SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported) November 28, 2000

HOST MARRIOTT CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of Incorporation)

001-14625	53-0085950
(Commission File Number)	(I.R.S. Employer Identification Number)

10400 Fernwood Road, Bethesda, Maryland 20817
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code (310) 380-9000
(Former Name or Former Address, if changed since last report.)

ITEM 2. ACQUISITIONS OR DISPOSITIONS OF ASSETS

Host Marriott Corporation ("Host REIT"), through its operating partnership Host Marriott, L.P. ("Host LP"), has agreed to purchase certain subsidiaries of Crestline Capital Corporation ("Crestline") that hold the leasehold interests with respect to 117 hotel properties owned by Host LP. Host LP will purchase these entities, whose primary assets are the leasehold interests, for approximately $205 million. Host LP also agreed to execute a standard management agreement with Crestline allowing them to operate the Plaza San Antonio hotel.

Under the REIT Modernization Act, which was passed in December 1999 and will be effective beginning January 1, 2001, Host LP will be able to lease its hotels to a wholly-owned subsidiary through a taxable corporation which will elect to be treated as a taxable REIT subsidiary ("TRS"). Under the terms of the transaction, Host LP, through a subsidiary, will purchase the leases from Crestline on January 1, 2001.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements of businesses acquired (see pg. 3)

(b) Pro forma financial information. (see pg. 54)

(c) Exhibits

99-Company press release

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

Donald D. Olinger
Senior Vice President and
Corporate Controller

Date: November 28, 2000

The businesses to be acquired by Host LP are the subsidiaries of Crestline whose primary assets are the leasehold interests with respect to 117 hotel properties owned by Host LP. In conjunction with these leases, Crestline and certain of its subsidiaries entered into limited guarantees of the lease obligations of each lessee. The 117 full-service hotel leases are grouped into four lease pools, with Crestline's guarantee limited to the greater of 10% of the aggregate rent payable for the preceding year or 10% of the aggregate rent payable under all leases in the respective pool. Additionally, the lessee's obligation under each lease agreement is guaranteed by all other lessees in the respective lease pool. As a result, Host LP believes that the operating results of each full-service lease pool may be material to its financial statements. Further information regarding these leases and Crestline's limited guarantees may be found in Host LP's annual report on Form 10-K for the fiscal year ended December 31, 1999.

The following audited financial statements present separately the balance sheets of the four lease pools in which the 117 hotels are organized, and the related statements of operations, statements of shareholder's equity, and statements of cash flows for the fiscal year ended December 31, 1999.

CCHP I CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999

With Independent Public Accountants' Report Thereon

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CCHP I Corporation:

We have audited the accompanying consolidated balance sheet of CCHP I Corporation and its subsidiaries (a Maryland corporation) as of December 31, 1999, and the related consolidated statements of operations, shareholder's equity and cash flows for the fiscal year ended December 31, 1999. These consolidated financial statements are the responsibility of CCHP I Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCHP I Corporation and its subsidiaries as of December 31, 1999 and the results of their operations and their cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Vienna, Virginia
February 24, 2000

CCHP I CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 1999

(in thousands, except share data)

ASSETS

Current assets	
Cash and cash equivalents	$ 9,467
Due from hotel managers	3,890
	13,357
Hotel working capital	26,011
	$39,368

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities	
Lease payable to Host Marriott	$ 5,792
Other	3,334
	9,126
Hotel working capital notes payable to Host Marriott	26,011
Deferred income taxes	1,027
Total liabilities	36,164
Shareholder's equity	
Common stock (100 shares issued at $1.00 par value)	--
Retained earnings	3,204
Total shareholder's equity	3,204
	$39,368

See Notes to Consolidated Financial Statements.

CCHP I CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

Fiscal Year Ended December 31, 1999
(in thousands)

REVENUES	
Rooms	$585,381
Food and beverage	277,684
Other	65,069
Total revenues	928,134
OPERATING COSTS AND EXPENSES	
Property-level operating costs and expenses	
Rooms	141,898
Food and beverage	211,964
Other	241,996
Other operating costs and expenses	
Lease expense to Host Marriott	276,058
Management fees	40,659
Total operating costs and expenses	912,575
OPERATING PROFIT BEFORE CORPORATE EXPENSES AND INTEREST	15,559
Corporate expenses	(1,367)
Interest expense	(1,585)
INCOME BEFORE INCOME TAXES	12,607
Provision for income taxes	(5,169)
NET INCOME	$ 7,438

See Notes to Consolidated Financial Statements.

CCHP I CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY

Fiscal Year Ended December 31, 1999

(in thousands)

	Common Stock	Retained Earnings	Total
Balance, January 1, 1999	$--	$ --	$ --
Dividend to Crestline Capital	--	(4,234)	(4,234)
Net income	--	7,438	7,438
Balance, December 31, 1999	$--	$3,204	$3,204

See Notes to Consolidated Financial Statements.

CCHP I CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Fiscal Year Ended December 31, 1999
(in thousands)

OPERATING ACTIVITIES	
Net income	$ 7,438
Change in amounts due from hotel managers	(678)
Change in lease payable to Host Marriott	5,792
Changes in other operating accounts	1,149
Cash from operations	13,701
INVESTING ACTIVITIES	--
FINANCING ACTIVITIES	
Dividend to Crestline Capital	(4,234)
Increase in cash and cash equivalents	9,467
Cash and cash equivalents, beginning of year	--
Cash and cash equivalents, end of year	$ 9,467

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization

CCHP I Corporation (the "Company") was incorporated in the state of Delaware on November 23, 1998 as a wholly owned subsidiary of Crestline Capital Corporation ("Crestline"). On December 29, 1998, Crestline became a publicly traded company when Host Marriott Corporation ("Host Marriott") completed its plan of reorganizing its business operations by spinning-off Crestline to the shareholders of Host Marriott as part of a series of transactions pursuant to which Host Marriott converted into a real estate investment trust ("REIT").

On December 31, 1998, wholly owned subsidiaries of the Company (the "Tenant Subsidiaries") entered into lease agreements with Host Marriott to lease 35 of Host Marriott's full-service hotels with the existing management agreements of the leased hotels assigned to the Tenant Subsidiaries. During 1999, Host Marriott sold three of the hotels and terminated the leases on those hotels. As of December 31, 1999, the Company leased 32 full-service hotels from Host Marriott.

The Company operates as a unit of Crestline, utilizing Crestline's employees, insurance and administrative services since the Company does not have any employees. Certain direct expenses are paid by Crestline and charged directly or allocated to the Company. Certain general and administrative costs of Crestline are allocated to the Company, using a variety of methods, principally including Crestline's specific identification of individual costs and otherwise through allocations based upon estimated levels of effort devoted by general and administrative departments to the Company or relative measures of the size of the Company based on revenues. In the opinion of management, the methods for allocating general and administrative expenses and other direct costs are reasonable.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances between the Company and its subsidiaries have been eliminated.

Fiscal Year

The Company's fiscal year ends on the Friday nearest December 31.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at date of purchase as cash equivalents.

Revenues

The Company records the gross property-level revenues generated by the hotels as revenues.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Leases

Hotel Leases

The Tenant Subsidiaries entered into leases with Host Marriott effective January 1, 1999 for 35 full-service hotels. Each hotel lease has an initial term generally ranging from three to seven years. The hotel leases generally have four seven-year renewal options at the option of the Company, however, Host Marriott may terminate any unexercised renewal options. The Tenant Subsidiaries are required to pay the greater of (i) a minimum rent specified in each hotel lease or (ii) a percentage rent based upon a specified percentage of aggregate revenues from the hotel, including room revenues, food and beverage revenues, and other income, in excess of specified thresholds. The amount of minimum rent is increased each year based upon 50% of the increase in CPI during the previous twelve months. Percentage rent thresholds are increased each year based on a blend of the increases in CPI and the Employment Cost Index during the previous twelve months. The hotel leases generally provide for a rent adjustment in the event of damage, destruction, partial taking or certain capital expenditures. The rent during any renewal periods will be negotiated at fair market value at the time the renewal option is exercised.

The Tenant Subsidiaries are responsible for paying all of the expenses of operating the hotels, including all personnel costs, utility costs, and general repair and maintenance of the hotels. In addition, the Tenant Subsidiaries are responsible for all fees payable to the hotel manager, including base and incentive management fees, chain services payments and franchise or system fees. Host Marriott is responsible for real estate and personal property taxes, property casualty insurance, equipment rent, ground lease rent, maintaining a reserve fund for FF&E replacements and capital expenditures.

In the event that Host Marriott disposes of a hotel free and clear of the hotel lease, Host Marriott would generally have to pay a termination fee equal to the fair market value of the Company's leasehold interest in the remaining term of the hotel lease using a discount rate of 12%. Alternatively, Host Marriott would be entitled to (i) substitute a comparable hotel for any hotel that is sold, with the terms agreed to by the Company, or (ii) sell the hotel subject to the hotel lease, subject to the Company's approval under certain circumstances, without having to pay a termination fee. In addition, Host Marriott also has the right to terminate up to twelve of Crestline's leases without having to pay a termination fee. During 1999, Host Marriott exercised its right to terminate three hotel leases of the Company and Crestline without having to pay a termination fee. Conversely, Crestline may terminate up to twelve full-service hotel leases without penalty upon 180 days notice to Host Marriott. During 1999, Crestline exercised its right to terminate two of the Company's hotel leases as well as three additional Crestline hotel leases. These hotel leases will terminate in 2000, 180 days after each respective notification date.

As a result of the recent tax legislation discussed below, Host Marriott may purchase all, but not less than all, of its hotel leases with Crestline, beginning January 2, 2001, with the purchase price calculated as discussed above. The payment of the termination fee will be payable in cash or, subject to certain conditions, shares of Host Marriott common stock at the election of Host Marriott.

For those hotels where Marriott International is the manager, it has a noneconomic membership interest with certain limited voting rights in the Tenant Subsidiaries.

FF&E Leases

Prior to entering into the hotel leases, if the average tax basis of a hotel's FF&E and other personal property exceeded 15% of the aggregate average tax basis of the hotel's real and personal property (the "Excess FF&E"), the Tenant Subsidiaries and affiliates of Host Marriott entered into lease agreements (the "FF&E Leases") for the Excess FF&E. The terms of the FF&E Leases generally range from two to three years and rent under the

FF&E Leases is a fixed amount. The Company will have the option at the expiration of the FF&E Lease term to either (i) renew the FF&E Leases for consecutive one-year renewal terms at fair market rental rate, or (ii) purchase the Excess FF&E for a price equal to its fair market value. If the Company does not exercise its purchase or renewal option, the Company is required to pay a termination fee equal to approximately one month's rent.

Guaranty and Pooling Agreement

In connection with entering into the hotel leases, the Company, Crestline and Host Marriott, entered into a pool guarantee and a pooling and security agreement by which the Company provides a full guarantee and Crestline provides a limited guarantee of all of the hotel lease obligations.

The cumulative limit of Crestline's guarantee obligation is the greater of ten percent of the aggregate rent payable for the immediately preceding fiscal year under all of the Company's hotel leases or ten percent of the aggregate rent payable under all of the Company's hotel leases for 1999. In the event that Crestline's obligation under the pooling and guarantee agreement is reduced to zero, the Company can terminate the agreement and Host Marriott can terminate the Company's hotel leases without penalty.

