FRANCHISE DISCLOSURE DOCUMENT

Red Lion Hotels Franchising, Inc.,
a Washington Corporation
1550 Market Street, Suite 350
Denver, Colorado 80202
Telephone Number: (509) 459-6100
www.redlion.com

The franchise offered in this disclosure document is for the right to operate a lodging facility using our proprietary network of systems and to utilize our brand name (Country Hearth) and proprietary marks.

The total investment necessary to begin operations in our system ranges from $9,000 to $609,094. These amounts include the $4,000 to $14,094 that must be paid to us.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact the Franchise Development Department at Red Lion Hotels Franchising, Inc., 201 W. North River Drive, Spokane, Washington 99201; at (509) 777-6643; or at development@rlhco.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You also can visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There also may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 28, 2019; as amended ~~Nov~~December ~~21~~10, 2019

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN COLORADO. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN COLORADO THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT COLORADO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.

4. WE DO NOT HAVE A FEDERAL REGISTRATION FOR OUR PRINCIPAL TRADEMARK. THEREFORE, OUR TRADEMARK DOES NOT HAVE AS MANY LEGAL BENEFITS AND RIGHTS AS A FEDERALLY REGISTERED TRADEMARK. IF OUR RIGHT TO USE THE TRADEMARK IS CHALLENGED, YOU MAY HAVE TO CHANGE TO AN ALTERNATIVE TRADEMARK WHICH MAY INCREASE YOUR EXPENSES.

5. YOU MAY LOSE YOUR RIGHT TO USE OUR TRADEMARKS IF YOU FAIL TO MAINTAIN A TRIP ADVISOR® SCORE OF AT LEAST 2.0.

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more franchise brokers or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the disclosure document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California effective date:	April 5, 2019; as amended ____________
Hawaii effective date:	~~April 5, 2019~~____________
Illinois effective date:	*exempt*
Indiana effective date:	March 29, 2019; as amended December 10, 2019
Maryland effective date:	May 15, 2019; as amended ____________
Michigan effective date:	March 28, 2019; as amended December 10, 2019
Minnesota effective date:	April 16, 2019; as amended ____________
New York effective date:	*exempt*
North Dakota effective date:	April 3, 2019; as amended ____________
Rhode Island effective date:	April 7, 2019; as amended _________________
South Dakota effective date:	March 29, 2019; as amended December 10, 2019
Virginia effective date:	April 2, 2019; as amended _________________
Washington effective date:	April 10, 2019; as amended ____________
Wisconsin effective date:	March 28, 2019; as amended December 10, 2019

In all other states that do not require registration, the effective date of this disclosure document is the issuance date of March 28, 2019; as amended December 10, 2019.

THE FOLLOWING APPLY TO
TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third-party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

Michigan Attorney General's Office
Consumer Protection Division
Attention: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
Telephone Number: 517-373-7117

Table of Contents

EXHIBITS:

ITEM THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, “RLHF,” “we” or “us” means Red Lion Hotels Franchising, Inc., the franchisor. “You” means the person (or persons) who signs the franchise agreement – the “franchisee” or “Subscriber.”

Our agents for service of process in the states whose franchise laws require us to name an agent for service are shown on Exhibit A to this disclosure document.

About the Franchisor, its Parent and Predecessors

We are a corporation formed in the State of Washington on December 24, 1986 as Vance Hotels, Inc. On September 19, 2005, we changed our name to Red Lion Hotels Franchising, Inc. Our principal business address is 1550 Market Street, Suite 350, Denver, Colorado 80202; however, we, RLHC or RLabs, Inc. (“RLabs”) may provide certain support services relating to the Brand from our offices at 201 West North River Drive, Spokane, Washington 99201. Our parent corporation was incorporated in the State of Washington on April 25, 1978 and changed its name from WestCoast Hospitality Corporation to Red Lion Hotels Corporation on September 19, 2005 (“RLHC”). RLHC shares our principal business address and is publicly traded on the New York Stock Exchange. We and RLHC, directly and indirectly through its subsidiaries and affiliates, have been active in the ownership and management of hotels since our incorporation.

