SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K/A

CURRENT REPORT

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

Date of report (Date of earliest event reported): January 4, 2000

WESTCOAST 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)

(509) 459-6100

(Registrant's Telephone Number, Including Area Code)

Cavanaughs Hospitality Corporation

(Former Name or Former Address, if Changed Since Last Report)

ITEM 2. Acquisition or Disposition of Assets

On January 4, 2000, Cavanaughs Hospitality Corporation (the Company), acquired through multiple purchase agreements all of the outstanding stock of WestCoast Hotels, Inc., a Washington Corporation, and 100% of the interest in Bellevue Inn LLC. The sellers are; Lisa Swanbeck-Johnson as the owner of 100% of the stock of PNWW Holdings, Inc., a Washington corporation, Rodney D. Olson, D. Michael Bashaw, and October Hotel Investors, LLC, a Washington limited liability company. In February 2000, Cavanaughs Hospitality Corporation changed its name to WestCoast Hospitality Corporation.

These combined entities own the following hotel properties and percentage interests: WestCoast SeaTac Hotel a 146 room hotel located in Seattle Washington, one hundred percent (100%) ownership of the improvements and lessee interest in ground lease; Bellevue Inn a 181 room hotel located in Bellevue, Washington, one hundred percent (100%) ownership of the lessee interest and option agreement; WestCoast Vance Hotel a 165 room hotel located in Seattle, Washington, a .3 percent general partner interest including a 15% backend return if certain investment returns are achieved; Executive Park Hotel a 107 room hotel located in Phoenix, Arizona, a .3 percent general partner interest including a 15% backend return if certain investment returns are achieved; Hotel La Jolla at the Shores, a 108 room hotel located in La Jolla, California, a 7.1% limited partnership interest. Other assets of the company include the trademarks of WestCoast Hotels, marketing/franchise agreements for 23 hotels with 4,019 rooms, management agreements for 15 owned and third party owned hotels with 2,530 rooms, and all the associated contracts, assets and liabilities.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

The acquisition is in accordance with the Purchase and Sale Agreements dated December 17, 1999. The purchase of the stock and membership interests was effective December 31, 1999 and was completed on January 4, 2000 for a total price of approximately $45.5 million including the assumed liabilities of WestCoast, Hotels Inc. and subsidiaries. The Company's Form 8-K dated January 4, 2000 reported the purchase price as $61.4 million. The final $45.5 million purchase price reflects the Company's acquisition of three partnership interests on the equity method of accounting. The $61.4 million included the assumption of debt of these partnerships on the consolidated method of accounting.

The source of funds for the acquisition was a combination of loan proceeds from Cavanaughs Hospitality Corporation's Revolving Credit Facility, Convertible Bonds of $7,000,000 issued to the sellers which pay a 7% interest rate and can be converted to common stock of the Company at a $15.00 per share price, assumed debt which existed in WestCoast Hotels, Inc., and earnings of the Company. The purchase price was determined through arm's length negotiations with the Sellers, an unrelated third party.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

ITEM 7. Financial Statements and Exhibits

(a) Financial statements of business acquired

See Exhibit 99.4

(b) Pro forma financial information

See Exhibit 99.5

(c) Exhibits

99.4 Audited consolidated financial statements of PNWWC Holdings, Inc., of which WestCoast Hotels, Inc. is a subsidiary

99.5 Pro forma condensed combined balance sheet and statement of operations of WestCoast Hospitality Corporation (formerly known as Cavanaughs Hospitality Corporation) and WestCoast Hotels, Inc. as of and for the year ended December 31, 1999

Powered By EDGAR Online 2002. EDGAR Online, Inc.

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: March 17, 2000

WESTCOAST HOSPITALITY CORPORATION
(formerly known as Cavanaughs Hospitality Corporation)
By: /s/ Arthur M. Coffey

Executive Vice President/Chief Financial Officer

Powered By EDGAR Online 2002. EDGAR Online, Inc.

PNWWC HOLDINGS, INC.
AND SUBSIDIARIES

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1999

Powered By EDGAR Online 2002. EDGAR Online, Inc.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
PNWWC Holdings, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of PNWWC Holdings, Inc. and Subsidiaries as of December 31, 1999, and the related consolidated statement of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of PNWWC Holdings, Inc. management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 PNWWC Holdings, Inc. and Subsidiaries as of December 31, 1999, and the consolidated results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

GUNNING, STENSON & PRICE, P.S.
/s/

Bellevue, Washington
February 25, 2000

Powered By EDGAR Online 2002. EDGAR Online, Inc.