All of the Company's leases are cross-defaulted and the Company's obligations under the guaranty are secured by all the funds received from its Tenant Subsidiaries.

Recent Tax Legislation

On December 17, 1999 President Clinton signed the Work Incentives Improvement Act of 1999. Included in this legislation are provisions that, effective January 1, 2001, will allow a REIT to lease hotels to a "taxable REIT subsidiary" if the hotel is operated and managed on behalf of such subsidiary by an independent third party. A taxable REIT subsidiary is a corporation that is owned more than 35 percent by a REIT. This law will enable Host Marriott, beginning in 2001 to lease its hotels to a taxable REIT subsidiary. Host Marriott may, at its discretion, elect to terminate the Company's leases, beginning in 2001, and pay termination fees determined according to formulas specified in the leases. If Host Marriott elects to terminate the full-service hotel leases, it would have to terminate all of Crestline's full-service hotel leases.

Future minimum annual rental commitments for all non-cancelable leases as of December 31, 1999 are as follows (in thousands):

2000	$161,094
2001	158,406
2002	156,630
2003	156,630
2004	141,614
Thereafter	141,614
Total minimum lease payments	$915,988

Lease expense for 1999 consisted of the following (in thousands):

Base rent	$167,996
Percentage rent	108,062
	$276,058

Note 3. Working Capital Notes

Upon the commencement of the hotel leases, the Company purchased the working capital of the leased hotels from Host Marriott for $26,832,000 with the purchase price evidenced by notes that bear interest at 5.12%. Interest on each note is due simultaneously with the rent payment of each hotel lease. The principal amount of each note is due upon the termination of each hotel lease. Upon termination of the hotel lease, the Company will sell Host Marriott the existing working capital at its current value. To the extent the working capital delivered to Host Marriott is less than the value of the note, the Company will pay Host Marriott the difference in cash. However, to the extent the working capital delivered to Host Marriott exceeds the value of the note, Host Marriott will pay the Company the difference in cash. As of December 31, 1999, the outstanding balance of the working capital notes was $26,011,000.

Debt maturities at December 31, 1999 are as follows (in thousands):

2000	$ 135
2001	1,205
2002	--
2003	3,005
2004	--
Thereafter	21,666
	$26,011

Cash paid for interest expense in 1999 totaled $1,463,000.

Note 4. Management Agreements

All of the Company's hotels are operated by hotel management companies under long-term hotel management agreements between Host Marriott and hotel management companies.

Assignment of Management Agreements

The existing management agreements were assigned to the Tenant Subsidiaries upon the execution of the hotel leases for the term of each corresponding hotel lease. The Tenant Subsidiaries are obligated to perform all of the obligations of Host Marriott under the hotel management agreements including payment of fees due under the management agreements other than certain obligations including payment of property taxes, property casualty insurance and ground rent, maintaining a reserve fund for FF&E replacements and capital expenditures for which Host Marriott retains responsibility.

Marriott International Management Agreements

Marriott International manages 28 of the 32 hotels under long-term management agreements assigned to the Tenant Subsidiaries, generally for an initial term of 15 to 20 years with renewal terms at the option of Marriott International of up to an additional 16 to 30 years. The management agreements generally provide for payment of base management fees equal to one to four percent of revenues and incentive management fees generally equal to 20% to 50% of Operating Profit (as defined in the management agreements) over a priority return (as defined) to the Tenant Subsidiaries, with total incentive management fees not to exceed 20% of cumulative Operating Profit, or 20% of current year Operating Profit.

Pursuant to the terms of the management agreements, Marriott International is required to furnish the hotels with certain services ("Chain Services") which are generally provided on a central or regional basis to all hotels in the Marriott International hotel system. Chain Services include central training, advertising and promotion, a national reservation system, computerized payroll and accounting services, and such additional services as needed which may be more efficiently performed on a centralized basis. Costs and expenses incurred in providing such services are allocated among all domestic hotels managed, owned or leased by Marriott International or its subsidiaries. In addition, the Company's hotels also participate in the Marriott Rewards program. The cost of this program is charged to all hotels in the Marriott hotel system.

Other Hotel Management Agreements

The Company's remaining four hotels are managed by other hotel management companies. One of the hotels is managed by Swissotel Management (USA) LLC, one is managed by Four Seasons Hotel Limited, and the remaining two hotels are managed by other independent hotel management companies under the "Marriott" brand pursuant to franchise agreements. The managers of the hotels provide similar services as Marriott International under its management agreements and receive base management fees, generally calculated as a percentage of revenues, and in most cases, incentive management fees, which are generally calculated as a percentage of operating profits.

The Company has the option to terminate certain management agreements if specified performance thresholds are not satisfied, with the consent of Host Marriott under certain conditions. No agreement with respect to a single lodging facility is cross-collateralized or cross-defaulted to any other agreement and a single agreement may be canceled under certain conditions, although such cancellation will not trigger the cancellation of any other agreement.

Franchise Agreements

Two of the Company's hotels are managed under franchise agreements between Host Marriott and Marriott International for terms ranging from 15 to 30 years. In connection with the assignment of the corresponding management agreement, the Tenant Subsidiaries assumed the franchise agreements for these hotels and will be the franchisee for the term of the corresponding hotel lease. Pursuant to the franchise agreements, the Tenant Subsidiaries generally pay a franchise fee based on a percentage of room revenues and food and beverage revenues as well as certain other fees for advertising and reservations. Franchise fees for room revenues vary from four to six percent, while fees for food and beverage revenues vary from two to three percent of revenues.

Note 5. Income Taxes

The Company is included in the consolidated Federal income tax return of Crestline and its affiliates (the "Group"). Tax expense is allocated to the Company as a member of the Group based upon the relative contribution to the Group's consolidated taxable income/loss and changes in temporary differences. This allocation method results in Federal and state tax expense allocated for the period presented that is substantially equal to the expense that would have been recognized if the Company had filed separate tax returns.

The provision for income taxes for 1999 consists of the following (in thousands):

Current--Federal	$3,536
--State	606
	4,142
Deferred--Federal	877
--State	150
	1,027
	$5,169

A reconciliation of the statutory Federal tax rate to the Company's effective income tax rate for 1999 follows:

Statutory federal tax rate	35.0%
State income taxes, net of federal tax benefit	6.0
	41.0%

As of December 31, 1999, the Company had no deferred tax assets. The tax effect of the temporary difference that gives rise to the Company's deferred tax liability is attributable to the hotel working capital.

CCHP II CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999

With Independent Public Accountants' Report Thereon

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CCHP II Corporation:

We have audited the accompanying consolidated balance sheet of CCHP II Corporation and its subsidiaries (a Maryland corporation) as of December 31, 1999, and the related consolidated statements of operations, shareholder's equity and cash flows for the fiscal year ended December 31, 1999. These consolidated financial statements are the responsibility of CCHP II Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCHP II Corporation and its subsidiaries as of December 31, 1999 and the results of their operations and their cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Vienna, Virginia
February 24, 2000

CCHP II CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As of December 31, 1999
(in thousands, except share data)

ASSETS	
Current assets	
Cash and cash equivalents	$ 8,856
Due from hotel managers	10,280
	19,136
Hotel working capital	18,090
	$37,226
LIABILITIES AND SHAREHOLDER'S EQUITY	
Current liabilities	
Lease payable to Host Marriott	$16,197
Other	1,246
	17,443
Hotel working capital notes payable to Host Marriott	18,090
Deferred income taxes	996
Total liabilities	36,529
Shareholder's equity	
Common stock (100 shares issued at $1.00 par value)	--
Retained earnings	697
Total shareholder's equity	697
	$37,226

See Notes to Consolidated Financial Statements.

CCHP II CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

Fiscal Year Ended December 31, 1999
(in thousands)

REVENUES	
Rooms	$ 646,624
Food and beverage	306,320
Other	64,876
Total revenues	1,017,820
OPERATING COSTS AND EXPENSES	
Property-level operating costs and expenses	
Rooms	158,279
Food and beverage	230,001
Other	231,668
Other operating costs and expenses	
Lease expense to Host Marriott	312,112
Management fees	66,672
Total operating costs and expenses	998,732
OPERATING PROFIT BEFORE CORPORATE EXPENSES AND INTEREST	19,088
Corporate expenses	(1,499)
Interest expense	(928)
INCOME BEFORE INCOME TAXES	16,661
Provision for income taxes	(6,831)
NET INCOME	$ 9,830

See Notes to Consolidated Financial Statements.

CCHP II CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY

Fiscal Year Ended December 31, 1999
(in thousands)

	Common Stock	Retained Earnings	Total
Balance, January 1, 1999	$--	$ --	$ --
Dividend to Crestline Capital	--	(9,133)	(9,133)
Net income	--	9,830	9,830
Balance, December 31, 1999	$--	$ 697	$ 697

See Notes to Consolidated Financial Statements.

CCHP II CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Fiscal Year Ended December 31, 1999
(in thousands)

OPERATING ACTIVITIES	
Net income	$ 9,830
Change in amounts due from hotel managers	(9,322)
Change in lease payable to Host Marriott	16,197
Changes in other operating accounts	1,284
Cash from operations	17,989
INVESTING ACTIVITIES	--
FINANCING ACTIVITIES	
Dividend to Crestline Capital	(9,133)
Increase in cash and cash equivalents	8,856
Cash and cash equivalents, beginning of year	--
Cash and cash equivalents, end of year	$ 8,856

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization

CCHP II Corporation (the "Company") was incorporated in the state of Delaware on November 23, 1998 as a wholly owned subsidiary of Crestline Capital Corporation ("Crestline"). On December 29, 1998, Crestline became a publicly traded company when Host Marriott Corporation ("Host Marriott") completed its plan of reorganizing its business operations by spinning-off Crestline to the shareholders of Host Marriott as part of a series of transactions pursuant to which Host Marriott converted into a real estate investment trust ("REIT").

On December 31, 1998, wholly owned subsidiaries of the Company (the "Tenant Subsidiaries") entered into lease agreements with Host Marriott to lease 28 of Host Marriott's full-service hotels with the existing management agreements of the leased hotels assigned to the Tenant Subsidiaries. As of December 31, 1999, the Company leased 28 full-service hotels from Host Marriott.

The Company operates as a unit of Crestline, utilizing Crestline's employees, insurance and administrative services since the Company does not have any employees. Certain direct expenses are paid by Crestline and charged directly or allocated to the Company. Certain general and administrative costs of Crestline are allocated to the Company, using a variety of methods, principally including Crestline's specific identification of individual costs and otherwise through allocations based upon estimated levels of effort devoted by general and administrative departments to the Company or relative measures of the size of the Company based on revenues. In the opinion of management, the methods for allocating general and administrative expenses and other direct costs are reasonable.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances between the Company and its subsidiaries have been eliminated.

Fiscal Year

The Company's fiscal year ends on the Friday nearest December 31.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at date of purchase as cash equivalents.

