

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K/A

Amendment No. 1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): June 1, 1998

CAVANAUGHS HOSPITALITY CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

WASHINGTON

(State or Other Jurisdiction of Incorporation)

001-13957

91-1032187

(Commission File Number)

(I.R.S. Employer
Identification

No.)

201 W. North River Drive, Suite 100
Spokane, Washington 99201
(Address of Principal Executive Offices)
(Zip Code)

(509) 459-6100
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

The undersigned Registrant hereby amends, as and to the extent set forth below, the following items, financial statements, exhibits or other portions of the Current Report on Form 8-K for an event which occurred on June 1, 1998:

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits
EXHIBIT INDEX

99.1 Audited financial statements of Olympus Hotel and Conference Center ("Olympus" or "Olympus Hotel") as of and for the year ended December 31, 1997.

99.2 Unaudited condensed pro forma combined balance sheet of Cavanaugh's Hospitality Corporation ("Cavanaugh's" or "CHC") and Olympus as of October 31, 1997 and March 31, 1998 and condensed pro forma combined statements of income for the year ended October 31, 1997 and three months ended March 31, 1998.

99.3 Unaudited condensed financial statements of Olympus as of and for the three months ended March 31, 1998.

SIGNATURE

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

Dated: August 12, 1998
CORPORATION

CAVANAUGHS HOSPITALITY

By /s/ Art Coffey

President/Chief

Executive Vice

Financial Officer

EXHIBIT 99.1

[PricewaterhouseCoopers LLP - Spokane, Washington letterhead]

Report of Independent Accountants

August 7, 1998

To the Members of
Stellar Lone Star Limited Liability Company:

In our opinion, the accompanying balance sheet and the related statements of income, changes in members' equity, and cash flows present fairly, in all material respects, the financial position of The Olympus Hotel and Conference Center ("The Olympus Hotel") as of December 31, 1997, and the results of its operations and its cash flows for the year ended December 31, 1997, in conformity with generally accepted accounting principles. 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 audit. We conducted our audit of these statements in accordance with generally accepted auditing standards 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 audit provides a reasonable basis for the opinion expressed above.

*/s/PricewaterhouseCoopers
LLP*

**THE OLYMPUS HOTEL
BALANCE SHEET
as of December 31, 1997**

ASSETS

Current assets:
Cash and cash equivalents \$
275,583
Accounts receivable, less allowance for doubtful
accounts of \$12,500
389,146
Inventories
63,818
Prepaid expenses
175,117

Total current assets
903,664

Property and equipment, net
19,747,631
Deferred loan fees, net
86,628

Total assets
\$20,737,923

=====

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:
Accounts payable \$
173,604
Accrued payroll and related benefits
195,493
Accrued interest payable
175,000
Other accrued expenses
72,667
Note payable, current portion
102,114

Total current liabilities
718,878

Note payable, long-term portion
16,977,886

Total liabilities
17,696,764

Commitments (Note 6)

Members' equity
3,041,159

Total liabilities and members' equity
\$20,737,923

=====

The accompanying notes are an integral part of the financial statements.

**THE OLYMPUS HOTEL
STATEMENT OF INCOME**

for the year ended December 31, 1997

Revenues:	
Hotel and restaurant:	
Rooms	\$ 6,998,977
Food and beverage	1,883,091
Other	54,649

Total hotel and restaurant	8,936,717
Rental operations	131,391

Total revenues	9,068,108

Operating expenses:	
Direct:	
Rooms	1,293,475
Food and beverage	1,430,366

Total direct	2,723,841

Indirect:	
Selling, general and administrative	1,632,041
Property operating costs	1,483,956
Depreciation and amortization	847,966

Total indirect	3,963,963

Total operating expenses	6,687,804

Operating income	2,380,304
Other expense:	
Interest	
(1,643,298)	

Net income	\$ 737,006
	=====

The accompanying notes are an integral part of the financial statements.

