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asset that will be amortized over the remaining term of the leases. In addition, the existing working capital of the respective hotels, valued at \$90 million as of December 31, 2000, including the existing obligations under the working capital note, was transferred from Crestline to the TRS. Crestline remains the lessee of one of our full-service properties.

The TRS will pay rent to Host LP, and will be obligated to the managers for the fees and costs reimbursements under the management agreements. On a consolidated basis, our results of operations beginning in 2001 will reflect the revenues and expenses generated by these hotels rather than rental income. As a result, our 2001 results will not be comparable to the historical reported amounts for 2000 and 1999. In order to provide a clearer understanding and comparability of our results of operations we have presented unaudited pro forma statements of operations by quarter and year-to-date for the two fiscal years ended December 31, 2000 (see Item 7(b)), adjusted to reflect the acquisition of the Crestline Lessee Entities as if it occurred on January 1, 1999.

The transaction is permitted as a result of the passage of the REIT Modernization Act, enacted in December 1999, which amended the tax laws to permit REITs, effective January 1, 2001, (i) to lease hotels to a subsidiary that qualifies as a TRS, and (ii) to own all of the voting stock of such TRS.

### ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(b) Pro forma financial information. (see pg. 3)

### SIGNATURES

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

HOST MARRIOTT CORPORATION

By: /s/ Donald D. Olinger

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Donald D. Olinger  
Senior Vice President and  
Corporate Controller

Date: April 3, 2001

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### Item 7(b). Pro Forma Consolidated Statements of Operations of Host REIT

Because of the significant changes to our corporate structure as a result of the transaction with Crestline for the termination of the Crestline leases through the purchase of the entities, or "Crestline Lessee Entities", during January 2001, management believes that a discussion of our pro forma results of operations is meaningful and relevant to an investor's understanding of our present and future operations. The pro forma results of operations set forth below are based on the unaudited condensed consolidated statements of operations for the twelve weeks ended March 24, 2000 and March 26, 1999, June 16, 2000 and June 18, 1999, and September 8, 2000 and September 10, 1999, and the sixteen weeks ended December 31, 2000 and 1999, and the audited consolidated statements of operations for the years ended December 31, 2000 and 1999, and are only

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adjusted to reflect the January 2001 acquisition of the Crestline Lessee Entities for \$207 million in cash as if the transaction occurred at the beginning of 1999. The following pro forma results do not include adjustments for any transactions other than the Crestline lease repurchase and are not presented in accordance with Article 11 of SEC Regulation S-X.

As a result of the Crestline acquisition, effective January 1, 2001, Host LP leases 116 of its full-service hotels to its TRS, and therefore, our consolidated operations with respect to those hotels will represent property-level revenues and expenses rather than rental income from third-party lessees. In addition, the net income applicable to the TRS will be subject to federal and state income taxes.

The non-recurring pre-tax loss of \$207 million net of the minority interest effect of \$46 million related to the minority owners' share in the lease repurchase expense and a tax benefit of \$82 million that was recorded in our historical results of operations for the fourth quarter of 2000 is excluded from the pro forma results of operations for 2000. In addition, the pro forma statements of operations reflecting the lease repurchase also include the following adjustments:

- . record hotel-level revenues and expenses and reduce historical rental income with respect to the 116 properties;
- . reduce historical interest income for amounts related to the working capital note with Crestline;
- . reduce historical equity in earnings of affiliates for interest earned at our non-controlled subsidiary on the related FF&E loans with Crestline;
- . record interest expense related to the additional borrowings from the 9 1/4% Series F senior notes to fund the \$207 million cash payment;
- . record the minority interest effect related to the outside ownership in the operating partnership; and
- . record the tax provision attributable to the income of the TRS at an effective rate of 39.5%.

The unaudited pro forma financial information does not purport to represent what our results of operations or financial condition would actually have been if the transaction had in fact occurred at the beginning of 1999, or to project our results of operations or financial condition for any future period. The unaudited pro forma financial information is based upon available information and upon assumptions and estimates that we believe are reasonable under the circumstances. The following unaudited pro forma financial information should be read in conjunction with our audited financial statements contained in our annual report on Form 10-K for the fiscal year ended December 31, 2000 and our unaudited quarterly financial statements contained in our quarterly reports on Form 10-Q for each quarter within the two fiscal years ended December 31, 2000.