On April 30, 2015, we purchased the intellectual property assets and hotel franchise agreements of GuestHouse International, LLC, a South Dakota limited liability company. This acquisition added the GuestHouse and Settle Inn brands to the RLHC Brands (as defined below).

On September 30, 2016, we purchased substantially all of the operating assets of Vantage Hospitality Group, Inc., a Florida corporation now known as VHGI, Inc. (“VHGI”), its subsidiary Vantage Franchising, Inc., a Florida corporation (“VFI”), its subsidiary LHINDI, Inc., a Florida corporation, and certain other affiliates, including the intellectual property relating to the Acquired Vantage Brands and the related hotel franchise agreements. “Acquired Vantage Brands” refers to each of the following brands and their various extensions: Lexington, Jameson Inn, Americas Best Value Inn, Country Hearth Inn, Signature Inn, America’s Best Inns & Suites, 3 Palms Hotels and Resorts, Canadas Best Value Inn, Value Hotel Worldwide, and Value Inn Worldwide.

On May 14, 2018, we acquired the intellectual property assets and hotel franchise agreements related to the Knights Inn hotel brand from Wyndham Hotel Group, LLC and its affiliates, through RLHC’s acquisition of Knights Franchise Systems, Inc., and certain assets related to the Knights Inn brand in Canada from Wyndham Hotel Group Canada, ULC, which were assigned to us. We, RLHC and Red Lion Hotels Canada Franchising, Inc. (“RLHCF”) provide franchising support to approximately 350 existing Knights Inn franchisees in North America.

Except as set forth in this Item 1, we do not have any other parents, nor do we have any predecessors from whom we acquired, directly or indirectly, the major portion of our assets within the past 10-year period.

The Franchised Business

We offer existing hotels, regardless of segment, the opportunity to access many of our distribution channels, and to participate in our negotiated third-party distribution agreements. We grant certain hotels the ability to use our Country Hearth Inn® service mark, logo and other proprietary marks and any authorized brand extensions (the "Brand"); however, such hotels may elect to continue to operate under their own independent names instead of operating under our Brand (as long as the hotel is not affiliated with any other brand, chain or flag, not including other RLHC Brands (as defined below).

The franchise concept gives Subscribers the ability to quickly and seamlessly access the industry's leading distribution channels through a state-of-the-art central reservation system ("CRS") and our direct-connect relationships with major online travel agencies, without the need to utilize our Brand, allowing them to maintain their established identities and autonomy. System Properties (as defined below) with a TripAdvisor® bubble score of at least 2.0 may elect, upon our approval, to use our Brand (and may lose that right if their TripAdvisor score drops below 2.0 for three consecutive months). Subscribers may have access, for an additional fee, to other services, such as our reservation call center (also known as our central reservation office, or "CRO"); and other optional programs we offer from time to time (some or all of which may require an additional fee). All of these components of the Country Hearth franchise system, including both mandatory elements (such as our CRS and the included property management system ("PMS")) and optional elements (such as our CRO) are known collectively as the "System" and hotel properties that are authorized to access the System are known as "System Properties."

In all cases, we expect System Properties to be run in accordance with our System Requirements and all applicable laws, rules, and regulations. The "System Requirements" include all of our mandatory policies, procedures, specifications, standards, operating procedures, service standards and rules we periodically prescribe related to the System, including those contained in the Brand manuals (if any) and other writings provided by us.

