

*Putting our Signature on Wyndham*

*Boston*

*Denver*

*London*

*New Orleans*

*Atlanta*

*Chicago*


*Miami*

*Terraviva*

*Washington*

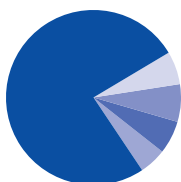
*Key West*



 Wyndham International, Inc. is the nation's fourth largest hospitality and lodging company, offering upscale and luxury hotel and resort accommodations in the United States, Canada, the Caribbean, Mexico and Europe.

- The company's core upper-upscale brand – *Wyndham Hotels & Resorts*<sup>®</sup> – offers full-service accommodations to business and leisure travelers in major metropolitan and resort markets throughout North America, plus London.
- *Wyndham Luxury Resorts*<sup>SM</sup> includes destination resorts distinguished by unique settings and highly distinctive service. The luxury collection also includes the Golden Door<sup>®</sup>, one of the world's preeminent destination spas in Escondido, Calif.
- *Summerfield Suites by Wyndham*<sup>SM</sup> offers the highest quality lodging in the upscale, all-suites segment in the U.S.

#### Proprietary Brands\*



- Wyndham Hotels & Resorts 67%
- Wyndham Luxury Resorts 6%
- Summerfield Suites by Wyndham 8%
- Wyndham Garden Hotels 14%
- Other Proprietary 5%

\* Represents owned and leased EBITDA before SG&A

The company also owns and operates other proprietary hotel brands in the U.S. and overseas. In addition, the Performance Hospitality Management division manages non-proprietary branded hotel properties owned by Wyndham International and by third parties.

#### Financial Highlights

(\$ in millions)

	1999	1998	'99 vs '98 Variance
Total Company Revenue	\$2,495	\$2,056	21.4%
Owned and Leased Hotel Revenue	\$2,409	\$1,843	30.7%
Revenue Per Available Room <sup>(a)</sup>	\$81.00	\$78.15	3.6%
EBITDA, as adjusted <sup>(b)</sup>	\$ 622	\$ 568	9.5%
Owned & Leased Hotel Margin <sup>(c)</sup>	26.9%	26.6%	+31 ppt
Number of Hotels	303	472	(169)
Number of Rooms	73,215	100,989	(27,774)

Note: 1998 figures include hotels that were part of the Interstate spin-off to shareholders in June of 1999.

(a) Compares total owned/leased hotels as of 12/31/99 versus 178 owned hotels as of 12/31/98, as shown in the 1998 annual report.

(b) EBITDA, as adjusted: Earnings before interest, income taxes, depreciation and amortization, as adjusted for unusual or non-recurring items totaling \$463.3 million in 1999 and \$198.8 million in 1998.

(c) Represents the percentage margin between revenues and expenses of the company's total owned and leased hotels.

# Letter

## TO SHAREHOLDERS

*A*s we enter the new millennium, we can take pride in our accomplishments. We have come through a very challenging period in our corporate history and have emerged as a company poised for growth.

With top line growth in our core proprietary brands, revenues for 1999 rose to \$2.5 billion from \$2.1 billion in 1998. That strength, combined with the success of our streamlining and expense management initiatives, enabled us to achieve a 9.5% improvement in adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) to \$622.1 million, up from \$568.2 in the prior year. For core branded hotels, RevPAR (revenue per available room) for comparable properties increased 2.2%, led by a 4.7% RevPAR increase for Wyndham Hotels & Resorts. Performance of our non-proprietary branded hotels was tempered by the transition in our portfolio. As a result, RevPAR improved only 1.7%.

### **Raising the Wyndham flag**

In 1999, we raised the Wyndham flag in 20 new locations – gateway cities, world-class resorts, suburban business centers – building our distribution network and expanding our customer base. We added flagship hotels in major cities and important destination markets to our portfolio: Miami, New Orleans, Atlanta, Boston, Chicago and, most recently, London. To our portfolio of resorts, we added properties in Key West, Orlando and Telluride, Colo. We also opened the first of our new business center hotels in the suburbs of Boston and Denver. Each hotel and resort bears the unmistakable signature of a Wyndham property – a casual elegance, attentive, courteous and efficient service, and a commitment to exceeding the expectations of both business and leisure travelers.

Our focus on the core Wyndham brand comes at a time when the hotel industry is facing a number of critical challenges. Oversupply in certain price tiers and industry consolidation will continue to shape the competitive environment, as will changing demographics and, of course, technology. Indeed, the aging population and changing lifestyle choices will transform leisure and group travel. Technology, which has helped the industry to improve operating efficiency, is also redefining what customers expect from a hotel.

In designing our strategic blueprint, our objective was not so much to meet these challenges as to use them as a springboard for growth. With Wyndham Hotels & Resorts as our base – and together with our all-suites division, Summerfield Suites by Wyndham, and our luxury division, Wyndham Luxury Resorts – we are focused on our core business of serving the upscale and luxury traveler. Our plan is to further serve those customers by

broadening the distribution of our core products to new channels, such as the Internet, and by intensifying our focus on group travel. At the same time, we are re-positioning non-core assets and brands, identifying high quality hotels in key markets, and adding franchise and management contracts.

Also during 1999, we achieved our two-pronged objective of financial stability and operating flexibility. At mid-year, we completed a \$3.5 billion recapitalization, which included a \$1 billion equity investment from an investor group and a related \$2.45 billion restructuring of our debt. The investor group, which includes affiliates



JAMES D. CARREKER

CHAIRMAN *(left)*

FRED J. KLEISNER

PRESIDENT AND

CHIEF EXECUTIVE OFFICER *(right)*

of Thomas H. Lee Company; Apollo Real Estate Advisors, L.P.; Apollo Management, L.P.; and Beacon Capital Partners, Inc., has a strong and savvy track record in our industry. The financial restructuring significantly strengthened our balance sheet, providing immediate relief from liquidity constraints and extending our debt maturities so that no significant payments are required before 2004.

#### **Focusing on core products**

With our financial situation stabilized, we completed a strategic assessment of our portfolio of assets, identifying properties inconsistent with our strategic plan. Accordingly, we completed approximately \$220 million in asset sales last year. These included eleven Arcadian Hotels, four Hamptons Inns, five Holiday Inns and the Bay Meadows Racetrack. In this year's first quarter, we completed the sale of our mid-priced Sierra Suites Hotels, and we have identified approximately \$300 million in incremental asset dispositions and refinancings for the balance of this year, which will provide liquidity for strategic growth and for de-leveraging our balance sheet.

As you know, our company achieved much of its growth in prior years through acquisitions. In 1999, we redesigned the company into an organization that drives internal growth. We converted from a paired-share real estate investment trust to a C corporation, transforming a real estate holding company into a branded hotel operating company. We also realigned our operating focus around three core branded products that are leaders in upscale and luxury hospitality and that we expect will provide superior returns.

- Wyndham Hotels & Resorts offers full-service, upper-upscale accommodations to business and leisure travelers in major metropolitan and resort markets;
- Wyndham Luxury Resorts is a collection of five-star quality destination hotels and resorts – all distinguished by unique settings and exceptional service; and
- Summerfield Suites by Wyndham offers upscale suites to extended-stay business guests and family vacationers at locations throughout the U.S.

#### **A more nimble, responsive company**

Across these core products and in our third-party and asset management business, we have eliminated an entire level of corporate and administrative hierarchy, bringing our operating executives closer to the properties they manage and the customers they serve. The result is an organization that is more nimble, more responsive to customer and market needs – and one that enjoys substantial economies of scale. Indeed, for all of 2000, we expect corporate overhead, as measured by sales, general and administrative costs, to be nearly 34% less than last year's run-rate.

The synergies also extend to revenue management. With protocols established in 1999, individual hotels, central reservations and national sales cross-sell across the entire Wyndham International proprietary-branded enterprise, ensuring that every customer who reaches out to Wyndham is served – and not lost to the competition. As a result, system delivery for the Wyndham brand improved to 46% of room revenue, up from 41% in just one year.

We are also investing in revenue-enhancing measures, including nearly \$20 million on upgrading each Wyndham room by adding new pillow-top mattresses and fine linens as well as new desks, Herman Miller desk chairs and 900-megahertz cordless telephones. By the end of 2000, all of Wyndham International's core branded guestrooms in the U.S. and Canada will be equipped with high-speed Internet connectivity – an industry first.

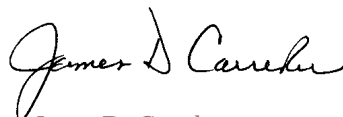
Our investment in technology allowed Wyndham Hotels & Resorts to introduce a new customer loyalty program that differs from the competition because of its high level of personalization. Wyndham ByRequest<sup>SM</sup> provides popular perks, including virtually registration-free check-in, room upgrades, late check-out, free telecom services and complimentary products – all according to the guest's preferences. For those who prefer airline miles, we expanded our airline partnerships, adding Continental, Delta, United, America West, Legend, USAir, TWA and Midwest Express, to our long-time partner, American Airlines. Our "Women on Their Way"<sup>SM</sup> program for women business travelers grew more popular as we introduced partnerships with iVillage.com and a host of professional and philanthropic organizations.

#### **Putting our signature on Wyndham**


We expect the progress we made in 1999 to continue in 2000 and beyond. Reflecting our readiness for the next phase of our transformation, the Board of Directors elected Fred Kleisner as Chief Executive Officer in March 2000. Jim Carreker, who will remain as Chairman of the Board, led Wyndham for a dozen years, overseeing the company's growth from just 18 hotels in 1988 to nearly 300 today. Under Fred's leadership, we will continue to build on the direction we set in 1999 to create measurable results in the years ahead.

As we put our signature on Wyndham, we are evolving into a world-class branded hotel company with a leadership position in the upscale and luxury markets – over time, creating value for our shareholders, employees and guests.

In closing, we want to thank you for your patience and for your continued belief in our leadership, our vision and our strategy. Our momentum is building. We are confident that the year 2000 will be the year that our many moving parts come together and Wyndham International will emerge stronger and more focused than at any time in its history. The future belongs to those who earn it. Thank you for standing by us as we earn our place.



James D. Carreker  
Chairman



Fred J. Kleisner  
President and Chief Executive Officer

March 30, 2000

PUTTING OUR

# *Signature* ON WYNDHAM

1999 was a pivotal year in the history of our company. It was the year we accomplished our transformation from a hotel real estate owner and holding company to a fully integrated operating company – a leader in the hospitality industry. It was the year we put our signature on the Wyndham brand.

With revenues of \$2.5 billion, Wyndham International is the nation's fourth largest hospitality and lodging company. Our 300 properties – primarily upscale and luxury hotels and resorts – serve business and leisure travelers in major destination and gateway cities throughout the U.S., Canada, the Caribbean and, most recently, London.

In the past year, we have taken the Wyndham flag to 20 new locations – major gateway cities, world-class resorts, suburban business centers – building our distribution network and expanding our customer base. We also added the Wyndham flag to our collection of luxury resorts and our upscale all-suite hotels. Wyndham International today is becoming synonymous with the very traits we defined as being central to our brand equity: comfort, security, friendly and personalized customer service, professionalism, sophisticated communications networks and superb locations – whether on a Caribbean coast or in a major financial center.

### **Stabilizing the foundation**

During 1999, we made significant progress in transforming Wyndham. Most importantly, we stabilized our financial situation, achieving our two-pronged objective of financial stability and operating flexibility. At mid-year, we completed a \$3.5 billion recapitalization, which included a \$1 billion private equity investment from an investor group and a related \$2.45 billion restructuring of our debt.





*Boston.* IN THE CENTER OF THE FINANCIAL DISTRICT, THE HISTORIC BATTERYMARCH BUILDING WAS TRANSFORMED INTO THE 362-ROOM WYNDHAM BOSTON. THE HOTEL DEBUTED IN 1999 FOLLOWING A \$40 MILLION REDEVELOPMENT AND UNDERSCORES THE COMPANY'S COMMITMENT TO OFFERING UPPER-UPSCALE ACCOMMODATIONS IN MAJOR CITIES.



*S*TITUATED ON THE LARGEST PRIVATE BEACH

IN KEY WEST, THE WYNDHAM CASA MARINA

RESORT AND BEACH HOUSE BECAME THE BRAND'S

10TH PROPERTY IN FLORIDA IN 1999.

*T*HE BOULDERS® IN CAREFREE, ARIZ., LIKE ALL  
WYNDHAM LUXURY RESORTS, OFFERS DISCERNING  
TRAVELERS EXCEPTIONAL ACCOMMODATIONS IN A  
DRAMATIC, NATURAL SETTING.



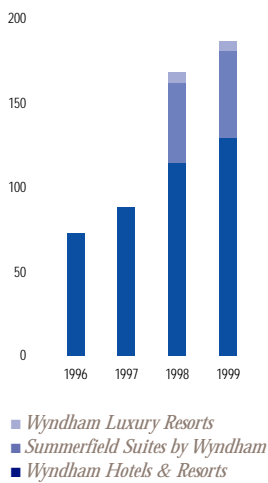
*T*HE GREAT EASTERN HOTEL, LOCATED IN  
LONDON'S FINANCIAL DISTRICT, IS THE COMPANY'S  
FIRST FLAGSHIP HOTEL OUTSIDE THE AMERICAS  
AND REPRESENTS OUR STRATEGY TO ESTABLISH OUR  
BRAND IN GATEWAY CITIES.



The financial restructuring significantly strengthened our balance sheet, providing immediate relief from liquidity constraints and extending our debt maturities so that no significant payments are required before 2004. We are now positioned to pursue our growth plan. In short, the investor group alliance has given us a platform to further strengthen our competitive position.

With the financial restructuring behind us, it is our strategy that guides and governs the process of rationalizing the Wyndham International asset portfolio. Far from having to sell the jewels in the Wyndham crown to meet short-term financial obligations, we have been able to sell or swap non-core assets at attractive multiples.

**Hotel Growth**



Since November 1998, we have completed \$270 million in the sales of assets that were not consistent with our strategic plan. These include eleven Arcadian Hotels, four Hamptons Inns, five Holiday Inns and the Bay Meadows Racetrack. In the first quarter of 2000, we completed the sale of our mid-priced Sierra Suites® Hotels, and we have identified approximately \$300 million in incremental asset dispositions and refinancings for 2000, which will provide liquidity for strategic growth and for de-leveraging our balance sheet.

### Expanding distribution

Wyndham's strategy is to establish the Wyndham flag in gateway cities and destination markets. In early 2000, we branded one of Miami's leading hotels, a 177-room property in the heart of the city, as the Wyndham Grand Bay® – Coconut Grove. In December 1999, we purchased and re-branded a major New Orleans hotel, renaming it the Wyndham New Orleans at Canal Place. Other flagship hotels added in 1999 include: the Wyndham Atlanta, a 312-room hotel in downtown Atlanta; the Wyndham Chicago, a 417-room hotel in Chicago's "Magnificent Mile" corridor; and the Wyndham Boston, a 362-room hotel located in Boston's financial district. Also in 1999, Wyndham added major resort properties in some of the nation's leading destination markets: Key West, Orlando and Telluride, Colo. Summerfield Suites by Wyndham added three locations since October 1999 to serve extended-stay business travelers and family vacationers.

Further expanding our distribution network in major cities, Wyndham's first flagship outside The Americas opened in February 2000. The Great Eastern Hotel, a 267-room landmark property, is the only hotel located in London's financial district – the square mile, otherwise known as the City.





The hotel is a joint venture established between Wyndham International and Conran Holdings, which is led by legendary designer and restaurateur Sir Terence Conran.

For the future, Wyndham International is targeting important metropolitan markets – such as New York and San Francisco – and destination markets – such as Hawaii, Mexico and Southern California.

### Organizing for growth and synergy

Also during 1999, management and the Board of Directors determined, and our shareholders approved, a plan to convert the company from a paired-share real estate investment trust to a C Corporation. In making this decision and in determining the optimal structure for the organization going forward, we were influenced by legislative changes that would have prevented us from extending the benefits of paired-share REIT status to future acquisitions. Our new corporate structure affords greater operating flexibility while facilitating focused long-term growth.

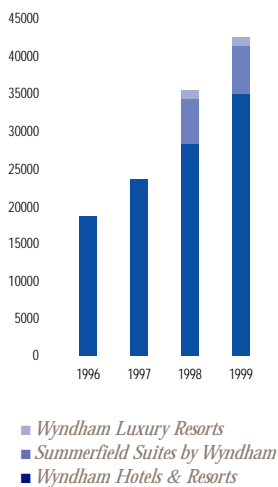
Concurrent with our efforts to simplify our corporate structure, we also streamlined our organizational structure, creating a leaner organization positioned to take full advantage of Wyndham's vast operating and distribution capabilities.

A process that began in 1998, with the closing of offices in Houston, Miami, Annapolis, Md., and Puerto Rico, continued into 1999. In June 1999, the New York finance office was closed as enterprise-wide financial management was centralized. Following the sale of Wyndham's Arcadian portfolio, we downsized our office in London.

Last fall, we realigned our exceptional luxury resort properties into a new business unit, Wyndham Luxury Resorts. This rebranding effectively extends the delivery mechanism of the Wyndham brand to five of the world's most distinctive resort properties: The Boulders, The Lodge at Ventana Canyon®, Carmel Valley Ranch®, Las Casitas Village and Golden Door Spa, and Grand Bay Hotel - Isla Navidad Resort, as well as the acclaimed Golden Door Spa in Escondido, Calif. At the same time, we closed the Phoenix headquarters of our luxury properties, centralizing administrative support at Wyndham International's Dallas corporate office.

Continuing with our focus on a streamlined operation with closer marketing and sales coordination, we announced the closing of our Wichita, Kan., division

Room Growth



office, which like Phoenix and others, will centralize all administrative operations in Dallas. We also renamed our all-suites division to Summerfield Suites by Wyndham to provide it a closer association with our core brand. The Summerfield Suites hotel brand is the leader in the upscale, all-suites market in the U.S.

The new structure has enabled us to eliminate an entire level of corporate and administrative hierarchy. Moreover, by redeploying the offices of regional operating executives from division headquarters to major hotels, we bring our operating executives closer to the properties they manage and the customers they serve. Enhancements are continuing into this year with the installation of an Enterprise Resource Planning System. The result is an organization that is more nimble, more responsive to customer and market needs.



*S* IN ORLANDO, THE UPSCALE SUMMERFIELD SUITES

BY WYNDHAM HOTEL IS LOCATED JUST

MINUTES FROM WALT DISNEY WORLD, SEA WORLD

AND UNIVERSAL STUDIOS.

In the aggregate, these initiatives are enabling Wyndham International to achieve substantial synergies. Indeed, for all of 2000, we expect corporate overhead, as measured by sales, general and administrative costs, to be one-third less than last year's run-rate.

Perhaps the most visible measure of our success in identifying synergies is in the area of procurement. By consolidating our purchasing power and managing resources as one company, we are able to reap substantial economies of scale. In 1999, we signed several new contracts, including ones for in-room entertainment, waste management, travel planning, and food and beverage purchasing, generating cost savings of \$17 million on an annualized basis. Also, Wyndham is implementing an Internet-based e-procurement model that can accommodate



*Chicago.* SITUATED

IN THE "MAGNIFICENT MILE" CORRIDOR  
OF DOWNTOWN CHICAGO, THE NEW  
WYNDHAM CHICAGO OPENED IN APRIL  
1999 TO EXCELLENT REVIEWS. THE 417-  
ROOM FLAGSHIP HOTEL, A REDEVELOP-  
MENT OF AN EXISTING OFFICE TOWER,  
IS NEAR THE FINANCIAL DISTRICT,  
NORTH MICHIGAN AVENUE AND A NEW  
MEDICAL CENTER.



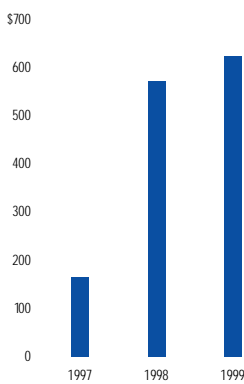
participation across the Wyndham International portfolio, while providing the potential for third-party procurement services and fee generation.

### The new Wyndham International

Our new organization is being focused around three Wyndham branded products that are leaders in upscale and luxury hospitality and that we expect will provide superior returns.

- Wyndham Hotels & Resorts offers full-service, upper-upscale accommodations to business and leisure travelers in major metropolitan and resort markets;
- Wyndham Luxury Resorts is a portfolio of five-star quality destination resorts (and the acclaimed Golden Door Spa) – all distinguished by unique settings and exceptional service; and
- Summerfield Suites by Wyndham offers the highest quality lodging in the upscale all-suites segment.

EBITDA, as adjusted\*



\* Earnings before interest, taxes, depreciation and amortization, as adjusted in millions

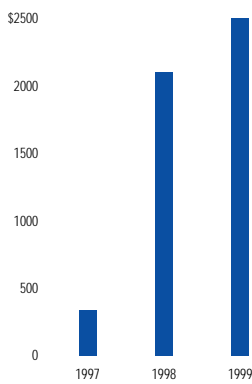
In addition, through our Performance Hospitality Management division, we continue to manage hotels and resorts for third-party owners, an important source of revenue. We are also currently evaluating strategic alternatives and sale opportunities for other Wyndham International brands and assets. As for our non-proprietary branded assets, we will continue seeking to maximize their earnings. In 1999, Wyndham International paid third-party managers of our owned properties more than \$50 million in fees, royalties and other expenses. Yet RevPAR at non-proprietary branded, comparable owned and leased hotels increased only 0.3%. Wyndham International intends to achieve improvements in both RevPAR and EBITDA by executing a program to sell non-proprietary branded assets, redeploy capital within our core brands and selectively re-flag.

Wyndham International is investing for growth. Indeed, of the approximately \$200 million slated for capital expenditures in 2000, 64% will be reinvested in our core brands. With RevPAR growth of 4.7%, comparable branded Wyndham Hotels & Resorts outperform not only the other parts of the Wyndham portfolio but the industry as well. It is in part for this reason that Wyndham Hotels & Resorts accounted for two-thirds of the company's 1999 EBITDA, as adjusted, a percentage that is expected to increase in 2000. In all, nearly 65 cents of every capital improvement dollar will be spent on revenue-enhancing measures, including nearly \$20 million on upgrading each room by

adding new pillow-top mattresses and fine linens as well as new desks, Herman Miller desk chairs and 900-megahertz cordless telephones.

Wyndham International is also investing for growth across its portfolio of associated brands by positioning them for increased franchising activity, most notably with Summerfield Suites by Wyndham. In the year 2000, we will reposition our chain of Wyndham Garden® Hotels. While some will remain as suburban, low-rise business hotels, many of the high-rise hotels in the chain are being upgraded to Wyndham Hotels, bringing the comfort, convenience, service and sophistication of our center city hotels to the suburban landscape – with what we believe will be enhanced average daily rates.

Company Revenue\*



\* in millions

### Driving internal growth

Having integrated the acquisitions made over a period of years, Wyndham International today has sharpened its focus on driving internal growth. Its emphasis on growth initiatives has spawned the development of several high-impact marketing and customer loyalty programs and a renewed emphasis on revenue management.

Nowhere is the success of our revenue management effort more evident than in our marketing, central reservation and national sales organizations. In just one year, system delivery for the Wyndham brand improved to 46% of room revenue from 41% – a pattern we expect will continue as we identify and implement additional cross-selling initiatives.

Our distribution channels today share leads across the entire Wyndham organization. With the protocols established in 1999, individual hotels, central reservations and national sales share a wealth of information, designed to ensure that every customer who reaches out to Wyndham is served – and not lost to the competition.

### Building brand loyalty

As we intensify our focus on the Wyndham brand, we are also investing in marketing programs designed to enhance our brand equity, revenue growth, customer loyalty and profitability.

Earlier this year, Wyndham International launched a customer loyalty program distinguished from the competition by its high level of personalization.



*THE* WYNDHAM EL CONQUISTADOR RESORT &  
COUNTRY CLUB IN PUERTO RICO IS ONE OF  
THE CARIBBEAN'S PREMIER RESORTS AND A POPULAR  
DESTINATION FOR LEISURE TRAVELERS AND  
BUSINESS GROUPS.



*AT* CALITERRA, OUR NEW UPSCALE RESTAURANT  
CONCEPT IN THE BOSTON, CHICAGO AND ATLANTA  
FLAGSHIP HOTELS, WORLD-RENOWNED CHEFS PREPARE  
CAL-ITAL CUISINE, A BLEND OF NORTHERN CALIFOR-  
NIA AND TUSCAN, ITALY INFLUENCES.

*WYNDHAM'S* "WOMEN ON THEIR WAY" PROGRAM  
JOINED WITH THE SUSAN G. KOMEN BREAST CANCER  
FOUNDATION IN OCTOBER TO HELP RAISE AWARENESS  
OF THE DISEASE THROUGH "DREAM FOR THE CURE."<sup>®</sup>



Wyndham ByRequest features a variety of individualized amenities and rewards – from room upgrades and late check-outs, to free telecom services and complimentary products. Driven by a proprietary database, Wyndham ByRequest provides other popular perks, including virtually registration-free check-in. Prior to arrival, the member's room is pre-blocked, their credit card pre-verified and their key packet prepared and waiting.

For Wyndham guests who appreciate airline rewards, we expanded our airline partnerships, adding Continental, Delta, United, America West, Legend, USAir, TWA and Midwest Express to our long-time partner, American Airlines.

Wyndham is unique in its focus on the woman business traveler. In 1999 Wyndham co-sponsored a study with the New York University Center for Hospitality, Tourism, and Travel Administration on the habits and preferences of women business travelers, providing valuable market research that has led to a deeper understanding of the needs of this rapidly growing travel segment. Women currently account for 30% of all business travelers in the U.S.

The NYU survey is an important complement to Wyndham's acclaimed "Women on Their Way" program, which sets a new standard of excellence for customer relationship management. Drawing on a variety of communication channels – an innovative website ([www.womenbusinesstravelers.com](http://www.womenbusinesstravelers.com)), market research and advisory board – Wyndham is able to maintain constant and close communications with this customer segment, designing programs and amenities to meet the evolving needs of women business travelers. Wyndham's commitment to this market extends to a variety of strategic partnerships with important professional and philanthropic organizations, including the Susan G. Komen Breast Cancer Foundation, National Association of Women Business Owners, Business and Professional Women USA, and an exclusive affiliation with iVillage.com.

#### **e-Commerce opens possibilities**

During 2000, we intend to launch an integrated e-commerce strategy that will span reservations, procurement, marketing, media and communications, making it possible for us to serve customers seamlessly – seemingly effortlessly – while benefiting from the enormous economies of scale the Internet provides.