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|   | Twelve Weeks Ended<br>March 24, 2000     |                     |        |
|---|--|---------------------|--------|
|   | Historical                               | Lease<br>Repurchase | Pro Fo |
|   | -----                                    | -----               | -----  |
|   | (in millions, except per common share am |                     |        |
| REVENUE   |  |                     |        |
| Hotel property-level revenues   |  |                     |        |
| Rooms.....  | \$ -                                     | \$ 512              | \$ 512 |
| Food and beverage.....  | -  | 250                 | 250    |
| Other.....  | -  | 64                  | 64     |
|   | -----                                    | -----               | -----  |
| Total hotel property-level revenues.....  | -  | 826                 | 826    |
| Rental income(1).....   | 173                                      | (136)               | 37     |
| Net gains on property transactions.....   | 1  | -                   | 1      |
| Equity in earnings of affiliates and other.....   | 2  | (6)                 | (4)    |
|   | -----                                    | -----               | -----  |
| Total revenues.....   | 176                                      | 684                 | 860    |
|   | -----                                    | -----               | -----  |
| OPERATING COSTS AND EXPENSES  |  |                     |        |
| Depreciation and amortization.....  | 74                                       | -                   | 74     |
| Hotel property-level costs and expenses   |  |                     |        |
| Rooms.....  | -  | 121                 | 121    |
| Food and beverage.....  | -  | 183                 | 183    |
| Other.....  | -  | 30                  | 30     |
| Management fees.....  | -  | 51                  | 51     |
| Other property-level costs and expenses.....  | 59                                       | 170                 | 229    |
|   | -----                                    | -----               | -----  |
| Total operating costs and expenses.....   | 133                                      | 555                 | 688    |
|   | -----                                    | -----               | -----  |
| OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES,<br>INTEREST, AND OTHER.....          | 43                                       | 129                 | 172    |
| Minority interest.....  | 11                                       | (16)                | (5)    |
| Corporate expenses.....   | (10)                                     | -                   | (10)   |
| Interest expense.....   | (96)                                     | (5)                 | (101)  |
| Interest income.....  | 9  | (1)                 | 8      |
| Dividends on Convertible Preferred Securities.....  | (7)                                      | -                   | (7)    |
| Other.....  | (6)                                      | -                   | (6)    |
|   | -----                                    | -----               | -----  |
| INCOME (LOSS) BEFORE INCOME TAXES.....  | (56)                                     | 107                 | 51     |
| Provision for income taxes.....   | (1)                                      | (44)                | (45)   |
|   | -----                                    | -----               | -----  |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....   | (57)                                     | 63                  | 6      |
| Less: Dividends on preferred stock.....   | (5)                                      | -                   | (5)    |
| Add: Gain on repurchase of Convertible Preferred Securities...                                      | 4  | -                   | 4      |
|   | -----                                    | -----               | -----  |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON<br>SHAREHOLDERS.....                   | \$ (58)                                  | \$ 63               | \$ 5   |
|   | =====                                    | =====               | =====  |
| Basic earnings (loss) per share before extraordinary items<br>available to common shareholders..... | \$ (.26)                                 | \$ .28              | \$ .02 |
|   | =====                                    | =====               | =====  |