Franchisor's Business

We began offering franchises for the operation of lodging facilities in the budget lodging segment under our Brand in October 2016. However, as of November 30, 2017, we have offered franchises for existing hotels to connect to our System and use our Brand (if certain conditions are met), with the option to operate the hotel under their existing name (as long as it is not licensed by a third-party or associated with a third-party's franchise system) using the System and distribution channels. From March 2015 through September 2016, VFI offered Country Hearth franchises, during which period it sold 17 units (some of which never opened under the Brand). As of December 31, 2018, there were 32 franchised Country Hearth-branded hotels open or under contract, and 16 franchised hotels open or under contract that operated under other names and trademarks.

We also offer franchises for hotels under the following brands:

Red Lion Hotel & Red Lion Inn & Suites

We have offered franchises for full-service, mid-priced hotels under the Red Lion Marks since 1999. "Red Lion Marks" refers to the Red Lion®, Red Lion Hotel®, Red Lion Inn®, and Red Lion Inn & Suites® service marks and related trademarks and service marks. Typically, Red Lion

Hotels are full-service hotels that offer food and beverage and meeting space. Red Lion Inn & Suites are typically limited service hotels.

As of December 31, 2018, there were 44 Red Lion Hotel franchises open or under contract and 48 Red Lion Inn & Suites franchises open or under contract. We also owned or managed 4 hotels under the Red Lion Marks as of December 31, 2018.

Hotel RL

In 2014, we launched Hotel RL. This upscale lifestyle brand is a full-service, conversion brand targeted for the top U.S. urban markets that is inspired by the spirit of the Pacific Northwest and designed for consumers with a millennial mindset. We have converted four hotels to the Hotel RL brand. In addition, there were 10 Hotel RL franchises open or under contract as of December 31, 2018. The Hotel RL® and RL™ service marks and related trademarks, service marks and trade names are collectively referred to as the "RL Marks."

Signature Inn & Signature

In October 2017, we began offering franchises for the operation of affordable boutique properties in the economy lodging segment under the service mark Signature Inn℠. As of December 31, 2018, there were three Signature Inn-branded hotels open or under contracts that we acquired from VFI.

We began offering franchises under the brand Signature℠ in October 2017. The Signature brand is a midscale and upscale brand that features similar design elements to the Signature Inn brand as modified for properties in larger markets, destination markets, or that otherwise fall within the midscale or upscale segments. As of December 31, 2018, there were two Signature hotel franchises open or under contract. The Signature Inn℠ and Signature℠ service marks and related trademarks, service marks and trade names are referred to as the "Signature Inn Marks" and the "Signature Marks," respectively.

GuestHouse

Since May 2015, we have offered franchises for the economy segment, primarily limited service hotels, under the GuestHouse Marks. The "GuestHouse Marks" refers to the GuestHouse℠ service mark and related trademarks and service marks. As of December 31, 2018, there were 28 GuestHouse franchises open or under contract.

Knights Inn

In June 2018, we began offering franchises for the operation of hotels in the limited-service segment under the Knights Inn Marks. The "Knights Inn Marks" refers to the Knights Inn® service mark and related trademarks and service marks. As of December 31, 2018, there were 303 Knights Inn franchises open or under contract in the United States.

Americas Best Value Inn

In October 2016, we began offering franchises for the operation of hotels in the limited-service segment under the service mark Americas Best Value Inn® ("ABVI") and certain other proprietary marks, collectively referred to as the "ABVI Marks." As of December 31, 2018, there were 783 Americas Best Value Inn-branded hotels open or under contract, approximately 195 of which are franchisee-owned. The remaining became affiliated with the ABVI brand through VHGI's membership model, and we provide services for those ABVI hotels as well.

Former Franchise Offerings

We offered franchises for the operation of extended stay hotels in the midscale segment under the service marks Settle Inn® and Settle Inn & Suites® and certain other proprietary marks, collectively referred to as the "Settle Inn Marks," from July 2016 to March 2019. We no longer offer new franchises under the Settle Inn brand. As of December 31, 2018, there were no Settle Inn franchises open or under contract.

