However, Starwood s right to accept any such superior proposal expired on February 12, 2006. These provisions may have discouraged and could continue to discourage third parties from trying to purchase the assets to be acquired by Host in the transactions, even if those companies might be willing to offer a greater amount of consideration than Host has offered in the master agreement.

Host may fail to realize the revenue enhancements and other benefits expected from the transactions, which could affect Host s financial results and the value of Host common stock following consummation of the transactions.

The value of Host common stock following consummation of the transactions may be affected by the ability of Host to achieve the expected benefits from the transactions. Achieving these benefits will depend, in large part, upon the future operation of the acquired hotels meeting Host s expectation. The operation of the acquired hotels will be affected by various factors, including, changes in the national, regional and local economic climate; changes in business and leisure travel patterns, local market conditions such as an oversupply of hotel rooms or a reduction in lodging demand; the attractiveness of such hotels to consumers relative to Host s competition; the performance of Starwood as a manager of such hotels; changes in room rates and increases in operating costs due to inflation and other factors. There can be no assurance that the acquired hotels will meet Host s expectations for their performance. Moreover, achieving the benefits of the transactions will depend in part upon meeting the challenges inherent in successfully integrating the portfolio of hotels to be acquired and the possible diversion of management attention for an extended period of time. There can be no assurance that such challenges will be met and that such diversion will not negatively impact the operations of Host following the consummation of the transactions. Delays encountered in this transition process could have a material adverse effect on the operating results and financial condition of Host following the transactions.

Although Host expects significant benefits to result from the transactions, there can be no assurance that Host will realize any of these anticipated benefits, and the failure to do so could adversely affect Host s financial results and the value of Host common stock following consummation of the transactions.

Host may be subject to unknown or contingent liabilities related to the business to be acquired from Starwood.

Assets and entities that Host has agreed to acquire from Starwood in the transactions may be subject to unknown or contingent liabilities for which Host may have no recourse, or only limited recourse, against Starwood. In general, the representations and warranties provided by Starwood under the master agreement do not survive the closing of the transactions. While Starwood is required to indemnify Host with respect to breaches of certain representations and warranties that do survive the closing, such indemnification is limited and subject to various materiality thresholds, a significant deductible and an aggregate cap on losses. As a result, there is no guarantee that Host will recover any amounts with respect to losses due to breaches by Starwood of its representations and warranties. The total amount of costs and expenses that may be incurred with respect to liabilities associated with acquired hotels and entities may exceed Host s expectations, plus Host may experience other unanticipated adverse effects, all of which may adversely affect Host s revenues, expenses, operating results and financial condition.

Finally, the indemnification agreement provides that Starwood will retain certain specified liabilities relating to the assets and entities currently contemplated to be acquired by Host, including with respect to liabilities related to pre-closing taxes, six pending litigation matters involving various unrelated claims and contingent ownership interests in the Fiji hotels and liabilities associated with the SLT merger and certain post-closing consequences thereof. While Starwood is contractually obligated to pay all losses and other expenses

Table of Contents

relating to such retained liabilities without regard to survival limitations, materiality thresholds, the deductible or cap on losses, there can be no guarantee that this arrangement will not require Host to incur losses or other expenses as well.

Host s ability to service debt incurred to finance the transactions will depend in part on the cash flow generated by the hotels acquired.

In order to complete the transactions, Host anticipates incurring up to $1.005 billion of indebtedness, including the assumption of approximately $554 million of debt and an approximate $451 million draw on the bridge loan facility. Host s pro forma indebtedness as of September 9, 2005 (as described in Host Marriott Corporation Unaudited Pro Forma Financial Statements beginning on page 154), is approximately $6.2 billion. Host s ability to service its increased debt will depend in part on the cash flow generated by the properties acquired in the transactions. The cash flow production of the hotels acquired is subject to changes in the national, regional and local economic climate; changes in business and leisure travel patterns; local market conditions such as an oversupply of hotel rooms or a reduction in lodging demand; the attractiveness of such hotels to consumers relative to Host s competition; the performance of the managers of such hotels; changes in room rates and increases in operating costs due to inflation and other factors. There can be no assurance that the hotels acquired will meet Host s management s expectations with respect to cash flow production, or that they will produce cash flow sufficient to service Host s increased indebtedness. In addition, the increased levels of debt could, among other things:

- require Host to dedicate a substantial portion of its cash flow from operations to make payments on its debt, thereby reducing funds available for working capital, capital expenditures, dividends, acquisitions and other purposes;
- increase Host s vulnerability to, and limit flexibility in planning for, adverse economic and industry conditions;
- affect Host s credit rating;
- limit Host s ability to obtain additional financing to fund future working capital, capital expenditures, additional acquisitions and other general corporate requirements;
- create competitive disadvantages compared to other companies with less indebtedness; and
- limit Host s ability to apply proceeds from an offering or asset sale to purposes other than the repayment of debt.

The consummation of the transactions will expand Host s business into new markets outside of the United States in which Host is not currently involved and expose Host to the general economic conditions of those markets.

Host may have difficulty managing its expansion into new geographic markets where Host has limited knowledge and understanding of the local economy, an absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures. Upon completion of the transactions, Host will own hotels in eight foreign countries, representing approximately 9% of its entire portfolio (by revenues) on a pro forma basis. There are risks inherent in conducting business internationally. These include:

- employment laws and practices in foreign countries;

tax laws in foreign countries, which may provide for tax rates that exceed those of the U.S. and which may provide that Host s foreign earnings are subject to withholding requirements or other restrictions;

the structure pursuant to which Starwood will operate certain of the acquired European hotels for Host after closing;

unexpected changes in regulatory requirements or monetary policy; and

other potentially adverse tax consequences.

Table of Contents

Any of these factors could adversely affect Host s ability to obtain all of the intended benefits of the transactions.

If Host does not effectively manage its geographic expansion and successfully integrate the foreign hotels into its organization, Host s operating results and financial condition may be materially adversely effected and the value of Host common stock may decline.

Exchange rate fluctuations could adversely affect Host s financial results.

As a result of the expansion of Host s international operations, currency exchange rate fluctuations could affect its results of operations and financial position. Host expects to generate an increasing portion of its revenue and its expenses in such foreign currencies as the Euro, the British Pound, the Polish Zloty, the Chilean Peso and the Canadian and Fijian Dollar. Although Host may enter into foreign exchange agreements with financial institutions to reduce its exposure to fluctuations in the value of these and other foreign currencies relative to its debt or receivable obligations, these hedging transactions, if entered into, will not eliminate that risk entirely. In addition, to the extent that Host is unable to match revenue received in foreign currencies with costs paid in the same currency, exchange rate fluctuations could have a negative impact on Host s results of operations and financial condition. Additionally, because Host s consolidated financial results are reported in US Dollars, if Host generates revenues or earnings in other currencies the translation of those results into US Dollars can result in a significant increase or decrease in the amount of those revenues.

Financial Risks and Risks of Operation

Host depends on external sources of capital for future growth and Host may be unable to access capital when necessary.

Unlike regular C corporations, Host s ability to reduce its debt and finance its growth largely must be funded by external sources of capital because Host is required to distribute to its stockholders at least 90% of its taxable income (other than net capital gains) in order to qualify as a REIT, including taxable income it recognizes for federal income tax purposes but with regard to which it does not receive corresponding cash. Host s ability to access the external capital it requires could be hampered by a number of factors, many of which are outside of its control, including declining general market conditions, unfavorable market perception of its growth potential, decreases in its current and estimated future earnings, excessive cash distributions or decreases in the market price of Host common stock. In addition, Host s ability to access additional capital may also be limited by the terms of its existing indebtedness, which, among other things, restricts its incurrence of debt and the payment of distributions. The occurrence of any of these above-mentioned factors, individually or in combination, could prevent Host from being able to obtain the external capital it requires on terms that are acceptable to it or at all and the failure to obtain necessary external capital could have a material adverse effect on Host s ability to finance its future growth.

Host has and will continue to have substantial leverage.

As of September 9, 2005, Host and its subsidiaries had total indebtedness of approximately $5.5 billion. In connection with the transactions, Host also intends to incur substantial indebtedness, including the assumption of the 2015 SHC Debentures and the offering of the SHC guarantees, the assumption of additional mortgage debt and borrowings under a new bridge loan facility Host intends to enter into in connection with the transactions. On September 9, 2005, as adjusted to give effect to the transactions and the additional indebtedness incurred in connection therewith and Host s conversion or redemption of its 6¾% convertible quarterly income preferred securities, or Convertible Preferred Securities, and its Convertible Subordinated Debentures underlying the Convertible Preferred Securities. Host and its subsidiaries would have had total indebtedness of approximately $6.2 billion (of which approximately $3.6 billion would have consisted of senior notes, approximately $2.1 billion would have been secured by mortgage liens on various of its hotel properties with related assets, and the balance would have consisted of other debt).

Table of Contents

Host s substantial indebtedness has important consequences. It currently requires Host to dedicate a substantial portion of its cash flow from operations to payments of principal and interest on its indebtedness, which reduces the availability of its cash flow to fund working capital, capital expenditures, expansion efforts, distributions to its partners and other general purposes. Additionally, it could:

- make it more difficult for Host to satisfy its obligations with respect to its indebtedness;
- limit Host s ability in the future to undertake refinancings of its debt or obtain financing for expenditures, acquisitions, development or other general business purposes on terms and conditions acceptable to Host, if at all; or
- affect adversely Host s ability to compete effectively or operate successfully under adverse economic conditions.

Because Host must distribute most of its taxable income in order to maintain its qualification as a REIT, it depends upon external sources of capital for future growth. If Host s cash flow and working capital were not sufficient to fund its expenditures or service its indebtedness, it would have to raise additional funds through:

- sales of its equity;
- the incurrence of additional permitted indebtedness by Host LP; or
- the sale of its assets.

Host cannot assure you that any of these sources of funds would be available to Host or, if available, would be on terms that it would find acceptable or in amounts sufficient for Host to meet its obligations or fulfill its business plan.

Host s revenues and the value of its properties are subject to conditions affecting the lodging industry.

The lodging industry experienced a down-turn from 2001 to 2003, and operations generally declined during this period. The decline was attributed to a number of factors including a weak economy, the effect of terrorist attacks, terror alerts in the United States and the war in Iraq, all of which changed the travel patterns of both business and leisure travelers. While Host s operations have improved in 2004 and 2005, it cannot provide assurance that changes in travel patterns of both business and leisure travelers are permanent or whether they will continue to evolve creating new opportunities or difficulties for the industry. Any forecast Host makes regarding its results of operations may be affected and can change based on the following risks:

- changes in the national, regional and local economic climate;
- changes in business and leisure travel patterns;

local market conditions such as an oversupply of hotel rooms or a reduction in lodging demand;

the attractiveness of Host s hotels to consumers relative to its competition;

the performance of the managers of Host s hotels;

changes in room rates and increases in operating costs due to inflation and other factors; and

unionization of the labor force at Host s hotels.