PNWWC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 1999

ASSETS

	1999
Current assets:	
Cash and cash equivalents:	
Unrestricted	$ 710,528
Restricted	163,915
Accounts receivable:	
Trade, net of allowance for doubtful accounts of $54,208	1,150,384
Employees	7,318
Notes receivable	100,000
Operating supplies	94,472
Prepaid expenses and other	84,669
Total current assets	2,311,286
Properties, net (Note 5)	8,284,487
Investments	566,813
Lease purchase option	1,611,073
Goodwill (Note 1)	791,076
Note receivable	105,000
Other	1,076
Deferred charges, net of accumulated amortization of $701,923	627,052
Total assets	$ 14,297,863

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Current portion of long-term debt (Note 4)	$ 4,945,838
Accounts payable:	
Trade	690,886
Minority interest purchase (Note 1)	800,000
Interest payable	98,962
Accrued liabilities	349,817
Income taxes payable (Note 7)	2,165,119
Business taxes	95,325
Accrued salaries, wages and related taxes	1,597,771
Other	6,978
Total current liabilities	10,750,696
Deferred income taxes (Note 7)	944,350
Long-term debt, net of current portion (Note 4)	8,710,019

Powered By EDGAR Online 2002. EDGAR Online, Inc.

Total liabilities	20,405,065
Minority interests	(380,561)
Commitments and contingencies (Notes 6 and 9)	
Stockholders' equity:	
Common stock, no par value, 100 shares authorized at December 31, 1999, 100 shares issued and outstanding	100
Retained (deficit)	(5,726,741)
Total stockholders' equity	(5,726,641)
Total liabilities and stockholders' equity	$ 14,297,863

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

PNWWC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
for the year ended December 31, 1999

	1999
Revenue:	
Hotel rooms and related services	$ 30,721,039
Management and marketing fees	4,923,491
Other	1,045,292
Results of investees, net	145,225
Total revenue	36,835,047
Costs and expenses:	
Operating expense	21,117,365
General and administrative expense	7,734,584
Non-operating expenses	2,332,218
Depreciation and amortization	3,596,680
Total costs and expenses	34,780,847
Other:	
Interest expense	(7,060,492)
Interest income	53,873
Total other expenses, net	(7,006,619)
Loss before minority interests and income taxes	(4,952,419)
Loss attributable to minority interests	567,522
Loss before income taxes	(4,384,897)
Income tax (provision) benefit (Note 8)	
Current	(1,571,036)
Deferred	2,796,155
	1,225,119
Net loss	$ (3,159,778)

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

PNWWC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
for the years ended December 31, 1999

	Common Stock			
	Number of Shares	Amount	Retained Earnings/ (Deficit)	Total
Balance January 1, 1999	100	$100	$ 4,307,008	$ 4,307,108
Distribution of Paramount Hotels LLC			(5,249,767)	(5,249,767)
Net loss			(3,159,778)	(3,159,778)
Distributions			(1,624,204)	(1,624,204)
Balance December 31, 1999	100	$100	$(5,726,741)	$(5,726,641)

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

PNWWC HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 1999

	1999
Cash flows from operating activities:	
Net loss	$(3,159,778)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Minority interests	567,522
Spin out of Paramount Hotels, LLC	(3,097,282)
Deferred income taxes, net	903,450
Equity income of investee	(17,725)
Write off of notes receivable	410,194
Depreciation and amortization	3,596,680
Changes in:	
Accounts receivable	202,655
Operating supplies	3,067
Prepaid expenses	19,700
Income taxes payable	1,655,119
Accounts payable, accrued liabilities and interest	21,724
Net cash used in operating activities	1,105,326
Cash flows from investing activities:	
Additions to property, furniture and equipment	(4,632,094)
Investments in projects	(305,000)
Proceeds from sale of membership units	247,500
Acquisition costs, goodwill and deferred charges	(791,076)
Addition to lease purchase option	(118,806)
Acquisition of deferred charges	(6,309)
Issuance of notes receivable	(205,000)
Net cash used in investing activities	(5,810,785)
Cash flows from financing activities:	
Principal payments on long-term debt	(3,015,767)
Cash spun out to Paramount Hotels, LLC	(2,152,485)
Payments on capital lease	(57,208)
Proceeds from debt	4,500,000
Distributions	(1,624,204)
Net cash provided by financing activities	(2,349,664)
Net increase/(decrease) in cash and cash equivalents	(7,055,123)
Cash and cash equivalents:	
Beginning of period	7,929,566
End of period	$ 874,443
Supplemental information:	
Cash paid during the year for	
Interest	$ 3,026,267
Taxes	$ 271,364

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

1. PNWWC Holdings, Inc. and Significant Accounting Policies:

On December 30, 1999 WC Coast Holdings , Inc. ("WC Coast") was merged into and with PNW Holdings, Inc. On that date PNW Holdings, Inc. changed its name to PNWWC Holdings, Inc. ("PNWWC"). PNWWC owns 80% of WestCoast Hotels, Inc. and its subsidiaries ("WestCoast Hotels"). WestCoast Hotels owns and operates hotel properties and invests in hotel and commercial real estate properties in the western United States. WestCoast Hotels also provides management, property development and consulting services to hotels.