THE OLYMPUS HOTEL
STATEMENT OF CHANGES IN MEMBERS' EQUITY

for the year ended December 31, 1997

Balance, January 1, 1997	\$ 3,054,153
Net income	737,006
Distributions to members (750,000)	

Balance, December 31, 1997	\$ 3,041,159 =====

The accompanying notes are an integral part of the financial statements.

**THE OLYMPUS HOTEL
STATEMENT OF CASH FLOWS**

for the year ended December 31, 1997

Operating activities:	
Net income	\$ 737,006
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	847,966
Change in:	
Accounts receivable	
(31,101)	
Inventories	
(3,453)	
Prepaid expenses	101,561
Accounts payable	187,012
Accrued payroll and related benefits	32,079
Other accrued expenses	19,369

Net cash provided by operating activities	1,890,439

Investing activities:	
Additions to property and equipment	
(1,113,574)	

Net cash used in investing activities	
(1,113,574)	

Financing activities:	
Distributions to members	
(750,000)	

Net cash used in financing activities	
(750,000)	

Change in cash and cash equivalents:	
Net increase in cash and cash equivalents	26,865
Cash and cash equivalents at beginning of year	248,718

Cash and cash equivalents at end of year	\$ 275,583
	=====
Supplemental disclosure of cash flow information:	
Cash paid during year for:	
Interest	\$ 1,639,721

The accompanying notes are an integral part of the financial statements.

THE OLYMPUS HOTEL
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

On December 27, 1994, The Olympus Hotel ("Olympus Hotel" or "Company"), which is located in Salt Lake City, Utah, was purchased by Stellar Lone Star Limited Liability Company ("Stellar") from Olympus Hotel, L.C., a Utah limited liability company.

Stellar is a commercial real estate development and management company located in the state of Washington. Stellar owns properties other than Olympus Hotel. However, these financial statements only reflect the operations and activities of Olympus Hotel.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with remaining maturities at the time of purchase of three months or less. The Company places its cash and cash equivalents with high credit quality institutions. At times, cash balances may be in excess of federal insurance limits.

Inventories

Inventories consist primarily of room linens, food and beverage products, which are valued at the lower of average cost or market.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets or the lease term as follows:

Buildings 39 years Equipment, furniture and fixtures 7 years

Major additions and betterments are capitalized. Costs of maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. When items are disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in operations. Management of the Company periodically reviews the aggregate net carrying value of property and equipment to determine whether there has been a permanent impairment in carrying value. At December 31, 1997, no such impairment was deemed to exist.

THE OLYMPUS HOTEL
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Deferred Loan Fees

Deferred loan fees are amortized using the interest method over the 20-year term of the related loan agreement.

Income Taxes

Olympus Hotel is wholly owned by Stellar Lone Star Limited Liability Company. Accordingly, Stellar's members are responsible for federal and state income taxes on Olympus Hotel's earnings. Therefore, no provision for income taxes is recorded in these financial statements.

Estimates

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

Advertising Expenses

Advertising is expensed as incurred. The total amount of advertising expense was approximately \$221,000 in 1997.

Concentration of Revenues

Approximately \$1.44 million of room revenues in 1997 was generated from contracts with airlines, which are renewed every 1-2 years.

New Accounting Pronouncement

In June 1997, SFAS No. 130, "Reporting Comprehensive Income", (SFAS No. 130) was issued. SFAS No. 130 requires that comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS No. 130 does not require a specific format for the financial statement, but requires that an enterprise display net income as a component of comprehensive income in the financial statement. Comprehensive income is defined as the change in equity of a business enterprise arising from non-owner sources. The classifications of comprehensive income

THE OLYMPUS HOTEL
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

under current accounting standards include foreign currency items, minimum pension liability adjustments, and unrealized gains and losses on certain investments in debt and equity securities. SFAS No. 130 is effective for fiscal years beginning after December 15, 1997. Management does not believe that the implementation of SFAS No. 130 will have a material impact on the presentation of its financial statements.

3. PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 1997 is as follows:

Land	\$ 824,634
Buildings and equipment	18,914,184
Furniture and fixtures	2,386,475

	22,125,293
Less accumulated depreciation (2,377,662)	

	\$19,747,631
	=====

4. LONG-TERM DEBT:

Long-term debt as of December 31, 1997 is as follows:

Mortgage note payable with interest at 9.25%, payable in monthly installments of \$140,589 beginning February 1998 through November 2014, with the remaining unpaid principal due in December 2014, collateralized by real property. The fair value of the note approximates its carrying value. \$17,080,000

THE OLYMPUS HOTEL
NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. LONG-TERM DEBT, CONTINUED:

Contractual maturities for long-term debt outstanding at December 31, 1997, are summarized by year as follows:

Year Ending December 31, -----	\$
1998	
102,114	
1999	
121,688	
2000	
133,434	
2001	
146,314	
2002	
160,436	
Thereafter	
16,416,014	

\$17,080,000	
=====	

5. OPERATING LEASE INCOME:

Operating lease income is generated from non-related businesses which rent space on the hotel property. The cost and accumulated depreciation of these rental properties at December 31, 1997 are approximately \$165,000 and \$22,000, respectively. The income for one of these leases is based on a minimum fixed rate per month or a percentage of the business' gross sales, whichever is greater. During the year ended December 31, 1997, the Company recognized approximately \$131,000 of rental income which included \$28,000 of rent, which was contingent upon the amount of gross sales.

Future minimum lease income under existing noncancellable leases at December 31, 1997 is as follows:

	Year Ending December 31, -----	
	1998	\$
89,449		
	1999	
90,291		
	2000	
68,604		
	2001	
68,604		
	2002	
68,604		

385,552		\$
	=====	

THE OLYMPUS HOTEL
NOTES TO FINANCIAL STATEMENTS,
CONTINUED

6. COMMITMENTS:

The Company leases billboards and equipment under operating lease agreements. The leases are generally on a month-to-month or year-to-year basis. These leases generally contain provisions for automatic renewal at the end of each specified period unless written notice is given in advance in accordance with the agreement. Future minimum lease payments at December 31, 1997 are approximately \$13,000 due in 1998.

The Company also pays approximately \$20,000 per month to a management company to manage Olympus Hotel. The agreement is renewed annually. At December 31, 1997, this agreement was renewed on a month-to-month basis. In connection with the sale of Olympus Hotel in 1998 (see Note 9), this management agreement was terminated.

7. RELATED-PARTY TRANSACTIONS:

The Company has agreed to pay Stellar an annual fee of \$96,000 for consulting. This agreement was terminated in connection with the sale of Olympus Hotel in 1998 (see Note 9).

8. EMPLOYEE BENEFITS:

The Company sponsors a self-insured health benefit plan which provides comprehensive medical, dental and prescription coverage for the employees of the Company and their covered family members. The Company carries an excess reimbursement policy which covers 100 percent of payments exceeding \$20,000 during a 12-month period per individual. Total expense incurred by the Company for this plan was approximately \$176,000 in 1997.

The Company has established a flexible reimbursement plan intended to constitute a "Cafeteria plan" within Section 125 of the Internal Revenue Code. The Company made no contribution to this plan in 1997.

The Company sponsors a 401(k) retirement plan for substantially all of its employees. The Company matches 15% of all eligible employee contributions. Company contributions to this plan were \$3,300 in 1997.

The Company provides no benefits and incurs no costs associated with postemployment or postretirement benefits or pensions.

THE OLYMPUS HOTEL
NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. SUBSEQUENT EVENT:

Effective July 1, 1998, Cavanaugh's Hospitality Corporation ("CHC"), located in the state of Washington, acquired all the Company's property and equipment, including the rental property of the Company. CHC also acquired the rights, title and interest in all hotel contracts, space leases, permits, equipment leases and inventories of the Company. CHC is a hotel operating company that owns, operates, acquires, develops, renovates and repositions full service hotels located in the Northwest.