In 2000, all of Wyndham International's core branded guestrooms in the U.S. and Canada will be equipped with high-speed connectivity – an industry first. With a minimum of a T1 line connecting every hotel, guests will be able to gain access to their office networks and the Internet through wired and wireless connections from just about anywhere in the hotel.

A new Wyndham.com website, due to be unveiled by June 2000, provides simple, logical and consistent navigation as well as increased functionality. By way of example, the new website makes information on group and meeting facilities available online, along with the request for proposal process. For meeting and wedding planners and other facilitators, we are making it easier to do business with Wyndham while at the same time providing tools that



 WIRELESS, HIGH-SPEED INTERNET CONNECTIONS

WILL BE THE STANDARD AT ALL CORE BRANDED HOTELS  
AND RESORTS IN 2000, ALLOWING BUSINESS TRAVELERS  
FAST ACCESS FROM ANYWHERE IN THE HOTEL.

assist them in increasing their efficiency. Our objective is to provide corporate customers with an online user experience that is unsurpassed.

The Internet also enables Wyndham International to expand distribution channels while providing value and customer rewards. Wyndham is using e-mail today to provide a variety of valuable offers to highly targeted customers. Sometimes, the offers are specific to Wyndham International. Sometimes, they involve strategic partners, such as American Airlines' Net SAAvers program and iVillage.com. Wyndham International also is participating in travel distribution websites, such as Expedia.com and Travelocity.com, and in third-party travel programs, such as Priceline.com and Click-It weekends.

### **Quality – The Wyndham Way**

A commitment to quality is deeply embedded in the Wyndham International organization. We are incorporating guest and employee satisfaction indices into each of our initiatives. We validate our efforts through guest and employee experiences. We measure guest satisfaction with focus groups, comment cards and third-party surveys. In the J.D. Powers 1999 Survey for Customer Satisfaction, Wyndham Hotels & Resorts ranked third in its category and Summerfield Suites by Wyndham ranked first in its category. With our focus on the Wyndham brand and on quality, we hope to earn even higher marks from our guests in the future.

### **Putting our signature on Wyndham**

We have come through a very challenging period in our corporate history and emerged as a company poised for growth. We've been working on many things simultaneously: integrating Wyndham's diverse operating divisions into a single operating company, intensifying our business focus and extending our distribution network – in other words, putting our signature on Wyndham.

In putting our signature on the Wyndham brand, we have been defining its personality – deciding what we want Wyndham to stand for and strengthening its appeal with our core business and leisure travelers.

One of the many elements that distinguishes Wyndham from other branded hotel operating companies is our people – and that is the way it should be in the hospitality industry. Our executive team is drawn from the ranks of the industry's premier operating executives. They are career hoteliers who have managed and operated some of the world's most distinguished properties. Our hotel and corporate staffs are prized for their efficiency and friendliness. One of the secrets to our success here is that we hire people who like people – and we empower them to do what it takes to ensure that Wyndham guests are delighted each and every time they stay with us.

As we put our signature on Wyndham, we are evolving into a world-class branded hotel company with a leadership position in the upscale and luxury markets – in the process, creating value for our shareholders, employees and guests. In short, we want to offer the best places to stay, the best places to work, and to generate the best shareholder returns in our industry.





*New Orleans.* FEW CITIES BREATHE WITH THE SPIRIT AND VARIETY OF NEW ORLEANS.

THE COMPANY'S NEWEST ACQUISITION IS LOCATED JUST STEPS FROM THE FRENCH QUARTER, THE BUSINESS

DISTRICT AND THE CONVENTION CENTER. THE FOUR-DIAMOND WYNDHAM NEW ORLEANS AT CANAL PLACE IS THE

FLAGSHIP OF THREE WYNDHAM-BRANDED HOTELS IN THE CITY.






 WYNDHAM'S PEAKS RESORT & GOLDEN DOOR SPA

AND THE NEW WYNDHAM LODGE AT THE PEAKS®

REPRESENT THE BEST OF TELLURIDE, COLO., ONE OF

THE NATION'S PREMIER SKI AND MOUNTAIN

VACATION DESTINATIONS.

 MONG THE HOTELS OPENED IN 1999, THE  
WYNDHAM ATLANTA IS THE FLAGSHIP OF OUR EIGHT  
HOTELS IN THE FAST-GROWING ATLANTA MARKET.



 WYNDHAM'S BY REQUEST, THE BRAND'S

NEW FREQUENT GUEST PROGRAM, PERSONALIZES

EACH GUEST'S STAY. WYNDHAM ALSO OFFERS

FREQUENT FLYER MILES FROM MAJOR AIRLINES.

SELECTED FINANCIAL INFORMATION

The following tables set forth selected consolidated historical financial information for the Company. The following financial information should be read in conjunction with, and is qualified in its entirety by, the historical financial statements and notes thereto of the Company included elsewhere in this Annual Report. The selected financial and other data for the Company for 1999 has been derived from the consolidated financial statements of the Company audited by PricewaterhouseCoopers LLP, independent accountants.

Selected Condensed Consolidated Historical Financial Data

	Year Ended December 31,				Period
	1999	1998	1997	1996	Oct. 2, 1995 (Inception of Operations) through Dec. 31, 1995
<i>(in thousands, except per share data)</i>					
<b>Operating Data:</b>					
Total revenue	\$ 2,495,335	\$ 2,056,341	\$ 335,035	\$ 76,493	\$ 11,095
(Loss) income before income tax provision, minority interest and extraordinary item	(491,335)	(112,508)	4,142	44,813	7,064
(Loss) income before extraordinary item	(1,062,131)	(126,406)	362	37,991	6,096
Net (loss) income	\$ (1,071,969)	\$ (158,223)	\$ (2,172)	\$ 37,991	\$ 5,359
<b>Per Share Data<sup>(1)</sup>:</b>					
<b>Basic earnings per share:</b>					
(Loss) income before extraordinary item	\$ (7.02)	\$ (1.13)	\$ 0.01	\$ 0.84	\$ 0.16
Extraordinary item, net of minority interest	(0.06)	(0.23)	(0.04)	–	(0.02)
Net (loss) income per share	\$ (7.08)	\$ (1.36)	\$ (0.03)	\$ 0.84	\$ 0.14
Diluted earnings per share <sup>(2)</sup>	\$ (7.20)	\$ (2.57)	\$ (0.03)	\$ 0.83	\$ 0.14
Dividends per share <sup>(3)</sup>	\$ –	\$ 1.0362	\$ 1.0878	\$ 0.9154	\$ 0.2236
<b>Cash Flow Data:</b>					
Cash provided by operating activities	\$ 202,302	\$ 244,493	\$ 108,110	\$ 61,196	\$ 7,618
Cash used in investing activities	(289,953)	(2,076,359)	(1,202,124)	(419,685)	(306,948)
Cash provided by financing activities	175,510	1,943,384	1,134,846	360,324	304,099

*As of December 31*

	1999	1998	1997	1996	1995
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*(in thousands)*

**Balance Sheet Data:**

Investment in real estate and related improvements and land held for development, at cost, net	\$ 5,413,178	\$ 5,585,616	\$ 2,044,649	\$ 641,825	\$ 265,759
Total assets	7,003,490	7,415,670	2,507,853	760,931	324,224
Total debt	3,643,556	3,857,521	1,112,709	214,339	9,500
Minority interest in Operating Partnerships	22,435	253,970	220,177	68,562	41,522
Minority interest in consolidated subsidiaries	166,483	229,537	49,694	11,711	–
Stockholders' equity	2,137,662	2,603,037	989,892	437,039	261,778

	Year Ended December 31,				Period
	1999	1998	1997	1996	Oct. 2, 1995 (Inception of Operations) through Dec. 31, 1995
<i>(in thousands)</i>					
<b>Other Data:</b>					
EBITDA <sup>(4)</sup>	\$ 158,765	\$ 369,401	\$ 105,743	\$ 69,558	\$ 9,006
Weighted average number of common shares outstanding	161,255	137,764	64,260	45,997	39,407
Ratio of earnings to fixed charges	(0.36)	0.59	1.08	7.00	80.37
Deficiency of earnings to fixed charges	491,335	112,508	–	–	–

## Notes to Selected Financial Information

- (1) On January 30, 1997, the Patriot Board of Directors declared a 2-for-1 stock split effected in the form of a stock dividend on March 18, 1997 to stockholders of record on March 7, 1997. On July 1, 1997, by operation of the Cal Jockey Merger, each issued and outstanding share of Patriot common stock was converted into 0.51895 paired shares. In addition, on July 10, 1997, the respective Boards of Directors of Patriot and Wyndham declared a 1.927-for-1 stock split on their shares of common stock effected in the form of a stock dividend distributed on July 25, 1997 to stockholders of record on July 15, 1997. All references herein to the number of shares, per share amounts and market prices of the paired shares and options to purchase paired shares have been restated to reflect the impact of the Cal Jockey Merger and the above-described stock splits, as applicable.

In addition, in February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("Statement 128"). Statement 128 specifies the computation, presentation and disclosure requirements for basic earnings per share and diluted earnings per share. The earnings per share amounts presented herein have been restated to reflect the impact of Statement 128.

On December 22, 1998, Patriot declared a stock dividend of \$0.44 cents per share of common stock for the fourth quarter of 1998. The dividend was paid on January 25, 1999 to shareholders of record on December 30, 1998. Each shareholder received the option to receive the dividend in the form of additional paired shares or shares of Series B Cumulative Perpetual Preferred Stock, par value \$0.01 per share, of Patriot.

Earnings per common share, weighted average shares outstanding and all stock option activity have been restated to reflect the stock dividend.

On June 30, 1999, a subsidiary of Old Wyndham was merged with and into Patriot and Patriot became a wholly owned subsidiary of Wyndham. The pairing arrangement was terminated and each outstanding paired share was converted into a share of Wyndham class A common stock.

- (2) For 1999, the dilutive effect of unvested stock grants of 803,000; the option to purchase common stock of 59,000 and preferred stock of 64,367,000 were not included in the computation of earnings per share because they are anti-dilutive. For 1998, the dilutive effect of unvested stock grants of 880,000 shares, the option to purchase common stock of 753,000 shares of common stock; 2,507,000 shares issued in connection with forward equity contracts; and 6,613,000 preferred shares, were not included in the computation of earnings per share because they are anti-dilutive. For 1997, the effect of unvested stock grants of 804,000 and the option to purchase common stock of 1,017,000 were excluded in the computation of diluted earnings per share because they are anti-dilutive.
- (3) Dividends for the year ended 1998 include a \$0.44 stock dividend. Dividends paid for the year ended December 31, 1997 include a special dividend of \$0.06 per share paid by Patriot's predecessor on June 30, 1997. To maintain its qualification as a REIT prior to consummation of the Cal Jockey Merger, Patriot was required to distribute to its stockholders any undistributed "real estate investment trust taxable income" for its short taxable year ending with the consummation of the Cal Jockey Merger. Old Wyndham did not pay any dividends for the six months ended December 31, 1997.
- (4) EBITDA represents earnings of the Company before interest, taxes, depreciation and amortization expense. The Company believes that EBITDA is a widely accepted financial indicator used by investors and analysts to analyze and compare companies on the basis of operating performance. EBITDA is not intended to represent cash flows for the periods presented, nor has it been presented as an alternative to operating income or as an indicator of operating performance. Readers should not consider EBITDA in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. While EBITDA is frequently used by securities analysts in the evaluation of companies, EBITDA is not necessarily comparable to other similarly titled measures of other companies due to potential inconsistencies in the methods of calculation. A reconciliation from net income to EBITDA for the years ended December 31, 1999, 1998, 1997, 1996 and for the period from October 2, 1995 (inception of operations) through December 31, 1995 is as follows:

	Year Ended December 31,				Period Oct. 2, 1995 (Inception of Operations) through Dec. 31, 1995
	1999 <sup>(a)</sup>	1998 <sup>(b)</sup>	1997 <sup>(c)</sup>	1996	
<i>(dollars in thousands)</i>					
Net (loss) income	\$(1,071,969)	\$ (158,223)	\$ (2,172)	\$ 37,991	\$ 5,359
Extraordinary loss	9,838	31,817	2,534	—	—
Minority interest in Operating Partnerships	(6,642)	(12,651)	1,684	6,767	968
Income taxes	571,421	17,122	481	—	—
Depreciation and amortization	302,890	231,233	52,685	17,420	2,590
Interest expense	353,227	260,103	50,531	7,380	89
EBITDA	\$ 158,765	\$ 369,401	\$ 105,743	\$ 69,558	\$ 9,006

- (a) For the year ended December 31, 1999, EBITDA would be \$622,061 after adjusting for the following unusual or non-recurring items: restructuring expenses and strategic reorganization costs of \$316,886, Interstate spin-off costs of \$5,435, abandoned transaction costs of \$13,530, Y2K costs and preopening expenses of \$21,131, impairment loss on assets held for sale of \$70,912, loss on the sale of assets of \$10,702, allocable percentage of EBITDA from unconsolidated subsidiaries and third party minority interest of \$13,068, and other non-recurring charges of \$11,632.
- (b) For the year ended December 31, 1998, EBITDA would be \$568,200 after adjusting for the following unusual or non-recurring items: cost of acquiring leaseholds and license agreements of \$64,407, treasury lock settlement of \$49,334, loss on sale of assets of \$9,453 and impairment loss on assets held for sale of \$51,081, abandoned transaction costs of \$14,813, amortization of unearned compensation of \$9,670, and other costs of \$41.
- (c) For the year ended December 31, 1997, EBITDA would be \$160,242 after adjusting for the cost of acquiring leaseholds of \$54,499.



Certain statements in this Annual Report constitute “forward-looking statements” as that term is defined under §21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. The words “believe”, “expect”, “anticipate”, “intend”, “estimate”, and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. Although forward-looking statements reflect management’s good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievement of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Certain factors that might cause a difference include, but are not limited to, risks associated with the availability of equity or debt financing at terms and conditions favorable to the Company; the Company’s ability to effect sales of assets on favorable terms and conditions; risks associated with the hotel industry and real estate markets in general; risks associated with debt financing; and the risks discussed under “Certain Risk Factors” in the Company’s 1999 Annual Report on Form 10-K, filed with the Securities and Exchange Commission.

## Background

### *Organization*

Patriot was formed April 17, 1995 as a self-administered real estate investment trust (“REIT”) for the purpose of acquiring equity interests in hotel properties. On October 2, 1995, Patriot completed an initial public offering of shares of common stock and commenced operations. Between October 2, 1995 and July 1, 1997, Patriot acquired interests in 56 hotel properties. These hotels were leased to various third party lessees.

On July 1, 1997, Patriot merged with and into California Jockey Club, with Cal Jockey being the surviving legal entity, hereinafter referred to as the “Cal Jockey merger”. Cal Jockey’s shares of common stock were paired and traded together with the shares of common stock of Bay Meadows Operating Company (“Bay Meadows”) as a single unit pursuant to a stock pairing agreement. In connection with the Cal Jockey merger, Cal Jockey changed its name to “Patriot American Hospitality, Inc.” (“Patriot”) and Bay Meadows changed its name to “Patriot American Hospitality Operating Company”. Subsequent to December 31, 1997, as a result of the merger of Wyndham Hotel Corporation with and into Patriot as discussed below (the “Wyndham merger”), Patriot American Hospitality Operating Company changed its name to “Wyndham International, Inc.” and is referred to herein, collectively with its subsidiaries, as “Old Wyndham”.

Subsequent to the Cal Jockey merger through December 31, 1998, the Company went through a series of mergers and acquisitions including the Wyndham merger, the merger with WHG Casinos & Resorts Inc. (“WHG”) and acquisition of partners’ interests, the merger with Arcadian International (“Arcadian”), the Summerfield acquisition, the merger with CHCI International Inc. (“CHCI”) and the merger with Interstate.

Effective June 30, 1999, a subsidiary of Old Wyndham merged with and into Patriot with Patriot being the surviving entity and becoming a subsidiary of Old Wyndham. In connection with this restructuring, the pairing agreement between Patriot and Old Wyndham was terminated, Patriot’s status as a real estate investment trust terminated effective January 1, 1999, and Patriot became a taxable corporation as of that date. This merger converted each previously outstanding paired share into one share of Wyndham class A common stock. Old Wyndham and its subsidiaries, which now include Patriot, is hereafter referred to as Wyndham or the Company.

The restructuring was reflected as a reorganization of two companies under common control and was accounted for in a manner similar to that used in pooling of interest accounting. As such, there was no revaluation of the assets and liabilities of Old Wyndham or Patriot. The financial statements prior to the reorganization are presented on a combined basis and include the combined accounts of Patriot and its subsidiaries with Old Wyndham and its subsidiaries.

### *Restructuring*

During 1999, the Company recorded \$285.3 million of costs associated with the restructuring of the organization. As a condition of the \$1 billion equity investment, Old Wyndham was required to terminate the pairing agreement with Patriot. As a result, the Company recorded a charge of approximately \$83.1 million for the write-off of the unamortized intangible asset associated with the paired share structure which was abandoned June 30, 1999. In addition, the

Company incurred approximately \$4.7 million in severance and employee related costs for seven employees in the New York corporate office and two employees in the Dallas corporate office, and \$0.7 million in legal costs. The New York office was closed on June 30, 1999, and its employees were terminated at that time.

The Company recorded a charge of \$97.9 million for the write-down of assets to estimated fair value, including goodwill of \$28.4 million as a result of management's strategy to exit from the European market for its non-branded assets which will be sold. In addition, the Company recorded costs of \$9.5 million associated with severance costs for 67 employees and other exit costs necessary to reduce the Company's infrastructure in Arcadian International, the Company's management division in Europe.

On August 11, 1999, the Company announced its plan to realign its luxury division, in its continuing efforts to streamline its organization. As a result, the Phoenix division office was closed on September 10, 1999. The Company recorded costs of \$2.5 million associated with severance payments for staffing reductions of 19 employees, and other exit costs. In addition, management has decided to focus on the Company's core brands, and has rebranded many of the Grand Bay Resorts (formerly Carefree Resorts) to Wyndham Luxury Resorts, to signal a more apparent relationship to Wyndham. As such, a charge of \$12.8 million for the tradename intangibles attributable to the Grand Bay and Carefree brands was recorded.

The Company also announced it would close its Wichita divisional office and as a result, recorded \$1.9 million in severance payments for 82 employees.

In addition, Wyndham recorded a charge of \$72.2 million including a write-down of assets to estimated fair value. The write-down included \$8.8 million of intangible assets as a result of management's strategy to exit from the limited service hotel sector. The following table details the restructuring charges incurred by the Company during 1999.

<i>Description</i> <i>(in thousands)</i>	<i>Cash/Non-Cash</i>	<i>Restructuring Charge</i>	<i>Accrued Balance at 12/31/99</i>
<b>Organizational Restructuring</b>			
Write-down of intangible assets	Non-cash	\$ (83,094)	\$ -
Severance packages	Cash/non-cash	(4,675)	(500)
<b>Downsizing European division</b>			
Write-down of assets held for sale	Non-cash	(69,491)	-
Write-down of intangible assets	Non-cash	(28,394)	-
Severance packages	Cash	(3,578)	(2,458)
Lease cancellations and commitments	Cash	(1,907)	(1,907)
Other exit costs	Cash	(4,062)	(2,408)
<b>Exiting limited service market sector</b>			
Write-down of assets held for sale	Non-cash	(63,328)	-
Write-down of intangible assets	Non-cash	(8,834)	-
<b>Closing the Phoenix division office</b>			
Severance packages	Cash	(2,006)	(312)
Lease cancellations and commitments	Cash	(492)	(321)
<b>Closing of the Wichita division office</b>			
Severance packages	Cash	(1,872)	(1,872)
<b>Elimination of certain hotel brands</b>			
Write-down of intangible assets	Non-cash	(12,821)	-
<b>Other</b>			
Other exit costs	Cash	(713)	-
Effect of foreign currency translation		-	8
<b>Total</b>		<b>\$ (285,267)</b>	<b>\$ (9,770)</b>

As of December 31, 1999, the Company owned interests in 165 hotels with an aggregate of over 43,900 guestrooms and leased 39 hotels from third parties with over 5,700 rooms. In addition, Wyndham manages 88 hotels for third party owners with over 20,800 guestrooms and franchises 11 hotels with over 2,600 guestrooms.

#### Results of Operations: Year Ended December 31, 1999 Compared with Year Ended December 31, 1998

For the year ended December 31, 1999 hotel revenues were \$2,409,046,000 as compared to \$1,842,682,000 during 1998. Of the approximate \$566,364,000 increase, approximately \$337,377,000 was attributable to the 1998 acquisitions including Interstate, Summerfield, Arcadian and WHG, net of leases which were included in the Interstate spin-off. In addition, the purchase of the remaining third party leasehold interests, primarily CHC Lease Partners, NorthCoast Hotels L.L.C. ("NorthCoast"), and the DTR North Canton Inc (the "Doubletree Lessee"), in June 1998, December 1998 and January 1999 led to increases in hotel revenue of \$124,712,000 as the operations of the hotels during 1999 were consolidated in the statement of operations, whereas in 1998, the Company was receiving a participating rent payment. Additionally, \$25,072,000 can be attributed to the consolidation of two hotels which were previously accounted as an equity investment.

Hotel expenses increased from \$1,351,872,000 in 1998 to \$1,759,993,000 in 1999. As with revenues, the vast majority of this increase is a result of acquisitions and the acquisition of third party leaseholds.

The contributing factor in the decline in participating revenue from \$58,440,000 during the year ended December 31, 1998 to \$1,194,000 for the same period in 1999 was the acquisition of the third party leaseholds discussed above.

Management fee and service fee income was \$69,278,000 in 1999 compared to \$89,067,000 in 1998. The decrease is primarily the result of a decrease in incentive fee income associated with seventeen management contracts which were renewed in 1998 with no provision to earn incentives fees, and management contracts lost during the period. This was partially offset by the acquisition of third party management contracts acquired in June 1998 and the Interstate management contracts also acquired in June 1998, but were included in the Interstate spin-off on June 18, 1999.

Interest and other income was \$11,256,000 in 1999 as compared to \$14,893,000 in 1998. The decrease resulted from a management termination fee of \$2,950,000 in 1998.

Total revenues from the racecourse facility operations (including interest and other income) were \$4,561,000 for 1999 compared to \$51,259,000 in 1998. Total costs and expenses associated with the racecourse operations (included marketing costs, and general and administrative expenses) were \$3,867,000 for 1999 compared to \$43,198,000 for 1998. These decreases are due to the sale of Bay Meadows racecourse effective February 1999.

General and administrative expenses were \$190,770,000 for 1999 compared to \$117,666,000 for 1998. In part, the increase is due to the overhead required due to the growth in the portfolio of owned, managed and leased hotels during 1998. However, the significant portion of the increase was due to the following factors:

As a result of the \$1 billion equity investment, the Company incurred \$13,047,000 of strategic reorganization costs, including fees to settle the forward equity contracts and the acceleration of vesting of certain employees' stock awards. The reorganization resulted in work associated with a high yield bond offering and a bond offering in Puerto Rico to cease, resulting in a write-off of costs associated with the offerings totaling \$3,917,000 and \$13,530,000 in other abandoned transaction costs.

The Company also incurred \$5,435,000 of costs associated with the spin-off of Interstate's third-party management business, \$21,131,000 with costs associated with becoming Year 2000 compliant and conversion costs, and \$4,695,000 in bad debt expense for the write-off of receivables from a hotel that Wyndham no longer intends to manage and has terminated the management contract.

Interest expense for 1999 was \$353,227,000 as compared to \$260,103,000 for 1998. The increase is due in part to the closing of \$1.45 billion in debt in June of 1998 for the merger with Old Interstate. Secondly, as a result of extending certain maturities of the credit facilities, Wyndham paid \$11,700,000 in fees, which were amortized and included in interest expense. Finally, Wyndham assumed and incurred additional debt in order to finance the Summerfield, Interstate and Arcadian transactions during 1998.

Cost of acquiring license agreements and leaseholds was \$1,296,000 for 1999 as compared to \$64,407,000 for 1998. This decrease is primarily due to the prior year amount including the purchase of 17 leasehold interests acquired in connection with the CHCI merger.

The Company recognized a loss on the sale of assets of \$10,702,000 based on the excess book value over the cash proceeds received in the sale as compared to \$9,453,000 in the prior year.

For the year ended December 31, 1999, the Company recognized approximately \$70,912,000 of impairment losses related to assets held for sale. In 1998, the Company recognized approximately \$51,081,000 of impairment losses. In accordance with SFAS No. 121, when management identifies an asset held for sale, a fair value is estimated. If the fair value of the asset is less than the carrying value amount, a reserve for impairment is established.

As discussed in Note 6 to the financial statements, the Company recorded \$285,267,000 of costs associated with the restructuring. These costs primarily relate to the non-cash write-down of assets of approximately \$265,962,000 as the Company exits from certain business sectors and focuses on its core brands and products. In management's attempt to streamline its organization, it has closed offices in New York, London, Phoenix, and Wichita. Severance, lease cancellation costs, legal costs and other costs to close these offices resulted in the Company recording costs of \$19,305,000.

Depreciation and amortization expense was \$302,890,000 for the year ended December 31, 1999 compared to \$231,233,000 for the year ended December 31, 1998. A significant number of assets were acquired in 1998 as a result of the mergers and acquisition as discussed, and therefore twelve months of depreciation is not reflected in 1998 as compared to 1999. Of the \$71,657,000 increase, \$34,817,000 of depreciation was attributable to the significant transactions which occurred during 1998, which included Arcadian in April 1998, and Summerfield, CHCI and Interstate in June 1998. The remaining increase is due to depreciation on renovations at the hotels which were under construction in 1998, but in service in 1999 as well as full year amortization of goodwill and other intangible assets in 1999 for those intangibles acquired in the mergers during 1998.

The Company's share of losses from unconsolidated subsidiaries was \$7,746,000 for the year ended December 31, 1999 as compared to income of \$9,498,000 for the year ended December 31, 1998. The decrease is primarily a result of two hotels, no longer being accounted for as equity investments. In June 1999, Wyndham acquired the 1% controlling interest in these hotels, and they are now being accounted for on a consolidated basis. In addition, the decrease is due to the allocation of losses from the Company's approximate 55% investment in Interstate.

The provision for income taxes increased from \$17,122,000 for 1998 to \$571,421,000 for 1999. The increase is primarily due to the \$675,000,000 charge recorded during June 1999 due to Patriot converting from a REIT to a C corporation, and the operations of certain special purpose controlled subsidiaries which separately report and pay taxes on their taxable income. For federal income tax purposes, the taxable income from these subsidiaries cannot be consolidated with Wyndham's taxable income or loss and hence cannot be offset by operating losses created at the Wyndham Partnership. Additionally, the provision was decreased by benefits recorded in conjunction with certain restructuring changes taken during 1999.