On July 18, 1997 the Stockholders of WestCoast Hotels sold the three outstanding shares of stock of WestCoast Hotels to WC Coast for an amount stipulated in the Equity Restructuring Agreement. WC Coast and WestCoast Hotels entered into an exchange agreement whereby WC Coast remitted the three reacquired shares in exchange for 8,000 shares of Class A common stock of WestCoast Hotels.

The former Stockholders of WestCoast Hotels contributed $1,000 each to acquire 1,000 shares each of Class B common stock of WestCoast Hotels. The difference between the Class A and Class B common stock, is that in the event of a liquidation, the Class A stock will receive a $6,000,000 preferential distribution before any other distribution of net assets. After the preferential distribution to the Class A stockholders, all further distributions would be allocated on the relative percentage of ownership. The twenty percent interest that the former Stockholders has in the consolidated balance sheet and results of operations of PNWWC is reflected as part of the minority interest line items in the Balance Sheet and Consolidated Statement of Operations of PNWWC.

All of the stock of WestCoast Hotels was pledged as security for the $4,500,000 bridge loan from a bank which was paid January 3, 2000.

On December 31, 1999, WestCoast Hotels formed Paramount Hotels, LLC ("Paramount LLC") into which the assets of several subsidiaries corporations were contributed. Federal income taxes are due on the net amount of the excess of the fair market value of the assets contributed to Paramount LLC and the Company's bases. Immediately following the formation of Paramount LLC, it was spun out to the majority shareholder of PNWWC. The balance sheet of PNWWC as of December 31, 1999 includes the remaining assets, liabilities and net equity of PNWWC and subsidiaries. The Statement of Operations for the year ended December 31, 1999 includes the consolidated results of operations of the assets of PNWWC and Paramount LLC.

Effective December 31, 1999, Cavanaughs Hospitality Corporation purchased all of the outstanding shares of PNWWC Holdings, Inc. and the remaining 20% of outstanding shares of WestCoast Hotels, Inc. from its other shareholders.

Principle of Consolidation

The consolidated balance sheet for the year ended December 31, 1999 includes the accounts of PNWWC, WestCoast Hotels and its subsidiaries after the spin-out of Paramount LLC. The consolidated statement of operations includes the results of operations for PNWWC, WestCoast Hotels and its subsidiaries for the entire year ended December 31, 1999. All significant intercompany transactions have been eliminated.

Continued

Powered By EDGAR Online 2002. EDGAR Online, Inc.

1. WestCoast Holdings, Inc. and Significant Accounting Policies,

Continued:

Management 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.

Operating Supplies

Operating supplies which consists primarily of food, beverage and par stock inventory are stated at the lower of cost or market, determined on a first-in, first-out basis.

Properties

Properties are stated at cost. Additions, improvements and expenditures which increase an asset's useful life are capitalized. Maintenance and repairs are charged to expense as incurred.

Properties are depreciated using the straight-line method over estimated useful lives as noted in the following schedule:

Description	Years
Building	40
Leased facilities	5
Equipment and furniture	5

The cost and related accumulated depreciation of assets sold or retired are removed from the accounts and gains or losses are included in the results of operations.

In accordance with Financial Accounting Standards Board Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed Of ("SFAS 121") PNWWC has determined that the assets of PNWWC have not been impaired and the recorded values do not exceed expected recoverable amounts.

Deferred Charges

Deferred charges at December 31, 1999, include costs associated with the acquisition of management and marketing contracts and long-term financing; legal fees and other costs incurred in the organization of companies that are amortized over five years; and lease acquisition fees that are amortized over the term of the lease.

Investments

The investment in the limited liability company in which WestCoast Hotels has 50% interest is consolidated. Investment in a partnership over which WestCoast Hotels can exercise significant influence is accounted for by the equity method, under which WestCoast Hotels recognizes their proportionate share of partnership earnings and treats distributions as a reduction in their

Continued

Powered By EDGAR Online 2002. EDGAR Online, Inc.

investment. Investments in partnerships over which WestCoast Hotels can not exercise significant influence are accounted for by the cost method, under which earnings are recognized to the extent of WestCoast Hotels' proportionate share of partnership distributions.