EXHIBIT 99.2

CONDENSED PRO FORMA COMBINED FINANCIAL INFORMATION

The following condensed pro forma combined balance sheets and condensed pro forma combined statements of operations, collectively, the "Pro Forma Financial Statements", were prepared by Cavanaugh's to illustrate the estimated effects of the business combination to be accounted for as a purchase under generally accepted accounting principles. Accordingly, the financial information of Cavanaugh's and Olympus has been combined as if the acquisition occurred as of the beginning of the period presented for purposes of the condensed pro forma combined statements of income, and as of the balance sheet date, for purposes of the condensed pro forma combined balance sheets. There are no differences between Cavanaugh's and Olympus' accounting policies which are expected to have a material impact on the pro forma combined financial statements. The Pro Forma Financial Statements do not purport to represent what the combined financial position or results of operations would have been if the combination had occurred at the beginning of the period or to project the combined financial position or results of operations for any future date or period.

The Pro Forma Financial Statements should be read in conjunction with the historical consolidated financial statements, including the notes thereto, of Cavanaugh's, which are included in Cavanaugh's Form S-1 (File No. 333-44491), Cavanaugh's Form 10-Q for the three months ended March 31, 1998 and of Olympus, which are included elsewhere in this document.

The Pro Forma Financial Statements are presented utilizing the purchase method of accounting whereby the excess of the total purchase price over the fair value of the assets acquired is recorded as property and equipment. The consolidated pro forma results of operations presented herein are not necessarily indicative of the future results of operations.

CONDENSED PRO FORMA COMBINED BALANCE SHEETS
at October 31, 1997

(in thousands, except for share data)

	CHC Historical (at October 31, 1997)	Olympus Historical (at December 31, 1997)	Pro Forma Adjustments	Pro Forma Combined
	-----	-----	-----	-----
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,440	\$ --	\$ --	\$ 6,440
Accounts receivable	2,806	--	--	2,806
Inventories	376	--	--	376
Prepaid expenses and deposits	1,128	--	--	1,128
	-----	-----	-----	-----
Total current assets	10,750	--	--	10,750
Property and equipment, net	109,954	19,748	11,852(A)	141,554
Other assets, net	3,400	--	--	3,400
	-----	-----	-----	-----
Total assets	\$ 124,104	\$ 19,748	\$ 11,852	\$ 155,704
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' AND PARTNERS EQUITY				
Current liabilities:				
Payable to affiliates	\$ 1,333	\$ --	\$ --	\$ 1,333
Accounts payable	2,263	--	--	2,263
Accrued payroll and related benefits	843	--	--	843
Accrued interest payable	741	--	--	741
Other accrued expenses	3,618	--	--	3,618
Long-term debt, due within one year	4,285	--	--	4,285
Capital lease obligations, due within one year	499	--	--	499
	-----	-----	-----	-----
Total current liabilities	13,582	--	--	13,582
Long-term debt, due after one year	93,771	--	31,600(B)	125,371
Capital lease obligations, due after one year	2,255	--	--	2,255
Deferred income taxes	5,417	--	--	5,417
Minority interest	553	--	--	553
	-----	-----	-----	-----
Total liabilities	115,578	--	31,600	147,178
	-----	-----	-----	-----

CONDENSED PRO FORMA COMBINED BALANCE SHEETS, CONTINUED
at October 31, 1997

(in thousands, except for share data)

	CHC Historical (at October 31, 1997)	Olympus Historical (at December 31, 1997)	Pro Forma Adjustments	Pro Forma Combined
	-----	-----	-----	-----
LIABILITIES AND STOCKHOLDERS' AND PARTNERS EQUITY, CONTINUED				
Stockholders and partners equity:				
Preferred stock, \$.01 par value, 5,000,000 shares authorized; no shares issued and outstanding	\$ --	\$ --	\$ --	\$ --
Common stock, \$.01 par value, 50,000,000 shares authorized; 7,072,025 shares issued and outstanding	71	--	--	71
Partners' deficit	(897)	--	--	(897)
Additional paid-in capital	3,935	--	--	3,935
Retained earnings	5,417	19,748	(19,748)	5,417
	-----	-----	-----	-----
Total stockholders' and partners equity	8,526	19,748	(19,748)	8,526
	-----	-----	-----	-----
Total liabilities and stock- holders' and partners equity	\$ 124,104	\$ 19,748	\$ 11,852	\$ 155,704
	=====	=====	=====	=====

See notes to condensed pro forma combined balance sheets and statements of income.