Minority interest's share of loss associated with the Operating Partnerships was \$6,642,000 for the year ended December 31, 1999 as compared to \$12,651,000 for 1998 due to increased losses in the Operating Partnerships prior to the amendments in the partnership agreements on June 30, 1999.

Minority interest's share of income in other consolidated subsidiaries were \$6,017,000 in 1999 as compared to \$9,427,000 in 1998. This reduction in minority interest's share of income is due primarily to the acquisition of the outside interests in nine hotels.

For the year ended 1998, certain debt obligations of Old Wyndham, Interstate and Summerfield were repaid upon the merger and acquisition of these entities. In addition, certain debt of WHG was refinanced in 1998. As a result, Wyndham incurred certain prepayment penalties and wrote off the remaining balance of unamortized deferred financing costs associated with such debt, resulting in an extraordinary loss of \$31,817,000, net of minority interest and income taxes. In connection with the new debt financing in 1999, Wyndham wrote off the remaining balance of unamortized deferred financing costs associated with the old credit facility, resulting in an extraordinary loss of \$9,838,000, net of minority interest and income taxes.

As a result, the net loss was \$1,071,969,000 for 1999 and \$158,223,000 for 1998.

#### Results of Operations: Year Ended December 31, 1998 Compared with Year Ended December 31, 1997

Concurrent with the closing of the Cal Jockey Merger, the Company began operating four hotels and commenced its hotel management operations on July 1, 1997. At December 31, 1997, the Company owned 91 hotels, of which it operated 55 of those hotels, leased 34 hotels to third party lessees, and two hotels were owned through special purpose entities. At December 31, 1997, it managed 12 hotels for third parties. In 1998, the Company underwent a series of mergers and acquisitions, including Wyndham, WHG, Summerfield, Interstate and CHCI. As a result of the mergers and acquisitions, at December 31, 1998 the Company owned interests in 178 hotels, leased 121 hotels from third parties, and managed 161 hotels for third party owners. This significant increase in the number of hotels operated by the Company is the primary cause of the increases in revenues and expenses between 1997 and 1998.

Hotel revenues were \$1,842,682,000 for the year ended December 31, 1998 as compared to \$167,727,000 for the same period December 31, 1997. The increase in revenues is due not only to the increase in the number of hotels operated but also due in increases in REVPAR experienced by the hotel portfolio as a whole.

Hotel expenses increased to \$1,351,872,000 for 1998 as compared to \$140,392,000 for 1997. The increases are due to the full year's results in 1998 for hotels leased to third parties during 1997 and the additional hotels acquired during 1998.

Racecourse facility revenue increased from \$26,511,000 for 1997 to \$51,259,000 for 1998. Racecourse facility expenses increased from \$21,620,000 for 1997 to \$43,198,000 for 1998. The increase is due to the number of racing days in 1998 of 106 as opposed to the number of race days in 1997 of 63.

Management fee and service fee income increased from \$7,088,000 for 1997 to \$89,067,000 for 1998. This increase is primarily the result of a net increase of 149 management contracts during the year primarily from the mergers and acquisitions that occurred during 1998, as discussed above.

Interest and other income increased from \$6,676,000 in 1997 to \$14,893,000 in 1998. The increase is primarily attributable to the mergers and acquisitions of the hotel management and related business of Interstate, Summerfield, Wyndham and Arcadian during 1998, and interest and dividend income earned on cash investments, and notes receivables assumed during those transactions.

General and administrative expenses increased from \$17,181,000 in 1997 to \$117,666,000 in 1998. Of this increase, salaries and wages is the major component. This increase is due primarily to the overhead required due to the growth in portfolio and managed and leased hotels during 1998. Also, the Company recorded \$14,813,000 in costs associated with evaluating properties and companies which were ultimately not acquired in 1998.

Interest expense for 1998 was \$260,103,000 compared to \$50,531,000 for 1997. The increase is a result of the increase in the Company's outstanding debt obligations from \$1,112,709,000 to \$3,857,521,000. The increase in the Company's debt outstanding is the result of borrowings to fund the cash purchase prices of acquisition of hotel properties and companies during 1998 and the assumption of debt in connection with various mergers executed during 1998.

In 1998, the Company recognized \$64,407,000 in costs of acquiring leaseholds, as compared to \$54,499,000 in 1997. The primary component of the expense in both years was the acquisition of leaseholds from CHC lease partners, eight leasehold interests in 1997 and 17 in 1998.

During 1998, the Company recorded a \$49,334,000 one-time charge to earnings as a result of the settlement of three treasury interest rate lock agreements. These agreements were executed to protect the Company against the possibility of rising interest rates in anticipation of closing mortgage loans in the near future. Under the rate lock agreements, the Company received or made payments based on the difference between specified interest rates, 6.06%, 6.07%, and 5.62%, and the actual 10-year U.S. Treasury interest rate on a principal amount of \$525,000,000. Due to the substantial downward movement in the underlying treasury security market and the Company's liquidity situation, the agreements were settled and the settlement cost was recorded as a charge against earnings.

In the connection with the assets in 1998, the Company recognized a loss on the sale of assets of \$9,453,000 based on the excess book value over the cash proceeds received in the sale.

For the year ended December 31, 1998, the Company recognized approximately \$51,081,000 of impairment losses related to assets held for sale. In accordance with SFAS No. 121, when management identifies an asset held for sale, a fair value is estimated. If the fair value of the asset is less than the carrying value amount, a reserve for impairment is established.



Depreciation and amortization expense was \$231,233,000 for 1998, compared to \$52,685,000 in 1997. The increase is primarily due to the net increase in owned and leased hotel properties to 299 at December 31, 1998 from 91 in 1997.

Minority interest share of loss was \$12,651,000 in 1998 as compared to income of \$1,684,000 as a result of certain non-recurring expenses recognized by the operating partnerships in 1998.

Minority interest in other consolidated subsidiaries increased from \$1,615,000 to \$9,427,000 as a result of an increase in unconsolidated subsidiaries acquired through various mergers and acquisitions during 1998.

In connection with the Wyndham merger, the Interstate merger, the Summerfield acquisition, and the WHG acquisition, the Company repaid certain debt obligations of Old Wyndham, Interstate, Summerfield and WHG. As a result, the Company incurred prepayment penalties and wrote-off the remaining balance of unamortized deferred financing costs associated with such debt in the amount of \$31,817,000, net of minority interest share of the net loss. This has been reported as an extraordinary item. Concurrent with the repayment of the old line of credit, Patriot wrote off the remaining balance of unamortized deferred financing costs associated with the old line of credit in the amount of \$2,534,000 net of minority interest share of the net loss, and has been reported as an extraordinary item.

As a result, net loss was \$158,223,000 for 1998, compared to net loss of \$2,172,000 for 1997.

### Results of reporting segments

For the year ended December 31, 1999 compared with the year ended December 31, 1998

Wyndham hotel properties include Wyndham Hotels, Wyndham Gardens and Wyndham Grand Heritage and represent approximately 22.8% and 29.7% of total revenue for the years ended December 31, 1999 and 1998, respectively. Total revenue was \$568,584,000 in 1999 as compared to \$610,523,000 in 1998 for a decrease of 6.9%. Operating income was \$149,688,000 in 1999 as compared to \$153,723,000 in 1998, or a decrease of 2.6%. This decrease was a result of the repositioning of three Wyndham hotels to Wyndham resorts in 1999. The total revenue included in 1998 for those three properties was \$97,755,000 and operating income of \$22,817,000. Excluding those three hotels, Wyndham hotel revenue actually increased by 10.9%, with operating income increasing 14.3%. The increase in both revenues and operating income is primarily a result of the rebranding of certain hotels acquired in 1998 from non-proprietary brands to Wyndham Hotels, as well as the opening of several Wyndham hotels which were under development in 1998 and opened in 1999.

Resort properties including Wyndham Luxury Resorts and Wyndham Resort hotel properties represent approximately 20.9% and 15.4% of total revenue for the years ended December 31, 1999 and 1998, respectively. Total revenue increased from \$315,674,000 in 1998 to \$520,813,000 in 1999, while operating income increased from \$76,349,000 in 1998 to \$120,254,000 in 1999. The increase is primarily due to the repositioning of the above mentioned hotels and the acquisition of the remaining partners' interest in certain resorts in March 1998. Prior to the acquisition, Wyndham accounted for its investment in these resorts on the equity basis of accounting. Subsequent to the purchase of the partners' interest, the operations were consolidated into the statement of operations. In addition, Hurricane Georges adversely affected 1998's third and fourth quarter revenues and earnings at several Wyndham resort properties.

All suite properties including Summerfield and Sierra represent approximately 5.6% and 3.6% of total revenue for the year ended December 31, 1999 as compared to 1998. Total revenue increased from \$74,333,000 to \$138,900,000 and operating income increased from \$14,690,000 to \$27,059,000 from 1998 to 1999, respectively. Summerfield was not acquired until June of 1998; and therefore, only reflects seven months of operations. In addition, 1999 results reflected the opening of additional Summerfield and Sierra Suites which were under development in 1998 but operational in 1999.

Other proprietary branded properties, including Malmaison, Grand Heritage, ClubHouse and hotels acquired in the Arcadian acquisition, represent approximately 3.8% of total revenue for the year ended December 31 1999, as compared to 3.9% for 1998. Total revenue increased from \$80,998,000 to \$95,669,000, and operating income increased from \$26,492,000 to \$27,405,000 for the years ended 1998 and 1999, respectively. The hotels acquired in the Arcadian acquisition were not acquired until April of 1998, accounting primarily for the increase of both revenues and operating income. In addition, 1999 results reflected the opening of an additional hotel which was under development in 1998 and the addition of the controlling interest in a third hotel in September of 1999. However, these increases were partially offset by the sale of the 11 hotels from Arcadian in December of 1999 and the decreases in revenues and operating income for the ClubHouse branded hotels.

Non-proprietary branded properties, including Hilton®, Holiday Inn®, Marriott®, Doubletree®, Radisson® and other major hotel franchises, represent approximately 43.4% and 37.0% of total revenue for the year ended December 31, 1999 as compared to 1998. Total revenue increased from \$761,154,000 to \$1,085,080,000 and operating income increased from \$183,703,000 to \$259,616,000 for the years ended 1998 and 1999, respectively. The increase is due primarily to the acquisition of the owned and leased Interstate properties, and the leasehold interest in CHC Lease Partners, NorthCoast and the Doubletree Lessees. The increases were partially offset by asset sales during the year, as well as the loss of certain leaseholds in the Interstate spin-off.

Other represents revenue from various operating businesses including management and other service companies and participating lease revenue for one hotel and a parcel of land. Total revenue for the other segment was \$86,289,000 and \$213,659,000 for 1999 and 1998, respectively. The overall \$127,370,000 decrease in this segment's revenue was caused by several factors. The sale of Bay Meadows Racetrack operations and leasehold effective February 1, 1999 reduced revenue by \$46,698,000. The purchase of the third party leasehold interests, primarily CHC Lease Partners and NorthCoast Hotels, reduced participating lease revenue by \$57,246,000. Operating losses for the segment were \$1,067,611,000 and \$576,963,000 for the years ended December 31, 1999 and 1998, respectively. In addition to the decrease in revenues, the increase in the segment's operating loss is a result of increased expenses resulting from the mergers and acquisitions in 1998. Interest expense increased \$93,124,000, depreciation and amortization increased \$71,657,000, and corporate and general and administrative expenses increased \$73,104,000. The sale of the Bay Meadows Racetrack accounted for an approximate \$39,331,000 decrease in expenses, and the cost of acquiring the third party leaseholds in 1998 decreased expenses by an additional \$63,111,000.

For the year ended December 31, 1998 compared with the year ended December 31, 1997

Wyndham hotels properties represent approximately 29.7% and 3.2% of total revenue for 1998 and 1997, respectively. Total revenue was \$610,523,000 for the year ended December 31, 1998 compared to \$10,711,000 in 1997. The increase is primarily due to the additional hotels acquired as a result of the acquisition of hotels and mergers in 1998. Operating income for the Wyndham hotels was \$153,723,000 for the year ended December 31, 1998 compared to \$2,388,000 for 1997.

Resort properties represent approximately 15.4% and 9.1% of total revenue for 1998 and 1997, respectively. Total revenue was \$315,674,000 for the year ended December 31, 1998 compared to \$30,334,000 in 1997. The increase is primarily due to the additional hotels acquired as a result of the acquisition of hotels and mergers in 1998. Operating income for the resort properties was \$76,349,000 for the year ended December 31, 1998 compared to \$6,628,000 for 1997.

All suite properties represent approximately 3.6% of total revenue for 1998. Patriot purchased 4 properties and Patriot and Wyndham acquired 26 leaseholds in 1998 and leased them to Wyndham. Total revenue was \$74,333,000 for the year ended December 31, 1998, and operating income was \$14,690,000 in 1998.

Other proprietary branded properties represent approximately 3.9% and 2.9% of total revenue for 1998 and 1997, respectively. Total revenue was \$80,998,000 for the year ended December 31, 1998 compared to \$9,595,000 in 1997. The increase is primarily due to the additional hotels acquired as a result of the acquisition of hotels and mergers in 1998. Operating income for these properties was \$26,492,000 for the year ended December 31, 1998 compared to \$1,436,000 for 1997.

Non-proprietary branded properties represent approximately 37.0% and 34.4% of total revenue for 1998 and 1997, respectively. Total revenue was \$761,154,000 for the year ended December 31, 1998 compared to \$115,223,000 in 1997. The increase is primarily due to the additional hotels acquired as a result of the acquisition of hotels and mergers in 1998. Operating income for these properties was \$183,703,000 for the year ended December 31, 1998 compared to \$29,947,000 for 1997.

Other represents revenue from various operating businesses including Bay Meadows Racetrack, management and other service companies as well as participating lease revenue for those hotels leased to third parties. Total revenue for the other segment was \$213,659,000 and \$169,172,000 for the years ended December 31, 1998 and 1997, respectively. The increase in total revenue is a result of a full year of operations reflected in 1998 compared to six months of operations in 1997. Operating loss of the other segment was \$576,963,000 for 1998 compared to \$42,272,000 in 1997. The

increase in operating loss is a result of the following items: the treasury lock settlement of \$49,334,000; the loss on the sale of the North Coast Transaction assets of \$9,453,000; the impairment loss on assets held for sale (including the Bay Meadows Racetrack) of \$51,081,000; the increase in the costs of acquiring leaseholds in 1998 over 1997 of \$9,908,000; the increase in interest expense of \$209,572,000 as a result of the increased borrowings to fund the 1998 mergers and acquisitions; and the increase in depreciation and amortization of \$178,548,000 as a result of the 1998 mergers and acquisitions.

#### *Statistical Information*

During 1999, the Company's portfolio of 204 owned and leased hotels experienced moderate growth in both average daily rate ("ADR") and revenue per available room ("REVPAR") of approximately 2.8% and 1.3%, respectively, while occupancy decreased slightly by 1.4%. Management attributes this growth to continued marketing efforts throughout the portfolio on hotels that have been repositioned and converted, as well as to the current market conditions in the U.S. lodging industry. The following table sets forth certain statistical information for the Company's 204 owned and leased hotels for 1999 and 1998 as if the hotels were owned or leased for the entire periods presented.

	<i>Occupancy</i>		<i>ADR</i>		<i>REVPAR</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Wyndham Hotels	69.3%	70.7%	\$109.81	\$107.57	\$ 76.07	\$ 76.08
Wyndham Resorts	73.4	70.9	160.09	153.06	117.55	108.58
Wyndham Luxury Resort (formerly Grand Bay Hotels & Resorts)	72.0	68.6	300.97	312.52	216.63	214.41
Summerfield Suites & Sierra Suites	80.2	81.2	116.65	116.08	93.56	94.26
Malmaison	83.1	79.0	124.72	123.13	103.62	97.27
ClubHouse	58.3	66.4	66.20	68.06	38.62	45.21
Non-proprietary brands	70.9	72.3	102.22	99.78	72.44	72.16
Weighted average	71.2%	72.2%	\$113.82	\$110.68	\$ 81.00	\$ 79.92

#### *Liquidity and Capital Resources*

Cash and cash equivalents as of December 31, 1999 were \$246.8 million, including restricted cash of \$102.5 million. Cash and cash equivalents as of December 31, 1998 were \$158.9 million, including restricted cash of \$35.9 million.

#### *Cash Flow Provided by Operating Activities*

The Company's principal source of cash flow is from the operations of the hotels that it owns, leases and manages. Cash flows from operating activities were \$202.3 million for 1999. Cash flows from operating activities of the Company were \$244.5 million for 1998, which represent a combination of collection of rents under participating leases with third party lessees and cash flows generated by the hotels operated by the Company. Cash flows from operating activities were \$108.1 million for 1997, which primarily represent collection of rents under participating leases.

As a result of the reorganization, the Company will pay significantly more in federal income taxes but will have the ability to retain significantly more earnings than was previously the case because the Company is not required to distribute at least 95% or more of its taxable income to its shareholders. The Company anticipates that its enhanced ability to retain earnings will allow it to utilize cash flow from operating activities to fund maintenance, capital expenditures and acquisitions. The Company does not anticipate paying a dividend to its common shareholders. However, for the first six years, dividends on the series A and series B convertible preferred stock are structured to ensure an aggregate fixed cash dividend payment of \$29.25 million per year, so long as there is no redemption or conversion of the preferred stock; therefore, for that period, dividends are payable partly in cash and partly in additional shares of preferred stock. For the following four years, dividends are payable in cash or additional shares of series A or series B convertible preferred stock, as the case may be, as determined by the Board of Directors. After year ten, dividends are payable solely in cash.



#### Cash Flows from Investing and Financing Activities

Cash flows used in investing activities of the Company were approximately \$290.0 million for 1999, resulting primarily from the acquisition of hotel properties, property renovations and improvements, and cash deposited as escrows and property improvement reserves.

Cash flows provided by financing activities of approximately \$175.5 million for 1999 were primarily related to the net proceeds from the sale of the series B preferred stock, the net proceeds from the new credit facility and the net proceeds from the new mortgage debt, partially offset by the repayment of the old credit facility, term loans, and the settlement of the forward equity contracts.

During 1998, the Company continued to experience rapid growth through the merger and acquisition of hotel properties and management companies. These transactions were funded with a combination of issuance and or assumption of debt as well as sale of registered securities, issuance of OP units and proceeds from the forward equity transactions. The proceeds from the forward equity transactions were used to repay borrowings under the credit facility. The credit facility was then used to fund the cash portion of the Company's mergers and acquisitions.

Cash flows used in investing activities of the Company were approximately \$2.1 billion for 1998, resulting primarily from the merger and acquisition of various hotel properties and management companies and the renovation expenditures at certain hotels. Cash flows used in investing activities of the Company were approximately \$1.2 billion for the year ended December 31, 1997, resulting primarily from the Cal Jockey Merger, the acquisition of various hotel properties and management companies, and the renovation of certain hotels.

Cash flows from financing activities of \$1.9 billion for 1998 were primarily related to the borrowings on the credit facility, the term loans and mortgage notes, and net proceeds from public and private placement of equity securities, net of payments of dividends and distributions. Cash flows from financing activities of approximately \$1.1 billion for 1997 were primarily related to borrowings under the credit facility, the term loans and mortgage notes and net proceeds from public and private equity securities, net of payments of dividends and distributions.

Concurrent with the closing of the \$1 billion equity investment, Wyndham closed on a new \$2.45 billion credit facility which consists of a \$1.3 billion term loan with a seven-year term, a \$500 million revolving credit facility with a five-year term, and a \$650 million increasing rate loan facility with a five-year term. The proceeds, net of closing costs and fees of approximately \$41.1 million, for the term loan and the revolving credit facility, and approximately \$17.9 million for the increasing rate loan facility, were used to retire existing indebtedness. At December 31, 1999, \$270 million was drawn on the new revolving credit facility.

Interest rates are based upon LIBOR plus spreads varying from 2.75% to 3.50% per annum for the term loan, and 1.25% to 2.75% per annum for the revolving credit facility, based both on Wyndham's leverage ratio, as defined, and whether any increasing rate loans are outstanding. If any of the increasing rate loan facility remains outstanding, the applicable margins shall be increased by 0.25%. The term loan and the revolving credit facility are guaranteed by the domestic subsidiaries of Wyndham and are secured by pledges of equity interests held by Wyndham and its subsidiaries. Wyndham's ability to borrow under its revolving credit facility is subject to Wyndham's compliance with a number of customary financial and other covenants, including total leverage and interest coverage ratios.

Interest rates for the increasing rate loans are based on LIBOR rates (less statutory reserves), plus 3.50% through September 30, 1999, and increasing 0.50% every three months, with a cap of LIBOR plus 4.75%. The lender under the increasing rate loans receives the benefit of the same guarantees and pledges of security provided under the new term loan and revolving credit facility.

As of March 22, 2000, the Company had approximately \$315 million outstanding under the revolving credit facility and \$1.3 billion outstanding on the term loans, and \$650 million outstanding under the increasing rate loans. Additionally, the Company had outstanding letters of credit totaling \$21.2 million. As of such date, the Company also had over \$1.4 billion of mortgage debt outstanding that encumbered 74 hotels, resulting in total indebtedness of approximately \$3.7 billion. As of March 22, 2000, the Company had \$163.8 million of additional availability under the Revolving Credit Facility.

In March 2000, the Company entered into three additional interest rate hedges for a total notional amount of \$1.5 billion. The hedges are structured such that each hedge has a series of trigger levels in which the hedge can become ineffective for any reset period that the 1-month LIBOR rises above the trigger level. If LIBOR resets below the trigger level, the hedge becomes effective again. The Company paid approximately \$34.3 million in premiums, which will be amortized over the terms of the contracts, to enter into these transactions. The hedges are as follows:

<i>Hedge</i>	<i>Notional Amount</i>	<i>Terms</i>	<i>Rate</i>	<i>Trigger Level</i>
Interest Rate Swap	\$700 million	5 years	6.1%-6.75%	7.0%-8.5%
Interest Cap	\$250 million	3 years	4.75%	7.5%
Interest Corridor	\$550 million	3 years	5.25%	7.5%

In addition, the Company shortened the terms of three existing hedges and received net proceeds of approximately \$6.8 million. The hedges were as follows:

<i>Hedge</i>	<i>Notional Amount</i>	<i>Original Maturity</i>	<i>Revised Maturity</i>	<i>Rate</i>
Interest Rate Swap	\$375 million	11/01/02	3/01/02	6.26%
Interest Rate Swap	\$125 million	11/01/02	3/01/02	5.56%
Interest Rate Swap	\$250 million	06/01/03	3/01/02	5.84%

#### *Forward Equity Transactions*

The Company was party to transactions with three counterparties involving the sale of an aggregate of 13.3 million paired shares, with related purchase price adjustment mechanisms. The Company's aggregate obligation under the forward equity transactions was approximately \$335.8 million at June 30, 1999. Effective June 30, 1999, the Company settled in full all of the forward equity transactions in cash with part of the proceeds of the \$1 billion equity investment. The 100.7 million shares owned or held by the counterparties were retired effective June 30, 1999.

#### *Renovations and Capital Improvements*

During 1999, the Company completed approximately \$230.7 million in total capital improvements and renovations on various hotel properties. These major renovations included upgrading the quality of the furniture and fixtures in guestrooms, public meeting space and lobby areas as well as adding additional rooms to certain of the hotels. During 2000, the Company anticipates spending approximately \$198.8 million in capital expenditures, including (i) costs related to converting hotels to one of the Company's proprietary brands, (ii) costs related to converting certain Wyndham Garden hotels to Wyndham hotels, (iii) costs related to enhancing the revenue-producing capabilities of its hotels, and (iv) costs related to recurring maintenance capital expenditures.

The Company attempts to schedule renovations and improvements during traditionally lower occupancy periods in an effort to minimize disruption to the hotel's operations. Therefore, management does not believe such renovations and capital improvements will have a material effect on the results of operations of the hotels. However, no assurance can be made that such renovations and capital improvements will not impact the results of operations. Capital expenditures will be financed through the capital expenditure reserves, the credit facility, other financing sources, or with working capital.

#### *Qualitative and Quantitative Disclosures about Market Risks*

The Company's primary market risk exposure is to future changes in interest rates related to the Company's derivative financial instruments and other financial instruments including debt obligations, interest rate swaps, interest rate caps, and future debt commitments.

The Company manages its debt portfolio by periodically entering into interest rate swaps and caps to achieve an overall desired position of fixed and floating rates or to limit its exposure to rising interest rates.

The following table provides information about the Company's derivative and other financial instruments that are sensitive to changes in interest rates.

- For fixed rate debt obligations, the table presents principal cash flows and related weighted-average interest rates by expected maturity date and contracted interest rates at December 31, 1999. For variable rate debt obligations, the table presents principal cash flows by expected maturity date and contracted interest rates at December 31, 1999.
- For interest rate swaps and caps, the table presents notional amounts and weighted-average interest rates or strike rates by expected (contractual) maturity dates. Notional amounts are used to calculate the contractual cash flows to be exchanged under the contract. Weighted average variable rates are based on implied forward rates in the yield curve at December 31, 1999.

	2000	2001	2002	2003	2004	Thereafter	Face Value	Fair Value
<i>(dollars in thousands)</i>								
<b>Debt</b>								
Long-term debt obligations								
Including Current Portion								
Fixed Rate	\$ 23,896	\$ 17,915	\$ 46,092	\$ 6,726	\$ 52,467	\$ 282,731	\$ 429,827	\$ 429,827
Average Interest Rate	8.95%	7.92%	8.89%	8.55%	8.21%	8.17%		
Variable Rate	\$ 106,281	\$ 144,804	\$ 278,853	\$ 37,853	\$ 1,326,589	\$ 1,319,349	\$ 3,213,729	\$ 3,213,729
Average Interest Rate	8.51%	7.88%	8.67%	8.29%	9.13%	8.68%		
Interest Rate Derivative Financial Instruments Related to Debt								
Interest Rate Swaps								
Pay Fixed/Receive Variable								
Variable	\$ 491,988	\$ 31,000	\$ 500,000	\$ 250,000	\$ -	\$ -	\$ 1,272,988	\$ 16,440
Average Pay Rate	5.93%	5.98%	6.00%	5.84%	-	-		
Average Receive Rate	7.20%	7.57%	7.56%	7.56%	-	-		
Interest Rate Caps								
Notional Amount	\$ 1,500,000	\$ 57,475	\$ -	\$ -	\$ 340,615	\$ -	\$ 1,898,090	\$ (1,887)
Strike Rate	7.08%	7.38%	7.37%	7.37%	7.37%	-		
Forward Rate	7.20%	7.57%	7.56%	7.56%	7.58%	-		

#### Change in Accountants

On August 19, 1999, the Company dismissed Ernst & Young LLP as its independent accountants. The reports of Ernst & Young LLP on the financial statements of the Company for the past two fiscal years contain no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The audit committee of the Board of Directors of the Company participated in and approved the decision to change independent accountants. In connection with Ernst & Young LLP's audits for Wyndham's two most recent fiscal years ended December 31, 1998 and in the subsequent interim period, there have been no disagreements with Ernst & Young LLP on any matter of accounting principles or financial statement disclosure, or auditing scope or procedure which if not resolved to the satisfaction of Ernst & Young LLP would have caused them to make reference to the subject matter in their report. There were no reportable events as defined in Regulation S-K Item 304(a) (1) (v).

## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors and Shareholders  
Wyndham International, Inc.

In our opinion, the accompanying consolidated balance sheet as of December 31, 1999 and the related consolidated statements of operations, shareholders' equity and cash flows present fairly in all material respects the financial position of Wyndham International, Inc. and its subsidiaries (the "Company") at December 31, 1999, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion expressed above. The financial statements of the Company as of December 31, 1998 and 1997 and for the years then ended were audited by other independent accountants whose report dated March 1, 1999 expressed an unqualified opinion.

*PricewaterhouseCoopers LLP*

*Dallas, Texas*

*February 15, 2000, except as to the information  
in Note 21 for which the date is March 27, 2000*

## REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders  
Wyndham International, Inc.

We have audited the accompanying consolidated balance sheet of Wyndham International, Inc. as of December 31, 1998, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wyndham International, Inc. at December 31, 1998, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 1998, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

*Dallas, Texas  
March 1, 1999*

*Wyndham International, Inc.*

CONSOLIDATED BALANCE SHEETS

<i>December 31,</i>	<i>1999</i>	<i>1998</i>
<i>(in thousands, except share amounts)</i>		
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 144,333	\$ 123,085
Restricted cash	102,480	35,869
Accounts and lease revenue receivable	186,321	194,583
Inventories	23,304	23,583
Prepaid expenses and other assets	21,197	35,346
<b>Total current assets</b>	<b>477,635</b>	<b>412,466</b>
Investment in real estate and related improvements net of accumulated depreciation of \$478,494 in 1999 and \$252,580 in 1998	5,413,178	5,585,616
Investment in unconsolidated subsidiaries	165,663	146,912
Mortgage notes and other receivables from unconsolidated subsidiaries	2,168	78,403
Notes and other receivables	40,485	41,334
Management contract costs, net of accumulated amortization \$26,359 in 1999 and \$11,258 in 1998	129,362	194,014
Leasehold costs, net of accumulated amortization of \$15,305 in 1999 and \$5,989 in 1998	133,102	179,922
Trade names and franchise costs, net of accumulated amortization of \$11,328 in 1999 and \$6,670 in 1998	116,521	125,974
Deferred acquisition costs	2,584	16,144
Goodwill and intangibles, net of accumulated amortization of \$30,141 in 1999 and \$20,895 in 1998	378,916	553,889
Deferred expenses, net of accumulated amortization of \$46,614 in 1999 and \$29,136 in 1998	97,767	37,998
Other assets	46,109	42,998
<b>Total assets</b>	<b>\$ 7,003,490</b>	<b>\$ 7,415,670</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 322,195	\$ 313,657
Deposits	39,452	26,392
Current portion of borrowings under credit facility, term loans, mortgage notes and capital lease obligations	130,177	1,274,918
<b>Total current liabilities</b>	<b>491,824</b>	<b>1,614,967</b>
Borrowings under credit facility, term loans, mortgage notes and capital lease obligations	3,513,379	2,582,603
Deferred income taxes	656,164	123,463
Due to unconsolidated subsidiaries	-	7,919
Deferred income	15,543	174
Minority interest in the Operating Partnerships	22,435	253,970
Minority interest in other consolidated subsidiaries	166,483	229,537
Commitments and contingencies		
<b>Shareholders' equity:</b>		
Preferred stock, \$0.01 par value; authorized: 150,000,000 shares; shares issued and outstanding: 10,344,662 in 1999	103	-
Preferred stock, \$0.01 par value; authorized: 100,000,000 shares; shares issued and outstanding: 8,981,886 in 1998	-	90
Excess stock, \$0.01 par value; authorized: 750,000,000 shares; no shares issued and outstanding	-	-
Common stock, \$0.01 par value; authorized: 750,000,000 shares; shares issued and outstanding: 167,193,696 in 1999 and 213,521,647 in 1998	1,672	4,270
Additional paid in capital	3,753,235	3,024,540
Receivable from shareholders and affiliates	(17,210)	(16,364)
Unearned stock compensation, net of accumulated amortization of \$19,297 in 1999 and \$13,447 in 1998	(255)	(5,494)
Unrealized loss on securities available for sale	(1,000)	(1,245)
Unrealized foreign exchange (loss) gain	(7,576)	2,749
Accumulated deficit	(1,591,307)	(405,509)
<b>Total shareholders' equity</b>	<b>2,137,662</b>	<b>2,603,037</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,003,490</b>	<b>\$ 7,415,670</b>

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

	1999	1998	1997
<i>(in thousands, except per share amounts)</i>			
<b>Revenues:</b>			
Hotel revenue	\$ 2,409,046	\$ 1,842,682	\$ 167,727
Participating lease revenue	1,194	58,440	127,033
Racecourse facility and land lease revenue	4,561	51,259	26,511
Management fee and service fee income	69,278	89,067	7,088
Interest and other income	11,256	14,893	6,676
Total revenue	2,495,335	2,056,341	335,035
<b>Expenses:</b>			
Hotel expenses	1,759,993	1,351,872	140,392
Racing facility operations	3,867	43,198	21,620
General and administrative	190,770	117,666	17,181
Interest expense	353,227	260,103	50,531
Cost of acquiring leaseholds and license agreements	1,296	64,407	54,499
Treasury lock settlement	-	49,334	-
Loss on sale of assets	10,702	9,453	-
Impairment loss on assets held for sale	70,912	51,081	-
Restructuring charge	285,267	-	-
Depreciation and amortization	302,890	231,233	52,685
Total expense	2,978,924	2,178,347	336,908
Operating loss	(483,589)	(122,006)	(1,873)
Equity in (losses) earnings of unconsolidated subsidiaries	(7,746)	9,498	6,015
(Loss) income before income tax provision, minority interests and extraordinary item	(491,335)	(112,508)	4,142
Income tax provision	(571,421)	(17,122)	(481)
(Loss) income before minority interests and extraordinary item	(1,062,756)	(129,630)	3,661
Minority interest in the Operating Partnerships	6,642	12,651	(1,684)
Minority interest in consolidated subsidiaries	(6,017)	(9,427)	(1,615)
(Loss) income before extraordinary item	(1,062,131)	(126,406)	362
Extraordinary loss from early extinguishment of debt, net of minority interest and income taxes	(9,838)	(31,817)	(2,534)
Net loss	\$(1,071,969)	\$ (158,223)	\$ (2,172)
<b>Basic loss attributable to common shareholders:</b>			
Net loss	\$(1,071,969)	\$ (158,223)	\$ (2,172)
Adjustment for equity forwards	(19,372)	(21,151)	-
Preferred stock dividends	(50,190)	(7,956)	-
Excess of fair value of consideration to redeem preferred stock	(115)	-	-
Basic net loss	\$(1,141,646)	\$ (187,330)	\$ (2,172)
<b>Basic (loss) earnings per common share:</b>			
(Loss) income before extraordinary item	\$ (7.02)	\$ (1.13)	\$ 0.01
Extraordinary loss	(0.06)	(0.23)	(0.04)
Net loss per common share	\$ (7.08)	\$ (1.36)	\$ (0.03)
<b>Diluted loss attributable to common shareholders:</b>			
Net loss	\$(1,071,969)	\$ (158,223)	\$ (2,172)
Adjustment for equity forwards	(39,322)	(188,392)	-
Preferred stock dividends	(50,190)	(7,956)	-
Excess of fair value of consideration to redeem preferred stock	(115)	-	-
Diluted net loss	\$(1,161,596)	\$ (354,571)	\$ (2,172)
<b>Diluted (loss) earnings per common share:</b>			
(Loss) income before extraordinary item	\$ (7.14)	\$ (2.34)	\$ 0.01
Extraordinary loss	(0.06)	(0.23)	(0.04)
Net loss per common share	\$ (7.20)	\$ (2.57)	\$ (0.03)

The accompanying notes are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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	Preferred Stock		Common Stock			Additional Paid in Capital	Notes Receivable from Shareholders and Affiliates	Unearned Stock Compensation	Accumulated Deficit and Dividend Distributions	Accumulated Other Comprehensive Income		Total
	Number of Shares	Par Value	Patriot Number of Shares	Wyndham Number of Shares	Par Value					Foreign Currency Exchange	Unrealized Loss on Securities Held for Sale	
<i>(in thousands, except share amounts)</i>												
<b>Balance, December 31, 1996</b>	-	\$ -	43,613,496	-	\$ 436	\$ 442,104	\$ -	\$ (5,427)	\$ (74)	\$ -	\$ -	\$ 437,039
Issuance of shares for mergers and acquisition of properties	-	-	12,824,433	57,135,658	699	231,247	-	-	-	-	-	231,946
Issuance of shares, net of offering expenses	-	-	15,830,033	15,830,033	318	386,417	-	-	-	-	-	386,735
Issuance of shares to employees and directors	-	-	547,867	4,167	5	12,896	-	(12,839)	-	-	-	62
Forfeiture of unvested employee stock grants	-	-	(42,900)	(42,900)	-	(464)	-	464	-	-	-	-
Issuance of shares for exercise of options	-	-	314,967	310,938	6	2,301	-	-	-	-	-	2,307
Issuance of shares to redeem OP units	-	-	188,820	38,820	2	2,554	-	-	-	-	-	2,556
Redemption price of OP units in excess of book value	-	-	-	-	-	(6,082)	-	-	-	-	-	(6,082)
Net loss	-	-	-	-	-	-	-	-	(2,172)	-	-	(2,172)
Amortization of unearned stock compensation	-	-	-	-	-	-	-	4,686	-	-	-	4,686
Cash dividends	-	-	-	-	-	-	-	-	(67,185)	-	-	(67,185)
<b>Balance, December 31, 1997</b>	-	-	73,276,716	73,276,716	1,466	1,070,973	-	(13,116)	(69,431)	-	-	989,892
Issuance of shares for mergers and acquisitions of properties	8,423,230	85	59,491,863	59,491,863	1,190	1,607,050	-	-	-	-	-	1,608,325
Issuance of shares, net of offering expenses	-	-	64,084,627	64,084,627	1,282	257,439	-	-	-	-	-	258,721
Return of capital	-	-	-	-	-	(52,873)	-	-	-	-	-	(52,873)
Issuance of shares to employees and directors	-	-	39,790	39,790	-	928	-	-	-	-	-	928
Issuance of shares for exercise of options	-	-	1,210,737	1,210,737	24	15,250	-	-	-	-	-	15,274
Issuance of shares to redeem OP units	-	-	1,362,316	1,362,316	28	27,868	-	-	-	-	-	27,896
Issuance of notes receivable from shareholders and affiliates for mergers and acquisitions	-	-	-	-	-	-	(18,617)	-	-	-	-	(18,617)
Accrued interest on notes receivable from shareholders and affiliates	-	-	-	-	-	-	(863)	-	863	-	-	-
Collections on notes receivable from shareholders and affiliates	-	-	-	-	-	-	3,116	-	-	-	-	3,116
Amortization of unearned stock compensation	-	-	-	-	-	-	-	7,622	-	-	-	7,622
Net loss	-	-	-	-	-	-	-	-	(158,223)	-	-	(158,223)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	2,749	-	2,749
Unrealized loss on securities held for sale	-	-	-	-	-	-	-	-	-	-	(1,245)	(1,245)
Comprehensive loss	-	-	-	-	-	-	-	-	(87,390)	-	-	(87,390)
Cash dividends	-	-	-	-	-	-	-	-	(91,328)	-	-	(91,328)
Stock dividends declared	558,656	5	14,055,598	14,055,598	280	97,905	-	-	-	-	-	6,862
<b>Balance, December 31, 1998</b>	8,981,886	\$ 90	213,521,647	213,521,647	\$ 4,270	\$3,024,540	\$ (16,364)	\$ (5,494)	\$ (405,509)	\$ 2,749	\$ (1,245)	\$2,603,037
Settlement of forward equity contracts	-	-	(100,701,863)	(100,701,863)	(2,014)	(327,466)	-	-	-	-	-	(329,480)
Merger of PAH Inc. into Wyndham International Inc.	(4,860,876)	(50)	(142,865,949)	4,860,876	(1,380)	1,430	-	-	-	-	-	-
Exchange of Old Wyndham preferred stock to common stock	(3,562,354)	(36)	-	3,562,354	36	-	-	-	-	-	-	-
Redemption of PAH Inc. Preferred B Stock	(558,656)	(5)	-	-	-	(13,961)	-	-	(896)	-	-	(14,862)
Issuance of shares net of offering expenses	10,000,000	100	29,239,336	29,239,336	585	917,306	-	-	-	-	-	917,991
Issues of shares to employees and directors	-	-	538,496	955,757	14	11,820	-	(611)	-	-	-	11,223
Issuance of shares to redeem OP units	-	-	268,333	15,390,452	156	114,381	-	-	-	-	-	114,537
Issuance of shares for mergers and acquisition of properties	-	-	-	1,336,276	13	6,030	-	-	-	-	-	6,043
Accrued interest on notes receivable from shareholders and affiliates	-	-	-	-	-	-	(846)	-	846	-	-	-
Amortization of unearned stock compensation	-	-	-	-	-	-	-	5,850	-	-	-	5,850
Retirement of stock	-	-	-	(971,139)	(8)	(15,307)	-	-	-	-	-	(15,315)
Net loss	-	-	-	-	-	-	-	-	(1,071,969)	-	-	(1,071,969)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	(10,325)	-	(10,325)
Unrealized gain on securities held for sale	-	-	-	-	-	-	-	-	-	-	245	245
Comprehensive loss	-	-	-	-	-	-	-	-	(64,602)	-	-	(64,602)
Interstate Spin-off Dividend	-	-	-	-	-	-	-	-	(14,711)	-	-	(14,711)
Cash Dividends	-	-	-	-	-	-	-	-	(34,466)	-	-	(34,466)
Stock Dividends	344,662	4	-	-	-	34,462	-	-	-	-	-	-
<b>Balance as of December 31, 1999</b>	10,344,662	\$103	-	167,193,696	\$ 1,672	\$3,753,235	\$ (17,210)	\$ (255)	\$ (1,591,307)	\$ (7,576)	\$ (1,000)	\$2,137,662

The accompanying notes are an integral part of these consolidated financial statements.

Wyndham International, Inc.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>Years Ended December 31,</i> <i>(in thousands)</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
<b>Cash flows from operating activities:</b>			
Net loss	\$ (1,071,969)	\$ (158,223)	\$ (2,172)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	302,890	231,233	52,787
Amortization of unearned stock compensation	5,850	7,622	4,686
Amortization of deferred loan costs	34,946	26,914	2,630
Net loss on sale of assets	10,702	9,453	-
Impairment loss on assets held for sale	203,731	51,081	-
Write-off of intangible assets	133,143	-	-
Write-off of deferred acquisition costs	8,349	-	-
Forgiveness of debt	7,898	-	-
Cost of acquiring leaseholds	-	64,407	54,499
Payment of interest on notes receivable from unconsolidated subsidiaries	-	-	5,001
Treasury lock settlement	-	49,225	-
Award of unearned stock compensation and other	-	928	61
Equity in losses (earnings) of unconsolidated subsidiaries	7,746	(9,498)	(6,015)
Minority interest in income of Operating Partnerships	(6,642)	(12,652)	1,684
Minority interest in consolidated subsidiaries	6,017	9,427	1,615
Deferred income taxes	539,313	(14,665)	-
Extraordinary items	9,838	31,817	2,534
Changes in assets and liabilities:			
Accounts receivable	(6,168)	(65,927)	(19,494)
Prepaid expenses and other assets	6,552	47,020	(5,965)
Lease revenue receivable	3,440	924	(4,359)
Due to/from affiliates	-	-	(421)
Accounts payable and other accrued expenses	6,666	(24,593)	21,039
Net cash provided by operating activities	<u>202,302</u>	<u>244,493</u>	<u>108,110</u>
<b>Cash flows from investing activities:</b>			
Acquisition of hotel properties and related working capital assets, net of cash acquired	(264,086)	(1,946,227)	(933,948)
Improvements and additions to hotel properties	(230,653)	(189,885)	(82,269)
Proceeds from sale of assets	205,553	77,325	-
Termination of management contracts	16,086	-	-
Change in other assets	(772)	880	-
Collection on other notes receivable	2,681	12,009	-
Deferred acquisition costs	(613)	(19,926)	(67,743)
Investment in unconsolidated subsidiaries	(10,077)	(24,557)	(1,574)
Principal payments received on mortgage and other notes receivable	2,357	-	(500)
Investment in other mortgage and other notes receivable	(10,429)	14,022	(116,090)
Net cash used in investing activities	<u>(289,953)</u>	<u>(2,076,359)</u>	<u>(1,202,124)</u>
<b>Cash flows from financing activities:</b>			
Borrowings under line of credit facility and mortgage notes	\$ 2,930,205	\$ 2,883,719	\$ 1,865,634
Repayments of borrowings under credit facility and other debt	(3,153,525)	(997,436)	(1,001,236)
Payment of deferred loan costs	(110,655)	(39,923)	(24,471)
Proceeds from issuance of common stock	-	273,995	388,621
Net proceeds from issuance of preferred stock	921,702	-	-
Cost to retire Patriot series B preferred stock	(13,966)	-	-
Cash settlement with Interstate upon spin-off	(17,102)	-	-
Contributions received from minority interest in consolidated subsidiaries	180	5,952	35,829
Distribution made to minority interest in other partnerships	(29,907)	(11,081)	-
Collections on notes receivables from shareholders	-	3,116	-
Payments to redeem OP units	-	-	(63,826)
Dividends and distributions paid	(15,607)	(124,834)	(65,705)
Forward equity settlements	(329,480)	(52,873)	-
Foreign currency translation adjustment	(6,379)	2,749	-
Other	44	-	-
Net cash provided by financing activities	<u>175,510</u>	<u>1,943,384</u>	<u>1,134,846</u>
Net increase in cash and cash equivalents	87,859	111,518	40,832
Cash and cash equivalents at beginning of period	158,954	47,436	6,604
Cash and cash equivalents at end of period	<u>\$ 246,813</u>	<u>\$ 158,954</u>	<u>\$ 47,436</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the period for interest	\$ 338,675	\$ 224,444	\$ 48,254
Cash paid during the period for income taxes	\$ 31,978	\$ 26,729	\$ 325

*The accompanying notes are an integral part of these consolidated financial statements.*



(dollars in thousands, except share amounts)

## 1. Organization:

Patriot American Hospitality, Inc. (collectively with its subsidiaries, "Patriot"), was formed April 17, 1995 as a self-administered real estate investment trust ("REIT") for the purpose of acquiring equity interests in hotel properties. Wyndham International, Inc. (collectively with its subsidiaries, "Old Wyndham") was formed in connection with Patriot's merger with and into California Jockey Club and Bay Meadows Operating Company on July 1, 1997 (the "Cal Jockey Merger"). Patriot and Old Wyndham are both Delaware corporations.

Wyndham International, Inc., as currently constituted, was formed through the June 30, 1999 restructuring and reorganization of Patriot and Old Wyndham. Prior to June 30, 1999, the shares of common stock of Patriot were paired and traded together with the shares of Old Wyndham, on a one for one basis, as a single unit pursuant to a stock pairing arrangement, and were referred to as a paired share.

Effective June 30, 1999, a subsidiary of Old Wyndham merged with and into Patriot with Patriot being the surviving entity and becoming a subsidiary of Old Wyndham. In connection with this restructuring, the pairing agreement between Patriot and Old Wyndham was terminated, Patriot's status as a real estate investment trust terminated effective January 1, 1999, and Patriot became a taxable corporation as of that date. This merger converted each previously outstanding paired share into one share of Wyndham class A common stock. Old Wyndham and its subsidiaries, which now include Patriot, is hereafter referred to as Wyndham or the Company. Unless otherwise stated herein, all information with respect to shares refers to Wyndham class A common stock since June 30, 1999 and to paired shares for periods before June 30, 1999.

Wyndham primarily operates through Patriot and the Wyndham International Operating Partnership, L.P. (the "Wyndham Partnership") in which it owns a 1% general partnership interest and an approximate 98% limited partnership interest. Patriot primarily operates through Patriot American Hospitality Operating Partnership, L.P. (the "Patriot Partnership") in which it owns a 1% general partnership interest and an approximate 98% limited partnership interest. The Patriot Partnership primarily owns interests in hotel properties and third party leaseholds. The Wyndham Partnership primarily leases hotel properties from the Patriot Partnership, owns interests in hotel properties, and manages and franchises hotels for third parties. The Patriot Partnership and the Wyndham Partnership are collectively referred to as the Operating Partnerships.

The restructuring was reflected as a reorganization of two companies under common control and was accounted for in a manner similar to that used in pooling of interest accounting. As such, there was no revaluation of the assets and liabilities of Old Wyndham or Patriot. The financial statements prior to the reorganization are presented on a combined basis and include the combined accounts of Patriot and its subsidiaries with Old Wyndham and its subsidiaries.

As of December 31, 1999, Wyndham owned interests in 165 hotels with an aggregate of over 43,900 guest rooms and leased 39 hotels from third parties with over 5,700 rooms. In addition, Wyndham managed 88 hotels for third party owners with over 20,800 guest rooms and franchises 11 hotels with over 2,600 guest rooms.

## 2. Summary of Significant Accounting Policies:

### *Principles of Consolidation*

The consolidated financial statements for 1999 include the accounts of Wyndham, its wholly-owned subsidiaries, and the partnerships, corporations, and limited liability companies in which Wyndham owns a controlling interest.

*Partnerships* – The condition for control is the ownership of a majority voting interest and the ownership of the general partnership interest.

*Corporations and Limited Liability Companies* – The condition for control is the ownership of a majority voting interest.

The financial statements prior to the reorganization are presented on a combined basis and include the combined accounts of Patriot and its subsidiaries with Old Wyndham and its subsidiaries.

### *Investment in Real Estate and Related Improvements*

The hotel properties are stated at lower of cost or fair market value. Depreciation is computed using the straight-line method based upon estimated useful lives of the assets of 35 to 40 years for the hotel buildings and improvements, 7 years for the racecourse facility and 3 to 10 years for furniture, fixtures and equipment. These estimated useful lives are based on management's knowledge of the properties and the industry in general.

## NOTES TO FINANCIAL STATEMENTS

*(dollars in thousands, except share amounts)*

Maintenance and repairs are charged to operations as incurred; major renewals and betterments are capitalized. Upon the sale or disposition of a fixed asset, the asset and the related accumulated depreciation are removed from the accounts and the gain or loss is included in operations.

Interest associated with borrowings used to finance substantial hotel renovations is capitalized and amortized over the estimated useful life of the assets. Interest of \$6,910, \$12,112 and \$2,562 was capitalized in 1999, 1998 and 1997, respectively.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, the Company would record impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

When management identifies an asset as held for sale, the Company estimates the fair value of such asset. If in management's opinion, the fair value of the asset is less than the carrying amount of the asset, a reserve for losses is established. Fair value is estimated as the amount at which the asset could be bought or sold less costs to sell. Impairment is evaluated based on undiscounted cash flows to be generated by the asset held for sale, as well as prevailing market conditions, appraisals or current estimated net sales proceeds from pending offers, if appropriate. The Company recognized approximately \$70,912 and \$30,578 of impairment losses for the years ended December 31, 1999 and 1998, respectively. During 1999, the Company also recorded a restructuring charge of \$132,819 associated with write-down of assets to estimated fair market value, as the Company will exit from these business sectors. The Company also recognized approximately \$10,702, net of impairment, and \$9,453 of losses related to other assets sold during 1999 and 1998, respectively.

#### *Cash and Cash Equivalents*

All highly liquid investments with an original maturity date of three months or less when purchased are considered to be cash equivalents.

#### *Investment in Unconsolidated Subsidiaries*

The Company's investments in unconsolidated subsidiaries include investments in 18 entities ranging from approximately 5% to 55%. Investments in partnerships and joint ventures are accounted for using the equity method of accounting when the Company has a 20% or more ownership interest or exercises significant influence over the venture. If the Company owns less than 20% and does not exercise significant influence, the investment is accounted under the cost method.

#### *Management contracts, trade names and franchise costs*

The costs associated with the acquisition of management contracts, trade names and franchises have been recorded as deferred costs. Amortization of management contracts is computed using the straight-line method over the term of the related management agreements. Amortization of trade names and franchise costs is computed using the straight-line method over estimated useful lives ranging from 12 to 20 years.

#### *Leaseholds*

The costs associated with the acquisition of leaseholds for hotel properties leased from third party owners have been recorded as deferred costs. Leasehold costs are amortized using the straight-line method over the terms of the related leasehold agreement.

#### *Goodwill and intangibles*

Goodwill and intangibles recognized in connection with the acquisition of certain businesses are amortized utilizing the straight-line method over a period of 10 to 40 years. The carrying value of goodwill is reviewed based on undiscounted cash flows over the remaining amortization period. Should this review indicate that the goodwill will not be recoverable, a reserve for impairment is established. During 1999, the Company recorded a write-down of goodwill and intangibles of \$112,702, as a result of the Company's restructuring plan. During 1998, Wyndham recognized approximately \$20,503 impairment loss on goodwill, related to assets and business held for sale at December 31, 1998.

## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands, except share amounts)

### *Deferred Expenses*

Deferred expenses consist of the following:

<i>December 31,</i>	<i>1999</i>	<i>1998</i>
Deferred loan costs	\$140,038	\$61,708
Costs of non-compete agreements	1,479	1,479
Franchise fees	1,147	616
Other	1,717	3,331
	144,381	67,134
Less: accumulated amortization	(46,614)	(29,136)
	\$ 97,767	\$37,998

Deferred loan costs are amortized to interest expense on a straight-line basis (which approximates the interest method) over the terms of the related loans, which range from one to ten years. Deferred loan costs include \$32,503 of fully-amortized costs associated with Patriot's old credit facility and other debt which was repaid on June 30, 1999. Costs of non-compete agreements are amortized using the straight-line method over the terms of the related agreement. Franchise costs are amortized using the straight-line method over the terms of the related franchise agreements.