Future terrorist attacks or changes in terror alert levels could adversely affect Host.

Previous terrorist attacks in the United States and subsequent terrorist alerts have adversely affected the travel and hospitality industries over the past several years. The impact which terrorist attacks in the United States or elsewhere could have on Host s business in particular and the U.S. economy, the global economy and global financial markets in general is indeterminable. It is possible that such attacks or the threat of such attacks could have a material adverse effect on Host s business, Host s ability to finance its business, Host s ability to insure its properties and on its results of operations and financial condition as a whole.

Table of Contents

Host s expenses may not decrease if its revenue drops.

Many of the expenses associated with owning and operating hotels, such as debt payments, property taxes, insurance, utilities, and employee wages and benefits, are relatively inflexible and do not necessarily decrease in tandem with a reduction in revenue at the hotels. Host s expenses will also be affected by inflationary increases, and in the case of certain costs, such as wages, benefits and insurance, may exceed the rate of inflation in any given period. Host s managers may be unable to offset any such increased expenses with higher room rates. Any of Host s efforts to reduce operating costs or failure to make scheduled capital expenditures could adversely affect the growth of Host s business and the value of its hotel properties.

Host s ground lease payments may increase faster than the revenues it receives on the hotels situated on the leased properties.

Currently, 33 of Host s hotels are subject to third-party ground leases (encumbering all or a portion of the hotel). In addition, in connection with the transactions, 12 of the hotels Host intends to acquire will be subject to similar third-party ground leases. These ground leases generally require increases in ground rent payments every five years. Host s ability to service its debt could be adversely affected to the extent that its revenues do not increase at the same or a greater rate than the increases in rental payments under the ground leases. In addition, if Host were to sell a hotel encumbered by a ground lease, the buyer would have to assume the ground lease, which may result in a lower sales price.

Host does not control its hotel operations and is dependent on the managers of its hotels.

Because federal income tax laws restrict REITs and their subsidiaries from operating a hotel, Host does not manage its hotels. Instead, Host leases substantially all of its hotels to subsidiaries which qualify as taxable REIT subsidiaries under applicable REIT laws, and Host s taxable REIT subsidiaries retain third-party managers to operate its hotels pursuant to management agreements. In the case of hotels to be acquired by Host from Starwood and its subsidiaries, operations-related services will be provided pursuant to an operating agreement as well as a license agreement (and any other related agreements) for each hotel. Host s cash flow from the hotels may be adversely affected if its managers fail to provide quality services and amenities or if they or their affiliates fail to maintain a quality brand name. While Host s taxable REIT subsidiaries monitor the hotel managers performance, Host has limited specific recourse under its management agreements if Host believes that the hotel managers are not performing adequately. In addition, from time to time, Host has had, and continues to have, differences with the managers of its hotels over their performance and compliance with the terms of the management agreements. Host generally resolves issues with its managers through discussions and negotiations. However, if Host is unable to reach satisfactory results through discussions and negotiations, Host may choose to litigate the dispute or submit the matter to third-party dispute resolution. Failure by Host s hotel managers to fully perform the duties agreed to in its management agreements could adversely affect Host s results of operations. In addition, Host s hotel managers or their affiliates manage, and in some cases own or have invested in, hotels that compete with Host s hotels, which may result in conflicts of interest. As a result, Host s hotel managers have in the past made and may in the future make decisions regarding competing lodging facilities that are not or would not be in Host s best interests. Following the transactions, Starwood or its subsidiaries will manage or operate all of the hotels to be acquired by Host. As such, these risks that arise from Host not controlling its hotel operations are relevant to the transactions.

The terms of Host s debt place restrictions on it and its subsidiaries, reducing operational flexibility and creating default risks.

The documents governing the terms of Host s existing senior notes and its credit facility contain, and, if the transactions are completed, the new bridge loan facility will contain, covenants that place restrictions on Host and its subsidiaries. These covenants will restrict, amongst other things, the ability of Host and its subsidiaries to:

conduct acquisitions, mergers or consolidations unless the successor entity in such transaction assumes Host s indebtedness;

incur additional debt in excess of certain thresholds and without satisfying certain financial metrics;

create liens securing indebtedness, unless effective provision is made to secure Host s other indebtedness by such liens;

sell assets without using the proceeds from such sales for certain permitted uses or to make an offer to repay or repurchase outstanding indebtedness;

make capital expenditures in excess of certain thresholds;

raise capital;

pay dividends without satisfying certain financial metrics; and

conduct transactions with affiliates other than on an arms length basis, and in certain instances, without obtaining opinions as to the fairness of such transactions.

In addition, certain covenants in the credit facility require Host and its subsidiaries to meet financial performance tests. The restrictive covenants in the applicable indenture(s), the credit facility and the documents governing Host s other debt (including its mortgage debt) will reduce Host s flexibility in conducting its operations and will limit its ability to engage in activities that may be in its long-term best interest. Host s failure to comply with these restrictive covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all or a substantial portion of its debt. For a detailed description of the covenants and restrictions imposed by the documents governing Host s indebtedness, see Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition in Host s Form 10-K for the fiscal year ended December 31, 2004 which has been incorporated into this prospectus/proxy statement.

Host s ability to pay dividends may be limited or prohibited by the terms of its indebtedness.

Host is, and may in the future become, party to agreements and instruments which restrict or prevent the payment of dividends on its classes and series of capital stock. Under the terms of Host LP s credit facility, its senior notes indenture and its new bridge loan facility and the indenture that will govern the 2015 SHC Debentures, distributions to Host by Host LP, upon which Host depends in order to obtain the cash necessary to pay dividends, are permitted only to the extent that, at the time of the distribution, Host LP can satisfy certain financial covenant tests and meet other requirements.

For example, beginning in the third quarter of 2002 and continuing through the fiscal quarter ended March 26, 2004, Host LP was prohibited from making distributions (other than in the amounts required to permit Host to pay dividends necessary to maintain REIT qualification) because its consolidated EBITDA-to-interest coverage ratio as calculated under the indenture governing Host LP s senior notes (which measures the ratio of pro forma consolidated EBITDA to pro forma consolidated interest expense) was below 2.0 to 1.0. Accordingly, during this period, Host LP was only able to make distributions to Host, and Host was only able to pay dividends, to the extent that it had taxable income and was required to make distributions to maintain Host s status as a REIT. While Host s EBITDA-to-interest coverage ratio is currently above 2.0 to 1.0 and, as a result, it may make distributions in excess of permitted REIT distributions to the extent that it continues to satisfy this and other indenture covenant requirements, a decline in its operations could once again limit the amount of distributions that Host LP could make, and Host s ability to pay dividends, either because Host s EBITDA-to-interest coverage ratio again falls below 2.0 to 1.0 or because it fails to meet other financial covenant tests or meet other requirements in its credit facility or senior notes indenture.

Host intends, during any future period in which Host LP is unable to make restricted payments under the applicable indenture(s) and under similar restrictions under the credit facility, that Host LP will continue its practice of distributing quarterly, based on Host s estimates of taxable income for any year, an amount of available cash sufficient to enable Host to pay quarterly dividends on its preferred and common stock in an amount necessary to satisfy the requirements applicable to REITs under the Internal Revenue Code of 1986, as amended (the Code). In the event that Host LP makes distributions to Host in amounts in excess of those

32

necessary for Host to maintain its status as a REIT during a period when such distributions are restricted, Host LP will be in default under the indenture terms governing all but Host LP s outstanding Series O, Series K and Series M senior notes. A default under any series of Host LP s existing senior notes could lead to a default under the Series O, Series K and Series M senior notes.

Host s ability to pay dividends on its common stock may also be limited or prohibited by the terms of its preferred stock.

Under the terms of each of Host s outstanding classes of preferred stock, it is not permitted to pay dividends on its common stock unless cumulative dividends have been paid (or funds for payment have been set aside for payment) on each such class of preferred stock. The amount of aggregate dividends that accrue on its outstanding classes of preferred stock each quarter is approximately $6 million.

In the event that Host fails to pay the accrued dividends on its preferred stock for any reason, including because Host is prevented from paying such dividends under the terms of its debt instruments (as discussed above), dividends will continue to accrue on all outstanding classes of its preferred stock and Host will be prohibited from paying any dividends on its common stock until all such accrued but unpaid dividends on its preferred stock have been paid (or funds for such payment have been set aside).

Host is subject to risks associated with the employment of hotel personnel, particularly with hotels that employ unionized labor.

Host has entered into management agreements with third-party managers to operate its hotel properties. Host s third-party managers are responsible for hiring and maintaining the labor force at each of Host s hotels. Although Host does not directly employ or manage the labor force at its hotels, Host is subject to many of the costs and risks generally associated with the hotel labor force, particularly those hotels with unionized labor. From time to time, hotels operations may be disrupted through strikes, lockouts, public demonstrations or other negative actions and publicity. Host may also incur increased legal costs and indirect labor costs as a result of contract disputes or other events. Additionally, hotels where Host s managers have collective bargaining agreements with employees (approximately 19% of portfolio revenues, after giving effect to the transactions) are more highly affected by labor force activities than others. In addition, the resolution of labor disputes or re-negotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules that raise hotel operating costs. Because collective bargaining agreements are negotiated between the managers of Host s hotels and labor unions, Host does not have the ability to control the outcome of these negotiations.

Foreclosure on Host s mortgage debt could adversely affect its business.

As of September 9, 2005, as adjusted to give effect to the transactions and the additional indebtedness that would be incurred, twenty-nine of Host s hotels and assets related thereto were subject to various mortgages in an aggregate amount of approximately $2.1 billion. Although the debt is generally non-recourse to Host, if these hotels do not produce adequate cash flow to service the debt secured by such mortgages, the mortgage lenders could foreclose on these assets. Host may opt to allow such foreclosure rather than make the necessary mortgage payments with funds from other sources. However, Host LP s senior notes indenture and credit facility contains cross default provisions, which, depending upon the amount of secured debt defaulted on, could cause a cross default under both of these agreements. Host LP s credit facility, which contains the more restrictive cross default provision as compared to its senior notes indenture, provides that it is a credit facility default in the event Host LP defaults on non-recourse secured indebtedness in excess of 1% of its total assets (using undepreciated real estate values) or default on other indebtedness in excess of $50 million. For this and other reasons, permitting a foreclosure could adversely affect Host s long-term business prospects.

Host s mortgage debt contains provisions that may reduce its liquidity.