We offered franchises for the operation of midscale and upper midscale hotels in the select-service and full-service segments under the service mark Lexington® and certain other proprietary marks, collectively referred to as the "Lexington Marks," from October 2016 to March 2018. We no longer offer new franchises under the Lexington brand. As of December 31, 2018, there were 14 Lexington-branded hotels open or under contract, two of which are franchisee-owned. The remaining became affiliated with the Lexington brand through VHGI's membership model, and we and RLHC provide services to those Lexington hotels as well.

We offered franchises for Leo Hotel Collection hotels only during 2013. As of December 31, 2018, there were no Leo Hotel Collection hotels. We do not intend to continue to offer Leo Hotel Collection hotels.

As of October 2016, we also act as franchisor for, and we and RLHC provide services to, the franchisees of the following Acquired Vantage Brands, for which we currently do not offer new franchises: America's Best Inns & Suites, Jameson Inn and 3 Palms Hotels & Resorts.

The Proprietary Marks (as defined in Item 13), Red Lion Marks, RL Marks, Signature Inn Marks, Settle Inn Marks, GuestHouse Marks, Signature Marks, Knights Inn Marks, Lexington Marks, Jameson Inn service marks, ABVI Marks and other marks used by hotels for which we or RLHCF offer franchises in the future are collectively referred to as the "Network Marks." Hotels we or our affiliates license, have licensed in the past, or may license in the future to operate under any of the Network Marks are collectively referred to as the "Network Hotels." "RLHC Brands" refers to all hotels licensed to operate under any of the brands listed above and their various extensions, and any other brands that we or our affiliates periodically may own.

We never have offered franchises in any lines of business other than the hotel business and other than the offerings for those RLHC Brands described above. Other than the operation and management of hotels under the Red Lion and Hotel RL brands, neither we nor any of our current affiliates have owned or operated hotels under any of the other franchised brands described above. We have no other business activities.

Our Affiliates

Our affiliates engage in a wide variety of business activities in the lodging business. RLHC and its direct and indirect subsidiaries and affiliates, including Red Lion Hotels Holdings, Inc., own, lease, manage, and franchise hotels under the various RLHC Brands. In certain instances, RLHC may provide temporary reservation services under an alternate chain code to franchisees prior to conversion or upon de-identification of the hotel.

Our affiliate, RLHCF, is a Washington corporation that was formed on August 18, 2016. RLHCF began offering franchises to operate hotels in Canada under the Red Lion Marks in February 2017; under the Canadas Best Value Inn™ Marks in April 2017; under the RL Marks in July 2017; and under the Signature Marks, Signature Inn Marks, GuestHouse Marks, Knights Inn Marks and Proprietary Marks in August 2018. RLHCF does not currently own or operate any System Properties in Canada.

Our affiliate, RLabs, is a Colorado corporation that was originally formed in Washington in March 2018. RLabs licenses technology solutions, including an all-in-one cloud-based hospitality management suite, to hotel management companies and independent hotels. RLabs also is a party to certain master technology and distribution agreements (for example, with online travel agencies) that are intended to benefit all Network Hotels and RLabs' direct customers.

RLHC, its direct and indirect subsidiaries, and their respective employees will be performing services for Franchisees as discussed throughout this disclosure document.

The affiliates of RLHF share our principal business address. Except as set forth in this Item 1, we do not have any other affiliates that must be disclosed in this Item 1.

Laws, Rules and Regulations

Your System Property must conform to innkeeper liability laws; privacy laws; laws and regulations regarding food handling and preparation, truth in menu and labeling laws, alcoholic beverage control laws and dram shop acts; license, certificate and permit requirements for hotel and restaurant operation and occupancy; laws regulating the posting of hotel room rates; hotel room occupancy tax laws; minimum wage and labor laws; environmental laws; and laws applicable to public accommodations and services such as the Americans with Disabilities Act. In addition, the laws, rules and regulations that apply to businesses in general will affect you. Consult your lawyer about them. Discuss with your architect or other appropriate professionals the Americans with Disabilities Act and its architectural guidelines, and state and local accessible facilities requirements.