Twelve Weeks Ended  
March 26, 1999

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|   | Historical | Lease<br>Repurchase | Pro Fo |
|---|------------|---------------------|--------|
| (in millions, except per common share am  |            |                     |        |
| REVENUE   |            |                     |        |
| Hotel property-level revenues   |            |                     |        |
| Rooms.....  | \$ -       | \$ 494              | \$ 494 |
| Food and beverage.....  | -          | 239                 | 239    |
| Other.....  | -          | 54                  | 54     |
|   | -----      | -----               | -----  |
| Total hotel property-level revenues.....  | -          | 787                 | 787    |
| Rental income(1).....   | 171        | (131)               | 40     |
| Net gains on property transactions.....   | 12         | -                   | 12     |
| Equity in earnings of affiliates and other.....   | 1          | (4)                 | (3)    |
|   | -----      | -----               | -----  |
| Total revenues.....   | 184        | 652                 | 836    |
|   | -----      | -----               | -----  |
| OPERATING COSTS AND EXPENSES  |            |                     |        |
| Depreciation and amortization.....  |            |                     |        |
|   | 68         | -                   | 68     |
| Hotel property-level costs and expenses   |            |                     |        |
| Rooms.....  | -          | 113                 | 113    |
| Food and beverage.....  | -          | 174                 | 174    |
| Other.....  | -          | 30                  | 30     |
| Management fees.....  | -          | 49                  | 49     |
| Other property-level costs and expenses.....  | 58         | 162                 | 220    |
|   | -----      | -----               | -----  |
| Total operating costs and expenses.....   | 126        | 528                 | 654    |
|   | -----      | -----               | -----  |
| OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES,<br>INTEREST, AND OTHER.....          |            |                     |        |
|   | 58         | 124                 | 182    |
| Minority interest.....  | 8          | (16)                | (8)    |
| Corporate expenses.....   | (7)        | -                   | (7)    |
| Interest expense.....   | (99)       | (5)                 | (104)  |
| Interest income.....  | 8          | (1)                 | 7      |
| Dividends on Convertible Preferred Securities.....  | (9)        | -                   | (9)    |
| Other.....  | (2)        | -                   | (2)    |
|   | -----      | -----               | -----  |
| INCOME (LOSS) BEFORE INCOME TAXES.....  | (43)       | 102                 | 59     |
| Provision for income taxes.....   | (1)        | (42)                | (43)   |
|   | -----      | -----               | -----  |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....   | (44)       | 60                  | 16     |
| Less: Dividends on preferred stock.....   | -          | -                   | -      |
| Add: Gain on repurchase of Convertible Preferred Securities...                                      | -          | -                   | -      |
|   | -----      | -----               | -----  |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON<br>SHAREHOLDERS.....                   | \$ (44)    | \$ 60               | \$ 16  |
|   | =====      | =====               | =====  |
| Basic earnings (loss) per share before extraordinary items<br>available to common shareholders..... | \$ (.19)   | \$ .26              | \$ .07 |
|   | =====      | =====               | =====  |

UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

Twelve Weeks Ended

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June 16, 2000

|  | Historical     | Lease<br>Repurchase | Pro Form     |
|--|----------------|---------------------|--------------|
| (in millions, except per common share amount)  |                |                     |              |
| <b>REVENUE</b>   |                |                     |              |
| Hotel property-level revenues  |                |                     |              |
| Rooms.....   | \$ -           | \$ 605              | \$ 605       |
| Food and beverage.....   | -              | 308                 | 308          |
| Other.....   | -              | 73                  | 73           |
| Total hotel property-level revenues.....   | -              | 986                 | 986          |
| Rental income(1).....  | 183            | (150)               | 33           |
| Net gains on property transactions.....  | 2              | -                   | 2            |
| Equity in earnings of affiliates and other.....  | 6              | (6)                 | -            |
| Total revenues.....  | 191            | 830                 | 1,021        |
| <b>OPERATING COSTS AND EXPENSES</b>  |                |                     |              |
| Depreciation and amortization.....   | 75             | -                   | 75           |
| Hotel property-level costs and expenses  |                |                     |              |
| Rooms.....   | -              | 138                 | 138          |
| Food and beverage.....   | -              | 218                 | 218          |
| Other.....   | -              | 36                  | 36           |
| Management fees.....   | -              | 62                  | 62           |
| Other property-level costs and expenses.....   | 63             | 193                 | 256          |
| Total operating costs and expenses.....  | 138            | 647                 | 785          |
| <b>OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES, INTEREST, AND OTHER.....</b>   |                |                     |              |
| Minority interest.....   | 11             | (24)                | (13)         |
| Corporate expenses.....  | (10)           | -                   | (10)         |
| Interest expense.....  | (97)           | (5)                 | (102)        |
| Interest income.....   | 8              | (1)                 | 7            |
| Dividends on Convertible Preferred Securities.....   | (7)            | -                   | (7)          |
| Other.....   | (6)            | -                   | (6)          |
| <b>INCOME (LOSS) BEFORE INCOME TAXES.....</b>  | <b>(48)</b>    | <b>153</b>          | <b>105</b>   |
| Provision for income taxes.....  | (2)            | (62)                | (64)         |
| <b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....</b>   | <b>(50)</b>    | <b>91</b>           | <b>41</b>    |
| Less: Dividends on preferred stock.....  | (5)            | -                   | (5)          |
| Add: Gain on repurchase of Convertible Preferred Securities...                                   | -              | -                   | -            |
| <b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON SHAREHOLDERS.....</b>            | <b>\$ (55)</b> | <b>\$ 91</b>        | <b>\$ 36</b> |
| Basic earnings (loss) per share before extraordinary items available to common shareholders..... | \$ (.25)       | \$ .41              | \$ .16       |