Certain of Host s mortgage debt requires that, to the extent cash flow from the hotels which secure such debt drops below stated levels, Host escrows cash flow after the payment of debt service until operations improve

Table of Contents

above the stated levels. In some cases, the escrowed amount may be applied to the outstanding balance of the mortgage debt. When such provisions are triggered, there can be no assurance that the affected properties will achieve the minimum cash flow levels required to trigger a release of any escrowed funds. The amounts required to be escrowed may be material and may negatively affect Host s liquidity by limiting its access to cash flow after debt service from these mortgaged properties.

Rating agency downgrades may increase Host s cost of capital.

Both Host s senior notes and its preferred stock are rated by Moody s Investors Service and Standard & Poor s. These independent rating agencies may elect to downgrade their ratings on Host s senior notes and its preferred stock at any time. Such downgrades may negatively affect Host s access to the capital markets and increase its cost of capital.

Host s management and license agreements could impair the sale or financing of its hotels.

Under the terms of Host s management agreements and, in the case of Starwood and its subsidiaries, the proposed license agreements, Host generally may not sell, lease or otherwise transfer its hotels unless the transferee is not a competitor of the manager and the transferee assumes the related management agreements and meets specified other conditions. Host s ability to finance or sell its properties, depending upon the structure of such transactions, may require the manager s consent. If, in these circumstances, the manager does not consent, Host may be precluded from taking actions in its best interest without breaching the applicable management agreement.

The acquisition contracts relating to some hotels limit Host s ability to sell or refinance those hotels.

For reasons relating to federal and state income tax considerations of the former and current owners of five hotels, Host has agreed to restrictions on selling the hotels, or repaying or refinancing the mortgage debt for varying periods depending on the hotel. Host has also agreed not to sell more than 50% of the original allocated value attributable to the former owners of a portfolio of 11 additional hotels, or to take other actions that would result in the recognition and allocation of gain to the former owners of such hotels for federal and state income tax purposes until 2009. As a result, even if it were in Host s best interests to sell these hotels or repay or otherwise reduce the level of the mortgage debt on such hotels, it may be difficult or costly to do so during their respective lock-out periods. Host anticipates that, in specified circumstances, it may agree to similar restrictions in connection with future hotel acquisitions. However, Host will not undertake any additional restrictions on sale or replacement of debt in connection with the hotels it will acquire from Starwood in the transactions.

Host may be unable to sell properties because real estate investments are illiquid.

Real estate investments generally cannot be sold quickly. Host may not be able to vary its portfolio promptly in response to economic or other conditions. The inability to respond promptly to changes in the performance of its investments could adversely affect Host s financial condition and its ability to service its debt. In addition, there are limitations under the federal income tax laws applicable to REITs that may limit Host s ability to recognize the full economic benefit from a sale of its assets.

Applicable REIT laws may restrict certain business activities.

As a REIT, Host is subject to various restrictions on its income, assets and activities. Business activities that could be impacted by applicable REIT laws include, but are not limited to, activities such as developing alternative uses of real estate, including the development and/or sale of timeshare or condominium units.

Due to these restrictions, certain business activities, including those mentioned above, may need to occur in one or more of Host s taxable REIT subsidiaries. Host s taxable REIT subsidiaries are taxable as regular C corporations and are subject to federal, state, and, if applicable, local and foreign taxation on their taxable income at applicable corporate income tax rates. In addition, under REIT laws, the aggregate value of all of a REIT s taxable REIT subsidiaries may not exceed 20% of the value of all of the REIT s assets.

Table of Contents

Host depends on its key personnel.

Host s success depends on the efforts of its executive officers and other key personnel. None of Host s key personnel have employment agreements and Host does not maintain key person life insurance for any of its executive officers. Host cannot assure you that these key personnel will remain employed by it. While Host believes that it could find replacements for these key personnel, the loss of their services could have a significant adverse effect on its financial performance.

Litigation judgments or settlements could have a significant adverse effect on Host s financial condition.

Host is involved in various legal proceedings in the normal course of business. Host is vigorously defending each of these claims. Currently, none of these claims seeks relief that, if granted, would have a material effect on Host s financial condition or results of operations. As a publicly traded owner of hotel properties, however, Host could become the subject of claims by the operators of its hotels, individuals or companies who use its hotels, its investors, or regulating entities, which could have a material adverse effect on Host s financial condition and performance.

Host s acquisition of additional properties may have a significant effect on its business, liquidity, financial position and/or results of operations.

As part of Host s business strategy, it seeks to acquire upper-upscale and luxury hotel properties. Host may acquire these properties through various structures, including transactions involving portfolios, single assets, joint ventures and acquisitions of all or substantially all of the securities or assets of other REITs or similar real estate entities. Host anticipates that its acquisitions will be financed through a combination of methods, including proceeds from equity offerings of Host, issuance of limited partnership interests in Host LP, advances under its credit facility, and the incurrence or assumption of indebtedness. Host may, from time to time, be in the process of identifying, analyzing and negotiating possible acquisition transactions and it expects to continue to do so in the future. Host cannot assure you that it will be successful in consummating future acquisitions on favorable terms or that it will realize the benefits that it anticipates from one or more acquisitions that it consummates. Host s inability to consummate one or more acquisitions on such terms, or its failure to realize the intended benefits from one or more acquisitions, could have a significant adverse effect on its business, liquidity, financial position and/or results of operations, including as a result of its incurrence of additional indebtedness and related interest expense and its assumption of unforeseen contingent liabilities.

Host may acquire hotel properties through joint ventures with third parties that could result in conflicts.

Instead of purchasing hotel properties directly, Host may, from time to time, invest as a co-venturer in entities holding hotel properties. Indeed, Host is exploring the possibility of funding part of the cash portion of the purchase price for the transactions with proceeds from a joint venture related to the European assets to be acquired. Host is in discussions with third parties regarding such a joint venture and expects it would retain approximately 25% of the equity interests in the joint venture.

Co-venturers often share control over the operation of a joint venture. Actions by a co-venturer could subject the assets to additional risk, including:

Host s co-venturer in an investment might have economic or business interests or goals that are inconsistent with Host s, or the joint venture s, interests or goals;

Host s co-venturer may be in a position to take action contrary to Host s instructions or requests or contrary to Host s policies or objectives; or

Host s co-venturer could go bankrupt, leaving Host liable for such co-venturer s share of joint venture liabilities.

Although Host generally will seek to maintain sufficient control of any joint venture to permit Host s objectives to be achieved, it might not be able to take action without the approval of its joint venture partners. Because, as described above, Host may enter into joint ventures with third parties in connection with certain European hotels to be acquired, these risks are particularly relevant to the transactions.

Table of Contents

Environmental problems are possible and can be costly.

Host believes that its properties are in compliance in all material respects with applicable environmental laws. Unidentified environmental liabilities could arise, however, and could have a material adverse effect on its financial condition and performance. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at the property. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by the parties in connection with the contamination. These laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site. Environmental laws also govern the presence, maintenance and removal of asbestos. These laws require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, that they notify and train those who may come into contact with asbestos and that they undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

Compliance with other government regulations can be costly.

Host s hotels are subject to various other forms of regulation, including Title III of the Americans with Disabilities Act, building codes and regulations pertaining to fire safety. Compliance with those laws and regulations could require substantial capital expenditures. These regulations may be changed from time to time, or new regulations adopted, resulting in additional costs of compliance, including potential litigation. Any increased costs could have a material adverse effect on Host s business, financial condition or results of operations.

Some potential losses are not covered by insurance.

Host carries comprehensive insurance coverage for general liability, property, business interruption and other risks with respect to all of its hotels and other properties. These policies offer coverage features and insured limits that Host believes are customary for similar type properties. Generally, Host s all-risk property policies provide coverage that is available on a per occurrence basis and that, for each occurrence, has an overall limit, as well as various sub-limits, on the amount of insurance proceeds it can receive. Sub-limits exist for certain types of claims such as service interruption, abatement, earthquakes, expediting costs or landscaping replacement, and the dollar amounts of these sub-limits are significantly lower than the dollar amounts of the overall coverage limit. Host s property policies also provide that all of the claims from each of its properties resulting from a particular insurable event must be combined together for purposes of evaluating whether the aggregate limits and sub-limits contained in its policies have been exceeded and, in the case of one of its hotels where the manager provides this coverage, any such claims will also be combined with the claims of other owners participating in the managers program for the same purpose. That means that, if an insurable event occurs that affects more than one of Host s hotels, or, in the case of hotels where coverage is provided by the management company, affects hotels owned by others, the claims from each affected hotel will be added together to determine whether the aggregate limit or sub-limits, depending on the type of claim, have been reached and each affected hotel may only receive a proportional share of the amount of insurance proceeds provided for under the policy if the total value of the loss exceeds the aggregate limits available. Host may incur losses in excess of insured limits and, as a result, Host may be even less likely to receive sufficient coverage for risks that affect multiple properties such as earthquakes or certain types of terrorism.

In addition, there are other risks such as war, certain forms of terrorism such as nuclear, biological, chemical, or radiological (NBCR) terrorism and some environmental hazards that may be deemed to fall

Table of Contents

completely outside the general coverage limits of Host s policies or may be uninsurable or may be too expensive to justify insuring against. If any such risk were to materialize and materially adversely affect one or more of Host s properties, it would likely not be able to recover its losses. Host has created a wholly-owned captive insurance company which provides coverage to the company for losses due to NBCR attacks. The Terrorism Risk Insurance Extension Act (TRIEA) allows Host s captive insurer to apply to the U.S. Treasury for reimbursement of the claims. This does not insure that Host will be able to recover any of its NBCR losses.

Host may also encounter challenges with an insurance provider regarding whether it will pay a particular claim that Host believes to be covered under its policy. Should a loss in excess of insured limits or an uninsured loss occur or should Host be unsuccessful in obtaining coverage from an insurance carrier, Host could lose all, or a portion of, the capital it has invested in a property, as well as the anticipated future revenue from the hotel. In that event, Host might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

Host may not be able to recover fully under its existing terrorism insurance for losses caused by some types of terrorist acts, and Federal terrorism legislation does not ensure that it will be able to obtain terrorism insurance in adequate amounts or at acceptable premium levels in the future.