1. WestCoast Holdings, Inc. and Significant Accounting Policies,

Continued:

The following is a summary of the financial position and results of operations of Vance Hotel Limited Partnership, E. P. Acquisitions Limited Partnership and Shoreview Associates Limited Partnership at December 31, 1999.

	Vance Hotel Limited Partnership	E.P. Acquisitions Limited Partnership	Shoreview Associates Limited Partnership
Properties, net	$ 5,994,695	$1,893,164	$12,426,290
Other assets	1,320,847	629,712	1,089,838
Total assets	$ 7,315,542	$2,522,876	$13,516,128
Mortgage payable	$12,279,188	$3,044,746	$ 6,821,338
Other liabilities	290,759	278,412	229,409
Total liabilities	12,569,947	3,323,158	7,050,747
Partners' capital	(5,254,405)	(800,282)	6,465,381
Total liabilities and partners' capital	$ 7,315,542	$2,522,876	$13,516,128
Revenue	$ 4,473,383	$2,485,637	$ 5,210,818
Expenses	3,647,807	2,527,124	4,955,853
Net Income/(loss)	$ 825,576	$ (41,487)	$ 254,965

Minority Interests in Consolidated Entities

Minority interests represent minority stockholders' proportionate share of equity that is consolidated with PNWWC. Minority interests were reduced below zero because of losses allocated to minority owners who are at risk for such losses.

Goodwill

In December 1999 a 90% owned subsidiary was merged into WestCoast Hotels. The Company has recorded $791,076 as goodwill for the excess of purchase price over the 10% minority interest net equity and recorded a liability for $800,000 for the purchase of the 10% minority interest.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31 1999 were approximately $834,000.

Income Taxes

Continued

Powered By EDGAR Online 2002. EDGAR Online, Inc.

Deferred income taxes are recorded using the liability method to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting bases. Deferred taxes result primarily from timing differences between the tax and book bases of assets and various other timing differences.

1. WestCoast Holdings, Inc. and Significant Accounting Policies,

Continued:

Statement of Cash Flows

For purposes of the statements of cash flows, PNWWC considers all highly liquid investments with original maturities of 90 days or less as cash equivalents. Noncash financing activities for the year ended December 31, 1999 consisted primarily of the spin out of the assets, liabilities and equity of Paramount LLC and the payment of $1,000,000 of distributions with a note receivable from an affiliate of a subsidiary of Paramount LLC.

Restricted Cash

Restricted cash consists of amounts held by lenders as impound accounts for future payment of property taxes, insurance, mortgage principal and interest and property improvements.

Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107 requires disclosure about fair value for all financial instruments whether or not recognized, for financial statement purposes. Disclosure about fair value of financial instruments is based on pertinent information available to management at December 31, 1999. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented are not necessarily indicative of the amount which could be realized on disposition of the financial instruments. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. Management believes that the fair value of cash and cash equivalents approximates carrying value based upon high liquidity of the instruments. Management estimates that fair value of notes receivable approximates carrying value based on the borrowers effective borrowing rate for issuance of notes receivable with similar terms and remaining maturities; notes payable approximates carrying value based on PNWWC's effective borrowing rate for issuance of debt with similar terms and remaining maturities.

Impact of New Accounting Standards

Financial Accounting Standards Board No. 130, "Reporting Comprehensive Income" ("SFAS 130") requires that comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS 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 resources. The classifications of comprehensive income under current accounting standards includes foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. PNWWC had no comprehensive income for the year ended December 31, 1999.

Continued

Powered By EDGAR Online 2002. EDGAR Online, Inc.

Year 2000

PNWWC has initiated actions to address the year 2000 issue. Compliance work was substantially completed by the end of calendar 1999. Total costs associated with those efforts, which were charged to operations as incurred, did not have a material impact on PNWWC's financial results.

2. Management and Consulting Agreements:

Management and Consulting Services: In addition to owning hotel properties, WestCoast Hotels also manages and markets hotels under the "WestCoast Hotels" name, and provides development consulting services to hotel properties under construction or renovation. Included in revenues are fees resulting from these services of approximately $4,948,700 during 1999. Certain management contracts are with hotels that are partially owned by officers or affiliates of WestCoast Hotels. Revenues from these management and marketing contracts of these related party properties was approximately $1,726,500 for the year ended December 31, 1999. Total trade receivables outstanding from such related party properties for services were approximately $508,000 at December 31, 1999. Because WestCoast Hotels manages these hotels, WestCoast Hotels does not expect any credit losses associated with these receivables.

Consulting Agreements: WestCoast Hotels has consulting agreements for development services provided by outside consultants . The fees for those services are based on revenues received from management fees of WestCoast Hotels. WestCoast Hotels incurred an expense of approximately $255,738 in 1999 under those agreements.