### *Inventories*

Inventories consist of food, beverages, china, linen, glassware and silverware and are stated at cost, which approximates market.

### *Other Assets*

Leasehold improvements and furniture, fixtures and equipment related to the corporate offices are carried at cost and amortized over estimated useful lives of 5 to 7 years. Insurance premiums included in other assets are expensed on a pro-rata basis over the life of the related policies. Security deposits paid in connection with certain leasehold agreements of approximately \$46,109 are included in other assets.

### *Dividends*

Patriot paid sufficient dividends in order to maintain its status as a REIT under the Internal Revenue Code in 1998 and 1997. At June 30, 1999, as a result of the reorganization, Patriot's status as a real estate investment trust terminated effective January 1, 1999, and Patriot became a taxable corporation as of that date. The Company does not anticipate paying a dividend to its common shareholders.

### *Deposits*

Deposits represent cash received from guests for future hotel reservations at the hotels that Wyndham manages.

### *Income Taxes*

Wyndham records its provision for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. Under the liability method of Statement 109, deferred taxes are determined based on the difference between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect in the years the differences are expected to reverse (see Note 14).

Wyndham recorded a one-time charge of \$675,000 to establish a deferred tax liability that resulted from Patriot's change in tax status from a REIT to a C corporation, as required by SFAS No. 109. This charge is included in income tax expense in the accompanying 1999 consolidated statement of operations.

### *Minority Interest in the Operating Partnerships*

Minority interest in the Operating Partnerships includes adjustments for the minority partners' share of the current period net income and certain other adjustments for the issuance or redemption of OP units.

### *Minority Interest in Consolidated Subsidiaries*

The Company has entered into a number of joint ventures in which a third party owns a minority interest. For financial reporting purposes, the financial position and results of operations for each joint venture is included in the consolidated financial statements of the Company.

## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands, except share amounts)

*Forward Equity Transactions Subject to Price Adjustments*

The Company was party to transactions with three counterparties involving the sale of paired shares, with related price adjustment mechanisms. The original agreements and subsequent amendments provided for a settlement mechanism in either cash or additional paired shares. At each settlement date, the Company recorded an adjustment to equity for the change in fair market value of the Company's paired shares until the forward equity contracts were settled in full. See Note (10) for additional details on the forward equity transactions.

*Stock Splits*

On January 30, 1997, the Board of Directors declared a 2-for-1 stock split on Patriot common stock effected in the form of a stock dividend distributed on March 18, 1997 to shareholders of record on March 7, 1997.

In addition, on July 10, 1997, the respective Boards of Directors of Patriot and Old Wyndham declared a 1.927-for-1 stock split on its shares of common stock effected in the form of a stock dividend distributed on July 25, 1997 to shareholders of record on July 15, 1997.

Unless otherwise indicated, all references in the consolidated financial statements to the number of shares, per share amounts, and market prices of the common stock and options to purchase common stock have been restated to reflect the impact of the conversion of each share of Patriot common stock into 0.51895 paired shares issued in the Cal Jockey Merger and the 1.927-for-1 stock split. In addition, all references in the consolidated financial statements to the number of shares, per share amounts, and market prices of the common stock and options to purchase common stock related to periods prior to the 2-for-1 stock split distributed in March 1997 have been restated to reflect the impact of such stock split.

As a result of the 2-for-1 stock split in March 1997, the Cal Jockey Merger and the 1.927-for-1 stock split in July 1997, the number of OP units outstanding and the OP unit conversion factor has been adjusted to re-establish a 1-for-1 exchange ratio of OP units to common shares.

*Stock Dividend*

On December 22, 1998, Patriot declared a stock dividend of \$0.44 cents per share of common stock for the fourth quarter of 1998. The dividend was paid on January 25, 1999 to shareholders of record on December 30, 1998. Each shareholder received the option to receive the dividend in the form of additional paired shares or shares of Series B Cumulative Perpetual Preferred Stock, par value \$0.01 per share, of Patriot.

Per share data (including dividends), weighted average shares outstanding and all stock option activity have been restated to reflect the stock dividend.

*Earnings per Share*

The Company has adopted SFAS No. 128 "Earnings Per Share" which specifies the computation, presentation and disclosure requirements for basic earnings per share and diluted earnings per share. Earnings per share disclosures for all periods presented have been calculated in accordance with requirements of SFAS No. 128. Basic earnings per share is computed based upon the weighted average number of shares of common stock outstanding during the period presented. Shares of common stock granted to officers and employees of the Company are included in the computation only after the shares become fully vested. Diluted earnings per share is computed based upon the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the periods presented. The diluted earnings per share computations also include the dilutive impact of options to purchase common stock which were outstanding during the period calculated by the "treasury stock" method, unvested stock grants and other restricted awards to officers and employees, convertible preferred shares and collateral shares issued in conjunction with certain forward equity transactions (see Note 9).

*Stock Compensation*

The Company accounts for its stock compensation arrangements under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and intends to continue to do so. See Note 13 for a discussion of the Company's stock compensation arrangements and pro forma disclosure of the effect on income from operations and earnings per share of such arrangements pursuant to the requirements of SFAS No. 123, "Accounting for Stock-Based Compensation."



*(dollars in thousands, except share amounts)*

#### *Revenue Recognition*

The Company primarily owns, operates and manages hotel properties. Hotel revenue, management fees, service and other fees, are recognized when earned.

#### *Foreign Currency Translation*

Financial statements of foreign subsidiaries not maintained using U.S. dollars are remeasured into the U.S. dollar functional currency for consolidation and reporting purposes. Assets and liabilities of non-U.S. operations are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses of non-U.S. operations are translated at the weighted average exchange rate during the year. Resulting translation adjustments are reflected in shareholders' equity. Realized foreign currency gains and losses are included in results of operations.

#### *Advertising Costs*

The Company participates in various advertising and marketing programs. All costs are expensed in the period incurred. The Company has recognized advertising expenses of \$68,834 and \$61,468 for 1999 and 1998, respectively.

#### *Self Insurance*

The Company is self insured for various levels of general liability, workers' compensation and employee medical coverage. Accrued expenses include the estimated cost from unpaid incurred claims.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### *Concentrations*

The Company currently invests primarily in hotel properties. The hotel industry is highly competitive and the Company's hotel investments are subject to competition from other hotels for guests. Each of the Company's hotels competes for guests primarily with other similar hotels in its immediate vicinity and other similar hotels in its geographic market. The Company believes that brand recognition, location, quality of the hotel, services provided and price are the principal competitive factors affecting its hotel investments.

#### *Derivative Instruments and Hedging Activities*

In June 1999, FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities," which defers the effective date of SFAS No. 133 to be adopted in years beginning after June 15, 2000. The Company expects to adopt SFAS No. 133 effective January 1, 2001. Statement 133 will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. Management has not yet determined what the effect of SFAS No. 133 will have on the earnings and financial position of the Company.

#### *Seasonality*

The hotel industry is seasonal in nature. Revenues at certain hotels are greater in the first and second quarters of a calendar year and at other hotels in the second and third quarters of a calendar year.

#### *Reclassification*

Certain prior year balances have been reclassified to conform to the current year presentation with no effect on previously reported amounts of income or retained earnings.

## NOTES TO FINANCIAL STATEMENTS

*(dollars in thousands, except share amounts)*

## 3. Investments in Real Estate and Related Improvements and Land Held for Development:

Investments in real estate and related improvements and land held for development consists of the following:

<i>As of December 31, 1999</i>	<i>Hotel Properties</i>	<i>Racecourse Facility</i>	<i>Total</i>
Land	\$ 466,573	\$ -	\$ 466,573
Land held for development	68,266	-	68,266
Buildings and improvements	4,640,150	-	4,640,150
Furniture, fixtures and equipment	810,743	-	810,743
Renovations in progress	44,729	-	44,729
	6,030,461	-	6,030,461
Less: impairment reserve	(138,789)	-	(138,789)
Less: accumulated depreciation	(478,494)	-	(478,494)
	\$5,413,178	\$ -	\$5,413,178

<i>As of December 31, 1998</i>	<i>Hotel Properties</i>	<i>Racecourse Facility</i>	<i>Total</i>
Land	\$ 491,458	\$ 2,340	\$ 493,798
Land held for development	81,314	-	81,314
Buildings and improvements	4,480,174	21,865	4,502,039
Furniture, fixtures and equipment	636,598	837	637,435
Renovations in progress	153,652	536	154,188
	5,843,196	25,578	5,868,774
Less: impairment reserve	(11,484)	(19,094)	(30,578)
Less: accumulated depreciation	(248,832)	(3,748)	(252,580)
	\$5,582,880	\$ 2,736	\$5,585,616

The Company has approximately \$423,870 of assets held for sale which are included in investments in real estate and related improvements and land held for development in the accompanying financial statements which are expected to be sold during 2000. The assets held for sale include approximately \$343,994 of non-proprietary branded segment assets, \$26,368 of Wyndham segment assets and \$53,508 of other segment assets. See Note 17 for Segment Reporting. The Company has recorded an impairment reserve of approximately \$138,789 related to these assets held for sale. The impairment relates to 29 hotels, which had a combined net operating income of \$12,440 for the year ended December 31, 1999. At December 31, 1998, the Company had approximately \$550,315 of assets held for sale which are included in investments in real estate and related improvements and land held for development in the accompanying financial statements which were expected to be sold during 1999. The assets held for sale include approximately \$435,906 of non-proprietary branded segment assets, \$93,337 of resort segment assets and \$21,072 of other segment assets. Additionally, the Company has recorded an impairment reserve of approximately \$30,578 related to these assets held for sale. The impairment relates in part to six hotels which had a combined net income of \$1,323 for the year ended December 31, 1998. Additionally, the impairment relates to the Bay Meadows Racecourse, which had operating income of \$969 for the year ended December 31, 1998 and was sold in February of 1999.

*Investments in Hotel Properties*

During 1998, Patriot, through the Patriot Partnership and its subsidiaries, invested approximately \$234,116 in the acquisition of four hotels with a total of over 1,700 guest rooms and the Golden Door Spa. These acquisitions were financed primarily with funds drawn on Patriot's revolving credit facility, the issuance of 53,989 OP units valued at approximately \$1,496, the issuance of 390,335 paired shares valued at approximately \$10,000 and the assumption of mortgage debt in the amount of approximately \$80,074. In addition, Patriot acquired an office building that was converted into a hotel for approximately \$33,900.

During 1999, the Company invested approximately \$210,123 in the acquisition of four hotels with over 900 guest rooms. These acquisitions were financed primarily with funds drawn on the credit facility and the assumption of mortgage debt in the amount of approximately \$24,593.

(dollars in thousands, except share amounts)

#### *Asset Sales*

During 1998, Patriot sold its interest in four hotel assets: Orange Courtyard Hotel in Orange, Connecticut; St. Louis Courtyard Hotel in St. Louis, Missouri; Pittsburgh Residence in Pittsburgh, Pennsylvania; and the Westborough Courtyard in Westborough, Massachusetts, collectively hereinafter referred to as the Fine Transaction, for a net purchase price of approximately \$32,500. The assets were sold to an affiliate of an independent member of the Board of Directors. No gain or loss on sale was recognized as a result of this transaction.

Additionally in December 1998, Patriot sold its interest in three hotel assets previously leased to NorthCoast Hotels LLC (a third party lessee of Patriot); the WestCoast Roosevelt Hotel, the WestCoast Gateway Hotel located in Seattle, Washington and the WestCoast Wenatchee Hotel located in Wenatchee, Washington to an affiliate of NorthCoast. Patriot received net cash proceeds of approximately \$23,700 plus a mortgage note receivable in the amount of \$2,000. Patriot also contracted with an affiliate of NorthCoast to sell a fourth hotel, the WestCoast Long Beach Hotel and Marina located in Long Beach, California, for a total purchase price of approximately \$7,000, which was sold in 1999. Patriot recognized a loss on sale of approximately \$9,453 as a result of the sale of these three assets.

During 1999, the Company sold 21 hotel properties, including 11 hotels in London. See Note (4). The Company received net cash proceeds of approximately \$116,424, after the repayment of mortgage debt of \$62,865, and a mortgage note receivable in the amount of \$6,000. The Company recorded a net loss of \$10,740 as a result of these transactions.

#### 4. Other Businesses Acquired and Disposed:

##### *Cal Jockey Club and Bay Meadows Operating Company*

On July 1, 1997 Patriot consummated its merger with California Jockey Club ("Cal Jockey") and Bay Meadows Operating Company for total purchase consideration for the transaction of approximately \$190,188. In this merger, Patriot acquired the paired share structure utilized by Patriot and Old Wyndham, the Bay Meadows Racecourse facility in San Mateo, California, and land adjacent to the racecourse.

In February 1999, Patriot and Old Wyndham sold their interest in the Bay Meadows Racecourse. Patriot and Old Wyndham received cash proceeds of approximately \$3,446 after payment of legal costs and other closing costs. Patriot and Old Wyndham recognized an estimated impairment loss on assets held for sale of \$42,278 related to the racecourse facility in 1998. In addition, on September 3, 1999, Wyndham sold certain land located in San Mateo, California and received cash proceeds of \$3,480. These funds were placed in a restricted trust account in order to facilitate a tax-deferred, like-kind exchange through the acquisition of a suitable hotel property. The net gain on the sale of the racecourse and land was approximately \$38, net of impairment.

##### *Wyndham Hotel Corporation*

On January 5, 1998, Patriot consummated its merger with Wyndham Hotel Corporation for total consideration of \$982,000. The consideration consisted of: 21,954,137 paired shares; 4,860,876 shares of Series A Convertible Preferred Stock of Patriot; cash of approximately \$339,000; and the assumption of \$59,063 in debt. In connection with the merger, which was accounted for using the purchase method of accounting, goodwill of \$323,959 was recognized. In this merger, Patriot acquired ownership of ten Wyndham hotels, fourteen ClubHouse hotels, 52 management and franchise contracts, the Wyndham and ClubHouse proprietary brand names, and the Wyndham hotel management company.

##### *WHG Casinos & Resorts, Inc. and related transactions*

On January 16, 1998, a subsidiary of Wyndham merged with and into WHG Casinos & Resorts Inc., with WHG being the surviving corporation ("WHG merger"). As a result of the WHG merger, Wyndham acquired the 570-room Condado Plaza Hotel & Casino, a 50% interest in the partnership that owns the 389-room El San Juan Hotel & Casino and a 23.3% interest in the partnership that owns the 751-room El Conquistador Resort & Country Club, all of which are located in Puerto Rico. In addition, Wyndham acquired a 62% interest in Williams Hospitality Group, Inc., the management company for the three hotels and the Las Casitas Village at the El Conquistador. A total of 5,004,690 paired shares were issued in connection with the WHG merger and approximately \$21,300 of debt was assumed, resulting in total purchase consideration of approximately \$159,400.

In connection with the WHG merger, which was accounted for using the purchase method of accounting, goodwill of \$22,578 was recognized.

## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands, except share amounts)

Effective March 1, 1998, Patriot acquired from unaffiliated third parties a 40% interest in the El San Juan Hotel & Casino, an aggregate 68.62% equity interest in the El Conquistador and a 38% interest in Williams Hospitality Group, Inc. for approximately \$31,000 in cash, issuance of 1,818,182 paired shares valued at approximately \$49,227 and the assumption of approximately \$169,572 of debt.

On July 13, 1998, Patriot acquired the remaining minority interests held by a third party in entities that own the El Conquistador and the El San Juan Hotel & Casino for a total purchase price of approximately \$3,890. Wyndham owns the controlling general partner interest in the partnerships that own the El San Juan Hotel & Casino and the El Conquistador. Wyndham also holds voting control of Williams Hospitality Group, Inc. Therefore, the operating results of these entities have been consolidated with those of Wyndham for financial reporting purposes.

*Arcadian International Limited*

In April 1998, Patriot announced the completion of its acquisition of Arcadian International. The total transaction cost was approximately £185,900 (approximately \$308,700 U.S. based on exchange rates at the time of closing). As a result of the transaction, Patriot acquired ten owned hotels located throughout England; one owned hotel in Jersey; five owned and managed Malmaison Hotels; two resorts under development in Tuscany, Italy and Paris, France; and the proprietary Malmaison brand name. Patriot also acquired Arcadian's 50% partnership interest in the redevelopment of the luxury Great Eastern Hotel in London, to be branded as a flagship Wyndham Hotel and operated by Wyndham once the development has been completed. The Arcadian acquisition was financed through a short term financing agreement and the assumption of debt.

In connection with the Arcadian acquisition, which was accounted for using the purchase method of accounting, goodwill of \$54,405 was recognized.

During 1999, as a part of management's strategy to exit from the European market for its non-branded assets, the Company recorded a restructuring charge of \$97,885 primarily for the write-down of assets to estimated fair value, including goodwill of \$28,394. The restructuring charge also included \$9,547 associated with staffing reductions and other exit costs necessary to reduce the Company's infrastructure in Arcadian International, its management division in Europe. In 1999, the Company sold 11 hotels for a purchase price of £75,000 (approximately \$119,940 based on exchange rates at the time of closing). As a result of the sale, the Company recorded a loss on the sale of \$8,320, net of restructuring charges.

*Interstate Hotels Company*

On June 2, 1998, Interstate Hotels Company merged with and into Patriot, with Patriot being the surviving company ("Interstate merger"), for total consideration of approximately \$2,068,812 which consisted of 28,825,875 paired shares, cash of approximately \$525,385, approximately \$787,117 in debt assumed or refinanced by Patriot and approximately \$73,351 to pay other transaction-related costs. In connection with the repayment of debt assumed in the Interstate merger, Patriot incurred certain prepayment penalties and wrote off the remaining balance of unamortized deferred financing costs associated with such debt of approximately \$11,553, net of minority interest. Such amount has been reported as an extraordinary item in the consolidated financial statements.

In connection with the Interstate merger, which was accounted for using the purchase method of accounting, goodwill of \$254 was recognized.

As a result of the Interstate merger, Patriot acquired controlling interest in, or ownership of, 42 hotels representing over 12,000 rooms; leases for 84 hotels representing over 10,100 rooms and management or service agreements for 82 hotels representing over 20,400 rooms located throughout the United States and in Canada, the Caribbean and Russia.

On May 27, 1998, Patriot, Old Wyndham and Interstate entered into a settlement agreement, as amended, with Marriott International, Inc. ("Marriott") which addressed certain claims asserted by Marriott in connection with Patriot's then proposed merger with Interstate. The settlement agreement provided for the dismissal of litigation brought by Marriott, and allowed Patriot's merger with Interstate to close. In addition to dismissal of the Marriott litigation, the settlement agreement provides for the re-branding of ten Marriott hotels under the Wyndham name, the assumption by Marriott of the management of ten Marriott hotels formerly managed by Interstate for the remaining term of the Marriott franchise agreement, and the spin-off by Patriot of the third-party management business.

Effective June 18, 1999, Patriot distributed approximately 92% of the shares of Interstate Hotel Corporation ("New Interstate") in the form of a dividend to shareholders. Shareholders of record on June 7, 1999 received one share

(dollars in thousands, except share amounts)

of New Interstate stock for every thirty shares of Patriot common stock, Patriot series A preferred stock, Old Wyndham series A and B preferred stock, Patriot common and preferred OP units, and Old Wyndham class A and C preferred OP units. The remaining 8% is owned equally by Wyndham and Marriott.

As a result of the spin-off, the Company now owns an approximate 55% non-controlling interest in the subsidiary of New Interstate which now operates the third-party management business that Patriot acquired from Interstate.

#### *SF Hotel Company, L.P.*

On June 5, 1998, Patriot acquired all of the partnership interests in SF Hotel Company, L.P. for approximately \$298,915 ("Summerfield acquisition"). The total purchase consideration for the Summerfield acquisition consisted of approximately 3,223,795 OP units, 1,397,281 paired shares, cash of approximately \$165,514, and the assumption of debt in the amount of \$17,083. In addition, the purchase price is subject to future adjustment based on (i) the market price of the paired shares through the end of 1998 and (ii) achievement of certain performance criteria through 2000 for managed hotels which were not open for business (or had recently opened) as of the date of acquisition, (iii) fulfillment of the Company's obligation to develop seven hotels. As a result of the Summerfield acquisition, Patriot acquired four Summerfield Suites® hotels, leasehold and management interests in 24 Summerfield Suites®, Sierra Suites® and Sunrise Suites hotels and management contracts and franchise interests for 12 additional Summerfield Suites® and Sierra Suites® hotels. In addition, Patriot acquired the development contracts for several additional hotels. Estimated obligations related to these future purchase price adjustments are approximately \$61,000, part of which is payable in 2000 and part in 2001.

In connection with the Summerfield acquisition which was accounted for using the purchase method of accounting, goodwill of \$45,207 was recognized. In connection with the repayment of debt assumed in the Summerfield acquisition, Patriot incurred certain repayment penalties and wrote off the remaining balance of unamortized deferred financing costs associated with such debt of approximately \$291, net of minority interest. Such amount has been reported as an extraordinary item in the consolidated financial statements.

Effective January 15, 1999, an additional 1,311,709 OP units valued at approximately \$8,969 were issued in connection with the Summerfield transaction as additional consideration pursuant to the purchase agreement in satisfaction of the 1998 Summerfield adjustment.

Effective February 8, 2000, the Company paid an additional \$32,825 as additional consideration pursuant to the purchase agreement with SF Hotel Company L.P.

#### *Gencom American Hospitality and CHC International Inc.*

On June 30, 1998, the hospitality-related business of CHC International, Inc. ("CHCI") merged with and into Wyndham with Wyndham being the surviving company. As a result of the CHCI merger, Wyndham acquired the remaining 50% investment in GAH-II, L.P., 17 leases, 16 management contracts related to the Patriot hotels leased by CHC Lease Partners, eight third party management contracts, two third-party asset management contracts, the Grand Bay proprietary brand name and certain other hospitality management assets. The aggregate purchase price of the 17 leasehold interests was approximately \$52,721, which is reflected as a cost of acquiring leaseholds in the accompanying financial statements for the year ended December 31, 1998. The merger was funded through a combination of preferred shares and the assumption of debt.

On July 30, 1999, a wholly-owned subsidiary of Wyndham merged with Gencom Interest, Inc. As a result of the merger, Wyndham acquired the remaining 34.52% interest in the Omni Baltimore hotel, and 421,161 shares of Wyndham class A common stock owned by Gencom Interest, Inc. The total purchase consideration for the merger was approximately \$6,043 which consisted of 1,336,276 shares of Wyndham class A common stock.

In addition, on September 30, 2000 and September 30, 2002, the Company may be obligated to pay the CHCI stockholders and a subsidiary of the Company may be obligated to pay a Gencom-related entity additional consideration, in each case based upon the performance of certain specified assets.

#### *Other*

In July 1998, Old Wyndham acquired an approximate 49% limited partnership interest in a partnership with affiliates of Don Shula's Steakhouse, Inc. for \$1,500 in cash and 156,272 of Preferred OP units of the Wyndham Partnership which were valued at approximately \$3,500.



## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands, except share amounts)

During 1998, Patriot also re-acquired the leasehold interests for nine of its hotels from the lessees and purchased certain license agreements for an aggregate purchase price of approximately \$11,686, which is reflected as a cost of acquiring leaseholds in the accompanying statements of operations. The Company issued 118,812 paired shares valued at \$3,000 and paid cash of \$8,686.

During 1999, the Company acquired the remaining minority interests in 9 hotel assets. The acquisition of these interests was financed through cash of approximately \$4,230, additional mortgage indebtedness totaling \$49,800, and the sale of an additional 10% interest in another hotel.

#### 5. Investments in and Mortgage Notes Receivable and Other Receivables from Unconsolidated Subsidiaries:

In 1995 and 1996, Patriot acquired an approximate 99% non-controlling interest in PAH Ravina, and PAH Windwatch, respectively.

As part of the financing for the acquisition of the Crowne Plaza Ravinia Hotel, Patriot advanced \$40,500 to PAH Ravinia, which is evidenced by two mortgage notes consisting of a \$36,000 first mortgage note and a \$4,500 second mortgage note. The principal amount of both notes is due December 31, 2002. Interest at an annual rate equal to 10.25% and 12.5% on the first and second mortgage notes, respectively, is payable monthly. The mortgage notes are collateralized by deeds of trust on the Crowne Plaza Ravinia Hotel. On June 30, 1999, Wyndham obtained a secured mortgage note with Bear Stearns (See Note 7). As a result, \$22,934 in net proceeds were used to pay-down the first mortgage. As part of the financing for the acquisition of the Wyndham Windwatch Hotel, Patriot advanced PAH Windwatch \$31,400 which is evidenced by a first lien mortgage note. The principal amount of the note is due on December 31, 2002. Interest at an annual rate equal to 9% is payable monthly. The mortgage note is collateralized by a deed of trust on the Wyndham Windwatch Hotel.

On June 15, 1999, the Company acquired the 1% controlling interest in both hotels for approximately \$156. As such, the hotels are now consolidated in the accompanying financial statements, and the mortgage notes have been eliminated upon consolidation.

#### 6. Restructuring Charges:

During 1999, the Company recorded a restructuring charge of \$285,267 as a result of the termination of the paired share structure (See Note 13) and management's decision to streamline its organization and focus on its core brands and strategic assets. The restructuring activities (shown below in tabular format) primarily relate to: (1) the termination of the paired share structure, resulting in the write-down of the unamortized intangible asset, and elimination of job responsibilities, resulting in the costs to sever employees in New York and Dallas, (2) the exiting of the European market for its non-branded assets, resulting in the write-down of assets held for sale to estimated fair value, the write-down of goodwill, the reduction in the European workforce, lease abandonments, and other costs necessary to reduce the infrastructure in Arcadian International, (3) the exiting of the limited service hotel sector, resulting in a write-down of those assets held for sale and the write-off of management contracts, (4) the closure of the Phoenix division office, resulting in the costs to sever employees and lease abandonments, (5) the closure of the Wichita division office, resulting in the costs to sever employees, and (6) the elimination of certain brands, resulting in the write-down of those tradename intangible assets.

The Company expects the plans associated with these costs to be substantially completed during the first half of 2000 with many of the costs associated with the reduction in workforce being incurred and paid in 1999. The total number of employees terminated was 177.