Twelve Weeks Ended  
June 18, 1999

Lease

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|   | Historical<br>-----                      | Repurchase<br>----- | Pro Forma<br>----- |
|---|--|---------------------|--------------------|
|   | (in millions, except per common share am |                     |                    |
| <b>REVENUE</b>  |  |                     |                    |
| Hotel property-level revenues   |  |                     |                    |
| Rooms.....  | \$ -                                     | \$ 559              | \$ 559             |
| Food and beverage.....  | -  | 277                 | 277                |
| Other.....  | -  | 65                  | 65                 |
|   | -----                                    | -----               | -----              |
| Total hotel property-level revenues.....  | -  | 901                 | 901                |
| Rental income(1).....   | 187                                      | (146)               | 41                 |
| Net gains on property transactions.....   | 4  | -                   | 4                  |
| Equity in earnings of affiliates and other.....   | 4  | (5)                 | (1)                |
|   | -----                                    | -----               | -----              |
| Total revenues.....   | 195                                      | 750                 | 945                |
|   | -----                                    | -----               | -----              |
| <b>OPERATING COSTS AND EXPENSES</b>   |  |                     |                    |
| Depreciation and amortization.....  |  |                     |                    |
|   | 67                                       | -                   | 67                 |
| Hotel property-level costs and expenses   |  |                     |                    |
| Rooms.....  | -  | 128                 | 128                |
| Food and beverage.....  | -  | 197                 | 197                |
| Other.....  | -  | 33                  | 33                 |
| Management fees.....  | -  | 52                  | 52                 |
| Other property-level costs and expenses.....  | 62                                       | 181                 | 243                |
|   | -----                                    | -----               | -----              |
| Total operating costs and expenses.....   | 129                                      | 591                 | 720                |
|   | -----                                    | -----               | -----              |
| <b>OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES,<br/>INTEREST, AND OTHER.....</b>  |  |                     |                    |
|   | 66                                       | 159                 | 225                |
| Minority interest.....  | 5  | (20)                | (15)               |
| Corporate expenses.....   | (8)                                      | -                   | (8)                |
| Interest expense.....   | (101)                                    | (5)                 | (106)              |
| Interest income.....  | 8  | (1)                 | 7                  |
| Dividends on Convertible Preferred Securities.....  | (8)                                      | -                   | (8)                |
| Other.....  | (5)                                      | -                   | (5)                |
|   | -----                                    | -----               | -----              |
| <b>INCOME (LOSS) BEFORE INCOME TAXES.....</b>   | (43)                                     | 133                 | 90                 |
| Provision for income taxes.....   | (1)                                      | (55)                | (56)               |
|   | -----                                    | -----               | -----              |
| <b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....</b>  | (44)                                     | 78                  | 34                 |
| Less: Dividends on preferred stock.....   | -  | -                   | -                  |
| Add: Gain on repurchase of Convertible Preferred Securities...                                      | -  | -                   | -                  |
|   | -----                                    | -----               | -----              |
| <b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON<br/>SHAREHOLDERS.....</b>           | \$ (44)                                  | \$ 78               | \$ 34              |
|   | =====                                    | =====               | =====              |
| Basic earnings (loss) per share before extraordinary items<br>available to common shareholders..... | \$ (.19)                                 | \$ .34              | \$ .15             |
|   | =====                                    | =====               | =====              |

UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

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Twelve Weeks Ended  
September 8, 2000