Revenues

The Company records the gross property-level revenues generated by the hotels as revenues.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Leases

Hotel Leases

The Tenant Subsidiaries entered into leases with Host Marriott effective January 1, 1999 for 28 full-service hotels. Each hotel lease has an initial term of eight years. The hotel leases generally have four seven-year renewal options at the option of the Company, however, Host Marriott may terminate any unexercised renewal options. The Tenant Subsidiaries are required to pay the greater of (i) a minimum rent specified in each hotel lease or (ii) a percentage rent based upon a specified percentage of aggregate revenues from the hotel, including room revenues, food and beverage revenues, and other income, in excess of specified thresholds. The amount of minimum rent is increased each year based upon 50% of the increase in CPI during the previous twelve months. Percentage rent thresholds are increased each year based on a blend of the increases in CPI and the Employment Cost Index during the previous twelve months. The hotel leases generally provide for a rent adjustment in the event of damage, destruction, partial taking or certain capital expenditures. The rent during any renewal periods will be negotiated at fair market value at the time the renewal option is exercised.

The Tenant Subsidiaries are responsible for paying all of the expenses of operating the hotels, including all personnel costs, utility costs, and general repair and maintenance of the hotels. In addition, the Tenant Subsidiaries are responsible for all fees payable to the hotel manager, including base and incentive management fees, chain services payments and franchise or system fees. Host Marriott is responsible for real estate and personal property taxes, property casualty insurance, equipment rent, ground lease rent, maintaining a reserve fund for FF&E replacements and capital expenditures.

In the event that Host Marriott disposes of a hotel free and clear of the hotel lease, Host Marriott would generally have to pay a termination fee equal to the fair market value of the Company's leasehold interest in the remaining term of the hotel lease using a discount rate of 12%. Alternatively, Host Marriott would be entitled to (i) substitute a comparable hotel for any hotel that is sold, with the terms agreed to by the Company, or (ii) sell the hotel subject to the hotel lease, subject to the Company's approval under certain circumstances, without having to pay a termination fee. In addition, Host Marriott also has the right to terminate up to twelve of Crestline's leases without having to pay a termination fee. During 1999, Host Marriott exercised its right to terminate three of Crestline's hotel leases, however, none of these were the Company's hotel leases. Conversely, Crestline may terminate up to twelve full-service hotel leases without penalty upon 180 days notice to Host Marriott. During 1999, Crestline exercised its right to terminate five of its hotel leases, however, none of these were the Company's hotel leases.

As a result of the recent tax legislation discussed below, Host Marriott may purchase all, but not less than all, of its hotel leases with Crestline beginning January 1, 2001, with the purchase price calculated as discussed above. The payment of the termination fee will be payable in cash or, subject to certain conditions, shares of Host Marriott common stock at the election of Host Marriott.

For those hotels where Marriott International is the manager, it has a noneconomic membership interest with certain limited voting rights in the Tenant Subsidiaries.

FF&E Leases

Prior to entering into the hotel leases, if the average tax basis of a hotel's FF&E and other personal property exceeded 15% of the aggregate average tax basis of the hotel's real and personal property (the "Excess FF&E"), the Tenant Subsidiaries and affiliates of Host Marriott entered into lease agreements (the "FF&E Leases") for the Excess FF&E. The terms of the FF&E Leases generally range from two to three years and rent under the FF&E Leases is a fixed amount. The Company will have the option at the expiration of the FF&E Lease term to either (i) renew the FF&E Leases for consecutive one-year renewal terms at fair market rental rate, or (ii) purchase the Excess FF&E for a price equal to its fair market value. If the Company does not exercise its purchase or renewal option, the Company is required to pay a termination fee equal to approximately one month's rent.

Guaranty and Pooling Agreement

In connection with entering into the hotel leases, the Company, Crestline and Host Marriott, entered into a pool guarantee and a pooling and security agreement by which the Company provides a full guarantee and Crestline provides a limited guarantee of all of the hotel lease obligations.

The cumulative limit of Crestline's guarantee obligation is the greater of ten percent of the aggregate rent payable for the immediately preceding fiscal year under all of the Company's hotel leases or ten percent of the aggregate rent payable under all of the Company's hotel leases for 1999. In the event that Crestline's obligation under the pooling and guarantee agreement is reduced to zero, the Company can terminate the agreement and Host Marriott can terminate the Company's hotel leases without penalty.

All of the Company's leases are cross-defaulted and the Company's obligations under the guaranty are secured by all the funds received from its Tenant Subsidiaries.

Recent Tax Legislation

On December 17, 1999 President Clinton signed the Work Incentives Improvement Act of 1999. Included in this legislation are provisions that, effective January 1, 2001, will allow a REIT to lease hotels to a "taxable REIT subsidiary" if the hotel is operated and managed on behalf of such subsidiary by an independent third party. A taxable REIT subsidiary is a corporation that is owned more than 35 percent by a REIT. This law will enable Host Marriott, beginning in 2001 to lease its hotels to a taxable REIT subsidiary. Host Marriott may, at its discretion, elect to terminate the Company's leases, beginning in 2001, and pay termination fees determined according to formulas specified in the leases. If Host Marriott elects to terminate the full-service hotel leases, it would have to terminate all of Crestline's full-service hotel leases.

Future minimum annual rental commitments for all non-cancelable leases as of December 31, 1999 are as follows (in thousands):

2000	$ 174,747
2001	174,747
2002	174,747
2003	174,747
2004	174,747
Thereafter	349,493
Total minimum lease payments	$1,223,228
Lease expense for 1999 consisted of the following (in thousands):	
Base rent	$ 167,755
Percentage rent	144,357
	$ 312,112

Note 3. Working Capital Notes

Upon the commencement of the hotel leases, the Company purchased the working capital of the leased hotels from Host Marriott for $18,090,000 with the purchase price evidenced by notes that bear interest at 5.12%. Interest on each note is due simultaneously with the rent payment of each hotel lease. The principal amount of each note is due upon the termination of each hotel lease. Upon termination of the hotel lease, the Company will sell Host Marriott the existing working capital at its current value. To the extent the working capital delivered to Host Marriott is less than the value of the note, the Company will pay Host Marriott the difference in cash. However, to the extent the working capital delivered to Host Marriott exceeds the value of the note, Host Marriott will pay the Company the difference in cash. As of December 31, 1999, the outstanding balance of the working capital notes was $18,090,000.

Debt maturities at December 31, 1999 are as follows (in thousands):

2000	$ --
2001	--
2002	--
2003	--
2004	--
Thereafter	18,090
	$18,090

Cash paid for interest expense in 1999 totaled $856,000.

Note 4. Management Agreements

All of the Company's hotels are operated by hotel management companies under long-term hotel management agreements between Host Marriott and hotel management companies.

Assignment of Management Agreements

The existing management agreements were assigned to the Tenant Subsidiaries upon the execution of the hotel leases for the term of each corresponding hotel lease. The Tenant Subsidiaries are obligated to perform all of the obligations of Host Marriott under the hotel management agreements including payment of fees due under the management agreements other than certain obligations including payment of property taxes, property casualty insurance and ground rent, maintaining a reserve fund for FF&E replacements and capital expenditures for which Host Marriott retains responsibility.

Marriott International Management Agreements

Marriott International manages 20 of the 28 hotels under long-term management agreements assigned to the Tenant Subsidiaries, generally for an initial term of 15 to 20 years with renewal terms at the option of Marriott International of up to an additional 16 to 30 years. The management agreements generally provide for payment of base management fees equal to one to four percent of revenues and incentive management fees generally equal to 20% to 50% of Operating Profit (as defined in the management agreements) over a priority return (as defined) to the Tenant Subsidiaries, with total incentive management fees not to exceed 20% of cumulative Operating Profit, or 20% of current year Operating Profit.

Pursuant to the terms of the management agreements, Marriott International is required to furnish the hotels with certain services ("Chain Services") which are generally provided on a central or regional basis to all hotels in the Marriott International hotel system. Chain Services include central training, advertising and promotion, a national reservation system, computerized payroll and accounting services, and such additional services as needed which may be more efficiently performed on a centralized basis. Costs and expenses incurred in providing such services are allocated among all domestic hotels managed, owned or leased by Marriott International or its subsidiaries. In addition, the Company's hotels also participate in the Marriott Rewards program. The cost of this program is charged to all hotels in the Marriott hotel system.

Ritz-Carlton Hotel Management Agreements

The Ritz-Carlton Hotel Company, LLC ("Ritz-Carlton"), an affiliate of Marriott International, manages three of the leased hotels under long-term Hotel Management Agreements assigned to the Tenant Subsidiaries. These agreements have an initial term of 15 to 25 years with renewal terms at the option of Ritz-Carlton of up to an additional 10 to 40 years. Base management fees vary from two to four percent of revenues and incentive management fees are generally equal to 20% of available cash flow or operating profit, up to a maximum of 2.1% of revenues, as defined in the agreements.

Other Hotel Management Agreements

The Company's remaining five hotels are managed by other hotel management companies. One of the hotels is managed by the Hyatt Corporation and the remaining four hotels are managed by other independent hotel management companies under other brands pursuant to franchise agreements. The managers of the hotels provide similar services as Marriott International under its management agreements and receive base management fees, generally calculated as a percentage of revenues, and in most cases, incentive management fees, which are generally calculated as a percentage of operating profits.

The Company has the option to terminate certain management agreements if specified performance thresholds are not satisfied, with the consent of Host Marriott under certain conditions. No agreement with respect to a single lodging facility is cross-collateralized or cross-defaulted to any other agreement and a single agreement may be canceled under certain conditions, although such cancellation will not trigger the cancellation of any other agreement.

Franchise Agreements

Four of the Company's hotels are managed under franchise agreements between Host Marriott and other hotel companies for terms ranging from 15 to 30 years. In connection with the assignment of the corresponding management agreement, the Tenant Subsidiaries assumed the franchise agreements for these hotels and will be the franchisee for the term of the corresponding hotel lease. Pursuant to the franchise agreements, the Tenant Subsidiaries generally pay a franchise fee based on a percentage of room revenues and food and beverage revenues as well as certain other fees for advertising and reservations. Franchise fees for room revenues vary from four to six percent, while fees for food and beverage revenues vary from two to three percent of revenues.

Note 5. Income Taxes

The Company is included in the consolidated Federal income tax return of Crestline and its affiliates (the "Group"). Tax expense is allocated to the Company as a member of the Group based upon the relative contribution to the Group's consolidated taxable income/loss and changes in temporary differences. This allocation method results in Federal and net state tax expense allocated for the period presented that is substantially equal to the expense that would have been recognized if the Company had filed separate tax returns.

The provision for income taxes for 1999 consists of the following (in thousands):

Current--Federal	$4,981
--State	854
	5,835
Deferred--Federal	850
--State	146
	996
	$6,831

A reconciliation of the statutory Federal tax rate to the Company's effective income tax rate for 1999 follows:

Statutory federal tax rate	35.0%
State income taxes, net of federal tax benefit	6.0
	41.0%

As of December 31, 1999, the Company had no deferred tax assets. The tax effect of the temporary differences that gives rise to the Company's federal deferred tax liability is attributable to the hotel working capital.