## NOTES TO FINANCIAL STATEMENTS

*(dollars in thousands, except share amounts)*

<i>Description</i>	<i>Cash/Non-Cash</i>	<i>Restructuring Charge</i>	<i>Accrued Balance at 12/31/99</i>
<b>Organizational Restructuring</b>			
Write-down of intangible assets	Non-cash	\$ (83,094)	\$ –
Severance packages	Cash/non-cash	(4,675)	(500)
<b>Downsizing European division</b>			
Write-down of assets held for sale	Non-cash	(69,491)	–
Write-down of intangible assets	Non-cash	(28,394)	–
Severance packages	Cash	(3,578)	(2,458)
Lease cancellations and commitments	Cash	(1,907)	(1,907)
Other exit costs	Cash	(4,062)	(2,408)
<b>Exiting limited service market sector</b>			
Write-down of assets held for sale	Non-cash	(63,328)	–
Write-down of intangible assets	Non-cash	(8,834)	–
<b>Closing the Phoenix division office</b>			
Severance packages	Cash	(2,006)	(312)
Lease cancellations and other commitments	Cash	(492)	(321)
<b>Closing of the Wichita division office</b>			
Severance packages	Cash	(1,872)	(1,872)
<b>Elimination of certain hotel brands</b>			
Write-down of intangible assets	Non-cash	(12,821)	–
<b>Other</b>			
Other exit costs	Cash	(713)	–
Effect of foreign currency translation		–	8
<b>Total</b>		<b>\$ (285,267)</b>	<b>\$ (9,770)</b>

### 7. Line of Credit Facility, Term Loans, Mortgage and Other Notes and Capital Lease Obligations:

Outstanding borrowings under the line of credit facilities, term loans, various mortgage and other notes and capital lease obligations consist of the following:

<i>December 31,</i>	<i>1999</i>	<i>1998</i>
Line of credit facilities	\$ 270,000	\$ 875,587
Term Loans	1,300,000	1,799,500
Increasing Rate Loans	650,000	–
Mortgage notes payable to Bear Stearns and Lehman Brothers	581,000	–
Paine Webber Mortgage Financing	–	298,000
El Conquistador and Condado Financing	168,167	170,000
Royal Bank of Scotland and Coutts Consortium Financing	31,670	97,140
Other mortgage debt	609,690	520,836
Unsecured financing	5,633	66,753
Capital lease obligations	27,396	29,705
	<u>\$3,643,556</u>	<u>\$ 3,857,521</u>
Less current portion of debt	(130,177)	(1,274,918)
Long term debt	<u>\$3,513,379</u>	<u>\$ 2,582,603</u>

#### *Credit Facility and Term Loans*

In connection with the Interstate merger, the Company closed on the commitment from The Chase Manhattan Bank and Chase Securities, Inc. and Paine Webber Real Estate Securities, Inc. to increase Patriot's existing credit facilities to an aggregate of \$2,700,000 (an increase of \$1,450,000 from the prior \$1,250,000 credit package). The increased credit facilities included the \$900,000 revolving credit facility ("Credit Facility") and a series of unsecured term loans in the aggregate amount of up to \$1,800,000 (the "Term Loans"). Proceeds from the Credit Facility were used to fund certain mergers, as well as to refinance certain outstanding indebtedness. Interest rates were based on the Company's leverage ratio and varied from 1.5% to 2.5% over LIBOR.

## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands, except share amounts)

The Term Loans and the Credit Facility, along with accrued interest and fees, were repaid in full on June 30, 1999 with proceeds from the new credit facility and the \$1 billion equity investment. As a result of this repayment, the Company incurred an extraordinary loss on early extinguishment of debt of \$9,838, net of minority interest and income tax effects.

*New Credit Facility and Term Loans*

Concurrent with the closing of the \$1 billion equity investment, Wyndham closed on a new \$2,450,000 credit facility which consists of a \$1,300,000 term loan with a seven-year term, a \$500,000 revolving credit facility with a five-year term, and a \$650,000 increasing rate loan facility with a five-year term. The proceeds, net of closing costs and fees of approximately \$41,125 for the term loan and the revolving credit facility, and approximately \$17,875 for the increasing rate loan facility, were used to retire existing indebtedness. At December 31, 1999, \$270,000 was drawn on the new revolving credit facility. Additionally, the Company had outstanding letters of credit totaling \$27,039 as of December 31, 1999.

Interest rates are based upon LIBOR plus spreads varying from 2.75% to 3.50% per annum for the term loan, and 1.25% to 2.75% per annum for the revolving credit facility, based both on Wyndham's leverage ratio, as defined, and whether any increasing rate loans are outstanding. If any of the increasing rate loan facility remains outstanding, the applicable margins shall be increased by 0.25%. The term loan and the revolving credit facility are guaranteed by the domestic subsidiaries of Wyndham and are secured by pledges of equity interests held by Wyndham and its subsidiaries. Wyndham's ability to borrow under its revolving credit facility is subject to Wyndham's compliance with a number of customary financial and other covenants, including total leverage and interest coverage ratios.

Interest rates for the increasing rate loans are based on LIBOR rates (less statutory reserves), plus 3.50% through September 30, 1999, and increasing 0.50% every three months, with a cap of LIBOR plus 4.75%. The lender under the increasing rate loans receives the benefit of the same guarantees and pledges of security provided under the new term loan and revolving credit facility.

The weighted average interest rate incurred under these borrowings was 9.33% for the period ended December 31, 1999.

*Bear Stearns & Lehman Brothers*

Effective June 30, 1999, Wyndham also closed on a \$346 million mortgage loan with Bear, Stearns Funding, Inc., which is secured by twenty-five properties having an aggregate net book value of \$703,343 as of December 31, 1999. The loan matures on July 1, 2004 and bears interest at the LIBOR rate plus 3.25% per annum. Proceeds from the mortgage debt were used to retire existing mortgage indebtedness. On November 5, 1999, the loan was modified to bear interest at the LIBOR rate plus spreads of 0.82% through 4.50%.

Additionally, effective June 30, 1999, Wyndham closed on a \$235 million mortgage loan with Lehman Brothers Holdings Inc., which is secured by ten properties having an aggregate net book value of \$324,429 as of December 31, 1999. The mortgage loan has a three-year term, with a one-year extension option, and bears interest at the LIBOR rate plus 3.50% per annum, plus an additional 1.75% on the principal amount payable at maturity. Proceeds from this mortgage loan were used to retire existing mortgage indebtedness.

At December 31, 1999, the LIBOR rate was 5.82% and averaged 5.25% during the twelve-month period ended December 31, 1999.

*Paine Webber Mortgage Financing*

Patriot entered into a short-term financing arrangements with an affiliate of Paine Webber Real Estate Securities, Inc. ("Paine Webber Real Estate") whereby such affiliate loaned under three separate agreements a total of \$298,000. The loans bear interest at a rate equal to or greater than 30-day LIBOR plus spreads of 1.75% through 2.75% and were to mature April 15, 1999. The loans were amended February 15, 1999, to increase spreads to 2.75% through 5.0% and extend the loans through June 30, 1999. The proceeds of the Paine Webber mortgage financing were used by Patriot to fund or acquire four mortgage loans to certain partnerships affiliated with members of CHC Lease Partners, the acquisition of the Wyndham Emerald Plaza located in San Diego, California and the Arcadian acquisition.

Effective June 30, 1999, the loans, including accrued interest, were repaid in full with proceeds from the new credit facility and the \$1 billion equity investment.

(dollars in thousands, except share amounts)

#### *El Conquistador and Condado Hotel and Casino Financing*

In August 1998, the Company refinanced certain debt related to the El Conquistador and the Condado Hotel & Casino. Proceeds of \$145,000 from the refinancing were used to repay outstanding indebtedness of approximately \$139,350, to pay legal and closing costs and to establish certain reserves, including interest reserves, required by the loan agreements. The loans are secured by mortgages on the properties which have an aggregate net book value of \$318,467 as of December 31, 1999. The loans bear interest at a rate of LIBOR plus 2.25% and were extended to June 30, 1999.

On June 25, 1999, Wyndham entered into an agreement with Citicorp Real Estate, Inc. to extend \$90,000 of mortgage debt related to the El Conquistador Partnership, L.P., which was set to mature on June 30, 1999. Per the terms of the extension agreement, the interest rate was amended such that the loan bears interest at the LIBOR rate plus 2.75% through December 31, 1999 and then LIBOR plus 3.25% through maturity on June 30, 2000.

Additionally, on June 29, 1999, Wyndham refinanced \$55,000 of debt on the Condado Hotel & Casino with The Bank of Nova Scotia. Principal payments on the loan are due in monthly amounts of \$306 beginning on July 22, 1999 through maturity on July 22, 2004 at which time a balloon payment of \$36,972 is due. The interest rate on the first \$50,000 is based upon LIBOR spreads varying from 2.50% to 3.25% per annum, and on amounts over \$50,000 is based upon LIBOR spreads varying from 3.00% to 3.75% per annum, based on a ratio of earnings to total debt service, as defined.

Additionally, the Company has a term loan agreement with the Government Development Board for Puerto Rico (GDB). As of December 31, 1999, the loan had an outstanding balance of \$25,000. The loan bears interest at a rate of LIBOR plus 0.09% and matures February 2006. The Company is required to deposit 50% of available cash flow, as defined per the loan agreement with GDB, to a maximum of \$1,667 plus any prior year requirements. The loan is secured through a second lien mortgage on the property.

The weighted average interest rate incurred under these borrowings was 7.73% for the period ended December 31, 1999.

#### *Royal Bank of Scotland and Coutts Consortium Debt Obligations*

In connection with the Arcadian transaction, the Company assumed debt obligations to the Royal Bank of Scotland and Coutts Consortium. On August 12, 1999, Wyndham renegotiated its debt obligations to both the Royal Bank of Scotland and Coutts & Company. In connection with the sale of the 11 hotels, the debt with the Royal Bank of Scotland of \$62,865 as of December 1, 1999 was repaid in full with the sales proceeds of the hotels. See Note (4).

The Company has debt obligations of approximately \$31,670 as of December 31, 1999 to the Coutts Consortium, which bears interest at Sterling LIBOR plus 2.0% and matures December 31, 2003. The debt is secured by first lien mortgages encumbering 5 Malmaison hotels, which have an aggregate net book value of \$85,382 as of December 31, 1999.

#### *Unsecured financing*

The Company, through the Operating Partnerships and other subsidiaries, is obligated under notes with various banks and financial institutions that as of December 31, 1999, had an outstanding balance of \$5,633. These notes are unsecured and bear interest at rates ranging from 5.5% to 10.5% per annum. The notes mature from 2000 through 2006. The weighted average interest rate incurred under these borrowings was 6.68% for the period ended December 31, 1999.

#### *Other Mortgage Debt*

The Company, through the Operating Partnerships and other subsidiaries, is obligated under other mortgage notes with various banks and financial institutions that, as of December 31, 1999, had outstanding balances totaling \$609,690. These notes are collateralized by mortgage liens on the property and equipment of 27 hotels which have an aggregate net book value of \$1,219,904 as of December 31, 1999. The notes bear interest at rates ranging from Italian RIBOR to LIBOR plus 3.5% per annum and maturity dates in 2000 through 2023. The weighted average interest rate incurred under these borrowings was 8.05% during the year ended December 31, 1999.

Under the terms of the related loan agreements and capital lease obligations, principal amortization and balloon payment requirements at December 31, 1999 are as follows for each of the next five years:

## NOTES TO FINANCIAL STATEMENTS

*(dollars in thousands, except share amounts)*

<i>Year</i>	<i>Amount</i>
2000	\$ 130,177
2001	162,719
2002	324,945
2003	44,579
2004	1,379,056
2005 and thereafter	1,602,080
	<u>\$3,643,556</u>

## 8. Derivatives:

The Company enters into interest rate swap and cap agreements to modify the interest characteristics of its outstanding debt. These agreements involve the exchange of amounts based on a variable interest rate for amounts based on fixed interest rates over the life of the agreement without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change, is accrued and recognized as an adjustment to interest expense related to the debt using a method which approximates the effective interest method (the accrual accounting method). The related amount payable to or receivable from counterparties is included in accrued expenses or other assets.

The Company also enters into interest rate cap agreements that are designed to limit its exposure to increasing interest rates and are designated as hedges of its outstanding debt. An interest rate cap entitles the Company to receive a payment from the counterparty equal to the excess if any, of the hypothetical interest expense (strike price) on a specified notional amount at a current market interest rate over an amount specified in the agreement. The only amount the Company is obligated to pay the counterparty is the initial premium. The cost of the agreements (the initial premium) is included in other assets and amortized to interest expense ratably during the life of the agreement.

The fair value of interest rate swap and cap agreements and changes in the fair value as a result of changes in market interest rates are not recognized in the financial statements. The unrealized gain on these derivative instruments was approximately \$14,553 at December 31, 1999, which represents the net proceeds Wyndham would receive if the derivatives were sold.

The Company paid \$6,514, \$2,331, and \$587 of net incremental interest expense related to the interest rate swap arrangements in 1999, 1998, and 1997, respectively.

The following tables represent the derivatives in place as of December 31, 1999:

*Interest Rate Swaps*

<i>Notional Amount</i>	<i>Rate</i>	<i>Maturity</i>
\$ 19,988	5.31%	01/03/00
\$400,000	5.91%	02/07/00
\$ 72,000	5.80%	12/15/00
\$ 31,000	5.42%	03/30/01
\$375,000	6.26%	11/01/02
\$125,000	5.56%	11/01/02
\$250,000	5.84%	06/01/03

*Interest Rate Caps*

<i>Notional Amount</i>	<i>Rate</i>	<i>Maturity</i>
\$1,500,000	7.00%	04/03/00
\$ 19,475	6.75%	03/30/01
\$ 38,000	7.83%	10/11/01
\$ 27,680	7.10%	07/03/04
\$ 42,760	8.10%	07/03/04
\$ 42,760	9.70%	07/03/04
\$ 18,990	6.50%	07/03/04
\$ 28,425	8.50%	08/01/04
\$180,000	6.60% <sup>(1)</sup>	11/04/04

(1) If on a reset date LIBOR is equal to or less than 5.1%, then the floor rate is 5.65%



(dollars in thousands, except share amounts)

### Treasury Rate Lock Agreements

Patriot previously entered into three treasury interest rate lock agreements to protect against the possibility of rising interest rates. Under the rate lock agreements, Patriot receives or makes payments based on the difference between specified interest rates, 6.06%, 6.07% and 5.62%, and the actual 10-year U.S. Treasury interest rate on a principal amount of \$525,000. Patriot settled the entire \$525,000 in treasury interest rate locks resulting in a \$49,334 one-time charge to earnings in 1998.

### 9. Computation of Earnings Per Share:

Basic and diluted earnings per share have been computed as follows:

#### Basic and Diluted Earnings per Share

	Year Ended December 31, 1999		Year Ended December 31, 1998		Year Ended December 31, 1997	
	Basic	Diluted <sup>(2)</sup>	Basic	Diluted <sup>(2)</sup>	Basic	Diluted <sup>(2)</sup>
<i>(in thousands, except per share amounts)</i>						
(Loss) income before extraordinary item	\$ (1,062,131)	\$ (1,062,131)	\$ (126,406)	\$ (126,406)	\$ 362	\$ 362
Adjustment for equity forwards <sup>(1)</sup>	(19,372)	(39,322)	(21,151)	(188,392)	—	—
Preferred stock dividends	(50,190)	(50,190)	(7,956)	(7,956)	—	—
Excess consideration paid to redeem preferred stock	(115)	(115)	—	—	—	—
(Loss) income (attributable) available to common shareholders before extraordinary item	(1,131,808)	(1,151,758)	(155,513)	(322,754)	362	362
Extraordinary loss	(9,838)	(9,838)	(31,817)	(31,817)	(2,534)	(2,534)
Net loss	\$ (1,141,646)	\$ (1,161,596)	\$ (187,330)	\$ (354,571)	\$ (2,172)	\$ (2,172)
Weighted average number of shares outstanding	161,255	161,255	137,764	137,764	64,260	64,260
Loss per share:						
Loss before extraordinary item	\$ (7.02)	\$ (7.14)	\$ (1.13)	\$ (2.34)	\$ 0.01	\$ 0.01
Extraordinary loss	(0.06)	(0.06)	(0.23)	(0.23)	(0.04)	(0.04)
Net loss income	\$ (7.08)	\$ (7.20)	\$ (1.36)	\$ (2.57)	\$ (0.03)	\$ (0.03)

(1) The adjustment relates to the mark-to-market adjustment for the UBS Transaction and the Nations Transaction (see Note 10), which can be settled in cash or stock, at the Company's option. At December 31, 1998, the PaineWebber Transaction could be settled only in stock, therefore only the guaranteed return portion is adjusted in the earnings per share calculation. There was no mark-to-market adjustment for the PaineWebber Transaction, which was accounted for by the Reverse Treasury Method in 1998.

(2) For 1999, the dilutive effect of unvested stock grants of 803, the option to purchase common stock of 59 and preferred stock of 64,367 were not included in the computation of diluted earnings per share for the year ended December 31, 1999 because they are anti-dilutive. For 1998 the dilutive effect of unvested stock grants of 880, the option to purchase common stock of 753, shares issued in connection with forward equity contracts of 2,507 and 6,613 of preferred shares were not included in the computation of diluted earnings per share for the year ended December 31, 1998 because they are anti-dilutive. For 1997, the dilutive effect of unvested stock grants of 804 and the option to purchase common stock of 1,017 were not included in the computation of diluted earnings per share for the year ended December 31, 1997 because they are anti-dilutive. See Note 13 for a discussion of the impact of SFAS No. 123 ("Accounting for Stock-Based Compensation") on earnings per share.

### 10. Commitments and Contingencies:

#### Office Lease

The Company has entered into agreements to lease office space for its corporate headquarters and other regional offices. In general, the agreements provide for monthly payments of rent plus reimbursement for certain other costs as specified per each agreement and are accounted for as operating leases for financial reporting purposes. The leases have terms from 5 to 10 years and expire between 2003 and 2007. Annual rental payments of \$3,484, \$3,125 and \$127 for 1999, 1998 and 1997, respectively, are reflected in general and administrative expense in the accompanying financial statements. Future five-year minimum lease payments under these lease agreements are as follows:

## NOTES TO FINANCIAL STATEMENTS

*(dollars in thousands, except share amounts)*

<i>Year</i>	<i>Rent Amount</i>
2000	\$ 1,875
2001	1,875
2002	1,875
2003	1,763
2004	1,725
2005 and thereafter	4,744
	<u>\$ 13,857</u>

*Hotel and Ground Leases*

The Company leases both land and hotels under agreements with terms ranging from one to 100 years. The Company has incurred rent expense totaling \$117,420, \$110,108, and \$4,117 for 1999, 1998 and 1997, respectively. Future five year minimum lease payments under these lease agreements are as follows:

<i>Year</i>	<i>Rent Amount</i>
2000	\$ 60,197
2001	60,206
2002	60,169
2003	60,216
2004	59,637
2005 and thereafter	742,728
	<u>\$1,043,153</u>

*Employment Agreements*

The Company has entered into employment agreements with each of its executive officers. Generally, the agreements provide for annual base compensation with any increases during the terms of the agreements to be approved by the Compensation Committee of the Board of Directors, as applicable.

*Future Earnout Obligations*

In connection with the CHCI Merger and the Gencom Acquisition, Wyndham and a subsidiary of Wyndham may be obligated to pay CHCI shareholders and a Gencom related entity additional purchase consideration, in each case based on the performance of certain specified assets.

In connection with the Wyndham merger, certain descendants of Mr. and Mrs. Trammell Crow, and various corporations, partnerships, trusts, and other entities beneficially owned or controlled by such person, (collectively, the "Crow Family Members") and certain Wyndham senior executives retained the right to receive additional consideration on April 30, 2000 based on a formula pertaining to the performance of Wyndham Riverfront New Orleans and Wyndham Garden LaGuardia as set forth in the Omnibus Purchase and Sale Agreement dated April 14, 1997. Based on the performance of such properties as of December 31, 1999, the additional consideration would be \$10,758 and \$8,677, respectively.

In connection with the Summerfield transaction, Patriot may be obligated to pay in cash or OP units additional purchase consideration if certain performance criteria are met based on (i) the average market price of the paired shares through December 31, 1998 and (ii) the achievement of certain performance criteria through the year 2000 for managed hotels which were not open for business (or had recently opened) as of the date of acquisition, (iii) fulfillment of the Company's obligation to develop seven hotels. Payments under these obligations have been made in 1999 and 2000 of \$8,969 and \$32,825, respectively.

Pursuant to the joint venture agreement related to the Wyndham Chicago Hotel, the agreement provides for an earn-out payment payable based on the net operating income from the hotel for the year ended December 31, 2001, as calculated per the agreement.

*Forward Equity Transactions*

The Company was party to transactions with three counterparties involving the sale of an aggregate of 13.3 million paired shares with related purchase price adjustment mechanisms. The Company's aggregate obligation under the forward equity transactions was approximately \$335,800 at June 30, 1999. Effective June 30, 1999, the Company settled in full all of the forward equity transactions in cash with part of the proceeds of the \$1 billion equity investment. The 100.7 million shares owned or held by the counterparties were retired effective June 30, 1999.

(dollars in thousands, except share amounts)

### Contingencies

On June 29, 1992, an action for trademark infringement was filed in the New York Supreme Court, County of New York, Index No. 17474/92 titled *Wyndham Hotel Company, John Mados, and Suzanne Mados et al v. Wyndham Hotel Company Ltd.* It is based upon the Madoses' alleged use of the mark WYNDHAM in connection with the Wyndham Hotel located in Manhattan, New York City, and operated by the Madoses since 1966 pursuant to a lease agreement entered into by the Madoses on June 1, 1957. The case was tried in May 1996, and an order and partial judgement was entered in March 1998. The order enjoins us from using the name and mark "Wyndham" in connection with the advertising, promoting, managing or operating a hotel in Manhattan, New York City, and places restrictions on Wyndham's use of the name and mark "Wyndham" in all other areas of New York outside of Manhattan. In November 1998, an order was issued clarifying the original order and a final judgment was entered. In December 1998, Wyndham appealed that judgment to the New York Supreme Court, Appellate Division, First Department. In January 1999, Wyndham moved for a stay of the injunction pending appeal which motion was granted by the Appellate Division, First Department on February 4, 1999. On May 18, 1999 the Appellate Division, First Department rendered a decision and order affirming the final judgment. On May 24, 1999, Wyndham filed a motion for permission to appeal that decision to the Court of Appeals of the State of New York. In July 1999, Wyndham received notice that the Court of Appeals of the State of New York would not hear the appeal.

Patriot and Old Wyndham have disclosed various matters relating to Patriot and Old Wyndham in their Form 8-K filed with the Securities and Exchange Commission on November 9, 1998, including, without limitation, an assertion by UBS AG, London Branch ("UBS") that Patriot and Old Wyndham are in default under the terms of a forward contract by and among Patriot, Old Wyndham and UBS. Patriot and Old Wyndham also have disclosed various matters in their Joint Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 26, 1999, and in registration statements on Form S-3 (filed on April 28, 1999) and Form S-4 (filed on April 14, 1999).

On or about January 12, 1999, a purported class action lawsuit was filed on behalf of the shareholders of Patriot and Wyndham in the Delaware Chancery Court. The lawsuit, captioned *Fraschilla v. Paul A. Nussbaum, et al.*, No. 16895NC, named as defendants certain persons who then were directors of Patriot, as well as certain other individuals and entities alleged to be investors in the Company (the "Investors"). The lawsuit alleged that the director defendants breached their fiduciary duties to Patriot's shareholders with respect to Patriot's financial condition and breached their fiduciary duties to Patriot's shareholders by "effectively selling control" of Patriot to the Investors for inadequate consideration and without having adequately considered or explored all other alternatives to this sale or having taken steps to maximize stockholder value. The lawsuit also alleged that the Investors aided and abetted the director defendants in their purported breaches of fiduciary duty. The plaintiffs sought monetary damages from the director defendants as well as an injunction preventing the consummation of the proposed transaction with the Investors. On January 19, 1999, three nearly identical purported class action lawsuits were filed in the same court on behalf of different purported class representatives: (i) Sybil R. Meisel and Steven Langsam, Trustees, No. 16905NC; (ii) Crandon Capital Partners, No. 16906NC; and (iii) Robert A. Staub, No. 16907NC. All of the actions were consolidated into the *Fraschilla* action. In September 1999, the parties entered into a Stipulation of Settlement to settle these lawsuits. Pursuant to the Stipulation of Settlement, Wyndham agreed that it would make the rights offering it previously announced it may make, no later than December 17, 1999, and to hold this offering open for a period of not less than 30 days. On November 1, 1999, the Delaware Chancery Court approved the amended Stipulation of Settlement along with class counsels' fee request of \$1,125,000 and entered an order and final judgment dismissing all of these lawsuits (the "Order"). The Order became final on or about December 2, 1999. Currently, Wyndham is seeking recovery for costs incurred in the defense and settlements of these lawsuits from its directors and officers insurance carriers.

On February 3, 1999, McNeill Investment Company, Inc. filed a lawsuit against Patriot in the United States District Court for the Western District of Pennsylvania. In the lawsuit, captioned *McNeill Investment Company, Inc. v. Patriot American Hospitality, Inc.*, No. 99-165, the plaintiff alleges that Patriot breached its obligations under a registration rights agreement that Patriot became obligated under through its merger transaction with Interstate Hotels Corporation. The plaintiff claims approximately \$9 million in damages. The case presently is in the early discovery stage. Wyndham intends to defend the suit vigorously.

On May 7, 1999, Doris Johnson and Charles Dougherty filed a lawsuit in the Northern District of California against Patriot, Wyndham, their respective operating partnerships and Paine Webber Group, Inc. This action, *Johnson v. Patriot*

## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands, except share amounts)

*American Hospitality, Inc., et al.*, No. C-99-2153, was commenced on behalf of all former holders of Bay Meadows stock during a class period from June 2, 1997 to the date of filing. The action asserts securities fraud claims and alleges that the purported class members were wrongfully induced to tender their shares as part of the Patriot/Bay Meadows merger based on a fraudulent prospectus. The action further alleges that defendants continued to defraud stockholders about their intentions to acquire numerous hotels and saddle the Company with massive debt during the class period. Three other actions against the same defendants subsequently were filed in the Northern District of California: (i) *Ansell v. Patriot American Hospitality, Inc., et al.*, No. C-99-2239 (filed May 14, 1999), (ii) *Sola v. Paine Webber Group, Inc., et al.*, No. C-99-2770 (filed June 11, 1999), and (iii) *Gunderson v. Patriot American Hospitality, Inc., et al.*, No. C-99-3040 (filed June 23, 1999). Another action with substantially identical allegations, *Susnow v. Patriot American Hospitality, Inc., et al.*, No. 3-99-CV1354-T (filed June 15, 1999) also subsequently was filed in the Northern District of Texas. The complaints in these actions seek unspecified damages but assert that the defendants are liable for the diminution in value of Patriot stock held by class members during the class period. By order of the Judicial Panel on Multidistrict Litigation, these actions along with certain actions identified below have been consolidated in the Northern District of California for consolidated pretrial purposes. To date, none of the defendants have been required to answer, move or otherwise respond to the complaints, and no discovery has been taken. Wyndham intends to defend the suits vigorously.