Future minimum payments under that consulting agreement have been included in the following schedule at the same payment level experienced during the year ended December 31, 1999. Estimated annualized amounts due under these consulting agreements are as follows:

2000	$252,004
2001	$225,336
2002	$172,000
2003	$172,000
2004	$172,000

3. Notes Receivable:

Notes receivable at December 31, 1999 consist of the following:

	1999
Note receivable, non-interest bearing due on demand	$100,000
Note receivable, with interest at 5% per annum due December 31, 2004	105,000
	$205,000

Continued

Powered By EDGAR Online 2002. EDGAR Online, Inc.

4. Long-Term Debt:

Long-term debt consists of the following at December 31:

	1999
Mortgage payable, with interest at 8%, monthly principal and interest payments of approximately $53,517 due July 2005, collateralized by a deed of trust on certain real property and guaranteed by WestCoast Hotels	$ 5,309,833
Commercial loan with a maximum face amount of $2,650,000, payable in monthly installments of interest only at LIBOR plus 2.5% (7.75% at December 31, 1999) plus annual installments of $200,000, due October 31, 2002, paid January 3, 2000	2,450,000
Note payable to lessor, with interest at 7.42%, principal and interest of approximately $20,300 due monthly, balance due December, 2003.	1,396,024
Bridge loan from a bank with interest at 8.5% paid January 3, 2000	4,500,000
	13,655,857
Less current portion	(4,945,838)
	$ 8,710,019

Certain loan agreements contain various restrictive covenants that would cause payment on the debt to be accelerated if, among other items, WestCoast Hotels or the guarantors of the debt fail to make payments to creditors when due, or experience material adverse changes in their financial condition.

The commercial loan with a maximum face amount of $2,650,000 was paid on January 3, 2000. Future required principal payments on the notes as follows excludes the required payments for that note:

2000
$4,745,838
2001
266,750
2002
288,775
2003
1,615,333
2004
310,313
Thereafter
3,978,848

Continued

Powered By EDGAR Online 2002. EDGAR Online, Inc.

5. Properties:

Properties consist of the following as of December 31:

	1999
Buildings	$ 7,522,424
Leased facilities	2,774,129
Equipment and furniture	2,526,479
	12,823,032
Less accumulated depreciation	(4,538,545)
	$ 8,284,487

6. Lease Arrangements:

Bellevue Inn Hotel - WestCoast Hotels is a 50% member of a limited liability company which assumed a hotel lease with purchase option agreement for buildings, improvements, furnishings, equipment and machinery and real property located in Bellevue, Washington on October 1, 1997 for a payment of $1,991,906. The acquisition cost of the lease agreement is being amortized over remaining term of the lease. The term of the lease is for seven years, and has an origination date of January 1, 1997. The lease terminates on December 31, 2003. WestCoast Hotels pays the landlord equal monthly payments of $27,951 plus "Additional Rent". Additional Rent (as defined in the hotel lease with purchase option agreement) is equal to the costs of management, operation and maintenance of the property including, debt service payments, reserves for taxes and insurance, licensee and royalty fees, lease payments for equipment, wages and salaries and other direct and indirect costs of employees, utilities, repairs and all maintenance costs and all costs of renovation and alterations to the property.

Under the terms of the Lease Agreement, WestCoast Hotels was required to fund $2,000,000 of improvements to the hotel. In July, 1998 the first mortgage on the Hotel was refinanced by the Lessor for $10,150,000. $2,200,000 of the amount was held in escrow at the mortgage lender to be used to fund the improvements required by the lease. The Lessor issued a note to WestCoast Hotels for that amount less the amount of payments that had been made on the existing indebtedness since the lease inception date. At December 31, 1999, $2,630,377 had been spent on the property renovation. Those improvements may not be removed by WestCoast Hotels and becomes the property of the landlord. WestCoast Hotels has guaranteed the payment of the required mortgage loan payments during the term of the lease. The Landlord has granted WestCoast Hotels an option to purchase the building, improvements, furnishings, equipment and machinery and real property between January 1, 2000 and July 1, 2002 for a specific price as set forth in the amended hotel lease and purchase option agreement. Lease expense for the year ended December 31, 1999 was approximately $994,082.