CCHP III CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999

With Independent Public Accountants' Report Thereon

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CCHP III Corporation:

We have audited the accompanying consolidated balance sheet of CCHP III Corporation and its subsidiaries (a Maryland corporation) as of December 31, 1999, and the related consolidated statements of operations, shareholder's equity and cash flows for the fiscal year ended December 31, 1999. These consolidated financial statements are the responsibility of CCHP III Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCHP III Corporation and its subsidiaries as of December 31, 1999 and the results of their operations and their cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Vienna, Virginia
February 24, 2000

CCHP III CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As of December 31, 1999
(in thousands, except share data)

ASSETS

Current assets	
Cash and cash equivalents	$ 6,638
Due from hotel managers	8,214
Restricted cash	4,519
	19,371
Hotel working capital	21,697
	$41,068

LIABILITIES AND SHAREHOLDER'S EQUITY

Current liabilities	
Lease payable to Host Marriott	$13,706
Other	4,139
	17,845
Hotel working capital notes payable to Host Marriott	21,697
Deferred income taxes	342
Total liabilities	39,884
Shareholder's equity	
Common stock (100 shares issued at $1.00 par value)	--
Retained earnings	1,184
Total shareholder's equity	1,184
	$41,068

See Notes to Consolidated Financial Statements.

CCHP III CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

Fiscal Year Ended December 31, 1999
(in thousands)

REVENUES	
Rooms	$570,611
Food and beverage	274,233
Other	80,149
Total revenues	924,993
OPERATING COSTS AND EXPENSES	
Property-level operating costs and expenses	
Rooms	137,338
Food and beverage	202,181
Other	236,721
Other operating costs and expenses	
Lease expense to Host Marriott	295,563
Management fees	41,893
Total operating costs and expenses	913,696
OPERATING PROFIT BEFORE CORPORATE EXPENSES AND INTEREST	11,297
Corporate expenses	(1,357)
Interest expense	(1,129)
INCOME BEFORE INCOME TAXES	8,811
Provision for income taxes	(3,612)
NET INCOME	$ 5,199

See Notes to Consolidated Financial Statements.

CCHP III CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY

Fiscal Year Ended December 31, 1999
(in thousands)

	Common Stock	Retained Earnings	Total
Balance, January 1, 1999	$--	$ --	$ --
Dividend to Crestline Capital	--	(4,015)	(4,015)
Net income	--	5,199	5,199
Balance, December 31, 1999	$--	$ 1,184	$ 1,184

See Notes to Consolidated Financial Statements.

CCHP III CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Fiscal Year Ended December 31, 1999
(in thousands)

OPERATING ACTIVITIES	
Net income	$5,199
Change in amounts due from hotel managers	(4,084)
Change in lease payable to Host Marriott	13,706
Changes in other operating accounts	(4,168)
Cash from operations	10,653
INVESTING ACTIVITIES	--
FINANCING ACTIVITIES	
Dividend to Crestline Capital	(4,015)
Increase in cash and cash equivalents	6,638
Cash and cash equivalents, beginning of year	--
Cash and cash equivalents, end of year	$6,638

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization

CCHP III Corporation (the "Company") was incorporated in the state of Delaware on November 23, 1998 as a wholly owned subsidiary of Crestline Capital Corporation ("Crestline"). On December 29, 1998, Crestline became a publicly traded company when Host Marriott Corporation ("Host Marriott") completed its plan of reorganizing its business operations by spinning-off Crestline to the shareholders of Host Marriott as part of a series of transactions pursuant to which Host Marriott converted into a real estate investment trust ("REIT").

On December 31, 1998, wholly owned subsidiaries of the Company (the "Tenant Subsidiaries") entered into lease agreements with Host Marriott to lease 31 of Host Marriott's full-service hotels with the existing management agreements of the leased hotels assigned to the Tenant Subsidiaries. During 1999, Host Marriott sold two of the hotels and terminated the leases on those hotels. As of December 31, 1999, the Company leased 29 full-service hotels from Host Marriott.

The Company operates as a unit of Crestline, utilizing Crestline's employees, insurance and administrative services since the Company does not have any employees. Certain direct expenses are paid by Crestline and charged directly or allocated to the Company. Certain general and administrative costs of Crestline are allocated to the Company, using a variety of methods, principally including Crestline's specific identification of individual costs and otherwise through allocations based upon estimated levels of effort devoted by general and administrative departments to the Company or relative measures of the size of the Company based on revenues. In the opinion of management, the methods for allocating general and administrative expenses and other direct costs are reasonable.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances between the Company and its subsidiaries have been eliminated.

Fiscal Year

The Company's fiscal year ends on the Friday nearest December 31.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at date of purchase as cash equivalents.

Restricted Cash

In connection with the lender requirements of one of the leased hotels, the Company is required to maintain a separate account with the lender on behalf of the Company for the operating profit and incentive management fees of the hotel. Following the annual audit, amounts will be distributed to the hotel's manager and to the Company, in accordance with the loan agreement.

Revenues

The Company records the gross property-level revenues generated by the hotels as revenues.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Leases

Hotel Leases

The Tenant Subsidiaries entered into leases with Host Marriott effective January 1, 1999 for 31 full-service hotels. Each hotel lease has an initial term of nine years. The hotel leases generally have four seven-year renewal options at the option of the Company, however, Host Marriott may terminate any unexercised renewal options. The Tenant Subsidiaries are required to pay the greater of (i) a minimum rent specified in each hotel lease or (ii) a percentage rent based upon a specified percentage of aggregate revenues from the hotel, including room revenues, food and beverage revenues, and other income, in excess of specified thresholds. The amount of minimum rent is increased each year based upon 50% of the increase in CPI during the previous twelve months. Percentage rent thresholds are increased each year based on a blend of the increases in CPI and the Employment Cost Index during the previous twelve months. The hotel leases generally provide for a rent adjustment in the event of damage, destruction, partial taking or certain capital expenditures. The rent during any renewal periods will be negotiated at fair market value at the time the renewal option is exercised.

The Tenant Subsidiaries are responsible for paying all of the expenses of operating the hotels, including all personnel costs, utility costs, and general repair and maintenance of the hotels. In addition, the Tenant Subsidiaries are responsible for all fees payable to the hotel manager, including base and incentive management fees, chain services payments and franchise or system fees. Host Marriott is responsible for real estate and personal property taxes, property casualty insurance, equipment rent, ground lease rent, maintaining a reserve fund for FF&E replacements and capital expenditures.

In the event that Host Marriott disposes of a hotel free and clear of the hotel lease, Host Marriott would generally have to pay a termination fee equal to the fair market value of the Company's leasehold interest in the remaining term of the hotel lease using a discount rate of 12%. Alternatively, Host Marriott would be entitled to (i) substitute a comparable hotel for any hotel that is sold, with the terms agreed to by the Company, or (ii) sell the hotel subject to the hotel lease, subject to the Company's approval under certain circumstances, without having to pay a termination fee. In addition, Host Marriott also has the right to terminate up to twelve of Crestline's leases without having to pay a termination fee. During 1999, Host Marriott exercised its right to terminate three of Crestline's hotel leases, however, none of these were the Company's hotel leases. Conversely, Crestline may terminate up to twelve full-service hotel leases without penalty upon 180 days notice to Host Marriott. During 1999, Crestline exercised its right to terminate three of the Company's hotel leases, as well as two additional Crestline hotel leases. These hotel leases will terminate in 2000, 180 days after each respective notification date. In 1999, Host Marriott terminated two of the Company's hotel leases with no termination fee as stipulated in those specific lease agreements.

As a result of the recent tax legislation discussed below, Host Marriott may purchase all, but not less than all, of its hotel leases with Crestline beginning January 1, 2001 with the purchase price calculated as discussed above. The payment of the termination fee will be payable in cash or, subject to certain conditions, shares of Host Marriott common stock at the election of Host Marriott.

For those hotels where Marriott International is the manager, it has a noneconomic membership interest with certain limited voting rights in the Tenant Subsidiaries.

FF&E Leases

Prior to entering into the hotel leases, if the average tax basis of a hotel's FF&E and other personal property exceeded 15% of the aggregate average tax basis of the hotel's real and personal property (the "Excess FF&E"), the Tenant Subsidiaries and affiliates of Host Marriott entered into lease agreements (the "FF&E Leases") for the Excess FF&E. The terms of the FF&E Leases generally range from two to three years and rent under the FF&E Leases is a fixed amount. The Company will have the option at the expiration of the FF&E Lease term to either (i) renew the FF&E Leases for consecutive one-year renewal terms at fair market rental rate, or (ii) purchase the Excess FF&E for a price equal to its fair market value. If the Company does not exercise its purchase or renewal option, the Company is required to pay a termination fee equal to approximately one month's rent.

Guaranty and Pooling Agreement

In connection with entering into the hotel leases, the Company, Crestline and Host Marriott, entered into a pool guarantee and a pooling and security agreement by which the Company provides a full guarantee and Crestline provides a limited guarantee of all of the hotel lease obligations.

The cumulative limit of Crestline's guarantee obligation is the greater of ten percent of the aggregate rent payable for the immediately preceding fiscal year under all of the Company's hotel leases or ten percent of the aggregate rent payable under all of the Company's hotel leases for 1999. In the event that Crestline's obligation under the pooling and guarantee agreement is reduced to zero, the Company can terminate the agreement and Host Marriott can terminate the Company's hotel leases without penalty.

All of the Company's leases are cross-defaulted and the Company's obligations under the guaranty are secured by all the funds received from its Tenant Subsidiaries.

Recent Tax Legislation

On December 17, 1999 President Clinton signed the Work Incentives Improvement Act of 1999. Included in this legislation are provisions that, effect January 1, 2001, will allow a REIT to lease hotels to a "taxable REIT subsidiary" if the hotel is operated and managed on behalf of such subsidiary by an independent third party. A taxable REIT subsidiary is a corporation that is owned more than 35 percent by a REIT. This law will enable Host Marriott, beginning in 2001 to lease its hotels to a taxable REIT subsidiary. Host Marriott may, at its discretion, elect to terminate the Company's leases, beginning in 2001, and pay termination fees determined according to formulas specified in the leases. If Host Marriott elects to terminate the full-service hotel leases, it would have to terminate all of Crestline's full-service hotel leases.

Future minimum annual rental commitments for all non-cancelable leases as of December 31, 1999 are as follows (in thousands):

2000	$ 162,014
2001	155,465
2002	155,465
2003	155,465
2004	155,465
Thereafter	466,395
Total minimum lease payments	$1,250,269
Lease expense for 1999 consisted of the following (in thousands):	
Base rent	$ 168,910
Percentage rent	126,653
	$ 295,563

Note 3. Working Capital Notes

Upon the commencement of the hotel leases, the Company purchased the working capital of the leased hotels from Host Marriott for $22,046,000 with the purchase price evidenced by notes that bear interest at 5.12%. Interest on each note is due simultaneously with the rent payment of each hotel lease. The principal amount of each note is due upon the termination of each hotel lease. Upon termination of the hotel lease, the Company will sell Host Marriott the existing working capital at its current value. To the extent the working capital delivered to Host Marriott is less than the value of the note, the Company will pay Host Marriott the difference in cash. However, to the extent the working capital delivered to Host Marriott exceeds the value of the note, Host Marriott will pay the Company the difference in cash. As of December 31, 1999, the outstanding balance of the working capital notes was $21,697,000.

Debt maturities at December 31, 1999 are as follows (in thousands):

2000	$ --
2001	--
2002	--
2003	--
2004	--
Thereafter	21,697
	$21,697

Cash paid for interest expense in 1999 totaled $1,042,000.

Note 4. Management Agreements

All of the Company's hotels are operated by hotel management companies under long-term hotel management agreements between Host Marriott and hotel management companies.