Host obtains terrorism insurance as part of its all-risk property insurance program, as well as its general liability and directors and officers coverages. However, as noted above, Host s all-risk policies have limitations such as per occurrence limits and sublimits which might have to be shared proportionally across participating hotels under certain loss scenarios. Also, all-risk insurers only have to provide terrorism coverage to the extent mandated by the TRIEA for certified acts of terrorism namely those which are committed on behalf of non-United States persons or interests. Furthermore, Host does not have full replacement coverage at all of its properties for acts of terrorism committed on behalf of United States persons or interests (noncertified events) as its coverage for such incidents is subject to sublimits and/or annual aggregate limits. In addition, property damage related to war and to nuclear, biological and chemical incidents is excluded under Host s policies. While TRIEA will reimburse insurers for losses resulting from nuclear, biological and chemical perils, TRIEA does not require insurers to offer coverage for these perils and, to date, insurers are not willing to provide this coverage, ever with government reinsurance. Host has created a wholly-owned captive insurance company that provides a policy of NBCR coverage to it, and has the same ability to apply to the US Treasury for reimbursement, as provided for in TRIA (now TRIEA), which is subject to the same deductibles and co-insurance obligations as other insurance companies. This applies to property insurance only, and not to general liability or director and officer insurance. TRIEA terminates on December 31, 2007, and there is no guarantee that the terrorism coverage that it mandates will be readily available or affordable thereafter. As a result of the above, there remains considerable uncertainty regarding the extent and adequacy of terrorism coverage that will be available to protect Host s interests in the event of future terrorist attacks that impact its properties.

Risks of Ownership of Host Common Stock

There are limitations on the acquisition of Host common stock and changes in control.

Host s charter and bylaws, the partnership agreement of Host LP, Host s stockholder rights plan and the Maryland General Corporation Law contain a number of provisions, the exercise of which could delay, defer or prevent a transaction or a change in control that might involve a premium price for Host s stockholders or Host LP unit holders or otherwise be in their best interests, including the following:

Restrictions on ownership and transfer of Host s stock. To maintain Host s qualification as a REIT for federal income tax purposes, not more than 50% in value of Host s outstanding shares of capital stock may be owned in the last half of the taxable year, directly or indirectly, by five or fewer individuals, as defined in the Code to include some entities. Because such ownership could jeopardize

Host s qualification as a REIT, a person cannot own, directly or by attribution, 10% or more of an interest in a Host lessee, nor can a Host lessee of any partnership in which Host is a partner own,

Table of Contents

directly or by attribution, 10% or more of Host s shares, in each case unless exempted by Host s board of directors.

Host s charter prohibits ownership, directly or by virtue of the attribution provisions of the Code, by any person or persons acting as a group, of more than 9.8% in value or number, whichever is more restrictive, of shares of Host s outstanding common stock, preferred stock or any other stock, each considered as a separate class or series for this purpose. Together, these limitations are referred to as the ownership limit.

Stock acquired or held in violation of the ownership limit will be transferred automatically to a trust for the benefit of a designated charitable beneficiary, and the person who acquired the stock in violation of the ownership limit will not be entitled to any distributions thereon, to vote those shares of stock or to receive any proceeds from the subsequent sale of the stock in excess of the lesser of the price paid for the stock or the amount realized from the sale. A transfer of shares of Host s stock to a person who, as a result of the transfer, violates the ownership limit may be void under certain circumstances, and, in any event, would deny that person any of the economic benefits of owning shares of Host s stock in excess of the ownership limit. These restrictions on transferability and ownership will not apply if Host s board of directors determines that it is no longer in Host s best interests to continue to qualify as a REIT.

Removal of board of directors. Host s charter provides that, except for any directors who may be elected by holders of a class or series of shares of capital stock other than common stock, directors may be removed only for cause and only by the affirmative vote of stockholders holding at least two-thirds of all the votes entitled to be cast for the election of directors. Vacancies on Host s board of directors may be filled by the concurring vote of a majority of the remaining directors (except that a vacancy resulting from an increase in the number of directors must be filled by a majority vote of the entire board of directors) and, in the case of a vacancy resulting from the removal of a director by the stockholders, by at least two-thirds of all the votes entitled to be cast in the election of directors.

Preferred shares; classification or reclassification of unissued shares of capital stock without stockholder approval. Host s charter provides that the total number of shares of stock of all classes that Host has authority to issue is 800,000,000, initially consisting of 750,000,000 shares of common stock and 50,000,000 shares of preferred stock. Host s board of directors has the authority, without a vote of stockholders, to classify or reclassify any unissued shares of stock, including common stock into preferred stock or vice versa, and to establish the preferences and rights of any preferred or other class or series of shares to be issued. Because the board of directors has the power to establish the preferences and rights of additional classes or series of stock without a stockholder vote, Host s board of directors may give the holders of any class or series of stock preferences, powers and rights, including voting rights, senior to the rights of holders of existing stock.

Consent rights of the limited partners. Under the partnership agreement of Host LP, Host generally will be able to merge or consolidate with another entity with the consent of partners holding limited partner ownership interests that are more than 50% of the aggregate ownership interests of the outstanding limited partnership interests entitled to vote on the merger or consolidation, including any limited partnership interests held by Host, as long as the holders of limited partnership interests either receive or have the right to receive the same consideration as Host s stockholders. Host, as holder of a majority of the limited partnership interests of Host LP, would be able to control the vote. Under Host s charter, holders of at least two-thirds of Host s outstanding shares of common stock generally must approve a merger or consolidation.

Maryland business combination law. Under the Maryland General Corporation Law, specified business combinations, including specified issuances of equity securities, between a Maryland corporation and any person who owns 10% or more of the voting power of the corporation s then outstanding shares, or an affiliate or associate of the corporation who at any time during the two year period prior to the date in question owned 10% or more of the voting power of the outstanding stock of the corporation (each, an interested stockholder), or an affiliate of the interested stockholder, are

Table of Contents

prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any of these specified business combinations must be approved by 80% of the votes entitled to be cast by the holders of outstanding voting shares and by two-thirds of the votes entitled to be cast by the holders of voting shares other than voting shares held by an interested stockholder unless, among other conditions, the corporation s common stockholders receive a minimum price, as defined in the Maryland General Corporation Law, for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder. Host is subject to the Maryland business combination statute.

Maryland control share acquisition law. Under the Maryland General Corporation Law, control shares acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiror, by officers or by directors who are employees of the corporation. Control shares are voting shares which, if aggregated with all other voting shares previously acquired by the acquiror or over which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority or (3) a majority or more of the voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to specified exceptions. Host is subject to these control share provisions of Maryland law.

Merger, consolidation, share exchange and transfer of Host s assets. Pursuant to Host s charter, subject to the terms of any outstanding class or series of capital stock, Host can merge with or into another entity, consolidate with one or more other entities, participate in a share exchange or transfer Host s assets within the meaning of the Maryland General Corporation Law if approved (1) by Host s board of directors in the manner provided in the Maryland General Corporation Law and (2) by Host s stockholders holding two-thirds of all the votes entitled to be cast on the matter, except that any merger of Host with or into a trust organized for the purpose of changing Host s form of organization from a corporation to a trust requires only the approval of Host s stockholders holding a majority of all votes entitled to be cast on the merger. Under the Maryland General Corporation Law, specified mergers may be approved without a vote of stockholders and a share exchange is only required to be approved by a Maryland corporation by its board of directors if the corporation is the successor. Host s voluntary dissolution also would require approval of stockholders holding two-thirds of all the votes entitled to be cast on the matter.

Certain charter and bylaw amendments. Host s charter contains provisions relating to restrictions on transferability of Host s stock, fixing the size of the board of directors within the range set forth in the charter, removal of directors and the filling of vacancies, all of which may be amended only by a resolution adopted by the board of directors and approved by Host s stockholders holding two-thirds of the votes entitled to be cast on the matter. Any amendments of these provisions of the charter (setting forth the necessary approval requirements) also would require action of the board of directors and the approval by stockholders holding two-thirds of all the votes entitled to be cast on the matter. As permitted under the Maryland General Corporation Law, Host s bylaws provide that directors have the exclusive right to amend Host s bylaws. These provisions may make it more difficult to amend Host s charter and bylaws to alter the provisions described herein that could delay, defer or prevent a transaction or a change in control or the acquisition of Host common stock, without the approval of the board of directors.

Stockholder rights plan. Host adopted a stockholder rights plan which provides, among other things, that when specified events occur, Host s stockholders, other than an acquiring person, will be entitled to purchase from it a newly created class or series of junior preferred stock, subject to Host s ownership limits described above. The preferred stock purchase rights are triggered by the earlier to occur of (1) ten days after the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of Host s outstanding shares of common stock or (2) ten business days after the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the acquiring person becoming the beneficial owner of 20% or more of Host s outstanding common stock. The exercise of the preferred share purchase rights would cause substantial dilution to a person or group that attempts to acquire Host on terms not approved by Host s board of directors.

Shares of Host common stock that are or become available for sale could affect the share price.

Sales of a substantial number of shares of Host common stock, or the perception that sales could occur, could adversely affect prevailing market prices for Host common stock. For example, in connection with the transactions, Host intends to issue up to in excess of 145 million shares of common stock, representing an increase of approximately 40% over Host s currently outstanding shares. In addition, holders of units of limited partnership interest in Host LP, or LP units, whose LP units may be redeemed, at Host s election, in exchange for common stock, will be able to sell those shares freely, unless the person is Host s affiliate and resale of the affiliate s shares is not covered by an effective registration statement. Further, a substantial number of shares of Host common stock have been and will be issued or reserved for issuance from time to time under its employee benefit plans, including shares of common stock reserved for options, or pursuant to securities Host may issue that are convertible into shares of Host common stock or securities (other than LP units) that Host LP has issued that are exchangeable for shares of Host common stock. As of September 9, 2005, (i) there are approximately 20 million LP units outstanding that are redeemable and (ii) there are outstanding $500 million aggregate principal amount of 3.25% Exchangeable Senior Debentures of Host LP exchangeable under certain conditions for shares of Host common stock at an exchange price equivalent to $17.82 per share for a total of approximately 28 million shares (subject to adjustment for various reasons, including as a result of the payment of dividends to common stockholders). Moreover, additional shares of common stock issued by Host would be available in the future for sale in the public markets. Host can make no prediction about the effect that future sales of common stock would have on the market price of Host common stock.

Host s earnings and cash distributions will affect the market price of shares of Host common stock.

Host believes that the market value of a REIT s equity securities is based primarily upon the market s perception of the REIT s growth potential and its current and potential future cash distributions, whether from operations, sales, acquisitions, development or refinancings, and is secondarily based upon the value of the underlying assets. For that reason, shares of Host common stock may trade at prices that are higher or lower than the net asset value per share. To the extent Host retains operating cash flow for investment purposes, working capital reserves or other purposes rather than distributing the cash flow to stockholders, these retained funds, while increasing the value of Host s underlying assets, may negatively impact the market price of Host common stock. Host s failure to meet the market s expectation with regard to future earnings and cash distributions would likely adversely affect the market price of Host common stock.

Market interest rates may affect the price of shares of Host common stock.