CONDENSED PRO FORMA COMBINED BALANCE SHEETS
at March 31, 1998

(in thousands, except for share data)

	CHC Historical (at March 31, 1998) -----	Olympus Historical (at March 31, 1998) -----	Pro Forma Adjustments -----	Pro Forma Combined -----
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 8,206	\$ --	\$ --	\$ 8,206
Accounts receivable	2,652	--	--	2,652
Inventories	483	--	--	483
Prepaid expenses and deposits	2,160	--	--	2,160
Total current assets	----- 13,501	----- --	----- --	----- 13,501
Property and equipment, net	137,559	19,645	11,955(A)	169,159
Other assets, net	3,726	--	--	3,726
Total assets	----- \$ 154,786 =====	----- \$ 19,645 =====	----- \$ 11,955 =====	----- \$ 186,386 =====
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Payable to affiliates	\$ 933	\$ --	\$ --	\$ 933
Note payable to bank	3,000	--	--	3,000
Accounts payable	3,235	--	--	3,235
Accrued payroll and related benefits	1,039	--	--	1,039
Accrued interest payable	832	--	--	832
Other accrued expenses	4,378	--	--	4,378
Long-term debt, due within one year	1,241	--	--	1,241
Capital lease obligations, due within one year	508	--	--	508
Total current liabilities	----- 15,166	----- --	----- --	----- 15,166
Long-term debt, due after one year	123,253	--	31,600(B)	154,853
Capital lease obligations, due after one year	2,023	--	--	2,023
Deferred income taxes	5,415	--	--	5,415
Minority interest	484	--	--	484
Total liabilities	----- 146,341 -----	----- -- -----	----- 31,600 -----	----- 177,941 -----

CONDENSED PRO FORMA COMBINED BALANCE SHEETS, CONTINUED
at March 31, 1998

(in thousands, except for share data)

	CHC Historical (at March 31, 1998)	Olympus Historical (at March 31, 1998)	Pro Forma Adjustments	Pro Forma Combined
	-----	-----	-----	-----
LIABILITIES AND STOCKHOLDERS EQUITY, CONTINUED				
Stockholders equity:				
Preferred stock, \$.01 par value, 5,000,000 shares authorized; no shares issued and outstanding	\$ --	\$ --	\$ --	\$ --
Common stock, \$.01 par value, 50,000,000 shares authorized; 7,084,253 shares issued and outstanding	71	--	--	71
Additional paid-in capital	3,056	--	--	3,056
Retained earnings	5,318	19,645	(19,645)	5,318
	-----	-----	-----	-----
Total stockholders equity	8,445	19,645	(19,645)	8,445
	-----	-----	-----	-----
Total liabilities and stock- holders equity	\$ 154,786	\$ 19,645	\$ 11,955	\$ 186,386
	=====	=====	=====	=====

See notes to condensed pro forma combined balance sheets and statements of income.