Assignment of Management Agreements

The existing management agreements were assigned to the Tenant Subsidiaries upon the execution of the hotel leases for the term of each corresponding hotel lease. The Tenant Subsidiaries are obligated to perform all of the obligations of Host Marriott under the hotel management agreements including payment of fees due under the management agreements other than certain obligations including payment of property taxes, property casualty insurance and ground rent, maintaining a reserve fund for FF&E replacements and capital expenditures for which Host Marriott retains responsibility.

Marriott International Management Agreements

Marriott International manages 18 of the 29 hotels under long-term management agreements assigned to the Tenant Subsidiaries, generally for an initial term of 15 to 20 years with renewal terms at the option of Marriott International of up to an additional 16 to 30 years. The management agreements generally provide for payment of base management fees equal to one to four percent of revenues and incentive management fees generally equal to 20% to 50% of Operating Profit (as defined in the management agreements) over a priority return (as defined) to the Tenant Subsidiaries, with total incentive management fees not to exceed 20% of cumulative Operating Profit, or 20% of current year Operating Profit.

Pursuant to the terms of the management agreements, Marriott International is required to furnish the hotels with certain services ("Chain Services") which are generally provided on a central or regional basis to all hotels in the Marriott International hotel system. Chain Services include central training, advertising and promotion, a national reservation system, computerized payroll and accounting services, and such additional services as needed which may be more efficiently performed on a centralized basis. Costs and expenses incurred in providing such services are allocated among all domestic hotels managed, owned or leased by Marriott International or its subsidiaries. In addition, the Company's hotels also participate in the Marriott Rewards program. The cost of this program is charged to all hotels in the Marriott hotel system.

Ritz-Carlton Hotel Management Agreements

The Ritz-Carlton Hotel Company, LLC ("Ritz-Carlton"), an affiliate of Marriott International, manages three of the leased hotels under long-term Hotel Management Agreements assigned to the Company. These agreements have an initial term of 15 to 25 years with renewal terms at the option of Ritz-Carlton of up to an additional 10 to 40 years. Base Management fees vary from two to four percent of revenues and incentive management fees are generally equal to 20% of available cash flow or operating profit, up to a maximum of 2.1% of revenues, as defined in the agreements.

Other Hotel Management Agreements

The Company's remaining eight hotels are managed by other hotel management companies. Two of the hotels are managed by Swissotel Management (USA) LLC, one is managed by the Hyatt Corporation, and the remaining five hotels are managed by other independent hotel management companies under the "Marriott" brand pursuant to franchise agreements. The managers of the hotels provide similar services as Marriott International under its management agreements and receive base management fees, generally calculated as a percentage of revenues, and in most cases, incentive management fees, which are generally calculated as a percentage of operating profits.

The Company has the option to terminate certain management agreements if specified performance thresholds are not satisfied, with the consent of Host Marriott under certain conditions. No agreement with respect to a single lodging facility is cross-collateralized or cross-defaulted to any other agreement and a single agreement may be canceled under certain conditions, although such cancellation will not trigger the cancellation of any other agreement.

Franchise Agreements

Five of the Company's hotels are managed under franchise agreements between Host Marriott and Marriott International for terms ranging from 15 to 30 years. In connection with the assignment of the corresponding management agreement, the Tenant Subsidiaries assumed the franchise agreements for these hotels and will be the franchisee for the term of the corresponding hotel lease. Pursuant to the franchise agreements, the Tenant Subsidiaries generally pay a franchise fee based on a percentage of room revenues and food and beverage revenues as well as certain other fees for advertising and reservations. Franchise fees for room revenues vary from four to six percent, while fees for food and beverage revenues vary from two to three percent of revenues.

Note 5. Income Taxes

The Company is included in the consolidated Federal income tax return of Crestline and its affiliates (the "Group"). Tax expense is allocated to the Company as a member of the Group based upon the relative contribution to the Group's consolidated taxable income/loss and changes in temporary differences. This allocation method results in Federal and net state tax expense allocated for the period presented that is substantially equal to the expense that would have been recognized if the Company had filed separate tax returns.

The provision for income taxes for 1999 consists of the following (in thousands):

Current--Federal	$2,792
--State	478
	3,270
Deferred--Federal	292
--State	50
	342
	$3,612

A reconciliation of the statutory Federal tax rate to the Company's effective income tax rate for 1999 follows:

Statutory federal tax rate	35.0%
State income taxes, net of federal tax benefit	6.0
	41.0%

As of December 31, 1999, the Company had no deferred tax assets. The tax effect of the temporary differences that gives rise to the Company's deferred tax liability is attributable to the hotel working capital.

CCHP IV CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999

With Independent Public Accountants' Report Thereon

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CCHP IV Corporation:

We have audited the accompanying consolidated balance sheet of CCHP IV Corporation and its subsidiaries (a Maryland corporation) as of December 31, 1999, and the related consolidated statements of operations, shareholder's equity and cash flows for the fiscal year ended December 31, 1999. These consolidated financial statements are the responsibility of CCHP IV Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCHP IV Corporation and its subsidiaries as of December 31, 1999 and the results of their operations and their cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Vienna, Virginia
February 24, 2000

CCHP IV CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As Of December 31, 1999
(in thousands, except share data)

ASSETS	
Current assets	
Cash and cash equivalents	$ 3,487
Due from hotel managers	14,571
Due from Crestline Capital	3,487
	21,545
Hotel working capital	16,522
	$38,067
LIABILITIES AND SHAREHOLDER'S EQUITY	
Current liabilities	
Lease payable to Host Marriott	$20,348
Other	456
	20,804
Hotel working capital notes payable to Host Marriott	16,522
Deferred income taxes	741
Total liabilities	38,067
Shareholder's equity	
Common stock (100 shares issued at $1.00 par value)	--
Retained earnings	--
Total shareholder's equity	--
	$38,067

See Notes to Consolidated Financial Statements.

CCHP IV CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

Fiscal Year Ended December 31, 1999
(in thousands)

REVENUES	
Rooms	$578,321
Food and beverage	333,120
Other	77,368
Total revenues	988,809
OPERATING COSTS AND EXPENSES	
Property-level operating costs and expenses	
Rooms	129,051
Food and beverage	234,310
Other	231,547
Other operating costs and expenses	
Lease expense to Host Marriott	316,654
Management fees	66,514
Total operating costs and expenses	978,076
OPERATING PROFIT BEFORE CORPORATE EXPENSES AND INTEREST	10,733
Corporate expenses	(1,449)
Interest expense	(846)
Interest income	16
INCOME BEFORE INCOME TAXES	8,454
Provision for income taxes	(3,466)
NET INCOME	$ 4,988

See Notes to Consolidated Financial Statements.

CCHP IV CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY

Fiscal Year Ended December 31, 1999
(in thousands)

	Common Stock	Retained Earnings	Total
Balance, January 1, 1999	$--	$ --	$ --
Dividend to Crestline Capital	--	(4,988)	(4,988)
Net income	--	4,988	4,988
Balance, December 31, 1999	$--	$ --	$ --

See Notes to Consolidated Financial Statements.

CCHP IV CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Fiscal Year Ended December 31, 1999
(in thousands)

OPERATING ACTIVITIES	
Net income	$ 4,988
Change in amounts due from hotel managers	(14,124)
Change in lease payable to Host Marriott	20,348
Changes in other operating accounts	750
Cash from operations	11,962
INVESTING ACTIVITIES	--
FINANCING ACTIVITIES	
Amounts advanced to Crestline Capital	(3,487)
Dividend to Crestline Capital	(4,988)
Cash used in financing activities	(8,475)
Increase in cash and cash equivalents	3,487
Cash and cash equivalents, beginning of year	--
Cash and cash equivalents, end of year	$ 3,487

See Notes to Consolidated Financial Statements.

CCHP IV CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Organization

CCHP IV Corporation (the "Company") was incorporated in the state of Delaware on November 23, 1998 as a wholly owned subsidiary of Crestline Capital Corporation ("Crestline"). On December 29, 1998, Crestline became a publicly traded company when Host Marriott Corporation ("Host Marriott") completed its plan of reorganizing its business operations by spinning-off Crestline to the shareholders of Host Marriott as part of a series of transactions pursuant to which Host Marriott converted into a real estate investment trust ("REIT").

On December 31, 1998, wholly owned subsidiaries of the Company (the "Tenant Subsidiaries") entered into lease agreements with Host Marriott to lease 27 of Host Marriott's full-service hotels with the existing management agreements of the leased hotels assigned to the Tenant Subsidiaries. As of December 31, 1999, the Company leased 27 full-service hotels from Host Marriott.

The Company operates as a unit of Crestline, utilizing Crestline's employees, insurance and administrative services since the Company does not have any employees. Certain direct expenses are paid by Crestline and charged directly or allocated to the Company. Certain general and administrative costs of Crestline are allocated to the Company, using a variety of methods, principally including Crestline's specific identification of individual costs and otherwise through allocations based upon estimated levels of effort devoted by general and administrative departments to the Company or relative measures of the size of the Company based on revenues. In the opinion of management, the methods for allocating general and administrative expenses and other direct costs are reasonable.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances between the Company and its subsidiaries have been eliminated.

Fiscal Year

The Company's fiscal year ends on the Friday nearest December 31.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at date of purchase as cash equivalents.

Revenues

The Company records the gross property-level revenues generated by the hotels as revenues.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Leases

Hotel Leases

The Tenant Subsidiaries entered into leases with Host Marriott effective January 1, 1999 for 27 full-service hotels. Each hotel lease has an initial term of ten years. The hotel leases generally have four seven-year renewal options at the option of the Company, however, Host Marriott may terminate any unexercised renewal options. The Tenant Subsidiaries are required to pay the greater of (i) a minimum rent specified in each hotel lease or (ii) a percentage rent based upon a specified percentage of aggregate revenues from the hotel, including room revenues, food and beverage revenues, and other income, in excess of specified thresholds. The amount of minimum rent is increased each year based upon 50% of the increase in CPI during the previous twelve months. Percentage rent thresholds are increased each year based on a blend of the increases in CPI and the Employment Cost Index during the previous twelve months. The hotel leases generally provide for a rent adjustment in the event of damage, destruction, partial taking or certain capital expenditures. The rent during any renewal periods will be negotiated at fair market value at the time this renewal option is exercised.

The Tenant Subsidiaries are responsible for paying all of the expenses of operating the hotels, including all personnel costs, utility costs, and general repair and maintenance of the hotels. In addition, the Tenant Subsidiaries are responsible for all fees payable to the hotel manager, including base and incentive management fees, chain services payments and franchise or system fees. Host Marriott is responsible for real estate and personal property taxes, property casualty insurance, equipment rent, ground lease rent, maintaining a reserve fund for FF&E replacements and capital expenditures.

In the event that Host Marriott disposes of a hotel free and clear of the hotel lease, Host Marriott would generally have to pay a termination fee equal to the fair market value of the Company's leasehold interest in the remaining term of the hotel lease using a discount rate of 12%. Alternatively, Host Marriott would be entitled to (i) substitute a comparable hotel for any hotel that is sold, with the terms agreed to by the Company, or (ii) sell the hotel subject to the hotel lease, subject to the Company's approval under certain circumstances, without having to pay a termination fee. In addition, Host Marriott also has the right to terminate up to twelve of Crestline's leases without having to pay a termination fee. During 1999, Host Marriott exercised its right to terminate three of Crestline's hotel leases, however, none of these were the Company's hotel leases. Conversely, Crestline may terminate up to twelve full-service hotel leases without penalty upon 180 days notice to Host Marriott. During 1999, Crestline exercised its right to terminate five of its hotel leases, however, none of these were the Company's hotel leases.