On or about June 22, 1999, a lawsuit captioned *Levitch v. Patriot American Hospitality, Inc., et al.*, No. 3-99-CV1416-D, was filed in the Northern District of Texas against Patriot, Wyndham, James D. Carreker and Paul A. Nussbaum. This action asserts securities fraud claims and alleges that, during the period from January 5, 1998 to December 17, 1998, the defendants defrauded shareholders by issuing false statements about the Company. The complaint was filed on behalf of all shareholders who purchased Patriot Wyndham stock during that period. Three other actions, *Gallagher v. Patriot American Hospitality, Inc., et al.*, No. 3-99-CV1429-L, filed on June 23, 1999, *David Lee Meisenburg, et al. v. Patriot American Hospitality, Inc.*, Wyndham International, Inc., James D. Carreker, and Paul A. Nussbaum Case No. 3-99-CV1686-X, filed July 27, 1999 and *Deborah Szekely v. Patriot American Hospitality, Inc., et al.*, No. 3-99-CV1866-D, filed on or about August 27, 1999, allege substantially the same allegations. The complaints in these actions seek unspecified damages but assert that the defendants are liable for the diminution in value of Patriot stock held by class members during the class period. By order of the Judicial Panel on Multidistrict Litigation, these actions have been consolidated with certain other stockholder actions and transferred to the Northern District of California for consolidated pre-trial purposes. To date, none of the defendants have been required to answer, move or otherwise respond to the complaints, and no discovery has been taken. Wyndham intends to defend the suits vigorously.

Wyndham has received a draft complaint which threatens to assert claims on behalf of Golden Door, LLC, Golden Springs, LLC, Golden Door, Inc., Deer Springs Ranch, LLC, Deborah Szekely and Sarah Livia Brightwood. The potential plaintiffs appear to be the same as the plaintiffs who filed the action referenced above, *Deborah Szekely v. Patriot American Hospitality, Inc., et al.*, No. 3-99-CV1866-D, however the allegations of the complaints are not the same. The draft complaint purports to assert claims against Patriot, Wyndham and their respective operating partnerships for securities fraud under the California securities code, common law fraud, breach of fiduciary duty and deceit in connection with the purchase by Patriot of the Golden Door Spa in February 1998. The draft complaint seeks compensatory damages for the alleged lost value of the potential plaintiff's stock and other unspecified damages. Although the Company has received a draft complaint, to date no complaint has been filed.

Patriot American and PAH Stanley Ranch ("PAH") are engaged in a dispute with Carneros Valley Investors involving a contract which calls for a purchase price of \$14 million with an additional \$5 million to be paid if PAH gets approval for a development in the Napa Valley. PAH did not get approval for this development. In September, 1999, Carneros Valley Investors filed a complaint in the Superior Court of California, San Francisco, which alleges that Patriot owes it \$5 million and alleges that it acted negligently, fraudulently and in bad faith in attempting to get the approval for the development. The complaint has been amended to allege fraud, allegedly entitling the plaintiff to rescission of the sale. Patriot has answered the complaint, but to date, no discovery has been taken. Wyndham intends to defend the suit vigorously.

Patriot, IHC/Jacksonville Corporation and IHC Realty Partnership are parties to a dispute with another limited partner of the Partnership relating to a proposed hotel development in Jacksonville, Florida. The case is captioned *C&M Investors Limited v. Patriot American Hospitality, Inc. et al.*, originally filed in the Florida Circuit Court, Fourth Judicial Circuit, in and for Duval County, Florida, but later removed and now pending in the United States District Court,

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Middle District of Florida, Jacksonville Division, Civil Action No. 98-1236-Civ. J 20B. Wyndham plans to vigorously defend this lawsuit.

On September 17, 1999, Starwood Hotels & Resorts Worldwide Inc. ("Starwood") filed a lawsuit against Fred J. Kleisner, Richard Mahoney and Wyndham in the United States District Court for the Southern District of New York. In the lawsuit, captioned *Starwood Hotels & Resorts Worldwide Inc. v. Fred J. Kleisner et al*, No. 99 Civ. 9811, the plaintiff alleged that Wyndham tortiously interfered with alleged employment contracts between Starwood and Kleisner and Mahoney, respectively, that the defendants misappropriated trade secrets belonging to Starwood, that the defendants tortiously interfered with Starwood's prospective business relationships and that the defendants are unfairly competing with Starwood. The complaint sought injunctive relief and other damages.

On November 12, 1999, Wyndham, Kleisner, Mahoney (the "Wyndham Defendants") and Starwood entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement") under the terms of which all claims against the Wyndham Defendants were dismissed with prejudice and the Wyndham Defendants paid no damages. Under the Settlement Agreement, Wyndham agreed to restrictions on its ability to hire and solicit for employment certain Starwood employees until July 2000.

#### 11. Related Party Transactions:

##### *Acquisition and sale of interests from and to officers and affiliates*

In connection with the CHCI Merger, Mr. Karim Alibhai, an executive officer at the time, and current independent director, received 156,863 OP units of the Operating Partnerships valued at approximately \$5,000 and entities affiliated with Mr. Alibhai received 85,600 shares of Old Wyndham Series A Preferred Stock and 85,600 shares of Old Wyndham Series B Preferred Stock with an aggregate value of approximately \$3,946. These units and shares were issued in consideration of Mr. Alibhai's ownership interests in CHCI and its affiliates. In addition, Mr. Sherwood M. Weiser, a director of Old Wyndham received 394,397 shares of Old Wyndham Series A Preferred Stock and 394,398 shares of Old Wyndham Series B Preferred Stock valued at \$18,182 in connection with the CHCI Merger as consideration for his ownership interest in CHCI and its affiliates. Additionally 65,485 paired shares were issued as part of the consideration for the transaction of which Mr. Weiser received 43,403 Paired Shares with an approximate value of \$994.

During 1998, Patriot sold its interest in four hotel assets: Orange Courtyard Hotel in Orange, Connecticut; St. Louis Courtyard Hotel in St. Louis, Missouri; Pittsburgh Residence in Pittsburgh, Pennsylvania; and the Westborough Courtyard in Westborough, Massachusetts, collectively hereinafter referred to as the Fine Transaction, for a net purchase price of approximately \$32,500. The assets were sold to an affiliate of Mr. Milton Fine, an independent director of the Company. No gain or loss was recognized as a result of this transaction.

Effective January 15, 1999, in connection with the Summerfield transaction an additional 1,311,709 OP units valued at approximately \$8,969 were issued as additional consideration pursuant to the purchase agreement. Of the OP units issued, Mr. Rolf E. Ruhfus, a director of the Company received 327,993 of the OP units issued with an approximate value of \$2,243.

On June 15, 1999, the Company acquired the controlling 1% interest in Crowne Plaza Ravinia and Wyndham Windwatch for \$156, from former senior executive officers of the Company, and Mr. Paul Nussbaum, a current director of the Company.

In connection with the merger with Gencom Interests Inc., on July 30, 1999, Mr. Alibhai, a director of the Company, received 400,883 shares of Wyndham class A common stock. These shares were issued in consideration of Mr. Alibhai's ownership interests in Gencom Interests Inc. and valued at approximately \$1,813 at the date of merger.

##### *Notes receivable from affiliates, officers and employees*

The Company has provided funding to certain affiliated hotels as working capital and has made advances to certain officers. As of December 31, 1999, notes receivable from affiliated hotels totaled \$22,530 and notes receivable from officers, directors and employees totaled \$11,753. As of December 31, 1998, notes receivable from affiliated hotels totaled \$35,766 and notes receivable from officers and employees totaled \$3,554. These amounts are included in notes and other receivables in the accompanying financial statements.

Additionally, in connection with the Wyndham merger, Patriot assumed notes receivable from Senior Executive Officers of the merged company. As of December 31, 1999, these promissory notes had an outstanding balance of



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\$16,167, including accrued interest. The notes bear interest at 6% per annum and are secured by the pledge of shares of the Company held by the note obligators. The balance of the notes including principal and accrued interest are due and payable in one payment in April 2002 for three of the notes. The fourth note is payable in April 2004. These notes are classified in shareholders' equity for financial accounting purposes.

*Other*

During 1998, the Company made payments totaling \$3,423 to Wyndham Travel Management Ltd, an entity owned by Lucy Billingsley (the daughter of Mr. Trammell Crow), for travel services provided to Wyndham. During 1999, only \$371 was paid to such entity as Wyndham changed its travel agency during 1999.

The Company made rent payments totaling \$1,417 and \$1,492 related to an agreement with an affiliate of Mr. Harlan Crow to lease office space for the Company's corporate headquarters in Dallas, Texas in 1999 and 1998 respectively. During 1999, the affiliate of Mr. Crow sold its interest in the building. In addition, the Company made rent payments totaling \$153 and \$81 for office space in the Company's Wichita divisional office to an entity affiliated with Mr. Ruhfus, in 1999 and 1998, respectively.

The Company, in connection with the Wyndham merger, assumed a service agreement with ISIS 2000, an entity affiliated with members of the Crow family and senior executive officers of the Company, to provide centralized reservations and property management services to all Wyndham branded hotels as well as other hotels owned by the Company. On May 7, 1999, Patriot exercised its option to purchase ISIS 2000, for a cash payment of \$3,073. The service fees incurred by the Company in 1999, prior to the acquisition, were \$1,985. Fees for the year ended December 31, 1998 totaled \$4,368; no such fees were incurred in 1997.

In addition, the Company has a service contract with the Kinetic Group, an entity affiliated with a member of the Crow Family, and senior executive officers of the Company, to provide the Company with management information services. Fees paid for the year ended December 31, 1999 and 1998 totaled \$6,134 and \$5,467, respectively.

In 1999 and 1998, the Company incurred lease expenses in the aggregate amount of \$3,150 and \$455, respectively, for lease obligations to entities owned in whole or in part by Mr. Ruhfus.

In 1999 and 1998, the Company paid \$88 and \$598, respectively, as a consulting fee to Mr. Ruhfus.

The Company has made insurance premium payments to Wynright Insurance ("Wynright"), an entity owned by Crow Family Members and senior executive officers of the Company, with respect to certain insurance policies maintained for the benefit of the Company. Such payments totaled \$730,000 in 1998. No such payments were made in 1999.

Certain directors have an ownership interest in several hotels managed by the Company. As of December 31, 1999, the Company is owed approximately \$5,930 for management fees, services fees, and reimbursements from 15 hotels in which Mr. Alibhai has an ownership interest and approximately \$1,406 for management fees for 2 hotels in which Mr. Weiser has an ownership interest.

On February 26, 1999, the Company and Paul A. Nussbaum entered into a Separation Agreement (the "Separation Agreement") whereby Mr. Nussbaum resigned his position as Chairman of the Board of Directors and Chief Executive Officer of Patriot. Pursuant to the Separation Agreement, Mr. Nussbaum will remain as a Director of Wyndham.

In accordance with terms of the Separation Agreement, the Company will pay severance of \$3,200 reduced by interest payments made by the Company on a loan to Mr. Nussbaum from NationsBank through June 30, 1999. The severance amount was to be paid as follows: \$2,000 payable on the earlier of the consummation of the \$1 billion equity investment or January 1, 2000 and the remaining \$1,200 payable in twelve monthly installments commencing with the first day of the month next following the date of the \$2,000 payment. On June 30, 1999, the Company paid Mr. Nussbaum \$1,750, net of \$250 of interest payments made by the Company on the loan. In addition, on June 30, 1999, the Company made the first monthly installment of \$100. As of December 31, 1999, Mr. Nussbaum is owed \$500 of severance under the terms of the agreement.

Additionally, Mr. Nussbaum's outstanding unvested options to purchase shares vested and will remain fully exercisable for the period of their respective terms. Mr. Nussbaum elected to exchange his options on a Black Scholes neutral basis for new options with an exercise price equal to the fair market value of a share on the election date. On June 1, 1999, Mr. Nussbaum exchanged 3,078,406 options at varying prices from \$11.18 to \$33.58 for 1,154,448 options at \$5.1875. Mr. Nussbaum will also receive 250,000 shares equally over a three-year period, of which 83,334 have vested as of December 31, 1999. Additionally any restrictions were lifted from existing shares held by Mr. Nussbaum.

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As a condition to receiving the second and third installments of the shares, Mr. Nussbaum has agreed to provide non-exclusive consulting services to Wyndham for a period of two years following the resignation date. Additionally, Mr. Nussbaum will receive other amounts as provided for in the Separation Agreement.

In 1999, Wyndham amended its management contract for the Wyndham Anatole Hotel to provide that the owners of the hotel may terminate the management contract following the first annual meeting of Wyndham stockholders after the completion of the \$1 billion equity investment if Mr. Nussbaum continues on the Board of Directors of Wyndham. Mr. Nussbaum has delivered a letter to Wyndham stating that he would not stand for re-election to the Board of Directors if it would result in a termination of the management contract. Additionally, the owners of the Wyndham Anatole Hotel may terminate the management contract if James D. Carreker ceases to be an executive officer of Wyndham.

## 12. Minority Interest in the Operating Partnerships:

Pursuant to the Operating Partnerships' respective limited partnership agreements, the common limited partners of the Operating Partnerships, including certain affiliates of Patriot, received rights (the "Redemption Rights") that enable them to cause the Operating Partnerships to redeem each pair of OP units (consisting of one OP unit of the Patriot Partnership and one OP unit of the Wyndham Partnership) in exchange for cash equal to the value of a paired share (or, at the Company's election, the Company may purchase each pair of OP units offered for redemption for one share of common stock). In the case of the Wyndham Partnership's Class A preferred OP units and Class C preferred OP units described below, each of these preferred OP units may be redeemed for cash equal to the value of a share (or, at Wyndham's election, Wyndham may purchase each preferred OP unit offered for redemption for one share of common stock). The Redemption Rights generally may be exercised at any time after one year following the issuance of the OP units. The number of shares of common stock issuable upon exercise of the Redemption Rights will be adjusted for share splits, mergers, consolidations or similar pro rata transactions which would have the effect of diluting the ownership interests of the limited partners of the Operating Partnerships or the shareholders of the Company.

On June 30, 1999, the third party limited partners in both the Patriot Partnership and the Wyndham Partnership were offered an opportunity to exchange their limited partnership interests for Wyndham class A common stock. As a result, an additional 15,097,354 shares of Wyndham class A common stock were issued in exchange for limited partnership units in the Operating Partnerships. The effect of the exchange of certain limited partners interest for Wyndham class A common stock, resulted in an adjustment to the basis of certain assets in accordance with Emerging Issues Task Force ("EITF") 95-7. This adjustment is reflected in the accompanying balance sheet as a reduction in the basis of the Company's investment in real estate and related improvements of \$37,150, investment in unconsolidated subsidiaries of \$2,562 and goodwill and intangibles of \$78,433.

As of December 31, 1999, the Patriot Partnership had a total of 179,317,058 OP Units outstanding of which 178,147,092 OP Units were held by Patriot and 1,169,966 OP Units were held by minority partners, which represent the minority interest in the Patriot Partnership. The Wyndham Partnership had a total of 176,996,594 OP Units outstanding as of December 31, 1999, of which 175,826,628 OP Units were held by Wyndham International and 1,169,966 OP Units were held by minority partners which represent the minority interest in the Wyndham Partnership.

## 13. Shareholders' Equity:

### *Capital Stock*

On June 30, 1999, Wyndham and Patriot completed a \$1 billion equity investment and related restructuring (the "Restructuring") of the two companies in accordance with the terms of the Securities Purchase Agreement and related Restructuring Plan between Wyndham and Patriot and the investors.

As required by the Restructuring Plan, Wyndham and Patriot each effectuated a one-for-twenty reverse stock split (the "Reverse Stock Splits") of their respective common stock. In addition, the Amended and Restated Certificate of Incorporation of Wyndham was also further amended and restated (the "Wyndham Charter Amendment") so that each share of Wyndham common stock, par value \$0.01 per share, issued and outstanding immediately prior to the effectiveness of the Wyndham Charter Amendment was automatically converted into one share of Wyndham class A common stock, par value \$0.01 per share.

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Under the terms of the Agreement and Plan of Merger (the "Merger Agreement"), dated as of March 26, 1999, by and among Patriot, Wyndham and Wyndham International Acquisition Subsidiary, Inc. ("Acquisition Sub"), Acquisition Sub was merged with and into Patriot (the "Merger"). As a result of the Merger, Patriot became a wholly-owned subsidiary of Wyndham. Each outstanding share of common stock of Acquisition Sub was converted into one share of the common stock of Patriot, \$0.01 par value per share ("Patriot Common Stock"). Pursuant to the Merger Agreement each share of Patriot common stock was then converted into 19 shares of Wyndham common stock.

Prior to the Restructuring, the shares of common stock of Wyndham and shares of common stock of Patriot were "paired" pursuant to a pairing agreement and traded together as a single unit. The pairing agreement between the companies was terminated as part of the Restructuring. The end result of the Reverse Stock Splits, the Wyndham Charter Amendment and the Merger was to convert each previously outstanding paired share into one share of Wyndham class A common stock.

The Company has the authority to issue 750,000,000 shares of class A common stock, 750,000,000 shares of class B common stock, par value \$0.01 per share, and 150,000,000 shares of preferred stock, par value \$0.01.

Effective June 30, 1999, Wyndham completed a \$1 billion equity investment with a group of investors. Pursuant to the terms of this investment, Wyndham issued 9.55 million shares of series B preferred stock in exchange for gross proceeds of \$955,000. On July 1, 1999, the remaining \$45,000 was funded through the transfer of one of the investor's loan receivable from PAH Realty Company, LLC, a subsidiary of Patriot, which is secured by a mortgage on the Battery March Hotel, to Wyndham for the purchase of 450,000 shares of series B preferred stock. Wyndham has incurred approximately \$77,571 in costs attributable to the equity investment. This series B preferred stock has the following terms, among others:

- dividends payable quarterly, on a cumulative basis, at a rate of 9.75% per year;
- for the first six years, the dividends are structured to ensure an aggregate fixed cash dividend payment of \$29,250 per year, so long as there is no redemption or conversion of the series B preferred stock; therefore, for that period, dividends are payable partly in cash and partly in additional shares of series B preferred stock, with the cash component initially equal to 30% for the first dividend and declining over the period to approximately 19.8% for the final dividend in year six;
- for the next four years, dividends are payable in cash or additional shares of series B preferred stock as determined by the Board of Directors; and, after year 10, dividends are payable solely in cash;
- if any dividends are paid on the Wyndham class A common stock, additional dividends will be paid in the amount that would have been paid on the shares of Wyndham class A common stock into which the series B preferred stock is then convertible;
- if a change in control or a liquidation of Wyndham occurs within six years following the investment, any dividends remaining for the six years will be accelerated and paid;
- not redeemable by Wyndham for six years, except that up to \$300 million of the series B preferred stock may be redeemed during the 170 day period following the closing of the investment;
- voting with the Wyndham common stock on an as-converted basis on matters submitted to the common stockholders and voting as a separate class on specified matters, with special rules applying to the election of directors; and
- convertible, at the holder's option, into a number of shares of Wyndham class B common stock equal to \$100.00 divided by the conversion price, initially equal to \$8.59 but subject to potential downward adjustments.

The investors will also have preemptive rights for the first five years following their investment as long as they own more than 15% of the Wyndham common stock.

As noted above, for a period of 170 days following the completion of the investment, Wyndham may redeem up to \$300 million of the series B preferred stock at a redemption price of \$102.00 per share (102% of the stated amount) plus all accrued dividends.

In the fall of 1999, Wyndham issued to the holders of its class A common stock and holders of OP units in the Operating Partnerships rights to subscribe for up to \$300 million of series A preferred stock, with the proceeds from the offering to be used to redeem a portion of the series B preferred stock. The rights offering was completed December 13, 1999 with the issuance by Wyndham of 55,992 shares of series A preferred stock in exchange for gross proceeds of \$5,599. Wyndham has incurred approximately \$1,151 in costs attributable to the issuance of this stock. Wyndham used

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these proceeds to redeem 55,992 shares of series B preferred stock at a redemption price of \$102.00 per share and accrued dividends of \$2.0583 per share, or an aggregate of \$5,826 in cash. The series A preferred stock generally has the same economic terms as the series B preferred stock but has no voting rights, except as required by law and except for a limited right to elect two directors if dividends are in arrears for six quarterly periods.

#### *Shareholder Rights Agreement*

Wyndham is party to a Shareholder Rights Agreement dated as of June 29, 1999 (the "Rights Agreement"). Pursuant to the Rights Agreement, the Board of Directors of Wyndham declared (a) for each outstanding share of common stock of Wyndham outstanding on July 9, 1999 (the "Record Date"), a dividend distribution of one preferred stock purchase right (a "Right"), and (b) for each outstanding share of Wyndham series A or series B preferred stock outstanding on the Record Date, a dividend distribution of a number of Rights equal to the number of shares of common stock into which each such share is convertible. In addition, Rights will automatically attach to each share of common stock, series A preferred stock and series B preferred issued between the Record Date and the Distribution Date (as defined in the Rights Agreement). Each Right entitles the registered holder thereof to purchase from Wyndham one one-thousandth of a share of series C participating preferred stock, par value \$0.01 per share, at a cash exercise price of \$35.00, subject to adjustment. The Rights may only become exercisable under certain circumstances involving actual or potential acquisitions of beneficial ownership of 15% or more of the class A common stock, subject to certain exceptions. The Rights will expire in June 2009 unless earlier exercised or redeemed.

#### *Dividends and Stock Splits*

On December 23, 1997, Patriot declared a \$0.2981 per common share dividend to holders of record on January 5, 1998. Patriot paid dividends of \$0.2446 per common share for each of the first three quarters of 1997. In addition, in connection with the Cal Jockey Merger, Patriot also declared a special dividend of \$0.0559 per common share payable to holders of record on June 27, 1997, which was paid on June 30, 1997. Concurrent with each of the dividend declarations, the Operating Partnerships authorized distributions in the same amount on outstanding OP units.

On October 5, 1998, Patriot made a significant capital contribution to Old Wyndham to facilitate an acquisition by Old Wyndham. This contribution resulted in a "deemed distribution" for tax purposes to Patriot's shareholders of common stock of \$0.7081 per share. No cash was actually distributed to the shareholders. However, for tax purposes the distribution is treated by shareholders as though cash was received and then contributed to Wyndham.

On May 4, 1998, Patriot declared a \$0.2981 per common share dividend to holders of record on May 20, 1998 and on July 28, 1998, Patriot declared a \$0.2981 per common share dividend to holders of record on August 10, 1998.

On December 22, 1998, Patriot declared a stock dividend of \$0.44 cents per share of common stock for the fourth quarter of 1998. The dividend was paid on January 25, 1999 to shareholders of record on December 30, 1998. Each shareholder received the option to receive the dividend in the form of additional paired shares or shares of Series B Cumulative Perpetual Preferred Stock, par value \$.01 per share, of Patriot. Pursuant to the merger of a wholly-owned subsidiary of Old Wyndham with Patriot on June 30, 1999, each outstanding share of Patriot series B preferred stock was converted into \$25 per share and \$1.61 of accrued dividends, or an aggregate of \$14,862 in cash.

#### *Stock Incentive Plans*

The Company has adopted certain employee incentive programs for the purpose of (i) attracting and retaining employees, directors and others, (ii) providing incentives to those deemed important to the success of the Company and (iii) associating the interests of these individuals with the interests of the Company and its shareholders through opportunities for increased stock ownership. Certain of the stock options and restricted stock grants issued under the incentive stock programs vested and became non-forfeitable with consummation of the \$1 billion equity investment.

*The 1997 Incentive Plans.* Prior to their amendment in 1999, the 1997 Incentive Plans provided for the award of stock options, stock awards or performance shares to each eligible employee and director of Patriot and Old Wyndham. Under each 1997 Incentive Plan, the aggregate number of paired shares available for grants of awards was the sum of (i) 3,000,000 paired shares plus (ii) 10% of any future net increase in the total number of shares of paired common stock.

Under the 1997 Incentive Plans, each independent director could elect to take all or a portion of his/her fees in the form of deferred paired share units. Prior to the amendment in 1999, the independent directors of Patriot and Old

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Wyndham were automatically granted a non-qualified stock option, immediately exercisable in full, to acquire 10,000 paired shares at an exercise price per paired share equal to the fair market value of a paired share on the date of grant. Option terms were fixed by the Compensation Committees of Patriot and Old Wyndham and may not exceed ten years from the date of grant.

On June 29, 1999, the 1997 Incentive Plans were amended, as a result of Patriot's merger into Wyndham. As part of the merger, Wyndham assumed Patriot's obligations under each existing option to purchase shares of Patriot common stock that was outstanding immediately prior to the merger. The assumed options did not terminate in connection with the merger and continue to have, and be subject to, the same terms and conditions set forth in the stock option plans and agreements in effect immediately prior to the merger. All references to Patriot in the assumed options are now deemed to be references to Wyndham and each option is exercisable for one share of Wyndham class A common stock.

#### *Stock Grant Awards*

During 1997, pursuant to the Incentive Plans, the Board of Directors awarded 547,867 paired shares of common stock to certain officers of Patriot and Old Wyndham. In 1999, an additional 121,053 shares were awarded to an officer of the Company. The Company recorded a total of \$611 and \$12,897 (the aggregate value of the common stock based on the market price at the date of the award) as unearned stock compensation in 1999 and 1997, respectively, which is being amortized over the vesting periods of one to five years. For 1999, 1998 and 1997, \$5,850, \$7,622 and \$4,686, respectively, of amortization of stock compensation related to stock grants and is included in general and administrative expense in the accompanying consolidated financial statements.

During 1999 and 1998, pursuant to the 1997 Incentive Plans, the Board of Directors awarded 1,036,332 and 331,755 restricted awards, respectively, to certain officers of the Company. The Company has recorded \$10,004 and \$1,613 in 1999 and 1998, respectively, related to the restricted awards and such amount is included in general and administrative expense in the accompanying consolidated financial statements.