CONDENSED PRO FORMA COMBINED STATEMENT OF INCOME

for the year ended October 31, 1997

(in thousands, except per share data)

	CHC Historical (for the year ended October 31, 1997)	Olympus Historical (for the year ended December 31, 1997)	Pro Forma Adjustments	Pro Forma Combined
	-----	-----	-----	-----
Revenues:				
Hotels and restaurants:				
Rooms	\$ 25,147	\$ 6,999	\$ --	\$ 32,146
Food and beverage	13,926	1,883	--	15,809
Other	2,589	55	--	2,644
	-----	-----	-----	-----
Total hotels and restaurants	41,662	8,937	--	50,599
Entertainment, management and services	3,842	--	--	3,842
Rental operations	6,539	131	--	6,670
	-----	-----	-----	-----
Total revenues	52,043	9,068	--	61,111
	-----	-----	-----	-----
Operating expenses:				
Direct:				
Hotels and restaurants:				
Rooms	6,820	1,294	--	8,114
Food and beverage	11,483	1,430	--	12,913
Other	1,066	--	--	1,066
	-----	-----	-----	-----
Total hotels and restaurants	19,369	2,724	--	22,093
Entertainment, management and services	2,052	--	--	2,052
Rental operations	1,506	--	--	1,506
	-----	-----	-----	-----
Total direct expenses	22,927	2,724	--	25,651
	-----	-----	-----	-----
Undistributed operating expenses:				
Selling, general and administrative	8,188	1,632	--	9,820
Property operating costs	5,518	1,484	(306) (C)	6,696
Depreciation and amortization	4,775	848	(121) (D)	5,502
	-----	-----	-----	-----
Total undistributed operating expenses	18,481	3,964	(427)	22,018
	-----	-----	-----	-----
Total expenses	41,408	6,688	(427)	47,669
	-----	-----	-----	-----
Operating income	10,635	2,380	427	13,442
	-----	-----	-----	-----
Other income (expense):				
Interest expense, net of amounts capitalized	(8,817)	(1,643)	(739) (E)	(11,199)
Interest income	416	--	--	416
Other income	348	--	--	348
Minority interest in partnerships	59	--	--	59
	-----	-----	-----	-----
Income (loss) before income taxes	2,641	737	(312)	3,066
Income tax provision	932	--	141 (F)	1,073
	-----	-----	-----	-----
Net income	\$ 1,709	\$ 737	\$ (453)	\$ 1,993
	=====	=====	=====	=====

CONDENSED PRO FORMA COMBINED STATEMENT OF INCOME, CONTINUED

for the year ended October 31, 1997

(in thousands, except per share data)

	CHC Historical (for the year ended October 31, 1997)	Olympus Historical (for the year ended December 31, 1997)	Pro Forma Adjustments	Pro Forma Combined
Pro forma net income per share	\$ 0.24 =====			\$ 0.28 =====
Number of shares used in the pro forma computation	7,072 =====			7,072 =====

See notes to condensed pro forma combined balance sheets and statements of income.

CONDENSED PRO FORMA COMBINED STATEMENT OF INCOME for the three months ended March 31, 1998
(in thousands, except per share data)

	CHC Historical	Olympus Historical	Pro Forma Adjustments	Pro Forma Combined
	-----	-----	-----	-----
Revenues:				
Hotels and restaurants:				
Rooms	\$ 6,884	\$ 1,820	\$ --	\$ 8,704
Food and beverage	4,175	524	--	4,699
Other	782	43	--	825
	-----	-----	-----	-----
Total hotels and restaurants	11,841	2,387	--	14,228
Entertainment, management and services	1,018	--	--	1,018
Rental operations	1,776	32	--	1,808
	-----	-----	-----	-----
Total revenues	14,635	2,419	--	17,054
	-----	-----	-----	-----
Operating expenses:				
Direct:				
Hotels and restaurants:				
Rooms	2,091	384	--	2,475
Food and beverage	3,558	430	--	3,988
Other	337	--	--	337
	-----	-----	-----	-----
Total hotels and restaurants	5,986	814	--	6,800
Entertainment, management and services	697	--	--	697
Rental operations	385	--	--	385
	-----	-----	-----	-----
Total direct expenses	7,068	814	--	7,882
	-----	-----	-----	-----
Undistributed operating expenses:				
Selling, general and administrative	1,996	260	--	2,256
Property operating costs	1,796	390	(89)(C)	2,097
Depreciation and amortization	1,338	211	(30)(D)	1,519
	-----	-----	-----	-----
Total undistributed operating expenses	5,130	861	(119)	5,872
	-----	-----	-----	-----
Total expenses	12,198	1,675	(119)	13,754
	-----	-----	-----	-----
Operating income	2,437	744	119	3,300
	-----	-----	-----	-----
Other income (expense):				
Interest expense, net of amounts capitalized	(2,679)	(407)	(189)(E)	(3,275)
Interest income	70	--	--	70
Minority interest in partnerships	40	--	--	40
	-----	-----	-----	-----
Income (loss) before income taxes	(132)	337	(70)	135
Income tax provision (benefit)	(45)	--	91 (F)	46
	-----	-----	-----	-----
Net income (loss) and comprehensive income (loss)	\$ (87)	\$ 337	\$ (161)	\$ 89
	=====	=====	=====	=====