As a result of the recent tax legislation discussed below, Host Marriott may purchase all, but not less than all, of its hotel leases with Crestline beginning January 1, 2001 with the purchase price calculated as discussed above. The payment of the termination fee will be payable in cash or, subject to certain conditions, shares of Host Marriott common stock at the election of Host Marriott.

For those hotels where Marriott International is the manager, it has a noneconomic membership interest with certain limited voting rights in the Tenant Subsidiaries.

FF&E Leases

Prior to entering into the hotel leases, if the average tax basis of a hotel's FF&E and other personal property exceeded 15% of the aggregate average tax basis of the hotel's real and personal property (the "Excess FF&E"), the Tenant Subsidiaries and affiliates of Host Marriott entered into lease agreements (the "FF&E Leases") for the Excess FF&E. The terms of the FF&E Leases generally range from two to three years and rent under the FF&E Leases is a fixed amount. The Company will have the option at the expiration of the FF&E Lease term to either (i) renew the FF&E Leases for consecutive one-year renewal terms at fair market rental rate, or (ii) purchase the Excess FF&E for a price equal to its fair market value. If the Company does not exercise its purchase or renewal option, the Company is required to pay a termination fee equal to approximately one month's rent.

Guaranty and Pooling Agreement

In connection with entering into the hotel leases, the Company, Crestline and Host Marriott, entered into a pool guarantee and a pooling and security agreement by which the Company provides a full guarantee and Crestline provides a limited guarantee of all of the hotel lease obligations.

The cumulative limit of Crestline's guarantee obligation is the greater of ten percent of the aggregate rent payable for the immediately preceding fiscal year under all of the Company's hotel leases or ten percent of the aggregate rent payable under all of the Company's hotel leases for 1999. In the event that Crestline's obligation under the pooling and guarantee agreement is reduced to zero, the Company can terminate the agreement and Host Marriott can terminate the Company's hotel leases without penalty.

All of the Company's leases are cross-defaulted and the Company's obligations under the guaranty are secured by all the funds received from its Tenant Subsidiaries.

Recent Tax Legislation

On December 17, 1999 President Clinton signed the Work Incentives Improvement Act of 1999. Included in this legislation are provisions that, effect January 1, 2001, will allow a REIT to lease hotels to a "taxable REIT subsidiary" if the hotel is operated and managed on behalf of such subsidiary by an independent third party. A taxable REIT subsidiary is a corporation that is owned more than 35 percent by a REIT. This law will enable Host Marriott, beginning in 2001 to lease its hotels to a taxable REIT subsidiary. Host Marriott may, at its discretion, elect to terminate the Company's leases, beginning in 2001, and pay termination fees determined according to formulas specified in the leases. If Host Marriott elects to terminate the full-service hotel leases, it would have to terminate all of Crestline's full-service hotel leases.

Future minimum annual rental commitments for all non-cancelable leases as of December 31, 1999 are as follows (in thousands):

2000	$ 186,420
2001	186,420
2002	186,420
2003	186,420
2004	186,420
Thereafter	745,679
Total minimum lease payments	$1,677,779

Lease expense for 1999 consisted of the following (in thousands):

Base rent	$ 183,048
Percentage rent	133,606
	$ 316,654

Note 3. Working Capital Notes

Upon the commencement of the hotel leases, the Company purchased the working capital of the leased hotels from Host Marriott for $16,522,000 with the purchase price evidenced by notes that bear interest at 5.12%. Interest on each note is due simultaneously with the rent payment of each hotel lease. The principal amount of each note is due upon the termination of each hotel lease. Upon termination of the hotel lease, the Company will sell Host Marriott the existing working capital at its current value. To the extent the working capital delivered to Host Marriott is less than the value of the note, the Company will pay Host Marriott the difference in cash. However, to the extent the working capital delivered to Host Marriott exceeds the value of the note, Host Marriott will pay the Company the difference in cash. As of December 31, 1999, the outstanding balance of the working capital notes was $16,522,000

Debt maturities at December 31, 1999 are as follows (in thousands):

2000	$ --
2001	--
2002	--
2003	--
2004	--
Thereafter	16,522
	$16,522

Cash paid for interest expense in 1999 totaled $781,000.

Note 4. Management Agreements

All of the Company's hotels are operated by hotel management companies under long-term hotel management agreements between Host Marriott and hotel management companies.

Assignment of Management Agreements

The existing management agreements were assigned to the Tenant Subsidiaries upon the execution of the hotel leases for the term of each corresponding hotel lease. The Tenant Subsidiaries are obligated to perform all of the obligations of Host Marriott under the hotel management agreements including payment of fees due under the management agreements other than certain obligations including payment of property taxes, property casualty insurance and ground rent, maintaining a reserve fund for FF&E replacements and capital expenditures for which Host Marriott retains responsibility.

Marriott International Management Agreements

Marriott International manages 20 of the 27 hotels under long-term management agreements assigned to the Tenant Subsidiaries, generally for an initial term of 15 to 20 years with renewal terms at the option of Marriott International of up to an additional 16 to 30 years. The management agreements generally provide for payment of base management fees equal to one to four percent of revenues and incentive management fees generally equal to 20% to 50% of Operating Profit (as defined in the management agreements) over a priority return (as defined) to the Tenant Subsidiaries, with total incentive management fees not to exceed 20% of cumulative Operating Profit, or 20% of current year Operating Profit.

Pursuant to the terms of the management agreements, Marriott International is required to furnish the hotels with certain services ("Chain Services") which are generally provided on a central or regional basis to all hotels in the Marriott International hotel system. Chain Services include central training, advertising and promotion, a national reservation system, computerized payroll and accounting services, and such additional services as needed which may be more efficiently performed on a centralized basis. Costs and expenses incurred in providing such services are allocated among all domestic hotels managed, owned or leased by Marriott International or its subsidiaries. In addition, the Company's hotels also participate in the Marriott Rewards program. The cost of this program is charged to all hotels in the Marriott hotel system.

Ritz-Carlton Hotel Management Agreements

The Ritz-Carlton Hotel Company, LLC ("Ritz-Carlton"), an affiliate of Marriott International, manages three of the leased hotels under long-term Hotel Management Agreements assigned to the Company. These agreements have an initial term of 15 to 25 years with renewal terms at the option of Ritz-Carlton of up to an additional 10 to 40 years. Base Management fees vary from two to four percent of revenues and incentive management fees are generally equal to 20% of available cash flow or operating profit, as defined in the agreements.

Other Hotel Management Agreements

The Company's remaining four hotels are managed by other hotel management companies. Two of the hotels are managed by the Hyatt Corporation, one of the hotels is managed by Swissotel Management (USA) LLC, and one is managed by Four Seasons Hotel Limited. The managers of the hotels provide similar services as Marriott International under its management agreements and receive base management fees, generally calculated as a percentage of revenues, and in most cases, incentive management fees, which are generally calculated as a percentage of operating profits.

The Company has the option to terminate certain management agreements if specified performance thresholds are not satisfied, with the consent of Host Marriott under certain conditions. No agreement with respect to a single lodging facility is cross-collateralized or cross-defaulted to any other agreement and a single agreement may be canceled under certain conditions, although such cancellation will not trigger the cancellation of any other agreement.

Note 5. Income Taxes

The Company is included in the consolidated Federal income tax return of Crestline and its affiliates (the "Group"). Tax expense is allocated to the Company as a member of the Group based upon the relative contribution to the Group's consolidated taxable income/loss and changes in temporary differences. This allocation method results in Federal and net state tax expense allocated for the period presented that is substantially equal to the expense that would have been recognized if the Company had filed separate tax returns.

The provision for income taxes for 1999 consists of the following (in thousands):

Current--Federal	$2,326
--State	399
	2,725
Deferred--Federal	633
--State	108
	741
	$3,466

A reconciliation of the statutory Federal tax rate to the Company's effective income tax rate for 1999 follows:

Statutory federal tax rate	35.0%
State income taxes, net of federal tax benefit	6.0
	41.0%

As of December 31, 1999, the Company had no deferred tax assets. The tax effect of the temporary differences that gives rise to the Company's deferred tax liability is attributable to the hotel working capital.

The businesses to be acquired by Host LP are the subsidiaries of Crestline whose primary assets are the leasehold interests with respect to 117 hotel properties owned by Host LP. In conjunction with these leases, Crestline and certain of its subsidiaries entered into limited guarantees of the lease obligations of each lessee. The 117 full-service hotel leases are grouped into four lease pools, with Crestline's guarantee limited to the greater of 10% of the aggregate rent payable for the preceding year or 10% of the aggregate rent payable under all leases in the respective pool. Additionally, the lessee's obligation under each lease agreement is guaranteed by all other lessees in the respective lease pool. As a result, Host LP believes that the operating results of each full-service lease pool may be material to its financial statements. Further information regarding these leases and Crestline's limited guarantees may be found in Host LP's annual report on Form 10-K for the fiscal year ended December 31, 1999.

The results of operations for the twelve and thirty-six weeks ended September 8, 2000 and September 10, 1999, and summarized balance sheet data as of September 8, 2000 and December 31, 1999 of the four lease pools in which the 117 hotels are organized are as follows (unaudited, in millions):

	Twelve Weeks Ended September 8, 2000				
	Pool 1	Pool 2	Pool 3	Pool 4	Combined
Hotel Sales					
Rooms	$147	$156	$137	$141	$581
Food and beverage	60	66	57	69	252
Other	14	16	16	19	65
Total hotel sales	221	238	210	229	898
Operating Costs and Expenses					
Rooms	36	40	34	33	143
Food and beverage	49	54	45	54	202
Other	62	58	57	57	234
Management fees	10	15	10	14	49
Lease expense	63	67	62	70	262
Total operating expenses	220	234	208	228	890
Operating Profit	1	4	2	1	8
Corporate and Interest Expenses	--	--	(1)	--	(1)
Income before taxes	1	4	1	1	7
Income taxes	(1)	(2)	--	--	(3)
Net Income	$ --	$ 2	$ 1	$ 1	$ 4

	Twelve Weeks Ended September 10, 1999				
	Pool 1	Pool 2	Pool 3	Pool 4	Combined
Hotel Sales					
Rooms	$135	$142	$126	$128	$531
Food and beverage	57	59	55	67	238
Other	16	15	16	17	64
Total hotel sales	208	216	197	212	833
Operating Costs and Expenses					
Rooms	34	40	32	30	136
Food and beverage	46	48	44	50	188
Other	58	50	54	55	217
Management fees	9	13	9	13	44
Lease expense	57	59	56	61	233
Total operating expenses	204	210	195	209	818
Operating Profit	4	6	2	3	15
Corporate and Interest Expenses	(1)	(1)	--	(1)	(3)
Income before taxes	3	5	2	2	12
Income taxes	(1)	(3)	(1)	(1)	(6)
Net Income	$ 2	$ 2	$ 1	$ 1	$ 6