Other Operating Leases

WestCoast Hotels has other operating lease agreements, expiring through 2024, as lessee for properties, vehicles and equipment, all of which are operating leases. Rental expense relating to

Continued

Powered By EDGAR Online 2002. EDGAR Online, Inc.

these and other rental agreements including the Bellevue Inn Hotel lease was approximately $1,349,000 in 1999. Future minimum payments on leases over the remaining lease terms are as follows:

2000
$1,218,640
2001
$1,118,640
2002
$1,094,044
2003
$1,060,802
2004 $
104,874
Thereafter
$2,097,480

7. Income Taxes:

Major components of the income tax provision as of December 31, 1999 and for the year then ended are:

	1999
Current:	
Federal expense	$ 1,283,321
State expense	287,715
Deferred benefit	
(2,796,155)	

	$
(1,225,119)	
	==========

The income tax provision for the year ended December 31, 1999 differs from the amount calculated using the federal statutory rate applied to income before income taxes as follows:

	1999
Benefit at federal statutory rate	
$(1,683,822)	
State taxes net of federal benefit	189,892
Net timing difference on assets	268,811

$(1,225,119)	
	==========

Powered By EDGAR Online 2002. EDGAR Online, Inc.

Components of the net deferred tax liability as of December 31, 1999 are as follows:

	1999
Depreciation on property and equipment	$(542,321)
Goodwill on purchase of minority interest	(272,000)
Other	(130,029)
	$(944,350)

Continued

Powered By EDGAR Online 2002. EDGAR Online, Inc.

At December 31, 1999, PNWWC has no net operating loss carryforwards for regular or alternative minimum tax purposes and no unused rehabilitation investment tax credit. At December 31, 1999, PNWWC has no alternative minimum tax credits against future ordinary income taxes.

8. Pension Plan:

Salaried employees of WestCoast Hotels are covered by a defined contribution and profit sharing plan which includes features described in Section 401(k) of the Internal Revenue Code. WestCoast Hotels contributed $214,058 to the plan in 1999.

Union employees at certain properties participate in a defined benefit, multi-employer pension plan. WestCoast Hotels contributed $125,868 to this plan in 1999.

Employees of two properties (one consolidated with PNWWC at December 31 ,1999 and one that was spun out with Paramount Hotels LLC) are covered by a defined contribution and profit sharing plan which includes features described in Section 401(k) of the Internal Revenue Code. WestCoast Hotels contributed $36,934 to these plans in 1999.

Continued

Powered By EDGAR Online 2002. EDGAR Online, Inc.

9. Commitments and Contingencies:

WestCoast Hotels guarantees the debt of an affiliate of Paramount LLC which owns and operates hotel properties that WestCoast Hotels markets. Total debt guarantee at December 31, 1999 was approximately $13.4 million. This guarantee is backed by a standby letter of credit purchased by Paramount LLC from a bank, for the full amount in favor of WestCoast Hotels.

Shareholder Agreement: The Shareholder Agreement between WC Coast (the Class A shareholder), WestCoast Hotels and the Class B shareholders provides for a first right of refusal to the Class B shareholders in the event that WC Coast offers WestCoast Hotels for sale. The Shareholder Agreement also provides for a preferential distribution of $6,000,000 to Class A shareholders in the event of a liquidation or sale of WestCoast Hotels. This agreement was terminated on December 31, 1999.

Foreign Development Rights Agreement: The Foreign Development Rights Agreement was modified July 18, 1997. The amended agreement required monthly payments of $91,666 for five years to WC Coast. Under certain conditions of profitability, WestCoast Hotels may have deferred certain payments. WC Coast was engaged to identify properties outside the United States and Canada as potential subjects for management contracts between WestCoast Hotels and the property owners. The agreement was cancelled December 31, 1999.

Employment Contracts:

WestCoast Hotels entered into employment contracts with the Class B shareholders. The agreements commenced on July 18, 1997 and expire on May 31, 2005 unless terminated by WestCoast Hotels prior to that date. The agreements provide for a base salary plus incentive compensation and other benefits in addition to an agreement not to compete. The agreements were cancelled December 31, 1999.

10. Stock Option Plan:

During the year ended December 31, 1998 WestCoast Hotels implemented a stock option plan for certain employees. Under the terms of the plan, certain employees were granted a total of 5,000 shares with a vesting period of five years. The market price of the of the options at the date of grant exceeded the exercise price. In December, 1999 WestCoast Hotels terminated the plan. PNWWC has recorded a charge to operations and an corresponding liability of $1,000,000 in satisfaction of the termination of the plan. The liability was paid January 3, 2000.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

CONDENSED PRO FORMA COMBINED FINANCIAL INFORMATION

The following condensed pro forma combined balance sheet and condensed pro forma combined statement of operations, collectively, the "Pro Forma Financial Statements", were prepared by WestCoast Hospitality Corporation ("WestCoast"), (formerly Cavanaughs Hospitality Corporation) to illustrate the estimated effects of the business combination to be accounted for as a purchase under generally accepted accounting principles. Effective December 31, 1999, Cavanaughs Hospitality Corporation ("Cavanaughs") acquired through multiple purchase agreements all of the outstanding stock of WestCoast Hotels, Inc., a Washington corporation and 100% of the interest in Bellevue Inn LLC. Effective February 3, 2000, the Articles of Incorporation of Cavanaughs were amended to change the name of the Registrant to WestCoast Hospitality Corporation. As used herein, "Cavanaughs" refers to the entity prior to the acquisition of WestCoast Hotels Inc. "WestCoast Hotels" refers to the entity acquired by Cavanaughs effective December 31, 1999. "WestCoast Hospitality Corporation" refers to the combined entity of Cavanaughs and WestCoast Hotels.