Upon the consummation of the \$1 billion equity investment, certain of the stock grants and restricted awards issued under the incentive stock programs fully vested. The deferred compensation expense of \$6,987 has been fully recognized in general and administrative expense in 1999, as a result of the accelerated vesting of these certain awards.

#### *Stock Option Awards*

As of December 31, 1999, pursuant to the incentive plans, the Company has authorized the grant of options for up to 15,796,404 shares with exercise prices of \$2.6875 to \$30.40 per share. As of December 31, 1999, 2,928,904 options were vested. During 1999, no options were exercised. During 1998, a total of 1,299,250 shares were issued pursuant to exercise of options (at exercise prices ranging from \$11.18 to \$17.82) resulting in net proceeds of \$15,274. During 1997, a total of 338,604 shares were issued pursuant to exercise of options (at prices ranging from \$5.13 to \$13.28) resulting in net proceeds of \$2,307.

#### *Wyndham Stock Option Exchange Program*

In connection with the stock option exchange program in 1998, all optionees, other than the directors and the top two executive officers, were given the opportunity to exchange certain options for new options which have a Black-Scholes value equal to the old options, but were for fewer shares, at the then current stock price with the same term as the remaining term of the old options.

#### *SFAS No. 123 "Accounting for Stock-Based Compensation"*

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, which also requires that the information be determined as if the Company had accounted for their compensatory employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1999, 1998 and 1997, respectively: risk-free interest rates of 5.78%, 5.31% and 6.61%; and dividend yields of 0%, 6%, 6% for 1999, 1998 and 1997; volatility factors of the expected market price of the Company's common stock of 0.596, 0.735 and 0.389 and a weighted average expected life of the options of 4 years, 4 years and 4 years.

The Black-Scholes option valuation model was developed for use in estimating the fair market value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee



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stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options that have vesting periods and are non-transferable.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information is as follows:

	1999	1998	1997
<b>Basic</b>			
Pro forma net loss attributable to common shareholders	\$(1,146,361)	\$(185,566)	\$(4,949)
Pro forma loss per share:	\$ (7.11)	\$ (1.35)	\$ (0.08)
<b>Diluted</b>			
Pro forma net loss attributable to common shareholders	\$(1,166,311)	\$(352,807)	\$(4,949)
Pro forma loss per share:	\$ (7.23)	\$ (2.56)	\$ (0.09)

A summary of the Company's stock option activity, and related information for the years ended December 31 is as follows:

	1999		1998		1997	
	# of Underlying Options (000's)	Weighted Average Exercise Price	# of Underlying Options (000's)	Weighted Average Exercise Price	# of Underlying Options (000's)	Weighted Average Exercise Price
Outstanding, beginning of year	7,717	\$19.28	6,241	\$20.82	1,584	\$11.54
Granted	11,450	4.69	3,997	17.50	4,692	24.51
Exercised	-	-	(578)	11.38	(6)	12.89
Forfeited	(4,757)	22.04	(1,943)	23.48	(29)	12.85
Outstanding, end of year	14,410	6.57	7,717	19.28	6,241	20.82
Exercisable at end of year	3,996	\$10.77	3,746	\$10.75	972	\$14.89
Weighted average fair value of options granted during year		\$ 0.95		\$ 7.70		\$ 4.28

Exercise prices for options outstanding as of December 31, 1999 ranged from \$2.6875 to \$30.40. The weighted average remaining contractual life of those options was 8.5 years. Exercise prices for options outstanding as of December 31, 1998 ranged from \$7.55 to \$33.58. The weighted average remaining contractual life of those options was eight years. Exercise prices for options as of December 31, 1997 ranged from \$11.18 to \$33.58. The weighted average remaining contractual life of those options was nine years.

### 14. Income Taxes:

The income tax provision of Wyndham for the years ended December 31, 1999, 1998 and 1997, respectively, consists of the following:

	1999	1998	1997
<b>Current:</b>			
Federal	\$ 15,500	\$ 25,272	\$199
State	3,475	4,948	130
Total current	18,975	30,220	329
<b>Deferred:</b>			
Federal	546,983	(11,982)	136
State	(1,447)	(1,535)	16
Total deferred	545,536	(13,517)	152
Total income tax expense	\$564,511	\$ 16,703	\$481

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The reason for the difference between total tax expense and the amount computed by applying the statutory Federal income tax rate of 35% to income before income taxes is as follows:

	1999	1998	1997
Tax at statutory rate	\$(171,967)	\$(50,661)	\$127
State income taxes	2,028	3,413	118
Valuation allowance	7,625	17,866	-
Assets held for sale	-	7,573	-
Goodwill	34,387	5,330	-
Lease buyout costs	-	20,033	-
REIT Income not taxed	-	22,835	-
One time Charge C-Corp Conversion	675,000	-	-
Minority interest and other	17,438	(9,686)	236
Total income tax expense	\$ 564,511	\$ 16,703	\$481

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. On January 1, 1999, Patriot, previously a REIT (non-taxable entity), converted to a C-corporation and is now a subsidiary of Wyndham. Upon the conversion of the REIT to a C-corporation, Wyndham recognized a deferred tax liability of \$675,000 which was recognized in continuing operations as a tax provision. Significant components of Wyndham's deferred tax assets and liabilities for the year ended December 31, 1999 and 1998, respectively are as follows:

	1999	1998
Deferred tax assets:		
Net operating losses	\$ 67,292	\$ 21,221
Disposition of assets	1,641	887
Other non-current assets	31,224	8,569
Total deferred tax assets	100,157	30,677
Valuation allowance	(25,491)	(17,866)
Net deferred asset	\$ 74,666	\$ 12,811
Deferred tax liabilities:		
Depreciation	(662,482)	(64,666)
Management contracts and tradenames	(65,277)	(70,319)
Other non-current liabilities	(3,071)	(1,289)
Total deferred tax liabilities	(730,830)	(136,274)
Net deferred income tax liability	\$(656,164)	\$(123,463)

As of December 31, 1999, Wyndham and certain affiliated subsidiaries have net operating loss carryforwards for federal income tax purposes of approximately \$107,053 from 1999 and \$85,324 from 1998, which are available to offset future taxable income, if any, through 2018 and 2019, respectively.

#### 15. Employee Benefit Plans:

The Company sponsors 401(K) retirement savings plans. Employees who are over 21 years of age and have completed one year of service are eligible to participate in the plans. The Company matches 50% of employee contributions up to 4% of an employee's salary. The aggregate expense under the plans totaled \$506 and \$511 for 1999 and 1998, respectively. No plans were in effect prior to 1998.

The Company maintains a self-insured group health plan through a Voluntary Employee Benefit Association referred to hereinafter as VEBA. The plan is funded to the limits provided by the Internal Revenue Service, and liabilities have been recorded for estimated incurred but unreported claims. Aggregate and stop loss insurance exists at amounts which limit exposure to the Company. The Company has recognized expense related to the plan of \$2,415 and \$2,313 for 1999 and 1998, respectively. No plan such as this was in effect prior to 1998.

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#### 16. Fair Value of Financial Instruments:

SFAS No. 107 requires disclosures about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of December 31, 1999. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Management estimates the fair value of (i) accounts receivable, accounts payable and accrued expenses approximate carrying value due to the relatively short maturity of these instruments; (ii) the notes receivable approximate carrying value based upon effective borrowing rates for issuance of debt with similar terms and remaining maturities; and (iii) the borrowings under the Credit Facility, Term Loan and various other mortgage notes approximate carrying value because these borrowings accrue interest at floating interest rates based on market or accrue interest at fixed rates which approximate market rates.

The Company manages its debt portfolio by using interest rate caps and swaps to achieve an overall desired position of fixed and floating rates. The fair value of interest rate hedge contracts is estimated based on quotes from the market makers of these instruments and represents the estimated amounts the Company would expect to receive or pay to terminate the contracts. Credit and market risk exposures are limited to the net interest differentials. The estimated unrealized net gain on these instruments was approximately \$14,553 at December 31, 1999, which represents the amount the Company would receive to terminate the agreements based on current market rates.

#### 17. Segment Reporting:

The Company classifies its business into proprietary owned brands and non-proprietary brand hotel divisions, under which it manages the business.

Among its proprietary branded hotels, the Company is positioned in the luxury segment under the Wyndham Luxury Resorts brand; in the upscale segment under Wyndham™; and in mid-priced segment under the ClubHouse brand. Additionally, the Company offers proprietary branded all-suite accommodations through its upscale Summerfield Suites® brand and its mid-priced Sierra Suites® brand. Other proprietary hotel brands owned and developed by the Company include Malmaison and Grand Heritage®.

##### *Description of reportable segments*

The Company has six reportable segments: Wyndham hotel properties, resort properties, all suite properties, non-proprietary branded properties and other proprietary branded hotel properties and other.

- Wyndham hotel properties include Wyndham Hotels, Wyndham Gardens and Wyndham Grand Heritage. The Wyndham hotel properties are full-service properties that generally offer a full range of meeting and conference facilities and banquet space. Facilities generally include restaurants and lounge areas, gift shops and recreational facilities, including swimming pools. Full-service hotels generally provide a significant array of guest services, including room service, valet services and laundry.
- Resort properties include Wyndham Resorts, Wyndham Luxury Resort properties and other resort properties. Resorts are designed to offer unique destinations which appeal to today's sophisticated vacation traveler and to blend with their environment, enhancing the natural surroundings with design that fits the locale. Each resort's recreational activities are of the highest caliber and are designed to capitalize on the natural attractions of the location. Many offer a combination of golf, tennis, skiing, health spa, hiking and other sports.
- All suite properties include the Summerfield and Sierra Suite properties. The Summerfield and Sierra Suite properties generally target the business travelers who usually anticipate a one to two week stay. The suites generally have limited public space and offer limited food and beverage service. However, the suites provide guests with larger rooms and workspace.
- Non-proprietary branded properties include all properties which are not Wyndham hotel properties, resort properties, all suite properties or other proprietary branded properties. The properties consist of non Wyndham branded assets such as: Crowne Plaza®, Radisson®, Hilton®, Hyatt®, Four Points by Sheraton®, Holiday Inn®, DoubleTree®, Embassy Suites®, Marriott®, Courtyard by Marriott®, and independents.

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(dollars in thousands, except share amounts)

- Other proprietary branded hotel properties include Malmaison, Grand Heritage, ClubHouse and hotels acquired in the Arcadian Acquisition.
- Other includes participating lease revenues, racecourse facility revenue and expenses, management fee and service fee income, interest and other income, general and administrative costs, interest expense, depreciation and amortization and other one-time charges. General and administrative costs, interest expenses and depreciation and amortization are not allocated to each reportable segment; therefore, they are reported in the aggregate within this segment.

*Measurement of segment profit or loss and segment assets*

The Company evaluates performance based on the operating income or loss from each business segment. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

The following tables represent summarized financial data by reportable segments.

*Factors management used to identify the reportable segments*

The Company's reportable segments are determined by brand affiliation and type of property. The reportable segments are each managed separately due to the specific characteristics of each segment.

Year ended December 31, 1999	Wyndham Hotels	Resorts	Suite properties	Non-proprietary branded	Other proprietary branded	Other <sup>(1)</sup>	Total
Total revenue	\$ 568,584	\$ 520,813	\$ 138,900	\$ 1,085,080	\$ 95,669	\$ 86,289	\$ 2,495,335
Operating income (loss)	149,688	120,254	27,059	259,616	27,405	(1,067,611)	(483,589)
Segment assets	1,522,041	1,022,187	262,595	2,858,620	190,789	1,147,258	7,003,490
Capital additions	56,618	19,089	73,065	20,270	18,778	46,896	234,716

(1) Operating income (loss) for 1999 includes \$285,267 of restructuring charges and \$70,912 of impairment loss on assets held for sale.

Year ended December 31, 1998	Wyndham Hotels	Resorts	Suite properties	Non-proprietary branded	Other proprietary branded	Other <sup>(2)</sup>	Total
Total revenue	\$ 610,523	\$ 315,674	\$ 74,333	\$ 761,154	\$ 80,998	\$ 213,659	\$ 2,056,341
Operating income (loss)	153,723	76,349	14,690	183,703	26,492	(576,963)	(122,006)
Segment assets	1,461,037	900,431	245,578	2,906,527	297,609	1,604,488	7,415,670
Capital additions	635,853	544,060	204,292	1,930,121	296,769	16,264	3,627,359

(2) Operating income (loss) for 1998 includes unusual items related to the treasury rate lock settlement of \$49,334 and the cost of reacquiring leaseholds of \$64,407.

Year ended December 31, 1997 <sup>(3)</sup>	Wyndham Hotels	Resorts	Suite properties	Non-proprietary branded	Other proprietary branded	Other <sup>(4)</sup>	Total
Total revenue	\$ 10,711	\$ 30,334	\$ —	\$ 115,223	\$ 9,595	\$ 169,172	\$ 335,035
Operating income (loss)	2,388	6,628	—	29,947	1,436	(42,272)	(1,873)
Segment assets	435,452	348,013	—	795,679	47,999	880,710	2,507,853
Capital additions	366,280	311,378	—	577,788	25,287	125,946	1,406,679

(3) Total revenue and operating income (loss) for the reportable segments is reported for the six months ended December 31, 1997. Prior to July 1, 1997, revenue and operating income (loss) related to the operations of the hotel properties was reported by the third party lessees who operated the properties pursuant to participating leases.

(4) Operating income (loss) for 1997 includes unusual items related to the cost of reacquiring leaseholds of \$54,499.

## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands, except share amounts)

The following table represents revenue and long-lived asset information by geographic area as of and for the period ending December 31, 1999 and 1998. Revenues are attributed to the United States and its territories and Europe based on the location of hotel properties. The hotel properties in Europe were acquired on April 6, 1998 with the Arcadian acquisition. Prior to this date, all of the Company's business was attributed to hotel properties located in the United States and its territories.

<i>1999</i>	<i>United States</i>	<i>Europe</i>	<i>Total</i>
Revenues	\$2,419,318	\$ 76,017	\$2,495,335
Segment assets	6,778,228	225,262	7,003,490
<i>1998</i>	<i>United States</i>	<i>Europe</i>	<i>Total</i>
Revenues	\$2,034,949	\$ 21,392	\$2,056,341
Segment assets	7,157,617	258,053	7,415,670

### 18. Non-cash Investing and Financing Activities:

In connection with the Cal Jockey Merger, the acquisition of management companies, hotel properties and other operations assets, the Company issued common stock, preferred stock, options and OP units in exchange for net assets as follows:

	<i>1999</i>	<i>1998</i>	<i>1997</i>
Wyndham International	\$99,338	\$1,698,542	\$449,415

### 19. Quarterly Financial Information (unaudited):

	<i>1999</i>	<i>1998</i>	<i>1997</i>
<b>First Quarter:</b>			
Total revenue	\$ 673,850	\$349,807	\$ 35,388
Income before extraordinary item	\$ 572	\$ 37,128	\$ 11,348
Net income	\$ 572	\$ 18,412	\$ 11,348
Net income per share:			
Basic	\$ (0.05)	\$ 0.17	\$ 0.21
Diluted	\$ (0.13)	\$ 0.16	\$ 0.21
Weighted average number of shares:			
Basic	154,990	109,549	53,248
Diluted	154,990	117,090	54,613
<b>Second Quarter:</b>			
Total revenue <sup>(4)</sup>	\$ 651,153	\$465,463	\$ 37,730
(Loss) income before extraordinary item <sup>(3)</sup>	\$(867,392)	\$ (14,411)	\$ 11,818
Net (loss) income	\$(877,230)	\$ (26,254)	\$ 11,818
Net (loss) income per share:			
Basic	\$ (5.71)	\$ (0.21)	\$ 0.22
Diluted	\$ (5.76)	\$ (0.21)	\$ 0.21
Weighted average number of shares:			
Basic	155,687	132,804	53,382
Diluted	155,687	132,804	55,029
<b>Third Quarter:</b>			
Total revenue	\$ 579,281	\$603,850	\$ 81,638
(Loss) income before extraordinary item <sup>(1)</sup>	\$ (44,565)	\$ (58,158)	\$ (24,470)
Net (loss) income	\$ (44,565)	\$ (59,415)	\$ (27,004)
Net (loss) income per share:			
Basic	\$ (0.41)	\$ (0.40)	\$ (0.38)
Diluted	\$ (0.41)	\$ (1.02)	\$ (0.38)
Weighted average number of shares:			
Basic	166,954	154,510	71,706
Diluted	166,954	154,510	71,706



## NOTES TO FINANCIAL STATEMENTS

*(dollars in thousands, except share amounts)*

Fourth Quarter:			
Total revenue	\$ 593,826	\$630,259	\$180,279
(Loss) income before extraordinary item <sup>(2) (4)</sup>	\$(150,746)	\$ (90,968)	\$ 1,666
Net (loss) income	\$(150,746)	\$ (90,968)	\$ 1,666
Net (loss) income per share:			
Basic	\$ (1.05)	\$ (0.65)	\$ 0.02
Diluted	\$ (1.05)	\$ (1.01)	\$ 0.02
Weighted average number of shares:			
Basic	167,192	154,139	78,346
Diluted	167,192	154,139	80,915

(1) Loss (income) before extraordinary item for the third quarter includes the cost the Treasury Lock Settlement, a non-recurring expense of \$49,225.

(2) Loss (income) before extraordinary item for the fourth quarter of 1998 includes impairment in value of assets held for sale of \$51,081.

(3) Loss (income) before extraordinary item for the second quarter of 1999 includes a restructuring charge of \$185,382 and income tax provision includes a reorganization charge of \$675,000.

(4) In the second quarter of 1999, \$2,775 of gains on the sale of assets were reclassified from revenue, and netted against expense for financial statement presentation.

(5) Loss (income) before extraordinary item for the fourth quarter of 1999 includes the following:

A restructuring charge of \$95,979

Impairment in value of assets held for sale of \$70,912

## 20. Pro Forma Results of Operations (unaudited):

The following unaudited pro forma results of operations of Wyndham are presented as if (i) the merger and acquisition of the WHG Casinos and Resorts and related third party minority interests consummated in January 1998 and the acquisition of the remaining minority interests completed in March and July 1998, the acquisition included the Condado Plaza Hotel & Casino, El San Juan Hotel and Casino and the El Conquistador Hotel and Casino and the management company for the three resorts, located in San Juan, Puerto Rico, the acquisition of the Buena Vista Hotel located in Orlando, Florida in January 1998, and the acquisition of the Golden Door Spa located in Escondido, California in June 1998; (ii) the acquisition of Arcadian International Limited and the Malmaison Group including 10 hotels, land held for developments and the proprietary Malmaison brand in April 1998; (iii) the merger of Interstate Hotels Company with and into Patriot and the related financing in June 1998; (iv) the acquisition of the partnership interests in SF Hotel Company, L.P. in June 1998, which included four hotels, 24 management and leasehold interests, 12 management contracts and the proprietary brand names Summerfield Suites, Sierra Suites and Sunrise Sierra Suites; (v) the merger of the hospitality related businesses of CHC International with and into Wyndham in June 1998 including the remaining 50% interest in GAH-II, L.P., the remaining 17 leases and 16 management contracts related to Patriot Hotels leased by CHC Lease Partners, 10 management and asset management contracts and the Grand Bay proprietary brand name (vi) the \$1 billion equity investment, (vii) the restructuring of Patriot and Old Wyndham (viii) the new debt financing, and (ix) the Interstate spin-off which occurred in 1999 and 1998 had occurred on January 1, 1998. The 1999 historical financial statements represent in all material respects the effect of the above transactions as if they had occurred as of the beginning of the period. As such no pro forma financial statements have been presented.

The following unaudited pro forma financial information is not necessarily indicative of what actual results of operations of Wyndham would have been assuming such transactions had been completed as of January 1, 1998, nor do they purport to represent the results of operations for future periods.

	<i>1998</i>
Total revenue	\$2,317,759
Net loss:	\$ (108,812)
Basic loss per share:	\$ (1.26)
Diluted loss per share	\$ (1.26)
Weighted average number of shares	\$ 165,663

## NOTES TO FINANCIAL STATEMENTS

(dollars in thousands, except share amounts)

### 21. Subsequent Events:

In January 2000, Wyndham acquired the remaining interests in Wyndham Chicago from Oxford Blackpoint Company II, LLC, for approximately \$20,626.

In March 2000, Wyndham sold its Sierra Suites® hotel brand, properties and related assets to Sierra Suites Hotel Company, L.P., an entity affiliated with Mr. Rolf Ruhfus, a director of Wyndham, for approximately \$53,000. The transaction includes the sale by Wyndham of one owned and three leased properties, seventeen franchise and management contracts for Sierra Suites® and nine contracts for Summerfield Suites.

In March 2000, the Company entered into three additional interest rate hedges for a total notional amount of \$1.5 billion. The hedges are structured such that each hedge has a series of trigger levels in which the hedge can become ineffective for any reset period that the 1-month LIBOR rises above the trigger level. If LIBOR resets below the trigger level, the hedge becomes effective again. The Company paid approximately \$34.3 million in premiums, which will be amortized over the terms of the contracts, to enter into these transactions. The hedges are as follows:

<i>Hedge</i>	<i>Notional Amount</i>	<i>Terms</i>	<i>Rate</i>	<i>Trigger Level</i>
Interest Rate Swap	\$700 million	5 years	6.1%-6.75%	7.0%-8.5%
Interest Cap	\$250 million	3 years	4.75%	7.5%
Interest Corridor	\$550 million	3 years	5.25%	7.5%

In addition, the Company shortened the terms of three existing hedges and received net proceeds of approximately \$6.8 million. The hedges were as follows:

<i>Hedge</i>	<i>Notional Amount</i>	<i>Original Maturity</i>	<i>Revised Maturity</i>	<i>Rate</i>
Interest Rate Swap	\$375 million	11/01/02	3/01/02	6.26%
Interest Rate Swap	\$125 million	11/01/02	3/01/02	5.56%
Interest Rate Swap	\$250 million	06/01/03	3/01/02	5.84%

On March 27, 2000, the Company announced that its Board of Directors has named president Fred J. Kleisner to the additional position of chief executive officer. He succeeds James D. Carreker, who will remain as chairman. Additionally, Wyndham accepted the resignations of two senior officers, Anne L. Raymond, executive vice president and chief investment officer, and Stanley M. Koonce, Jr. executive vice president and chief administrative officer. David Johnson, president of the Wyndham hotel division, has been named executive vice president, sales and marketing.

**BOARD OF DIRECTORS**

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Partner  
Crow Holdings

Thomas H. Lee  
President  
Thomas H. Lee Company

Alan M. Leventhal  
Chairman and Chief Executive Officer  
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Lee S. Neibart  
Partner  
Apollo Real Estate Advisors, LP

Paul A. Nussbaum  
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Marc J. Rowan  
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Dr. Rolf E. Ruhfus  
Summerfield Associates, LP

Scott A. Schoen  
Managing Director  
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Scott M. Sperling  
Managing Director  
Thomas H. Lee Company

Sherwood M. Weiser  
Chairman and Chief Executive Officer  
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Chairman

Fred J. Kleisner  
President and Chief Executive Officer

Richard L. Mahoney  
Executive Vice President and Chief Financial Officer

Leslie V. Bentley  
Executive Vice President  
President, Wyndham Hotels & Resorts Division

Michael A. Grossman  
Executive Vice President  
President, Performance Hospitality Management Division

David W. Johnson  
Executive Vice President, Sales and Marketing

Carla S. Moreland  
Executive Vice President, Secretary and General Counsel

## CORPORATE INFORMATION

### Corporate Headquarters

Wyndham International, Inc.  
1950 Stemmons Freeway  
Suite 6001  
Dallas, Texas 75207  
214.863.1000  
214.863.1527 Fax  
www.wyndham.com

### Common Stock Listing

Wyndham International, Inc. class A common stock trades on the New York Stock Exchange under the ticker symbol WYN. Daily trading activity and the stock price may be found in the financial section of major newspapers and on the Internet.

### Shareholders of Record

As of March 22, 2000, there were approximately 1,497 record holders of the company's shares, including shares held in "street name" by nominees who are record holders and approximately 22,200 shareholders.

### Registrar and Transfer Agent

Shareholder inquiries regarding stock transfers, dividend payments, address changes, lost stock certificates or other stock account matters should be directed to:

American Stock Transfer & Trust Company  
40 Wall Street  
New York, New York 10005  
800.937.5449

### Corporate Counsel

Akin, Gump, Strauss Hauer & Feld, L.L.P.  
Dallas, Texas

### Common Stock Prices and Dividends

	1999			1998		
	High	Low	Per Share Dividend	High	Low	Per Share Dividend
First Quarter	\$7.00	\$4.4375	\$ –	\$29.50	\$24.00	\$0.2981
Second Quarter	\$5.50	\$4.00	\$ –	\$28.25	\$19.75	\$0.2981
Third Quarter	\$4.875	\$2.625	\$ –	\$24.50	\$11.50	\$ –
Fourth Quarter	\$3.875	\$2.4375	\$ –	\$13.25	\$ 5.313	\$0.44

*On June 18, 1999, the company declared a dividend in the form of the spin-off of Interstate Hotels Corporation in the second quarter of 1999. Each record holder as of June 7, 1999 received one share of newly issued Interstate stock for every 30 shares of Patriot American Hospitality common stock, Patriot series A preferred stock, Old Wyndham series A and B preferred stock, Patriot American Hospitality Partnership L.P. common and preferred limited partnership units, and Wyndham International L.P. class A and class C preferred limited partnership units.*

*Prices represent paired shares for periods from January 1, 1998 through June 29, 1999, and Wyndham class A common stock subsequent to June 30, 1999. Dividends have been paid only on shares of Patriot common stock for periods after January 1, 1998. No dividends have been paid on Wyndham common stock.*

### Auditors

PricewaterhouseCoopers, L.L.P.  
Dallas, Texas

### For Reservations

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### Development Inquiries

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### Media and Other Inquiries

214.863.1258

*"Carmel Valley Ranch Resort," "ClubHouse Inn," "Golden Door," "Grand Bay Hotel," "Grand Heritage," "Malmaison," "Sierra Suites," "Summerfield Suites," "The Boulders," "The Lodge at Ventana Canyon," "The Peaks at Telluride," "Women on Their Way," "Wyndham Hotels & Resorts," "Wyndham Garden," and "The Right Way: The Wyndham Way" are registered to Wyndham International, Inc. and/or its subsidiaries with the U.S. Patent and Trademark office.*

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