|   | Historical | Lease<br>Repurchase | Pro Fo |
|---|------------|---------------------|--------|
| (in millions, except per common share am  |            |                     |        |
| <b>REVENUE</b>  |            |                     |        |
| Hotel property-level revenues   |            |                     |        |
| Rooms.....  | \$ -       | \$ 554              | \$ 554 |
| Food and beverage.....  | -          | 239                 | 239    |
| Other.....  | -          | 61                  | 61     |
| Total hotel property-level revenues.....  | -          | 854                 | 854    |
| Rental income(1).....   | 224        | (194)               | 30     |
| Net gains on property transactions.....   | 1          | -                   | 1      |
| Equity in earnings of affiliates and other.....   | 5          | (6)                 | (1)    |
| Total revenues.....   | 230        | 654                 | 884    |
| <b>OPERATING COSTS AND EXPENSES</b>   |            |                     |        |
| Depreciation and amortization.....  | 75         | -                   | 75     |
| Hotel property-level costs and expenses   |            |                     |        |
| Rooms.....  | -          | 137                 | 137    |
| Food and beverage.....  | -          | 193                 | 193    |
| Other.....  | -          | 31                  | 31     |
| Management fees.....  | -          | 47                  | 47     |
| Other property-level costs and expenses.....  | 66         | 191                 | 257    |
| Total operating costs and expenses.....   | 141        | 599                 | 740    |
| <b>OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES,<br/>INTEREST, AND OTHER.....</b>  |            |                     |        |
| Minority interest.....  | 89         | 55                  | 144    |
| Corporate expenses.....   | 4          | (7)                 | (3)    |
| Interest expense.....   | (7)        | -                   | (7)    |
| Interest income.....  | (100)      | (5)                 | (105)  |
| Dividends on Convertible Preferred Securities.....  | 9          | (1)                 | 8      |
| Other.....  | (8)        | -                   | (8)    |
|   | -          | -                   | -      |
| <b>INCOME (LOSS) BEFORE INCOME TAXES.....</b>   | (13)       | 42                  | 29     |
| Provision for income taxes.....   | (4)        | (19)                | (23)   |
| <b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....</b>  | (17)       | 23                  | 6      |
| Less: Dividends on preferred stock.....   | (5)        | -                   | (5)    |
| Add: Gain on repurchase of Convertible Preferred Securities...                                      | -          | -                   | -      |
| <b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON<br/>SHAREHOLDERS.....</b>           | \$ (22)    | \$ 23               | \$ 1   |
| Basic earnings (loss) per share before extraordinary items<br>available to common shareholders..... | \$ (.10)   | \$ .10              | \$ .00 |

Twelve Weeks Ended  
September 10, 1999



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|   | Historical<br>----- | Lease<br>Repurchase<br>----- | Pro Fo<br>----- |
|---|---------------------|------------------------------|-----------------|
| (in millions, except per common share am  |                     |                              |                 |
| REVENUE   |                     |                              |                 |
| Hotel property-level revenues   |                     |                              |                 |
| Rooms.....  | \$ -                | \$ 502                       | \$ 502          |
| Food and beverage.....  | -                   | 223                          | 223             |
| Other.....  | -                   | 58                           | 58              |
|   | -----               | -----                        | -----           |
| Total hotel property-level revenues.....  | -                   | 783                          | 783             |
| Rental income(1).....   | 188                 | (162)                        | 26              |
| Net gains on property transactions.....   | -                   | -                            | -               |
| Equity in earnings of affiliates and other.....   | 5                   | (6)                          | (1)             |
|   | -----               | -----                        | -----           |
| Total revenues.....   | 193                 | 615                          | 808             |
| OPERATING COSTS AND EXPENSES  |                     |                              |                 |
| Depreciation and amortization.....  |                     |                              |                 |
|   | 68                  | -                            | 68              |
| Hotel property-level costs and expenses   |                     |                              |                 |
| Rooms.....  | -                   | 130                          | 130             |
| Food and beverage.....  | -                   | 178                          | 178             |
| Other.....  | -                   | 26                           | 26              |
| Management fees.....  | -                   | 42                           | 42              |
| Other property-level costs and expenses.....  | 62                  | 178                          | 240             |
|   | -----               | -----                        | -----           |
| Total operating costs and expenses.....   | 130                 | 554                          | 684             |
| OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES,<br>INTEREST, AND OTHER.....          |                     |                              |                 |
|   | 63                  | 61                           | 124             |
| Minority interest.....  | 8                   | (7)                          | 1               |
| Corporate expenses.....   | (5)                 | -                            | (5)             |
| Interest expense.....   | (98)                | (5)                          | (103)           |
| Interest income.....  | 10                  | (1)                          | 9               |
| Dividends on Convertible Preferred Securities.....  | (9)                 | -                            | (9)             |
| Other.....  | -                   | -                            | -               |
|   | -----               | -----                        | -----           |
| INCOME (LOSS) BEFORE INCOME TAXES.....  | (31)                | 48                           | 17              |
| Provision for income taxes.....   | (1)                 | (21)                         | (22)            |
|   | -----               | -----                        | -----           |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....   | (32)                | 27                           | (5)             |
| Less: Dividends on preferred stock.....   | (1)                 | -                            | (1)             |
| Add: Gain on repurchase of Convertible Preferred Securities...                                      | -                   | -                            | -               |
|   | -----               | -----                        | -----           |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON<br>SHAREHOLDERS.....                   | \$ (33)             | \$ 27                        | \$ (6)          |
|   | =====               | =====                        | =====           |
| Basic earnings (loss) per share before extraordinary items<br>available to common shareholders..... | \$ (.14)            | \$ .11                       | \$ (.03)        |
|   | =====               | =====                        | =====           |

UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

Sixteen Weeks Ended

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December 31, 2000

|   | Historical | Lease<br>Repurchase | Pro F |
|---|------------|---------------------|-------|
| (in millions, except per common share)  |            |                     |       |
| <b>REVENUE</b>  |            |                     |       |
| Hotel property-level revenues   |            |                     |       |
| Rooms.....  | \$ -       | \$ 770              | \$ 7  |
| Food and beverage.....  | -          | 420                 | 4     |
| Other.....  | -          | 90                  |       |
| Total hotel property-level revenues.....  | -          | 1,280               | 1,2   |
| Rental income(1).....   | 810        | (732)               |       |
| Net gains on property transactions.....   | 2          | -                   |       |
| Equity in earnings of affiliates and other.....   | 24         | (9)                 |       |
| Total revenues.....   | 836        | 539                 | 1,3   |
| <b>OPERATING COSTS AND EXPENSES</b>   |            |                     |       |
| Depreciation and amortization.....  | 107        | -                   | 1     |
| Hotel property-level costs and expenses   |            |                     |       |
| Rooms.....  | -          | 182                 | 1     |
| Food and beverage.....  | -          | 300                 | 3     |
| Other.....  | -          | 43                  |       |
| Management fees.....  | -          | 76                  |       |
| Other property-level costs and expenses.....  | 84         | 259                 | 3     |
| Total operating costs and expenses.....   | 191        | 860                 | 1,0   |
| <b>OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES,<br/>INTEREST, AND OTHER.....</b>  |            |                     |       |
| Minority interest.....  | (98)       | (3)                 | (1)   |
| Corporate expenses.....   | (15)       | -                   | (     |
| Lease repurchase expense.....   | (207)      | 207                 |       |
| Interest expense.....   | (140)      | (1)                 | (1)   |
| Interest income.....  | 14         | (1)                 |       |
| Dividends on Convertible Preferred Securities.....  | (10)       | -                   | (     |
| Other.....  | (11)       | -                   | (     |
| <b>INCOME (LOSS) BEFORE INCOME TAXES.....</b>   | 178        | (119)               |       |
| Benefit for income taxes.....   | 105        | 28                  | 1     |
| <b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....</b>  | 283        | (91)                | 1     |
| Less: Dividends on preferred stock.....   | (5)        | -                   |       |
| Add: Gain on repurchase of Convertible Preferred Securities...                                      | 1          | -                   |       |
| <b>INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON<br/>SHAREHOLDERS.....</b>           | \$ 279     | \$ (91)             | \$ 1  |
| Basic earnings (loss) per share before extraordinary items<br>available to common shareholders..... | \$ 1.26    | \$ (.41)            | \$ .  |