The financial information of Cavanaughs and WestCoast Hotels has been combined as if the acquisition occurred as of January 1, 1999 for purposes of the condensed pro forma combined statement of operations, and as of December 31, 1999, for purposes of the condensed pro forma combined balance sheet. There are no differences between Cavanaughs' and WestCoast Hotels' 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 present the combined financial position or results of operations 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 Cavanaughs Hospitality Corporation, which are included in the Registrant's 1998 Form 10K and the PNWWC Holdings, Inc. (of which WestCoast Hotels, Inc. is a subsidiary), 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 net tangible and identifiable intangible assets acquired is recorded as goodwill. The combined pro forma results of operations presented herein are not necessarily indicative of the future results of operations.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

Cavanaughs / WestCoast Hotels
Condensed Combined Balance Sheet at December 31, 1999
(in thousands, except share data)

	Cavanaughs Historical	WestCoast Hotels Historical	Pro Forma Adjustments	Pro Forma Combined
Assets:				
Current assets:				
Cash and cash equivalents	$ 3,483	$ 874	$	$ 4,357
Accounts receivable	6,290	1,258		7,548
Income taxes refundable	1,708			1,708
Inventories	1,016	94		1,110
Prepaid expenses, deposits and other	798	85		883
Total current assets	13,295	2,311		15,606
Property and equipment, net	231,450	8,284	3,503 (a)	243,237
Intangible assets, net	4,947	791	23,875 (b)	29,613
Other assets, net	6,448	2,912	13,024 (c)	22,384
Total assets	$ 256,140	$ 14,298	$ 40,402	$ 310,840
Liabilities and Stockholders' Equity (Deficit):				
Current liabilities:				
Accounts payable	$ 3,248	$ 1,491	$	$ 4,739
Accrued payroll and related benefits	1,426	1,598		3,024
Accrued interest payable	622	99		721
Other accrued expenses	8,542	452		8,994
Income taxes payable		2,165		2,165
Long-term debt, due within one year	2,205	4,946		7,151
Capital lease obligations, due within one year	623			623
Total current liabilities	16,666	10,751		27,417
Long-term debt, due after one year	42,100	8,710	7,000 (d)	57,810
Notes payable to bank	79,900		21,363 (e)	101,263
Capital lease obligations, due after one year	1,103			1,103
Deferred income taxes	8,741	944	5,932 (b)	15,617
Minority interest in partnerships	2,798	(381)	381 (c)	2,798
Total liabilities	151,308	20,024	34,676	206,008
Stockholders' equity:				
Total stockholders' equity (deficit)	104,832	(5,726)	5,726	104,832
Total liabilities and stockholders' equity	$ 256,140	$ 14,298	$ 40,402	$ 310,840

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

Powered By EDGAR Online 2002. EDGAR Online, Inc.

Cavanaughs / WestCoast Hotels
Condensed Combined Statement of Operations
for the year ended December 31, 1999
(in thousands, except per share data)

	Cavanaughs Historical	WestCoast Hotels Historical	Pro Forma Adjustments	Pro Forma Combined
Revenues:				
Hotels and Restaurants	$ 92,808	$ 36,835	$ (21,579)(f) (2,455)(g)	$ 105,609
Franchise and Central Services			2,455 (g)	2,455
TicketsWest.com	7,181			7,181
Real Estate Division	9,649			9,649
Corporate Services	417			417
Total revenues	110,055	36,835	(21,579)	125,311
Operating expenses:				
Direct:				
Hotels and Restaurants	68,150	31,006	(20,736)(f) (1,255)(g)	77,165
Franchise and Central Services			1,255 (g)	1,255
TicketsWest.com	6,683			6,683
Real Estate Division	4,469			4,469
Corporate Services	181			181
Depreciation and amortization:				
Hotels and Restaurants	5,951	3,597	(2,233)(f) (127)(h)	7,188
Franchise and Central Services			422 (h)	422
TicketsWest.com	110			110
Real Estate Division	1,328			1,328
Corporate Services	543			543
Total direct expenses	87,415	34,603	(22,674)	99,344
Undistributed corporate expenses	1,605	178		1,783
Total expenses	89,020	34,781	(22,674)	101,127
Operating income	$ 21,035	$ 2,054	$ 1,095	$ 24,184
Other income (expense), net	(9,126)	(6,439)	5,515 (f) (2,150)(i) (490)(j)	(12,690)
Income (loss) before income taxes	11,909	(4,385)	3,970	11,494
Income tax provision (benefit)	$ 3,737	$ (1,225)	$ 1,080 (k)	$ 3,592
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	$ 8,172	(3,160)	2,890	$ 7,902
Income per share before extraordinary item and cumulative effect of change in accounting principle	$ 0.64			$ 0.62
Weighted average shares outstanding - basic	12,755			12,755
Weighted average shares outstanding - diluted	13,096			13,096