	Thirty six Weeks Ended September 8, 2000				
	Pool 1	Pool 2	Pool 3	Pool 4	Combined
Hotel Sales					
Rooms	$428	$469	$409	$433	$1,739
Food and beverage	188	219	189	235	831
Other	44	46	59	60	209
Total hotel sales	660	734	657	728	2,779
Operating Costs and Expenses					
Rooms	102	116	96	96	410
Food and beverage	145	165	140	167	617
Other	173	167	166	170	676
Management fees	32	50	32	52	166
Lease expense	200	224	214	237	875
Total operating expenses	652	722	648	722	2,744
Operating Profit	8	12	9	6	35
Corporate and Interest Expenses	(1)	(1)	(1)	(1)	(4)
Income before taxes	7	11	8	5	31
Income taxes	(3)	(5)	(3)	(2)	(13)
Net Income	$ 4	$ 6	$ 5	$ 3	$ 18

	Thirty-six Weeks Ended September 10, 1999				
	Pool 1	Pool 2	Pool 3	Pool 4	Combined
Hotel Sales					
Rooms	$408	$436	$394	$401	$1,639
Food and beverage	184	196	183	220	783
Other	46	44	54	51	195
Total hotel sales	638	676	631	672	2,617
Operating Costs and Expenses					
Rooms	98	108	95	88	389
Food and beverage	143	150	135	154	582
Other	168	157	161	158	644
Management fees	29	43	30	46	148
Lease expense	190	206	202	218	816
Total operating expenses	628	664	623	664	2,579
Operating Profit	10	12	8	8	38
Corporate and Interest Expenses	(2)	(2)	(1)	(2)	(7)
Income before taxes	8	10	7	6	31
Income taxes	(3)	(5)	(3)	(2)	(13)
Net Income	$ 5	$ 5	$ 4	$ 4	$ 18

	As of September 8, 2000				
	Pool 1	Pool 2	Pool 3	Pool 4	Combined
Assets	$37	$34	$40	$37	$148
Liabilities	30	27	34	34	125
Equity	7	7	6	3	23

	As December 31, 1999				
	Pool 1	Pool 2	Pool 3	Pool 4	Combined
Assets	$39	$37	$41	$38	$155
Liabilities	36	36	40	38	150
Equity	3	1	1	--	5

PRO FORMA FINANCIAL INFORMATION OF HOST MARRIOTT CORPORATION

The pro forma financial information of Host REIT set forth below is based on the unaudited consolidated financial statements as of and for the thirty-six weeks ended September 8, 2000 ("First Three Quarters 2000") and audited consolidated financial statements for the fiscal year ended December 31, 1999.

The pro forma financial statements reflect the following transactions:

2000 Transactions:

- Acquisition by the TRS of the entities owning the leasehold interests to 117 hotels owned by Host LP from Crestline for approximately $205 million, of which $40 million will be funded through additional borrowings under the bank credit facility;

- November cash payments of $6 million by Host LP and $82 million by a non-controlled subsidiary ("NCS") of Host LP (of which $52 million in cash was advanced to the NCS by Host LP) in settlement of certain litigation. The settlement of the litigation includes the acquisition of a 50% non-controlling interest in a joint venture owning the limited partner interests in two affiliated partnerships;

- October issuance of $250 million of Series F senior notes and application of a portion of the proceeds therefrom to repay $26 million debt outstanding under the bank credit facility;

- September cash payment of $12 million by Host LP and $19 million by the NCS in settlement of litigation with plaintiffs in four partnerships;

- Repurchases of 4.9 million shares of Host REIT common stock, 0.4 million shares of convertible preferred securities of Host REIT, and 0.3 million OP units for an aggregate consideration of approximately $62 million; preferred securities of Host REIT, and 0.3 million OP units for an aggregate consideration of approximately $62 million.

- June modifications to our bank credit facility to extend the term for two additional years and to permanently reduce the total line from $1.25 billion at origination to $775 million as of June 16, 2000, consisting of a $150 million term loan and a $625 million revolver.

1999 Transactions:

- November issuance of Class B preferred stock;

- Fourth quarter repurchases of 5.8 million shares of Host REIT common stock, 1.1 million shares of convertible preferred securities, and 0.3 million OP units for an aggregate consideration of approximately $89 million;

- Repayments of $225 million on a term loan entered into as part of our bank credit facility;

- Third quarter prepayment on mortgages of two hotels;

- August issuance of Class A preferred stock;

- July refinancing of the mortgages on eight hotels;

- April refinancing of the mortgage on the New York Marriott Marquis Hotel;

- February issuance of Series D senior notes and their subsequent exchange for Series E senior notes, and the application of proceeds therefrom to repay, refinance, or acquire certain debt;

- Disposition of five hotels.

All of the above transactions except for the acquisition of the Crestline entities, the litigation settlements, and the issuance of Series F senior notes and the application of the proceeds therefrom are already reflected in our consolidated balance sheet as of September 8, 2000 and, therefore, no pro forma adjustments for these transactions were necessary in the unaudited pro forma balance sheet.

Our unaudited pro forma statements of operations reflect the transactions described above for the fiscal year ended December 31, 1999 and the First Three Quarters 2000 as if those transactions had been completed at the beginning of the periods presented. Our unaudited pro forma statements of operations which we present below include only income before extraordinary items.

Our unaudited pro forma financial statements do not purport to represent what our results of operations or financial condition would actually have been if these transactions had in fact occurred at the beginning of the periods presented, or to project our results of operations or financial condition for any future period.

Our unaudited pro forma financial statements are based upon available information and upon assumptions and estimates, some of which are set forth in the notes to the unaudited pro forma financial statements, that we believe are reasonable under the circumstances. The unaudited pro forma financial statements and accompanying notes should be read in conjunction with our financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our filings with the Securities and Exchange Commission.

UNAUDITED PRO FORMA BALANCE SHEET
September 8, 2000
(in millions)

	Host REIT Historical	(A) Acquisitions	(B, D) Litigation Settlements	(C) Series F Debt Issuance	Pro Forma
Assets					
Property and equipment, net........	$7,101	$ --	$ --	$--	$7,101
Notes and other receivables, net...	172	(88)	36	--	120
Due from hotel managers............	--	88	--	--	88
Rent receivable....................	72	--	--	--	72
Investments in affiliates..........	99	--	16 19	--	134
Other assets.......................	556	85	--	5	646
Cash and cash equivalents..........	188	(205) 40	(31) (58)	245 (26)	153
	$8,188	$ (80)	$ (18)	$224	$8,314
Liabilities and Equity					
Debt...............................	$5,101	$ 40	$ --	$250 (26)	$5,365
Accounts payable and accrued expenses..........................	147	--	--	--	147
Deferred income taxes..............	48	--	--	--	48
Deferred rent......................	366	(349)	--	--	17
Other liabilities..................	373	--	(6) (12)	--	355
Total liabilities..................	6,035	(309)	(18)	224	5,932
Minority interest..................	431	--	--	--	431
Convertible preferred securities...	475	--	--	--	475
Shareholders' equity					
Cumulative redeemable preferred stock (8.2 million shares issued and outstanding)................	196	--	--	--	196
Common stock (220.8 million shares issued and outstanding)..	2	--	--	--	2
Additional paid-in capital.......	1,822	--	--	--	1,822
Retained deficit..................	(774)	(120) 349	--	--	(545)
Accumulated other comprehensive income...........................	1	--	--	--	1
Total shareholders' equity.........	1,247	229	--	--	1,476
	$8,188	$ (80)	$ (18)	$224	$8,314

See Notes to Unaudited Pro Forma Financial Statements.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
First Three Quarters 2000
(in millions, except per unit amounts)

	Host REIT Historical	(E) Acquisitions	(F,H) Litigation Settlements	(G) Debt Issuances and Refinancings	Pro Forma
REVENUE					
Rental income	$ 580	$ (508)	$ --	$ --	$ 72
Hotel property-level revenues					
Rooms	--	1,723	--	--	1,723
Food and beverage	--	824	--	--	824
Other	--	206	--	--	206
Total hotel property-level revenues	580	2,245	--	--	2,825
Net gains on property transactions	4	--	--	--	4
Equity in earnings of affiliates and other	13	(18)	3	--	(2)
Total revenues	597	2,227	3	--	2,827
OPERATING COSTS AND EXPENSES					
Hotel property-level costs and expenses					
Rooms	--	(406)	--	--	(406)
Food and beverages	--	(611)	--	--	(611)
Other	--	(101)	--	--	(101)
Management fees	--	(163)	--	--	(163)
Other property-level costs and expenses	(415)	(570)	--	--	(985)
Total hotel property-level costs and expenses	(415)	(1,851)	--	--	(2,266)
OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES, INTEREST AND OTHER EXPENSES	182	376	3	--	561
Minority interest benefit (expense)	26	(49)	--	4	(19)
Dividends on convertible preferred securities	(22)	--	--	--	(22)
Corporate expenses	(27)	--	--	--	(27)
Interest expense	(293)	--	--	(20)	(313)
Interest income	26	(3)	(1)	--	22
Other	(9)	--	--	--	(9)
Income (loss) before income taxes	(117)	324	2	(16)	193
Provision for income taxes	(7)	(131)	--	--	(138)
Income (loss) before extraordinary items	$ (124)	$ 193	$ 2	$ (16)	$ 55
Less:					
Dividends on preferred stock	(15)				(15)
Gain on repurchase of convertible preferred securities	4				4
Income (loss) before extraordinary items available to common shareholders	$ (135)				$ 44
Basic earnings (loss) per share before extraordinary items available to common shareholders (L)	$ (.61)				$ .20

See Notes to Unaudited Pro Forma Financial Statements.

UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
For the year ended December 31, 1999
(in millions, except per units amounts)

	Host REIT Historical	(E) Acquisitions	(F,H) Litigation Settlements	(G) Debt Issuances and Refinancings	(I) Dispositions	(J) OP Unit Repurchases	Pro Forma
REVENUE							
Rental income	$1,295	$(1,155)	$ --	$ --	$(20)	$ --	$ 120
Hotel property-level revenues							
Rooms	--	2,336	--	--	--	--	2,336
Food and beverage	--	1,163	--	--	--	--	1,163
Other	--	278	--	--	--	--	278
Total hotel property-level revenues	1,295	2,622	--	--	(20)	--	3,897
Net gains on property transactions	28	--	--	--	(24)	--	4
Equity in earnings of affiliates and other	14	(23)	5	--	--	--	(4)
Total revenues	1,337	2,599	5	--	(44)	--	3,897
OPERATING COSTS AND EXPENSES							
Hotel property-level costs and expenses							
Rooms	--	(555)	--	--	--	--	(555)
Food and beverage	--	(855)	--	--	--	--	(855)
Other	--	(134)	--	--	--	--	(134)
Management fees	--	(213)	--	--	--	--	(213)
Other property-level costs and expenses	(553)	(787)	--	--	8	--	(1,332)
Total hotel property-level costs and expenses	(553)	(2,544)	--	--	8	--	(3,089)
OPERATING PROFIT BEFORE MINORITY INTEREST, CORPORATE EXPENSES, INTEREST AND OTHER EXPENSES	784	55	5	--	(36)	--	808
Minority interest benefit (expense)	(82)	(7)	(1)	5	7	1	(77)
Dividends on convertible preferred securities	(37)	--	--	--	--	5	(32)
Corporate expenses	(37)	--	--	--	--	--	(37)
Interest expense	(430)	--	--	(23)	--	--	(453)
Interest income	39	(5)	(2)	--	--	(9)	23
Loss on litigation settlement	(40)	--	--	--	--	--	(40)
Other	(17)	--	--	--	--	--	(17)
Income (loss) before income taxes	180	43	2	(18)	(29)	(3)	175
Benefit (provision) for income taxes	16	(17)	--	--	5	--	4
Income (loss) before extraordinary items	$ 196	$ 26	$ 2	$ (18)	$(24)	$ (3)	$ 179
Less:							
Dividends on preferred stock (K)	(6)						(20)
Gain on repurchase of convertible preferred securities	11						11
Income before extra-ordinary items available to common shareholders	$ 201						$ 170
Basic earnings per share before extraordinary items available to common shareholders (L)	$ .89						$ .78

See Notes to Unaudited Pro Forma Financial Statements.