CONDENSED PRO FORMA COMBINED STATEMENT OF INCOME for the three months ended March 31, 1998
(in thousands, except per share data)

	CHC Historical -----	Olympus Historical -----	Pro Forma Adjustments -----	Pro Forma Combined -----
Net income (loss) per share - basic and diluted	\$ (0.01) =====			\$ 0.01 =====
Weighted average shares outstanding - basic and diluted	7,084 =====			7,084 =====

See notes to condensed pro forma combined balance sheet and statement of income.

**NOTES TO CONDENSED PRO FORMA COMBINED BALANCE SHEETS AND STATEMENTS OF
INCOME**

The following balance sheet adjustments were made to reflect the combination of Cavanaugh's and Olympus as if it occurred October 31, 1997 and March 31, 1998:

(A) Represents the purchase price in excess of the historical carrying value of the property and equipment of Olympus. The total purchase price and the amount in excess of the historical carrying value of the property and equipment are calculated as follows (in thousands):

	October 31, 1997	March 31, 1998
Total purchase price	\$ 31,600	\$ 31,600
Historical carrying value of assets acquired (19,645)	(19,748)	
Excess purchase price	<u>\$ 11,852</u>	<u>\$ 11,955</u>

The purchase price has been allocated to the acquired land, building, furniture and fixtures as follows based upon the estimated fair value of the components (in thousands):

	Amount	Depreciable Life
Land	\$ 10,876	
Buildings	18,840	35 years
Furniture and fixtures	1,884	10 years
	<u>\$ 31,600</u>	

(B) Represents the amount of the purchase price of Olympus which will be financed by the Company's revolving line-of-credit agreement.

**NOTES TO CONDENSED PRO FORMA COMBINED BALANCE SHEET AND STATEMENTS OF
INCOME, CONTINUED**

The following income statement adjustments were made to reflect the combination of Cavanaugh's and Olympus as if it occurred at the beginning of the period presented. The combined pro forma results of operations presented herein are not necessarily indicative of the future results of operations of the combined companies.

(C) Represents the elimination of management fees associated with the management agreement between Olympus and an affiliated entity which will be terminated upon the acquisition by Cavanaugh's.

(D) Represents the increase (decrease) in depreciation and amortization expense from the historical amounts based on the depreciation of the purchase price over the estimated remaining lives of the acquired assets (see Note A).

(E) Represents the additional interest expense which would be incurred by Cavanaugh's based on the purchase price of Olympus, which will be financed under Cavanaugh's revolving line-of-credit agreement. The interest rate used in the pro forma adjustments was 7.538% based upon the current borrowing rate under Cavanaugh's line-of-credit agreement. If the rate increased or decreased by 0.25%, the Company's pro forma interest expense, net income and earnings per share for the 1997 fiscal year would increase or decrease by approximately \$79,000, \$51,000 and \$0.01, respectively. If the rate increased or decreased by 0.25%, the Company's pro forma interest expense, net income and earnings per share for the quarter ended March 31, 1998 would increase or decrease by approximately \$18,000, \$12,000 and \$-0-, respectively.