See notes to condensed proforma combined balance sheet and statement of operations

Powered By EDGAR Online 2002. EDGAR Online, Inc.

NOTES TO CONDENSED PRO FORMA COMBINED BALANCE SHEET AND STATEMENT OF OPERATIONS

Cavanaughs acquired WestCoast Hotels on January 4, 2000 with an effective date of December 31, 1999. The acquisition has been accounted for as a purchase. The amounts reported as "Cavanaughs Historical" on the balance sheet herein are the accounts of Cavanaughs as of December 31, 1999 immediately prior to the acquisition of WestCoast Hotels. Since the acquisition was effective on December 31, 1999, the consolidated balance sheet of WestCoast Hospitality Corporation which will be included in the Company's 1999 Form 10-K, will include the WestCoast Hotels acquisition.

The following balance sheet adjustments were made to reflect the combination of Cavanaughs and WestCoast Hotels as of December 31, 1999.

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

	Amount	Depreciable Life
Buildings	$ 11,188	35 years
Furniture and fixtures	599	15 years
	$ 11,787	
WestCoast Hotels historical carrying value	8,284	
Pro forma adjustment	$ 3,503	

(b) Represents the purchase price in excess of the estimated fair values of tangible and identifiable intangible assets acquired and liabilities assumed as follows (in thousands):

Purchase price and liabilities assumed:	
Cash paid through draw on line-of-credit	$ 21,363
Note payable issued	7,000
Debt and other liabilities assumed	17,150
Deferred taxes related to the acquisition	6,876
Total purchase price and liabilities assumed	52,389
Fair value of assets acquired:	
Management and marketing contracts	5,063
Partnership interests and purchase option contracts	10,873
Property and equipment	11,787
	27,723
Excess purchase price allocated to goodwill to be amortized over 40 years	$ 24,666

Powered By EDGAR Online 2002. EDGAR Online, Inc.

(c) The purchase price has been allocated to the acquired management and marketing contracts, partnership interests, purchase option contracts and other assets. The estimated fair values of the contracts are being amortized over the weighted average remaining term of the contracts.

(d) Represents the amount of the purchase price which will be financed through issuance of 7% bonds payable.

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

The following adjustments were made to the pro forma statement of operations to reflect the combination of Cavanaughs and WestCoast Hotels as if they occurred on January 1, 1999. The combined pro forma results of operations presented herein are not necessarily indicative of the future results of operations of the combined companies.

(f) On December 31, 1999, WestCoast Hotels formed Paramount Hotels, LLC into which the assets of several subsidiary corporations of WestCoast Hotels were contributed. The proforma adjustment represents the revenues and expenses associated with operations of these entities for the year ended December 31, 1999 as these entities were not acquired by Cavanaughs.

(g) Represents marketing services revenues and expenses which will be reported as Franchise and Central Services division.

(h) Represents the change in depreciation and amortization expense from the historical amounts for the WestCoast Hotels based on the depreciation and amortization of the allocated purchase price over the estimated remaining lives of the acquired assets.

(i) Represents the additional interest expense which would be incurred by the Company based on the purchase price of WestCoast Hotels, which will be financed under the Company's revolving line-of-credit agreement and a rate increase to the Company's existing debt. The existing amount outstanding under the Company's line-of-credit agreement are also based on a variable rate which will be increased 40 basis points as a result of this purchase transaction. The interest rate used in the pro forma adjustments was 8.02% based upon the average borrowing rate under the Company'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 year ended December 31, 1999 would increase or decrease by approximately $251,000, $166,000, and $0.01, respectively.

(j) Represents additional interest expense which would be incurred by the Company related to the $7 million bonds at 7% issued as part of the purchase price.

(k) Represents estimated income taxes related to the tax effects of pro forma adjustments.

Powered By EDGAR Online 2002. EDGAR Online, Inc.

End of Filing

Powered By EDGAR Online 2002. EDGAR Online, Inc.