Host believes that one of the factors that investors consider important in deciding whether to buy or sell shares of a REIT is the dividend rate on the shares, considered as a percentage of the price of the shares, relative to market interest rates. If market interest rates increase, prospective purchasers of REIT shares may expect a higher dividend rate. Thus, higher market interest rates could cause the market price of Host s shares to decrease.

Federal Income Tax Risks

To qualify as a REIT, Host is required (and each of its subsidiary REITs will be required) to distribute at least 90% of its taxable income, irrespective of its available cash or outstanding obligations.

To continue to qualify as a REIT, Host is required to distribute to its stockholders with respect to each year at least 90% of its taxable income, excluding net capital gain. To the extent that Host satisfies this distribution requirement but distributes less than 100% of its taxable income and net capital gain for the taxable year, it will be subject to federal corporate income tax on its undistributed taxable income and capital gain. In addition, Host will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions made by it with respect to the calendar year are less than the sum of 85% of its ordinary income and 95% of its capital gain net income for that year and any undistributed taxable income from prior periods less excess distributions from prior years. Host intends to make distributions, subject to the availability of cash and in compliance with any debt covenants, to its stockholders to comply with the distribution requirement and to avoid the nondeductible excise tax and will rely for this purpose on distributions from Host LP and its subsidiaries. However, there are differences in timing between Host s recognition of taxable income and its receipt of cash available for distribution due to, among other things, the seasonality of the lodging industry and the fact that some taxable income will be phantom income, which is taxable income that is not matched by corresponding cash flow. Due to some transactions entered into in years prior to Host s conversion to a REIT, Host could recognize substantial amounts of phantom income. It is possible that these differences between taxable income and the receipt of related cash could require Host to borrow funds or to issue additional equity to enable it to meet the distribution requirement and, therefore, to maintain its REIT status, and to avoid the nondeductible excise tax. In addition, because the REIT distribution requirement prevents Host from retaining earnings, it will generally be required to refinance debt at its maturity with additional debt or equity. It is possible that any of these sources of funds, if available at all, would not be sufficient to meet Host s distribution and tax obligations.

If the transactions are completed as expected, Host will own, through Host LP, 100% of the outstanding common stock (but, after completing offerings of preferred stock anticipated to occur in 2006, not the outstanding preferred stock) of SHC and six other entities that will elect to be treated as REITs. Each of these subsidiary REITs of Host will be subject to the same requirements that Host must satisfy in order to qualify as a REIT and the other rules applicable to REITs, including the distribution requirements described above. See Structure of Host Following the Transactions Sheraton Holding Corporation and Foreign Currency REIT Subsidiaries beginning on page 114.

Adverse tax consequences would apply if Host or any of its subsidiary REITs failed to qualify as a REIT.

Host believes that it has been organized and has operated in such a manner so as to qualify as a REIT under the Code, commencing with its taxable year beginning January 1, 1999, and Host currently intends to continue to operate as a REIT during future years. In addition, if the transactions are completed as expected, as described above, Host will own, through Host LP, SHC and six other entities that will elect to be treated as REITs. As the requirements for qualification and taxation as a REIT are extremely complex and interpretations of the federal income tax laws governing qualification and taxation as a REIT are limited, no assurance can be provided that Host currently qualifies as a REIT or will continue to qualify as a REIT or that each of Host s subsidiary REITs will qualify as a REIT following its REIT election. If any of the subsidiary REITs were to fail to qualify as a REIT, it is possible that Host itself would fail to qualify as a REIT unless it (or the subsidiary REIT) could avail itself of certain relief provisions. New legislation, treasury regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to an entity s qualification as a REIT or the federal income tax consequences of its REIT qualification. If Host or any of the subsidiary REITs were to fail to qualify as a REIT, and any available relief provisions did not apply, the non-qualifying REIT would not be allowed to take a deduction for distributions to its stockholders in computing its taxable income, and it would be subject to federal and state corporate income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Moreover, unless entitled to statutory relief, the non-qualifying REIT could not qualify as a REIT for the four taxable years following the year during which REIT qualification is lost.

Any determination that Host or one of its subsidiary REITs does not qualify as a REIT would have a materially adverse effect on Host s results of operations and could reduce the value of Host common stock materially. The additional tax liability of Host or the subsidiary REIT for the year, or years, in which the relevant entity did not qualify as a REIT would reduce its net earnings available for investment, debt service or distributions to stockholders. Furthermore, the non-qualifying entity would no longer be required to make any

Table of Contents

distributions to stockholders as a condition to REIT qualification and all of its distributions to stockholders would be taxable as regular C corporation dividends to the extent of its current and accumulated earnings and profits. This means, if Host were to fail to qualify as a REIT, that Host s stockholders currently taxed as individuals would be taxed on those dividends at capital gain rates and its corporate stockholders generally would be entitled to the dividends received deduction with respect to such dividends, subject in each case, to applicable limitations under the Code. Host s failure to qualify as a REIT also would cause an event of default under Host LP s credit facility that could lead to an acceleration of the amounts due under the credit facility, which, in turn, would constitute an event of default under Host LP s outstanding debt securities.

If Host s leases are not respected as true leases for federal income tax purposes, Host and each of its subsidiary REITs would fail to qualify as a REIT.

To qualify as a REIT, Host must satisfy two gross income tests, under which specified percentages of its gross income must be passive income, like rent. For the rent paid pursuant to Host s leases, which currently constitutes (and is expected to constitute, following the closing transactions) substantially all of Host s and each of its subsidiary REITs gross income, to qualify for purposes of the gross income tests, the leases must be respected as true leases for federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. Host believes that the leases will be respected as true leases for federal income tax purposes. There can be no assurance, however, that the IRS will agree with this view. If the leases were not respected as true leases for federal income tax purposes, neither Host nor any of its subsidiary REITs would be able to satisfy either of the two gross income tests applicable to REITs and each would most likely lose its REIT status.

If Host s affiliated lessees fail to qualify as taxable REIT subsidiaries, Host and each of its subsidiary REITs would fail to qualify as a REIT.

Rent paid by a lessee that is a related party tenant of Host will not be qualifying income for purposes of the two gross income tests applicable to REITs. As a result of changes in the Code, since January 1, 2001, Host has leased substantially all of its hotels to a subsidiary of Host LP that is taxable as a regular C corporation and that has elected to be treated as a taxable REIT subsidiary with respect to Host. Should the transactions be consummated as expected, each of the hotels acquired from Starwood and Starwood Trust will be leased to either a taxable REIT subsidiary of Host or a taxable REIT subsidiary of a subsidiary REIT. So long as any affiliated lessee qualifies as a taxable REIT subsidiary, it will not be treated as a related party tenant. Host believes that its affiliated lessees have qualified and will continue to qualify, and that the taxable REIT subsidiaries of its subsidiary REITs will qualify, to be treated as taxable REIT subsidiaries for federal income tax purposes. There can be no assurance, however, that the IRS will not challenge the status of a taxable REIT subsidiary for federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying any of Host s affiliated lessees (including the taxable REIT subsidiaries of its subsidiary REITs) from treatment as a taxable REIT subsidiary, it is possible that Host or a subsidiary REIT would fail to meet the asset tests applicable to REITs and substantially all of its income would fail to qualify for the gross income tests. If this occurred, Host and/or the applicable subsidiary REIT would cease to qualify as a REIT.

Despite Host s REIT status, it remains subject to various taxes.

Host or one of its subsidiary REITs will be required to pay federal income tax at the highest regular corporate rate upon its share of any built-in gain recognized as a result of any sale before the expiration of the applicable 10-year holding period of assets, including certain hotels, acquired as part of Host s conversion to a REIT or from Starwood and its affiliates as part of the transactions. The total amount of gain on which Host would be subject to corporate income tax if these built-in gain assets were sold in a taxable transaction prior to the expiration of the applicable 10-year holding period would be material to Host. In addition, Host expects that it could recognize other substantial deferred tax liabilities in the future without any corresponding receipt of cash.

Notwithstanding Host s status as a REIT, Host and its subsidiaries (including Host s subsidiary REITs) will be subject to some federal, state, local and foreign taxes on their income and property. For example, Host and its

Table of Contents

subsidiary REITs will pay tax on certain types of income that is not distributed and will be subject to a 100% excise tax on transactions with a taxable REIT subsidiary that are not conducted on an arm s length basis. Moreover, the taxable REIT subsidiaries of Host and its subsidiary REITs are taxable as regular C corporations and will pay federal, state and local income tax on their net income at the applicable corporate rates, and foreign taxes to the extent they own assets or conduct operations in foreign jurisdictions.

Host LP is obligated under its partnership agreement to pay all such taxes (and any related interest and penalties) incurred by Host.

If the IRS were to challenge successfully Host LP s status as a partnership for federal income tax purposes, Host would cease to qualify as a REIT and suffer other adverse consequences.

Host believes that Host LP qualifies to be treated as a partnership for federal income tax purposes. As a partnership, it is not subject to federal income tax on its income. Instead, each of its partners, including Host, is required to pay tax on such partner s allocable share of its income. No assurance can be provided, however, that the IRS will not challenge Host LP s status as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating Host LP as a corporation for federal income tax purposes, Host would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, cease to qualify as a REIT. If Host LP fails to qualify as a partnership for federal income tax purposes or Host fails to qualify as a REIT, either failure would cause an event of default under Host LP s credit facility that, in turn, could constitute an event of default under Host LP s outstanding debt securities. Also, the failure of Host LP to qualify as a partnership would cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including Host.

As a REIT, each of Host and its subsidiary REITs is subject to limitations on its ownership of debt and equity securities.

Subject to certain exceptions, a REIT is generally prohibited from owning securities in any one issuer to the extent that the value of those securities exceeds 5% of the value of the REIT s total assets or the securities owned by the REIT represent more than 10% of the issuer s outstanding voting securities or more than 10% of the value of the issuer s outstanding securities. A REIT is permitted to own securities of a subsidiary in an amount that exceeds the 5% value test and the 10% vote or value test if the subsidiary elects to be a taxable REIT subsidiary. However, a REIT may not own securities of taxable REIT subsidiaries that represent in the aggregate more than 20% of the value of the REIT s total assets.

Host or its subsidiary REITs may be required to pay a penalty tax upon the sale of a hotel.

The federal income tax provisions applicable to REITs provide that any gain realized by a REIT on the sale of property held as inventory or other property held primarily for sale to customers in the ordinary course of business is treated as income from a prohibited transaction that is subject to a 100% penalty tax. Under existing law, whether property, including hotels, is held as inventory or primarily for sale to customers in the ordinary course of business is a question of fact that depends upon all of the facts and circumstances with respect to the particular transaction. Host intends that it will hold the hotels for investment with a view to long-term appreciation, to engage in the business of acquiring and owning hotels and to make occasional sales of hotels as are consistent with its investment objectives. There can be no assurance, however, that the IRS might not contend that one or more of these sales is subject to the 100% penalty tax.