REVENUE

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

A. Represents the adjustment to record the acquisition by a wholly-owned taxable REIT subsidiary ("TRS") of Host LP of the entities owning the lease rights to 117 hotels owned by Host LP from Crestline for approximately $205 million:

- Record the transfer of working capital of approximately $88 million from Crestline to Host LP by increasing due from hotel managers and decreasing notes receivable.
- Record a deferred tax asset of approximately $85 million.
- Record the decrease in cash and cash equivalents of $205 million.
- Record the $40 million increase in cash and cash equivalents and corresponding $40 million increase in debt, representing the additional borrowings under the bank credit facility.
- Record the $120 million reduction of partners' capital as a result of the non-recurring loss on the acquisition.

B. Represents the adjustment to record the November 2000 settlement of certain litigation.

- Record an affiliate note receivable of $36 million for cash advanced to the NCS by Host LP.
- Record the increase in investments in affiliates of $16 million.
- Record the decrease in cash of $58 million.
- Reduce accrued liabilities by $6 million.

C. Represents the adjustment to record the offering of Series F senior notes and partial application of the proceeds therefrom to paydown the bank credit facility:

- Record the issuance of $250 million of notes.
- Record the deferred financing fees of $5 million.
- Record net cash proceeds of $245 million.
- Record the $26 million use of cash to repay the revolver portion of the bank credit facility.

D. Represents the adjustment to record the September 2000 settlement of litigation with plaintiffs from four partnerships:

- Record the increase in investments in affiliates of $19 million.
- Record the decrease in cash and cash equivalents of $31 million.
- Record the decrease in other liabilities of $12 million.

E. Represents the adjustment for the acquisition by the TRS of the entities owning the leasehold interests to 117 hotels owned by Host LP from Crestline. We anticipate recording a non-recurring loss of approximately $120 million that is not presented in the pro forma results of operations.

- Reduce rental income by $1,155 million and $508 million for fiscal year 1999 and the First Three Quarters 2000, respectively.
- Reduce equity in earnings of affiliates by $23 million and $18 million for fiscal year 1999 and the First Three Quarters 2000, respectively, to reverse FF&E Rental Income paid by Crestline to a non-controlled subsidiary of Host LP.
- Record hotel property revenues of $3,777 million and $2,753 million and hotel operating costs and expenses of $2,544 million and $1,851 million for fiscal year 1999 and the First Three Quarters 2000, respectively. Historical rental income for the First Three Quarters 2000 does not include approximately $349 million of contingent rent related to the 117 leased hotels, which has been deferred in accordance with Staff Accounting Bulletin 101. The pro forma statements for the First Three Quarters 2000 have been adjusted to include the impact of the reversal of the contingent rent.
- Reduce interest income by $5 million and $3 million for fiscal year 1999 and the First Three Quarters 2000, respectively, for the interest income earned on the $88 million in working capital notes receivable due from Crestline.
- Record the minority interest effect representing Host REIT's 22% outside owners' share in the net income of the TRS.
- Record a provision for federal and state income taxes applicable to the TRS of $17 million and $131 million, respectively, for fiscal year 1999 and the First Three Quarters, 2000, using an effective tax rate of 40.5%.

F. Represents the adjustment to record equity in earnings of affiliates of $5 million and $3 million for fiscal year 1999 and the First Three Quarters 2000, respectively, as well as the minority interest effect related to the 22% outside ownership of Host REIT, associated with Host LP's share of the earnings of the joint venture formed by a NCS of Host LP to acquire the limited partner interests in two partnerships.

G. Represents the adjustment to record interest expense and related amortization of deferred financing fees as a result of the $40 million net borrowings under the bank credit facility to partially fund the acquisition of the Crestline entities, the issuance of the Series F senior notes, the refinancing of the New York Marriott Marquis, the prepayment or refinancing of the various mortgages, and the paydowns and modifications to the bank credit facility. The adjustment also reflects the minority interest effect related to the 22% outside ownership of Host REIT. The adjustments exclude net extraordinary gains of $3 million for the First Three Quarters 2000 and $29 million for the fiscal year ended December 31, 1999 resulting from the early extinguishments of debt.

The following table represents the adjustment to decrease (increase) interest expense, including amortization of deferred financing fees for the respective periods (in millions):

	First Three Quarters 2000	Fiscal Year 1999
Issuance of Series F senior notes.......................	$(17)	$(24)
Series D senior notes and subsequent exchange for Series E senior notes..	--	(4)
Debt repaid, refinanced, or acquired with proceeds of Series D senior notes.................................	--	4
Bank credit facility, as amended	(3)	7
New York Marriott Marquis refinancing	--	(4)
$665 million mortgage refinancing for eight hotel properties..	--	(6)
Prepayments on mortgages for two hotel properties	--	4
	$(20)	$(23)

H. Represents the adjustment to reduce interest income for the cash payment of approximately $31 million made from corporate cash balances during September 2000, to settle litigation with plaintiffs from four partnerships. The adjustment also reflects the minority interest effect related to the 22% outside ownership of Host REIT.

I. Represents the adjustment to reduce the historical revenues and property level expenses for the 1999 sales of the Minneapolis/Bloomington Airport Marriott, the Saddle Brook Marriott, Marriott's Grand Hotel and Golf Resort, The Ritz-Carlton, Boston, and the El Paso Marriott, including the elimination of the non-recurring gains and taxes on the sales totaling $24 million and $5 million, respectively, in fiscal year 1999. The adjustment also reflects the minority interest effect related to the 22% outside ownership of Host REIT.

J. Represents the adjustment to reduce interest income for approximately $150 million in cash payments made during 1999 and 2000 to repurchase common stock, OP units and Convertible Preferred Securities in connection with our stock buyback plan, and to reduce dividends on Convertible Preferred Securities by $5 million for fiscal year 1999 related to the 1.5 million shares of Convertible Preferred Securities repurchased during 1999 and 2000. The adjustment also reflects the minority interest effect related to the 22% outside ownership of Host REIT.

K. Represents the adjustment to record full-year dividends on 8.16 million shares of cumulative redeemable preferred stock, which were issued during the second half of 1999. Holders of the shares are entitled to receive a cash dividend of $2.50 per share annually.

L. The historical basic weighted average shares outstanding was 227.1 million and 220.7 million for fiscal year 1999 and the First Three Quarters 2000, respectively. On a pro forma basis, basic weighted average shares outstanding for fiscal year 1999 and the First Three Quarters 2000 would be 216.7 million and 219.7 million, respectively, to reflect repurchases in conjunction with the stock repurchase plan.

Exhibit 99

For Immediate Release

Senior Vice President and
Corporate Controller

Date: November 29, 2000

Contacts:

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Crestline Capital Corporation

Greg Larson (301) 380-2076
Host Marriott Corporation

HOST MARRIOTT AND CRESTLINE CAPITAL JOINTLY ANNOUNCE EXECUTION OF A DEFINITIVE AGREEMENT FOR THE PURCHASE AND SALE OF LESSEE ENTITIES

BETHESDA, MD, November 13, 2000 -- Host Marriott Corporation (NYSE: HMT) and Crestline Capital Corporation (NYSE: CLJ) today announced that they had reached a definitive agreement for the purchase and sale of the entities owning the lease rights to Host Marriott's portfolio of full-service hotels. The purchase and sale transaction will generally transfer ownership of those lessee entities currently owned by Crestline Capital to a subsidiary of Host Marriott for total consideration of $205 million, the proceeds of which will be paid entirely in cash.

Mr. Christopher J. Nassetta, Host Marriott president and chief executive officer, stated, "The consummation of this transaction, which is permitted as a result of the passage of the REIT Modernization Act, will simplify our corporate structure and enable us to better control our portfolio of premier full-service hotels. Further, the transaction is expected to be accretive to 2001 FFO per share by $.06 to $.07."

Bruce D. Wardinski, Crestline Capital chairman of the board, president and chief executive officer added, "While these leases have been profitable for Crestline, they are more appropriately held by the owner of the hotel. The final purchase price is consistent with our full-year 2000 estimated leakage, which is lower than prior expectations."

Mr. Wardinski continued, "We will use the cash proceeds to continue implementing our dual strategy of growing our hotel management business and purchasing our stock. A significant portion of the proceeds from the transaction will be deployed to fund a tender offer for our common stock in the first quarter of 2001. Details on the tender offer will be announced in the coming months."

The transaction, which is subject to normal closing conditions, is expected to close at the beginning of 2001. The REIT Modernization Act, which was passed on December 17, 1999 and takes effect on January 1, 2001, in part allows lodging REITs to lease their hotels to subsidiaries of the REIT.

About the companies

Host Marriott Corporation is a lodging real estate company which owns 122 upscale and luxury full-service hotel properties primarily operated under Marriott, Ritz-Carlton, Four Seasons, Hyatt, Hilton and Swissotel brand names. For further information on Host Marriott Corporation, please visit the Company's website at www.hostmarriott.com.

Crestline Capital Corporation, parent company of Crestline Hotels & Resorts, is the nation's largest independent hotel leasing company, majority owner of an upscale extended-stay hotel portfolio, and owner of one of the nation's premier senior living community portfolios. Additional information about Crestline Capital Corporation is available at the company's web site: www.crestlinecapital.com.

Note: Certain matters discussed herein are forward-looking statements within the meaning of the Private Litigation Reform Act of 1995. Certain, but not necessarily all, of such statements can be identified by the use of forward-looking terminology, such as "believes," "expects," "may," "will," "should," "estimates" or "anticipates" of the negative thereof or comparable terminology. All forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual transactions, results, performance or achievements of Host Marriott or Crestline Capital to be materially different from any future transactions, results, performance or achievements expressed or implied by such forward-looking statements. These may include: (i) national and local economic and business conditions or governmental regulations that will affect demand, prices, wages or other costs for hotels and senior living communities; (ii) the level of rates and occupancy that can be achieved by such properties; (iii) the ability to compete effectively in areas such as access, location, quality of properties and rate structures; (iv) the ability to maintain the properties in a first-class manner (including meeting capital expenditure requirements); (v) the availability and terms of financing; (vi) governmental actions and initiatives including the REIT Modernization Act; and (vii) changes to the public pay systems for medical care and the need for compliance with environmental licensure and safety requirements. Although the Companies believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions and business opportunities, they can give no assurance that their expectations will be attained or that any deviations will not be material. The Companies undertake no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.