The Market and Competition

The market for your services will depend on your System Property's location, size and the nature of your services. Our franchisees seek customers and business referrals from the local community and typically solicit business from tour and travel groups on a local, regional and national level. Business and leisure travelers, meeting planners and attendees, and organizers of and attendees of social functions make up the primary market of RLHF customers. In general, you will compete with national hotel and motel chains and independently-operated local hotels and food outlets offering similar types of hotel rooms and food and beverage services to the same clientele. In addition to competing with lodging facilities that offer services comparable to yours, you also may compete with lodging designed to serve particular segments of the market and to fill particular lodging demands.

ITEM 2 BUSINESS EXPERIENCE

Thomas L. McKeirnan – Director and Executive Vice President, General Counsel and Secretary

Mr. McKeirnan has served as Executive Vice President, General Counsel of RLHC and RLHF since February 2013. Mr. McKeirnan also has served as a Director of RLHF since January 2004, and as the Secretary of both RLHC and RLHF since January 2004. Mr. McKeirnan also has served as the Executive Vice President, General Counsel and Secretary for each of the other subsidiaries of RLHC since the later of the applicable subsidiary's inception or February 2013 or January 2004, respectively for the two positions. Mr. McKeirnan served as Senior Vice President of RLHC and RLHF from 2005 to February 2013.

Julie Shiflett – Director and Executive Vice President, Chief Financial Officer

Ms. Shiflett joined RLHC as the Executive Vice President, Chief Financial Officer in January 2019. Ms. Shiflett also has served as a Director and the Executive Vice President, Chief Financial Officer of RLHF since January 2019. Ms. Shiflett also is a founding partner, and has served as the Chief Financial Officer, of CFO Outsourcing LLC SBA Northwest CFO in Spokane, Washington since January 2008. Ms. Shiflett also served as RLHC's Executive Vice President, Chief Financial Officer from September 2011 to December 2014, and its Vice President, Finance from October 2010 to August 2011.

Others with Management Responsibility:

John J. Russell, Jr. – Interim Chief Executive Officer (RLHC)

Mr. Russell joined RLHC as Interim Chief Executive Officer in December 2019. Prior to joining RLHC, Mr. Russell served as Senior Advisor to Ocean Visions, Inc., a non-profit organization operated in connection with the Georgia Institute of Technology in Atlanta, Georgia, from June 2019 to December 2019. Mr. Russell also served as President and Chief Operating Officer of Sentry Hospitality from October 2017 to November 2019 in New York, New York. Mr. Russell was previously the Senior Vice President, Guest Experience, Education and Development of the Georgia Aquarium from March 2016 through July 2017 in Atlanta, Georgia and the President of Sentry Hospitality and the Sentry Companies from January 2012 through February 2016 in New York, New York.

Gary Sims – Executive Vice President and Chief Operating Officer (RLHC)

Mr. Sims joined RLHC as Executive Vice President and Chief Operating Officer in June 2018. Prior to joining RLHC, Mr. Sims served as Managing Director of Omni Hotels & Resorts in Carlsbad, California from October 2015 to June 2018. From May 2013 to October 2015, he was the Senior Vice President of Operations for Pyramid Hotel Group in Boston, Massachusetts.

Harry Sladich – Executive Vice President, Lodging Development & Franchise Operations (RLHC)

Mr. Sladich has served as Executive Vice President, Lodging Development & Franchise Operations of RLHC since November 2019. He previously served as Executive Vice President, Franchise Operations and Sales of RLHC from November 2017 to November 2019. Before that, he served as RLHC's Executive Vice President, Hotel Operations and Sales from February 2014 to October 2017, and as RLHC's Executive Vice President, Sales and Marketing from May 2010 to February 2014.