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus contain or may contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by their use of terms and phrases such as anticipate, believe, could, estimate, expect, intend, may, plan, predict, project, will, continue and other similar terms and phrases, including statements about the expected scope and of the transactions and expectations as to timing, nature and terms of financing and other sources of funds. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made. These risks include, but are not limited to:

- the completion of the transactions (either in whole or in part relating to the acquisition of certain hotels) is subject to numerous closing conditions, including but not limited to those listed in this proxy statement/prospectus, and there can be no assurances that the transactions as a whole, or portions of it, will be completed;
- national and local economic and business conditions and changes in travel patterns that will affect demand for hotel products and services, the level of room rates and occupancy that can be achieved by such properties and the availability and terms of financing and liquidity;
- changes in taxes and government regulations that influence or determine wages, prices, construction procedures and costs;
- operating risks associated with the hotel business;
- risks associated with the level of Host s indebtedness and Host s ability to meet covenants in its debt agreements;
- relationships with property managers;
- the ability of Host to maintain its respective properties in a first-class manner, including meeting capital expenditure requirements;
- the ability of Host to compete effectively in areas such as access, location, quality of accommodations and room rate;
- the ability of Host to complete pending acquisitions and dispositions and the risk that potential acquisitions may not perform in accordance with expectations;
- the effect of terror alerts and potential terrorist activity on travel and Host s ability, and prior to the completion of the transactions with respect to hotels to be acquired by Host, Starwood s ability, to recover fully under its existing insurance for terrorist acts and to maintain adequate or full replacement cost all-risk property insurance on its properties;
- government approvals, actions and initiatives, including the need for compliance with environmental and safety requirements, and changes in laws and regulations or the interpretation thereof;

the effects of tax legislative action;

the ability of Host and each of the REIT entities currently contemplated to be acquired or established by Host in the transactions to continue to satisfy complex rules in order for it to qualify as a REIT for federal income tax purposes, the ability of Host LP to satisfy the rules to maintain its status as a partnership for federal income tax purposes, the ability of certain of Host LP s subsidiaries to maintain their status as taxable REIT subsidiaries for federal income tax purposes and Host s ability and the ability of its subsidiaries, and similar entities to be acquired or established by Host in the transactions, to operate effectively within the limitations imposed by these rules;

Table of Contents

the effect of any rating agency downgrades on the cost and availability of new debt financings;

the relatively fixed nature of property-level operating costs and expenses for Host and the portfolio to be acquired by Host in the transactions; and

other factors discussed under the heading Risk Factors beginning on page 22 and in other filings with the SEC.

Although Host believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, Host can give no assurance that the expectations will be attained or that any deviation will not be material. All information is as of the date of this filing and Host undertakes no obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations, except as required by federal securities laws.

Table of Contents

THE HOST SPECIAL MEETING

General

This proxy statement/prospectus is being provided to Host stockholders as part of a solicitation of proxies by Host s board of directors for use at a special meeting of Host stockholders. This proxy statement/prospectus provides Host stockholders with the information they need to know to be able to vote or instruct their votes to be cast at the special meeting of Host stockholders.

Date, Time, Place and Purpose of the Host Special Meeting

The special meeting of Host stockholders will be held on April 5, 2006 at 9:00 a.m., local time, at the Marriott at Metro Center, 775 12th Street, NW in Washington, D.C.

The special meeting is being held for the following purposes:

- to consider and vote upon a proposal to approve the issuance of shares of Host common stock pursuant to the Master Agreement and Plan of Merger, dated as of November 14, 2005, among Host Marriott Corporation, Host Marriott, L.P., Horizon Supernova Merger Sub, L.L.C., Horizon SLT Merger Sub, L.P., Starwood Hotels & Resorts Worldwide, Inc., Starwood Hotels & Resorts, Sheraton Holding Corporation and SLT Realty Limited Partnership; and
- to transact any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

Recommendation of Host s Board of Directors

Host s board of directors has determined that the master agreement and the transactions contemplated by the master agreement are advisable and in the best interests of Host and its stockholders and has unanimously approved the master agreement and the issuance of shares of Host common stock in the transactions. **Host s board of directors unanimously recommends that Host common stockholders vote FOR the proposal to approve the issuance of shares of Host common stock in the transactions.**

Record Date; Outstanding Shares; Shares Entitled to Vote

Only holders of record of Host common stock at the close of business on the record date, February 22, 2006, are entitled to notice of and to vote at the Host special meeting. As of the record date, there were approximately 385,792,520 shares of Host common stock outstanding and entitled to vote at the Host special meeting. Each holder of Host common stock is entitled to one vote for each share of common stock owned as of the record date.

Quorum and Vote Required; Abstentions and Broker Non-Votes

A quorum of Host common stockholders is necessary to hold a valid meeting. The required quorum for the transaction of business at the Host special meeting is the presence, in person or by proxy, of holders of a majority of the outstanding shares of Host common stock entitled to vote at the Host special meeting. Because there were 385,792,520 shares of common stock outstanding at the close of business on February 22, 2006, the presence of holders of 192,896,261 shares of Host common stock is a quorum.

All shares of Host common stock represented at the Host special meeting, including abstentions and broker non-votes , will be counted as present at the Host special meeting for the purpose of determining whether a quorum is present at the special meeting. Abstentions occur when a stockholder attends a meeting in person or by proxy but abstains from voting. Broker non-votes occur when a nominee holding shares of Host common stock for a beneficial owner returns a properly executed proxy but has not received voting instructions from the beneficial owner and such nominee does not possess or does not choose to exercise discretionary authority with

Table of Contents

respect to such shares. Brokers are not allowed to exercise their voting discretion with respect to the approval of matters which the NYSE determines to be non-routine, such as approval of the issuance of shares of Host common stock in the transactions, without specific instructions from the beneficial owner. Accordingly, if your broker holds your shares of Host common stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this proxy statement/prospectus.

In accordance with NYSE listing requirements, the approval of the issuance of shares of Host common stock in the transactions requires the affirmative vote of the holders of a majority of shares of Host common stock cast on the proposal, in person or by proxy, provided that the total votes cast on the proposal represent over 50% of the outstanding shares of Host common stock entitled to vote on the proposal. Votes for, votes against and abstentions count as votes cast, while broker non-votes do not count as votes cast. All outstanding shares of Host common stock as of the record date count as shares entitled to vote. Thus, the total sum of votes for, plus votes against, plus abstentions, which is referred to throughout this proxy statement/prospectus as the NYSE votes cast, must be greater than 50% of the total outstanding shares of Host common stock. Once satisfied, the number of votes for the proposal must be greater than 50% of NYSE votes cast. It is expected that brokers and other nominees will not have discretionary voting authority on this proposal and thus broker non-votes will result from this proposal to the extent that specific voting instructions are not provided to brokers or nominees by the beneficial holders of shares of Host common stock. Broker non-votes could have a negative effect on Host s ability to obtain the necessary number of NYSE votes cast but once such number has been cast, broker non-votes will have no effect on the vote. Abstentions will have the same effect as a vote against the proposal.

Voting by Host Directors and Executive Officers

As of the record date for the Host special meeting, the directors and executive officers of Host as a group beneficially owned and were entitled to vote 21,506,917 shares of Host common stock, or .055% of the outstanding shares of Host common stock on that date.

Voting; Proxies; Revocation

You may vote by proxy or in person at the Host special meeting. Votes will be tabulated and certified by Host s transfer agent, Computershare Trust Company, N.A., or Computershare.

Voting in Person

If you plan to attend the Host special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held in street name, which means your shares are held of record by a broker, bank or other nominee, and you wish to vote at the Host special meeting, you must bring to the special meeting a proxy from the record holder of the shares authorizing you to vote at the Host special meeting.

Voting by Proxy

Your vote is very important. Accordingly, please complete, sign, date and return the enclosed proxy card whether or not you plan to attend the Host special meeting in person. You should vote your proxy even if you plan to attend the Host special meeting. You can always change your vote at the special meeting. Voting instructions are included on your proxy card. If you properly give your proxy and submit it to Host in time to vote, one of the individuals named as your proxy will vote your shares as you have directed. A proxy card is enclosed for your use.

The method of voting by proxy differs for shares held as a record holder and shares held in street name. If you hold your shares of Host common stock as a record holder, you may vote by completing, dating and signing the enclosed proxy card and promptly returning it in the enclosed, pre-addressed, postage-paid envelope or

Table of Contents

otherwise mailing it to Host, or by submitting a proxy over the Internet or by telephone by following the instructions on the enclosed proxy card. Internet and telephone voting is available twenty-four hours per day until 11:59 p.m., Eastern time, on April 4, 2006. If you vote by telephone or the Internet, you do not need to return your proxy card.

If you hold your shares of Host common stock in street name , which means your shares are held of record by a broker, bank or nominee, you will receive instructions from your broker, bank or other nominee that you must follow in order to vote your shares. Your broker, bank or nominee may allow you to deliver your voting instructions over the Internet or by telephone. Please see the voting instructions from your broker, bank or nominee that accompany this proxy statement/prospectus.

All properly signed proxies that are received prior to the Host special meeting and that are not revoked will be voted at the Host special meeting according to the instructions indicated on the proxies or, if no direction is indicated, they will be voted **FOR** approval of the issuance of shares of Host common stock in the transactions.

Revocation of Proxy

You may revoke your proxy at any time before your proxy is voted at the Host special meeting by taking any of the following actions:

- delivering to Computershare a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked;
- signing and delivering a new proxy, relating to the same shares and bearing a later date;
- submitting another proxy by telephone or on the Internet (your latest telephone or Internet voting instructions are followed); or
- attending the Host special meeting and voting in person, although attendance at the special meeting will not, by itself, revoke a proxy.

If your shares are held in street name, you may change your vote by submitting new voting instructions to your broker, bank or other nominee. You must contact your broker, bank or other nominee to find out how to do so.

Written notices of revocation and other communications with respect to the revocation of Host proxies should be addressed to:

Computershare Trust Company, N.A.

P.O. Box 8611

Edison, New Jersey 08818

Proxy Solicitation

Host is soliciting proxies for the Host special meeting from the holders of Host common stock. Host will bear the entire cost of soliciting proxies from its stockholders. In addition to the solicitation of proxies by mail, Host will request that brokers, banks and other nominees send proxies and proxy materials to the beneficial owners of Host common stock held by them and secure their voting instructions, if necessary. Host will, upon request, reimburse those record holders for their reasonable expenses. Host has also made arrangements with MacKenzie Partners, Inc. to assist it in soliciting proxies, and has agreed to pay a fee of approximately $9,500 plus expenses for those services. Host also may use several of its regular employees, who will not be specially compensated, to solicit proxies from Host stockholders, either personally or by telephone, Internet, telegram, facsimile or special delivery letter.