(F) Represents estimated income taxes related to Olympus' historical income before income taxes and the tax effects of pro forma adjustments. As Olympus was not a tax-paying entity, there is no income tax provision recorded on the historical Olympus financial statements.

EXHIBIT 99.3

**THE OLYMPUS HOTEL
UNAUDITED FINANCIAL STATEMENTS**

as of and for the three months ended March 31, 1998

THE OLYMPUS HOTEL
BALANCE SHEET
as of March 31, 1998 (Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$
129,932	
Accounts receivable	
650,907	
Inventories	
60,279	
Prepaid expenses	
168,396	

Total current assets	
1,009,514	
Property and equipment, net	
19,645,287	
Deferred loan fees, net	
85,627	

Total assets	
\$20,740,428	

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LIABILITIES AND MEMBERS' EQUITY

Current liabilities:

Accounts payable	\$
253,680	
Accrued payroll and related benefits	
181,400	
Other accrued expenses	
96,902	
Note payable, current portion	
102,114	

Total current liabilities	
634,096	
Note payable, long-term portion	
16,977,886	

Total liabilities	
17,611,982	
Members' equity	
3,128,446	

Total liabilities and members' equity	
\$20,740,428	

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THE OLYMPUS HOTEL
STATEMENT OF INCOME
for the three months ended March 31, 1998 (Unaudited)

Revenues:	
Hotel and restaurant:	
Rooms	\$ 1,820,157
Food and beverage	524,496
Other	42,851

Total hotel and restaurant	2,387,504
Rental operations	31,663

Total revenues	2,419,167

Operating expenses:	
Direct:	
Rooms	384,179
Food and beverage	430,326

Total direct	814,505

Indirect:	
Selling, general and administrative	259,405
Property operating costs	389,854
Depreciation and amortization	211,350

Total indirect	860,609

Total operating expenses	1,675,114

Operating income	744,053
Other expense:	
Interest	
(406,766)	

Net income and comprehensive income	\$ 337,287
	=====

THE OLYMPUS HOTEL
STATEMENT OF CASH FLOWS
for the three months ended March 31, 1998 (Unaudited)

Operating activities:	
Net income	\$ 337,287
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	211,350
Change in:	
Accounts receivable	
(261,761)	
Inventories	3,539
Prepaid expenses	6,721
Accounts payable	
(94,924)	
Accrued payroll and related benefits	
(14,093)	
Other accrued expenses	24,235

Net cash provided by operating activities	212,354

Investing activities:	
Additions to property and equipment	
(108,005)	

Net cash used in investing activities	
(108,005)	

Financing activities:	
Distributions to members	
(250,000)	

Net cash used in financing activities	
(250,000)	

Change in cash and cash equivalents:	
Net decrease in cash and cash equivalents	
(145,651)	
Cash and cash equivalents at beginning of period	275,583

Cash and cash equivalents at end of period	\$ 129,932
	=====

THE OLYMPUS HOTEL
NOTES TO UNAUDITED FINANCIAL STATEMENTS
as of and for the three months ended March 31,
1998

1. QUARTERLY INFORMATION:

The unaudited financial statements included herein have been prepared by The Olympus Hotel ("Olympus Hotel" or "the Company") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as permitted by such rules and regulations. The Company believes that the disclosures included herein are adequate; however, these statements should be read in conjunction with the financial statements and the notes thereto for the year ended December 31, 1997 which are included elsewhere in this document.

In the opinion of management, these unaudited financial statements contain all of the adjustments normal and recurring in nature, necessary to present fairly the financial position of the Company at March 31, 1998 and the results of operations and cash flows for the three months ended March 31, 1998. The results of operations for the periods presented may not be indicative of those which may be expected for a full year.

2. INCOME TAXES:

Olympus Hotel is wholly owned by Stellar Lone Star Limited Liability Company. Accordingly, Stellar's members are responsible for federal and state income taxes on Olympus Hotel's earnings. Therefore, no provision for income taxes is recorded in these financial statements.

End of Filing