Sixteen Weeks Ended  
December 31, 1999

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|   | Historical                          | Lease<br>Repurchase | Pro |
|---|-------------------------------------|---------------------|-----|
|   | (in millions, except per common sha |                     |     |
| REVENUE   |                                     |                     |     |
| Hotel property-level revenues   |                                     |                     |     |
| Rooms.....  | \$ -                                | \$ 712              |     |
| Food and beverage.....  | -                                   | 390                 |     |
| Other.....  | -                                   | 86                  |     |
|   | -----                               | -----               |     |
| Total hotel property-level revenues.....  | -                                   | 1,188               |     |
| Rental income(1).....   | 749                                 | (668)               |     |
| Net gains on property transactions.....   | 12                                  | -                   |     |
| Equity in earnings of affiliates and other.....   | 4                                   | (8)                 |     |
|   | -----                               | -----               |     |
| Total revenues.....   | 765                                 | 512                 |     |
|   | -----                               | -----               |     |
| OPERATING COSTS AND EXPENSES  |                                     |                     |     |
| Depreciation and amortization.....  |                                     |                     |     |
|   | 90                                  | -                   |     |
| Hotel property-level costs and expenses   |                                     |                     |     |
| Rooms.....  | -                                   | 171                 |     |
| Food and beverage.....  | -                                   | 283                 |     |
| Other.....  | -                                   | 40                  |     |
| Management fees.....  | -                                   | 66                  |     |
| Other property-level costs and expenses.....  | 82                                  | 245                 |     |
|   | -----                               | -----               |     |
| Total operating costs and expenses.....   | 172                                 | 805                 |     |
|   | -----                               | -----               |     |
| OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES,<br>INTEREST, AND OTHER.....          |                                     |                     |     |
|   | 593                                 | (293)               |     |
| Minority interest.....  | (103)                               | 40                  |     |
| Corporate expenses.....   | (14)                                | -                   |     |
| Loss on litigation settlement.....  | (40)                                | -                   |     |
| Interest expense.....   | (132)                               | (5)                 |     |
| Interest income.....  | 13                                  | (1)                 |     |
| Dividends on Convertible Preferred Securities.....  | (11)                                | -                   |     |
| Other.....  | (9)                                 | -                   |     |
|   | -----                               | -----               |     |
| INCOME (LOSS) BEFORE INCOME TAXES.....  | 297                                 | (259)               |     |
| Benefit for income taxes.....   | 19                                  | 101                 |     |
|   | -----                               | -----               |     |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS.....   | 316                                 | (158)               |     |
| Less: Dividends on preferred stock.....   | (5)                                 | -                   |     |
| Add: Gain on repurchase of Convertible Preferred Securities...                                      | 11                                  | -                   |     |
|   | -----                               | -----               |     |
| INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON<br>SHAREHOLDERS.....                   | \$ 322                              | \$ (158)            |     |
|   | =====                               | =====               |     |
| Basic earnings (loss) per share before extraordinary items<br>available to common shareholders..... | \$ 1.43                             | \$ (.70)            |     |
|   | =====                               | =====               |     |

UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

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Fiscal Year Ended  
December 31, 2000

|  | Historical | Lease<br>Repurchase | Pro F  |
|--|------------|---------------------|--------|
| (in millions, except per common share)   |            |                     |        |
| <b>REVENUE</b>   |            |                     |        |
| Hotel property-level revenues  |            |                     |        |
| Rooms.....   | \$ -       | \$ 2,441            | \$ 2,4 |
| Food and beverage.....   | -          | 1,217               | 1,2    |
| Other.....   | -          | 288                 | 2      |
| Total hotel property-level revenues.....   | -          | 3,946               | 3,9    |
| Rental income(1).....  | 1,390      | (1,212)             | 1      |
| Net gains on property transactions.....  | 6          | -                   |        |
| Equity in earnings of affiliates and other.....  | 37         | (27)                |        |
| Total revenues.....  | 1,433      | 2,707               | 4,1    |
| <b>OPERATING COSTS AND EXPENSES</b>  |            |                     |        |
| Depreciation and amortization.....   | 331        | -                   | 3      |
| Hotel property-level costs and expenses  |            |                     |        |
| Rooms.....   | -          | 578                 | 5      |
| Food and beverage.....   | -          | 894                 | 8      |
| Other.....   | -          | 140                 | 1      |
| Management fees.....   | -          | 236                 | 2      |
| Other property-level costs and expenses.....   | 272        | 813                 | 1,0    |
| Total operating costs and expenses.....  | 603        | 2,661               | 3,2    |
| <b>OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES,<br/>INTEREST, AND OTHER.....</b> |            |                     |        |
| Minority interest.....   | (72)       | (50)                | (1     |
| Corporate expenses.....  | (42)       | -                   | (      |
| Lease repurchase expense.....  | (207)      | 207                 | (      |
| Interest expense.....  | (433)      | (16)                | (4     |
| Interest income.....   | 40         | (4)                 | (      |
| Dividends on Convertible Preferred Securities.....   | (32)       | -                   | (      |
| Other.....   | (23)       | -                   | (      |
| <b>INCOME BEFORE INCOME TAXES.....</b>   | 61         | 183                 | 2      |
| Benefit (provision) for income taxes.....  | 98         | (97)                |        |
| <b>INCOME BEFORE EXTRAORDINARY ITEMS.....</b>  | 159        | 86                  | 2      |
| Less: Dividends on preferred stock.....  | (20)       | -                   | (      |
| Add: Gain on repurchase of Convertible Preferred Securities...                                     | 5          | -                   |        |
| <b>INCOME BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON<br/>SHAREHOLDERS.....</b>                 | \$ 144     | \$ 86               | \$ 2   |
| Basic earnings per share before extraordinary items<br>available to common shareholders.....       | \$ .65     | \$ .39              | \$ 1.  |