Table of Contents

Other Business; Adjournments

Host does not expect that any matter other than the proposal presented in this proxy statement/prospectus will be brought before the Host special meeting. However, if other matters incident to the conduct of the Host special meeting are properly presented at the Host special meeting or any adjournment or postponement of the Host special meeting, the persons named as proxies will vote in accordance with their discretion with respect to those matters.

If a quorum is not present or if Host decides that more time is necessary for the solicitation of proxies, the Host special meeting may be adjourned, without further notice other than by an announcement made at the Host special meeting. This adjournment may be done with or without a stockholder vote. If there is a stockholder vote to adjourn, the named proxies will vote all shares of common stock for which they have voting authority in favor of the adjournment. Host does not currently intend to seek an adjournment of the Host special meeting.

Assistance

If you need assistance in completing your proxy card or have questions regarding the Host special meeting, please contact Host s Investor Relations department at (240) 744-1000 or iiinfo@hostmarriott.com or write to Host Marriott Corporation, 6903 Rockledge Drive, Suite 1500, Bethesda, Maryland 20817, Attn: Investor Relations, or contact MacKenzie Partners, Inc. toll-free at (800) 322-2885 or write to MacKenzie Partners, Inc., 105 Madison Avenue, 14th Floor, New York, New York 10016.

Table of Contents

THE TRANSACTIONS

The following is a description of the material aspects of the transactions. While we believe that the following description covers the material terms of the transactions, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire proxy statement/prospectus, including the transaction agreements attached to this proxy statement/prospectus as Annex A, Annex B *and* Annex C, *respectively, for a more complete understanding of the transactions.*

Summary of the Transactions

Structure of the Transactions

On November 14, 2005, Host announced that it had entered into the master agreement and other transaction agreements described in more detail in the section entitled Material Terms of the Principal Transaction Agreements beginning on page 84, pertaining to its acquisition of the following 25 domestic and 13 foreign hotels from Starwood and certain Starwood subsidiaries:

Domestic Hotels

Hotel	City	State	Country	Rooms
Sheraton New York Hotel & Towers	New York	NY	USA	1,746
Sheraton Boston Hotel	Boston	MA	USA	1,216
Sheraton San Diego Hotel & Marina	San Diego	CA	USA	1,044
The Westin Seattle	Seattle	WA	USA	891
The Westin Los Angeles Airport	Los Angeles	CA	USA	740
W New York	New York	NY	USA	688
The Westin Indianapolis	Indianapolis	IN	USA	573
Sheraton Indianapolis Hotels and Suites	Indianapolis	IN	USA	560
The Westin Mission Hills Resort & Spa	Rancho Mirage	CA	USA	512
The Westin Cincinnati	Cincinnati	OH	USA	456
Sheraton Stamford Hotel	Stamford	CT	USA	448
The Westin Tabor Center	Denver	CO	USA	430
W Seattle	Seattle	WA	USA	426
The Westin South Coast Plaza	Costa Mesa	CA	USA	390
Sheraton Milwaukee Brookfield Hotel	Brookfield	WI	USA	389
Sheraton Braintree Hotel	Braintree	MA	USA	374
Sheraton Parsippany Hotel	Parsippany	NJ	USA	370
The Westin Waltham-Boston	Waltham	MA	USA	346
The Westin Grand, Washington, D.C.	Washington	DC	USA	263
Sheraton Suites Tampa Airport	Tampa	FL	USA	259
Sheraton Needham Hotel	Needham	MA	USA	247
St. Regis Hotel, Houston	Houston	TX	USA	232
Sheraton Tucson Hotel & Suites	Tucson	AZ	USA	216
Sheraton Providence Airport Hotel	Warwick	RI	USA	206
Capitol Hill Suites	Washington	DC	USA	152

Total Domestic Hotels	13,174

Table of Contents

International Hotels

Hotel	**City**	**Province**	**Country**	**Rooms**
Sheraton Centre Toronto Hotel	Toronto	Ontario	Canada	1,377
Le Centre Sheraton Montreal Hotel	Montreal	Quebec	Canada	825
Sheraton Roma Hotel & Conference Center	Rome		Italy	634
The Westin Palace, Madrid, a Luxury Collection Hotel	Madrid		Spain	468
Sheraton Santiago Hotel and Convention Center	Santiago		Chile	379
Sheraton Skyline Hotel & Conference Centre	Hayes		United Kingdom	350
Sheraton Warsaw Hotel & Towers	Warsaw		Poland	350
Sheraton Hamilton Hotel	Hamilton	Ontario	Canada	301
Sheraton Fiji Resort	Nadi		Fiji	281
Sheraton Royal Denarau Resort(1)	Nadi		Fiji	267
The Westin Palace, Milan, a Luxury Collection Hotel	Milan		Italy	228
The Westin Europa & Regina	Venice		Italy	185
San Cristobal Tower, a Luxury Collection Hotel	Santiago		Chile	139
Total International Hotels				5,784
Total				**18,958**

(1) This property is in the process of being converted to the Westin brand. The conversion is expected to be completed on April 1, 2006.

All of the transactions contemplated by the master agreement were unanimously approved on November 13, 2005 by Host s board of directors. Under the terms of the master agreement, Host will pay in connection with the transactions approximately $4.037 billion (based on the issuance of 133,529,412 shares of Host common stock at the exchange price of $17.00 per share), which amount includes the assumption of certain indebtedness and the issuance of Host common stock, and is subject to adjustments, including an increase in the cash consideration in the amount of the working capital acquired at closing, each as more fully described below under Consideration for the Transactions beginning on page 53. See also Summary The Transactions Consideration for the Transactions beginning on page 2.

Subject to the terms and conditions of the master agreement and the other transaction agreements, Host s acquisition of the above-listed 38 hotels from Starwood will occur in several transactions that will occur on the same day and in the following order:

the acquisition by Host LP of four Starwood domestic hotels (which the parties contemplate will be the Sheraton Parsippany, W New York, W Seattle and The Westin Grand, Washington, D.C.) in a separate purchase structured to allow Host LP to complete like-kind exchange transactions for federal income tax purposes;

the acquisition by Host LP of the equity interests in Starwood Trust, which at the time the transactions are consummated is expected to hold, directly or indirectly, 18 domestic hotels, pursuant to the merger of a direct, wholly owned subsidiary of Host LP with and into Starwood Trust, which is referred to throughout this proxy statement/prospectus as the REIT merger, resulting in Starwood Trust becoming a direct, wholly owned subsidiary of Host LP and SLT Realty Limited Partnership becoming an indirect, majority-owned subsidiary of Host LP; the 18 domestic hotels are expected to be: Capitol Hill Suites, Sheraton Braintree Hotel, Sheraton Indianapolis Hotel and Suites, Sheraton Milwaukee Brookfield Hotel, Sheraton Needham Hotel, Sheraton Providence Airport Hotel, Sheraton Stamford Hotel, Sheraton Suites Tampa Airport, Sheraton Tucson Hotel & Suites, St. Regis Hotel, Houston, The Westin Cincinnati, The Westin Indianapolis, The Westin Los Angeles Airport, The Westin Mission Hills Resort & Spa, The Westin Seattle, The Westin

South Coast Plaza, The Westin Tabor Center and The Westin Waltham-Boston;

the merger of an indirect, wholly owned subsidiary of Host LP with and into SLT Realty Limited Partnership, which is referred to throughout this proxy statement/prospectus as the SLT merger,

Table of Contents

resulting in the exchange of all outstanding RP units and Class A RP units in SLT Realty Limited Partnership into the right to receive cash, and resulting in SLT Realty Limited Partnership becoming an indirect, wholly owned subsidiary of Host LP;

the acquisition by Host LP of the equity interests in SHC, which, at the time the transactions are consummated is expected to hold, directly or indirectly, three domestic hotels (Sheraton Boston Hotel, Sheraton New York Hotel & Towers and Sheraton San Diego Hotel & Marina) and four foreign hotels (Le Centre Sheraton Montreal Hotel, Sheraton Hamilton Hotel, Sheraton Centre Toronto Hotel and Sheraton Warsaw Hotel & Towers);

the acquisition by Host LP (through certain subsidiary REITs and foreign subsidiaries formed for this transaction) of nine foreign hotels (Sheraton Roma Hotel & Conference Center, The Westin Europa & Regina, The Westin Palace, Milan, a Luxury Collection Hotel, The Westin Palace, Madrid, a Luxury Collection Hotel, Sheraton Skyline Hotel and Convention Centre, San Cristobal Tower, a Luxury Collection Hotel, Sheraton Santiago Hotel and Convention Center, Sheraton Fiji Resort and Sheraton Royal Denarau Resort) not owned by Starwood Trust, SHC or SLT Realty Limited Partnership through the acquisition of the equity interests in various Starwood subsidiaries; and

the acquisition by Host LP (or a designated taxable REIT subsidiary or other subsidiary of Host LP) of domestic working capital and other ancillary assets from Starwood.

In addition to the above-described transactions, the master agreement provides for, among other things:

the preliminary internal restructuring of Starwood and its subsidiaries, including, among other things:

removing from the entities being acquired by Host (including Starwood Trust) interests in a number of hotels not being acquired by Host, all intellectual property (other than certain foreign hotel names being acquired by Host), certain intercompany indebtedness and all other assets related to Starwood s hotel management business and other businesses not being acquired by Host;

Starwood s assumption or repayment of the 7¾% debentures due November 15, 2025 (the 2025 SHC Debentures) of SHC, in connection with SHC s making of certain asset distributions to Starwood prior to Host s acquisition of the equity interests in SHC, and pursuant to the successor obligor provision of the indenture governing the 2025 SHC Debentures, and, thereafter, SHC s release from all of its liabilities and obligations under such indenture;

redeeming all outstanding shares of Starwood Trust s Class B Exchangeable Preferred Stock;

redeeming all limited partnership interests in SLT Realty Limited Partnership held by Starwood;

redeeming a portion of the Starwood Trust s Class A shares held by Starwood;

distributing earnings and profits of certain entities being acquired by Host; and

de-pairing the paired shares (each of which consists of a share of Starwood common stock and a Class B share of Starwood Trust); and the internal restructuring of Host and its subsidiaries, including, among other things:

the pre-closing formation of foreign hotel holding structures;

the post-closing restructuring of W&S Denver Corp. and W&S Seattle Corp., each of which will be acquired by Host in the transactions and transfers of various assets among those and other entities being acquired by Host to satisfy REIT requirements under the Code and debt requirements; and

the post-closing issuance of preferred stock by SHC and six subsidiary REITs of Host and SHC identified as foreign currency REITs to satisfy REIT requirements under the Code. For a detailed description of the terms and conditions of these offerings, see Structure of Host Following the Transactions Sheraton Holding Corporation and Foreign Currency REIT Subsidiaries , in each case, beginning on page 114.

