



HPT Announces an Agreement to Purchase 12 Candlewood Hotels for \$90 Million and a New Management Agreement with InterContinental Hotels Group

Newton, MA (October 28, 2003). Hospitality Properties Trust (NYSE: HPT) today announced that it has entered several agreements which will result in its acquisition of 12 Candlewood hotels for \$90 million and a new management agreement with InterContinental Hotels Group (LSE/NYSE: IHG) for operation of all Candlewood hotels owned by HPT. After completion of the agreements announced today, HPT will own 76 Candlewood hotels which will be operated by IHG as Candlewood Suites hotels. Also, HPT's Owner's Priority return on its 76 Candlewood Suites hotels will be partially guaranteed by IHG.

HPT currently owns 64 Candlewood Suites hotels which are leased to Candlewood Hotel Group (OTC: CNDL). Several months ago, CNDL advised HPT that CNDL was considering strategic alternatives. Since that time, HPT has been working with CNDL and its advisors regarding various long term alternatives for the HPT owned Candlewood Suites hotels. The agreements announced today are the result of these efforts.

Pursuant to these agreements HPT will purchase 12 Candlewood Suites hotels for \$90 million. Simultaneously with this purchase, the lease for 64 hotels between HPT and CNDL will be terminated, and HPT will enter a new 25 year management contract with IHG for all 76 of these hotels. Also, simultaneously with these transactions, IHG will purchase the rights to the "Candlewood Suites" brand from CNDL. Including the 76 Candlewood hotels which will be owned by HPT, there are approximately 112 Candlewood Suites hotels currently in operation or in development.

The 64 Candlewood hotels now owned by HPT contain 7,775 suites. The 12 hotels to be purchased by HPT contain 1,445 suites. These 76 hotels are located throughout the USA in 28 states, and the average age of the 76 hotels is only five years. The rent which CNDL pays for the 64 hotels owned by HPT is approximately \$52 million/year. The new Owner's Priority return which HPT will receive from the 76 hotels managed by IHG will be \$60 million/year. IHG will provide a limited guaranty of the Owner's Priority payments to HPT up to \$50 million/year. Because CNDL will be released from its lease obligations, HPT expects to retain a security deposit and a capital improvements escrow totaling about \$45 million. In order to pay for capital costs at the 76 hotels and to convert various operating systems to IHG systems, HPT expects to invest \$15 million in the 76 managed hotels during the two years following closing of these transactions.

A summary of the existing lease between HPT and CNDL and of the proposed management contract between HPT and IHG is as follows:

	Existing HPT/CNDL Lease	Proposed HPT/IHG Contract
Number of Hotels	64 (7,775 suites)	76 (9,220 suites)
Base Rent	\$52 million/year	N/A
Owner's Priority Return	N/A	\$60 million/year
Guarantor	CNDL	IHG (guarantee limited to \$50 million/year)

Commenting upon today's announcement, John G. Murray, President of HPT, made the following statement:

"The Candlewood management team has done an outstanding job of developing a new brand in a very difficult operating environment. HPT is pleased that Candlewood has decided to sell its brand to a well established and investment grade group such as InterContinental Hotel Group. HPT will facilitate this transaction by purchasing 12 hotels. HPT believes that InterContinental Hotels Group has the management talent and financial resources to continue the development of Candlewood Suites as one of the leading extended stay hotel brands."

The agreements announced today are subject to numerous conditions and contingencies, including approval by CNDL shareholders. Assuming that these conditions are satisfied, HPT expects that these agreements may be completed about year end 2003 or within the first quarter of 2004.

WARNING REGARDING FORWARD LOOKING STATEMENTS

THIS PRESS RELEASE CONTAINS FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND THE FEDERAL SECURITIES LAWS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON HPT'S CURRENT BELIEFS AND EXPECTATIONS, BUT THEY ARE NOT GUARANTEED TO OCCUR. THESE FORWARD LOOKING STATEMENTS MAY NOT OCCUR BECAUSE OF KNOWN CONTINGENCIES OR BECAUSE OF CHANGED CIRCUMSTANCES. FOR EXAMPLE:

- THE AGREEMENTS BY CNDL TO SELL 12 HOTELS TO HPT, TO TERMINATE ITS LEASE WITH HPT AND TO SELL ITS "CANDLEWOOD SUITES" BRAND TO IHG REQUIRES THE APPROVAL OF CNDL SHAREHOLDERS. CNDL SHAREHOLDERS WHO HPT BELIEVES OWN A MAJORITY OF CNDL SHARES HAVE AGREED TO VOTE FOR THESE TRANSACTIONS. HOWEVER, HPT HAS BEEN ADVISED THAT CNDL MAY REFUSE TO COMPLETE ITS AGREEMENTS IN CERTAIN CIRCUMSTANCES, PARTICULARLY IF CNDL RECEIVES A THIRD PARTY OFFER FOR A TRANSACTION WHICH WILL RESULT IN GREATER BENEFITS TO CNDL. THE AGREEMENTS BETWEEN CNDL AND HPT PROVIDE THAT CNDL SHALL REIMBURSE HPT'S EXPENSES AND PAY A SO CALLED "TOPPING FEE" OF \$2.6 MILLION IN THE EVENT CNDL REFUSES TO COMPLETE THE AGREEMENTS; HOWEVER, CNDL MAY BE UNABLE OR UNWILLING TO PAY THESE AMOUNTS.
- THE FOREGOING PRESS RELEASE IMPLIES THAT IHG WILL BE ABLE TO IMPROVE THE OPERATING RESULTS AT THE CANDLEWOOD SUITES HOTELS COMPARED TO THE RESULTS WHICH HAVE BEEN REALIZED BY CNDL'S OPERATIONS. HOWEVER, CNDL HAS BEEN FOCUSED UPON DEVELOPING ONLY ONE BRAND WHILE IHG OWNS SEVERAL HOTELS BRANDS. FOR THIS REASON OR OTHERS, THE OPERATING RESULTS AT THE HOTELS OWNED BY HPT MAY NOT IMPROVE AFTER IHG BEGINS TO MANAGE THESE HOTELS.
- THE FOREGOING PRESS RELEASE STATES THAT IHG WILL GUARANTEE AN OWNER'S PRIORITY PAYMENT TO HPT OF \$50 MILLION/YEAR AND THAT IHG'S PAYMENT OBLIGATIONS ARE INVESTMENT GRADE RATED. THESE STATEMENTS IMPLY THAT AT LEAST THE GUARANTEED AMOUNT WILL BE PAID. HOWEVER, IHG'S GUARANTY OBLIGATION IS LIMITED WHEREBY ITS MAXIMUM OBLIGATION IN EXCESS OF CASH FLOW REALIZED FROM THE MANAGED HOTELS IS LIMITED. ALSO, THE IHG GUARANTY WILL BE RELEASED WHEN CASH FLOW FROM THE MANAGED HOTELS EXCEEDS NEGOTIATED THRESHOLDS EVEN IF THIS CASH FLOW SUBSEQUENTLY DECLINES. MOREOVER, IHG'S CREDIT QUALITY CHARACTERISTICS MAY DETERIORATE AND IT MAY BE UNABLE TO HONOR ITS GUARANTY OBLIGATION.
- THE FOREGOING PRESS RELEASE STATES THAT HPT EXPECTS TO INVEST \$15 MILLION DURING THE NEXT TWO YEARS TO FUND CAPITAL EXPENDITURES AT ITS 76 HOTELS. THIS AMOUNT MAY BE INADEQUATE TO PAY RE-BRANDING COSTS AND CAPITAL REQUIREMENTS APPROPRIATE TO MAINTAIN THE COMPETITIVE POSITION OF THESE HOTELS. THE PROPOSED MANAGEMENT AGREEMENT BETWEEN HPT AND IHG REQUIRES HPT TO PROVIDE ADDITIONAL CAPITAL FUNDING IN RETURN FOR AN INCREASE IN THE GUARANTEED AMOUNT OF THE OWNER'S PRIORITY. THERE CAN BE NO ASSURANCE THAT HPT WILL HAVE FUNDS AVAILABLE TO MEET THESE OBLIGATIONS.
- AS A RESULT OF THE TERRORIST ATTACK ON SEPTEMBER 11, 2001, AND BECAUSE OF THE GENERAL DECLINE IN BUSINESS TRAVEL DURING THE PAST THREE YEARS, CERTAIN HOTELS OWNED BY HPT, INCLUDING THE 64 CANDLEWOOD HOTELS NOW OWNED BY HPT, HAVE NOT GENERATED SUFFICIENT CASH FLOW TO PAY RENT. IF ANOTHER TERRORIST ATTACK OCCURS WITHIN THE USA OR IF ECONOMIC ACTIVITY AND BUSINESS TRAVEL DO NOT INCREASE, IT MAY BE THAT IHG WILL BE UNABLE TO PAY THE OWNER'S PRIORITY DUE HPT. SUCH FACTORS ARE GENERALLY BEYOND HPT'S AND IHG'S CONTROL.
- THERE ARE LIKELY OTHER REASONS WHY THE FOREGOING LOOKING STATEMENTS IN THIS PRESS RELEASE MAY NOT OCCUR. INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE UPON FORWARD LOOKING STATEMENTS.