Fiscal Year Ended

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December 31, 1999

|  | Historical                          | Lease<br>Repurchase | Pro |
|--|-------------------------------------|---------------------|-----|
|  | (in millions, except per common sha |                     |     |
| REVENUE  |                                     |                     |     |
| Hotel property-level revenues  |                                     |                     |     |
| Rooms.....   | \$ -                                | \$ 2,267            | \$  |
| Food and beverage.....   | -                                   | 1,129               |     |
| Other.....   | -                                   | 263                 |     |
|  | -----                               | -----               |     |
| Total hotel property-level revenues.....   | -                                   | 3,659               |     |
| Rental income(1).....  | 1,295                               | (1,107)             |     |
| Net gains on property transactions.....  | 28                                  | -                   |     |
| Equity in earnings of affiliates and other.....  | 14                                  | (23)                |     |
|  | -----                               | -----               |     |
| Total revenues.....  | 1,337                               | 2,529               |     |
|  | -----                               | -----               |     |
| OPERATING COSTS AND EXPENSES   |                                     |                     |     |
| Depreciation and amortization.....   | 293                                 | -                   |     |
| Hotel property-level costs and expenses  |                                     |                     |     |
| Rooms.....   | -                                   | 542                 |     |
| Food and beverage.....   | -                                   | 832                 |     |
| Other.....   | -                                   | 129                 |     |
| Management fees.....   | -                                   | 209                 |     |
| Other property-level costs and expenses.....   | 264                                 | 766                 |     |
|  | -----                               | -----               |     |
| Total operating costs and expenses.....  | 557                                 | 2,478               |     |
|  | -----                               | -----               |     |
| OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES,<br>INTEREST, AND OTHER.....   |                                     |                     |     |
|  | 780                                 | 51                  |     |
| Minority interest.....   | (82)                                | (3)                 |     |
| Corporate expenses.....  | (34)                                | -                   |     |
| Loss on litigation settlement.....   | (40)                                | -                   |     |
| Interest expense.....  | (430)                               | (20)                |     |
| Interest income.....   | 39                                  | (4)                 |     |
| Dividends on Convertible Preferred Securities.....   | (37)                                | -                   |     |
| Other.....   | (16)                                | -                   |     |
|  | -----                               | -----               |     |
| INCOME BEFORE INCOME TAXES.....  | 180                                 | 24                  |     |
| Benefit (provision) for income taxes.....  | 16                                  | (17)                |     |
|  | -----                               | -----               |     |
| INCOME BEFORE EXTRAORDINARY ITEMS.....   | 196                                 | 7                   |     |
| Less: Dividends on preferred stock.....  | (6)                                 | -                   |     |
| Add: Gain on repurchase of Convertible Preferred Securities...                               | 11                                  | -                   |     |
|  | -----                               | -----               |     |
| INCOME BEFORE EXTRAORDINARY ITEMS AVAILABLE TO COMMON<br>SHAREHOLDERS.....                   | \$ 201                              | \$ 7                |     |
|  | =====                               | =====               |     |
| Basic earnings per share before extraordinary items<br>available to common shareholders..... | \$ .89                              | \$ .03              |     |
|  | =====                               | =====               |     |

(1) In December 1999, the Company retroactively changed its method of accounting for contingent rental revenues to conform to the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 101. As a result, contingent rental revenue is deferred on the balance sheet until certain revenue thresholds are realized. SAB No. 101 has no impact on full-year 2000 and 1999 revenues, net income, or earnings per share because all

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rental revenues considered contingent under SAB No. 101 were earned as of December 31, 2000 and 1999. The change in accounting principle has no effect prior to 1999 because percentage rent relates to rental income on our leases, which began in 1999.