The transactions are subject to a number of terms and conditions that could delay or prevent the closing of the transactions, or result in modifications to the transactions, such as the exclusion of particular hotels from the transactions due to the failure to obtain required consents or certain other developments. For a detailed description of these terms and conditions, see Material Terms of the Principal Transaction Agreements beginning on page 84, especially Conditions to Completion of the Closing Transactions beginning on page 90 and Other Agreements Relating to the Period Prior to Closing Deferral of Hotels beginning on page 102

Consideration for the Transactions

The total consideration payable by Host for the 38 hotels will be approximately $4.037 billion, consisting of approximately $1.213 billion of cash, the assumption by Host of approximately $554 million of indebtedness and approximately $2.27 billion of Host common stock (representing 133,529,412 shares of Host common stock at the exchange price of $17.00 per share), in each case subject to adjustments described under Material Terms of the Principal Transaction Agreements Consideration Purchase Price Adjustments beginning on page 85, including adjustments in the cash consideration for the amount of working capital acquired at closing, the agreed value of any hotels that are removed from the transactions, the amount of certain capital expenditures made by Starwood and the amount of any uninsured cost to repair any casualty to a hotel being acquired by Host. In the event that either Starwood assumes the $450 million of the 2015 SHC Debentures or the 2015 SHC Debentures do not remain outstanding at the closing of the transactions the cash consideration will be increased by, and the aggregate indebtedness assumed by Host will be decreased by, approximately $450 million.

Of this total consideration, Starwood and its subsidiaries will directly receive amounts not payable in respect of Starwood Trust s Class B shares or Class A Exchangeable Preferred Shares, in the REIT merger, or SLT Realty Limited Partnership s RP units or Class A RP units, in the SLT merger. For a detailed description of the REIT merger consideration and the SLT merger consideration, see the sections entitled Material Terms of the Principal Transaction Agreements Consideration REIT Merger Consideration and Material Terms of the Principal Transaction Agreements Consideration SLT Merger Consideration beginning on pages 86 and 89, respectively. Based on Starwood s estimate that 217,546,651 Class B shares of Starwood Trust (which represents the number of unrestricted Class B shares outstanding as of September 30, 2005) will be outstanding at the effective time of the REIT merger and that the amount of the SLT merger consideration will be approximately $12.8 million, Host management expects that all of the shares of Host common stock and approximately $122.5 million of the cash included in the total consideration will be payable directly to holders of Starwood Trust s Class B shares and Class A Exchangeable Preferred Shares and holders of SLT Realty Limited Partnership s RP units and Class A RP units. Consequently, the total consideration payable to Starwood and its subsidiaries is expected to be approximately $1.644 billion, consisting of approximately $1.090 billion of cash and the assumption of approximately $554 million of indebtedness, subject to the adjustments described under Material Terms of the Principal Transaction Agreements Consideration Purchase Price Adjustments beginning on page 85.

Because the amount of the merger consideration payable in respect of each Class B share of Starwood Trust is fixed, if the number of Class B shares outstanding as of the effective time of the REIT merger is more or less than 217,546,651, the amount of the total consideration paid directly to Starwood in respect of its indirect ownership of Class A shares of Starwood Trust will be less or more, respectively. If there are less than 217,546,651 Class B shares of Starwood Trust outstanding, Starwood will receive (in respect of its Class A shares of Starwood Trust) additional consideration in the amount and form, including shares of Host common stock, that would have been payable to holders of such Class B shares. If there are more than 217,546,651 Class B shares of Starwood Trust outstanding, the amount of consideration currently contemplated to be paid to Starwood (in respect of its Class A shares of Starwood Trust) will be reduced to reflect the excess consideration payable to holders of such Class B shares. In such an event, as described under Material Terms of the Principal Transaction Agreements Consideration Purchase Price Adjustments beginning on page 85, the additional shares of Host common stock issued to holders of Class B shares of Starwood Trust would be valued at $17.00 per share (regardless of the then-market price of Host common stock) for the purpose of reducing the cash consideration payable to Starwood.

Although Starwood management currently believes that the number of Class B shares of Starwood Trust outstanding as of the date of the master agreement will not materially change before the effective time of the

53

Table of Contents

REIT merger, this number could fluctuate. Starwood has announced that its board of directors has authorized the repurchase of up to $1.3 billion paired shares, which could result in a decrease in the number of outstanding Class B shares. However, Starwood Trust has substantial flexibility under the master agreement to issue as many as 19,217,095 Class B shares in excess of the estimated number of 217,546,651 (which represents the number of unrestricted Class B shares outstanding as of September 30, 2005). Accordingly, issuances of Class B shares by Starwood Trust, including due to acquisitions by Starwood or exercises of paired share options, could cause the number of Class B shares to exceed the expected level at the REIT merger effective time. If the number of Class B shares outstanding at the effective time is 206,669,318, or 5% less than the number expected by Starwood, the consideration to be received by Starwood, as opposed to holders of Class B shares and Class A Exchangeable Preferred Shares, would increase to reflect the lower amount of aggregate consideration required to be paid to holders of Class B shares. In that case, the additional consideration to Starwood would include approximately $5.5 million of the cash and approximately 6.6 million of the shares of Host common stock to be paid or issued by Host in the transactions. If, instead, the outstanding number of Class B shares at the effective time of the REIT merger is 236,763,746, the maximum allowed under the master agreement without Host s consent, the cash payable to Starwood would decrease by approximately $210 million to reflect the value of the additional aggregate consideration required to be paid in respect of Class B shares.

Currently, each Class A Exchangeable Preferred Share of Starwood Trust is exchangeable for a paired share of Starwood and Starwood Trust. Therefore, in addition to the consideration payable by Host in the transactions, holders of Class A Exchangeable Preferred Shares of Starwood Trust will receive, in respect of each such share, an amount of cash in the REIT merger representing the value of a share of Starwood common stock, based on the average closing price of a paired share of Starwood and Starwood Trust for the 20 consecutive trading days immediately preceding the closing date (net of the value of consideration received by holders of Class B shares of Starwood Trust in the REIT merger). This cash amount will be in addition to the consideration described above and will be payable solely by Starwood. See the section entitled Material Terms of the Principal Transaction Agreements Consideration REIT Merger Consideration beginning on page 86 for additional information.

The value of the consideration to be received by holders of Class B Shares of Starwood Trust and Class A Exchangeable Preferred Shares of Starwood Trust will vary depending on the market price of Host common stock at the time of the closing. The following table reflects the amount of cash and total per share value of the consideration payable to such holders (other than the cash consideration payable by Starwood to holders of Class A Exchangeable Preferred Shares), together with the total transaction value (rounded to the nearest million), based upon certain market prices of Host common stock:

Market Price of Host Common Stock	Value of Host Common Stock Received in REIT Merger	Amount of Cash Received in REIT Merger	Total Per Share Value of Consideration	Total Consideration Value (1)
$14.00	$ 8.571	$ 0.503	$ 9.071	$ 3,636,000,000
$15.00	$ 9.183	$ 0.503	$ 9.683	$ 3,770,000,000
$16.00	$ 9.795	$ 0.503	$ 10.295	$ 3,903,000,000
$17.00	$ 10.407	$ 0.503	$ 10.907	$ 4,037,000,000
$18.00	$ 11.020	$ 0.503	$ 11.520	$ 4,171,000,000
$19.00	$ 11.632	$ 0.503	$ 12.132	$ 4,304,000,000
$19.53 (2)	$ 11.956	$ 0.503	$ 12.459	$ 4,374,000,000
$20.00	$ 12.244	$ 0.503	$ 12.744	$ 4,437,000,000
$21.00	$ 12.856	$ 0.503	$ 13.356	$ 4,571,000,000

(1) The calculation of the Total Consideration Value column is based on the following assumptions: (i) there will be outstanding as of the effective time of the transactions (A) 217,546,651 Class B shares of Starwood Trust and (B) 562,222 Class A Exchangeable Preferred Shares of Starwood Trust; (ii) the total cash consideration payable by Host in the transactions will be $1.213 billion and (iii) the total amount of indebtedness assumed by Host in the transactions will be $554 million.

(2) Closing sale price of Host common stock on March 1, 2006.

Table of Contents

Background of the Transactions

The management and board of directors of Host continually consider and evaluate strategic opportunities, including acquisitions and joint ventures involving single assets and portfolio transactions. Since the capital markets strengthened late in 2003, Host has acquired five properties for approximately $1.1 billion.

Over the past several years, the management of Starwood and the board of directors of Starwood have considered a number of possible alternatives for restructuring the operations of Starwood including, among other things, disposing of certain hotels owned by Starwood s subsidiaries and de-pairing the shares of Starwood common stock and the Class B shares of Starwood Trust.

Over the past several years, Christopher J. Nassetta, the President and Chief Executive Officer of Host, had occasional conversations with Barry S. Sternlicht, then-Chairman and Chief Executive Officer of Starwood. These conversations were preliminary in nature and generally related to the possibility of transactions between the companies.

In June 2004, Messrs. Nassetta and Sternlicht met at a conference and discussed the prospect of Host becoming an owner of Starwood hotel assets. As a result of that meeting, the companies exchanged preliminary comments on the type of agreement that would establish the relationship between the companies as owner and operator. Such discussions did not lead to any further negotiations.

On August 4 and 5, 2004, at a regular meeting of Starwood s board of directors and Starwood Trust s board of trustees, Starwood management and its financial advisors made presentations to the boards regarding certain strategic opportunities with respect to certain real estate owned by Starwood subsidiaries.

On November 3 and December 3, 2004, at meetings of Starwood s board of directors and Starwood Trust s board of trustees, Starwood management updated the boards regarding the status of a possible sale of a portfolio of hotels as well as other strategic alternatives with respect to certain real estate owned by Starwood s subsidiaries that were being considered.

In early December 2004, Host and Starwood renewed discussions on the form of agreement in a meeting among Mr. Nassetta, members of Host s management team, Mr. Sternlicht, then-Executive Chairman of Starwood, and Stephen J. Heyer, Starwood s Chief Executive Officer, and members of Starwood s management team. On December 21, 2004, at the request of Messrs. Sternlicht and Heyer, senior management of Host, including Mr. Nassetta, met with Messrs. Sternlicht and Heyer and senior management of Starwood to discuss the form of the model license and operating agreements, including the term, economics, capital expenditures and other provisions thereof.

On January 3, 2005, to facilitate ongoing discussions, Host and Starwood entered into a letter agreement providing for the confidential treatment of nonpublic information provided between the parties, as well as