Taylor Goff – Vice President, Franchise Development & Relicensing (RLHC)

Mr. Goff joined RLHC in October 2016 as Member Development Manager and is based in Columbus, Ohio. In November 2019, Mr. Goff became the Vice President of Franchise Development & Relicensing. Prior to joining RLHC, Mr. Goff was employed by VHGI, in Columbus, Ohio, from May 2011 to September 2016, and held various positions, most recently as Manager of Member Development, and prior to that as a Sales Coordinator and a Member Care Manager.

Amanda Marcello – Senior Vice President, Brand Strategy (RLHC)

Ms. Marcello has served as RLHC's Senior Vice President, Brand Strategy, since June 2018, and is based in San Francisco, California. She previously served as Vice President of Brand Development from September 2017 to June 2018, and as Vice President of Food and Beverage from November 2015 to August 2017. Prior to joining RLHC, Ms. Marcello was employed by AF&Co., in San Francisco, California, as a Director and Vice President from January 2014 through November 2015.

ITEM 3. LITIGATION

Pending:

Radisson Hotels International, Inc. v. Red Lion Hotels Corporation d/b/a RLH Corporation, and Red Lion Hotels Franchising, Inc., Case No. 2:18-cv-00303 (U.S. District Court for the Eastern District of Washington). On September 26, 2018, plaintiff filed a lawsuit against RLHC and RLHF for tortious interference with license agreements and a global settlement agreement as a result of RLHF entering into franchise agreements with nine properties that were previously licensees of plaintiff, which properties exited plaintiff's franchise system prior to the expiration of their license agreements. Plaintiff is seeking compensatory, actual, and restitutionary damages in an amount to be determined at trial. On January 7, 2019, RLHF filed a motion to stay the lawsuit, and on March 26, 2019, the court ordered that any trial be deferred pending a related action plaintiff filed in the State of Minnesota, with the condition that the parties move forward with discovery. No trial date has been set. RLHF is vigorously defending the lawsuit.

Completed:

Linger Chu and His-Hsieh Chu v. Jim Tang, Red Lion Hotels Franchising, Inc. and Does 1-100, Case No. BC712103 (Superior Court of the State of California, County of Los Angeles). On June 28, 2018, plaintiffs filed a lawsuit against RLHF and third parties for intentional misrepresentation, negligent misrepresentation, and declaratory relief resulting from plaintiffs' sale of their Red Lion-branded hotel in violation of their franchise agreement. Following the sale, RLHF sought to enforce its rights resulting from plaintiffs' unapproved transfer, and plaintiffs allege they were told they could proceed with the sale without violating their franchise agreement. Plaintiffs sought an unspecified amount of monetary damages and declaratory relief. On March 28, 2019, the plaintiffs and RLHF entered into a Settlement and Release Agreement in which the plaintiffs and RLHF agreed to mutually release one another from all claims and the plaintiffs agreed to pay RLHF $250,000 and execute a confession of judgment. On April 2, 2019, the court entered a Stipulation and Order for Final Dismissal, dismissing all of plaintiffs' claims with prejudice.

Red Lion Hotels Franchising, Inc. v. Ghazanfar Khan, et al., Case No. 2:17-cv-00094, Case No. 2:17-cv-00155 (U.S. District Court for the Eastern District of Washington). On March 13, 2017, RLHF filed a lawsuit against two former franchisees and their guarantors for trademark infringement, false designation of origin and breach of contract as a result of their failure to comply with their post-termination obligations under their franchise agreements (the "Franchise Agreement Lawsuit"). In May 2017, RLHF filed a second lawsuit against the guarantors for breach of contract as a result of their failure to comply with their post-termination obligations under their guaranties and the underlying franchise agreements (the "Guaranty Lawsuit"). On May 4, 2017, the court granted RLHF's motion for preliminary injunction in the Franchise Agreement Lawsuit requiring defendants to immediately cease all use of RLHF's trademarks. On August 9, 2017, the defendants in the Guaranty Lawsuit filed an amended answer and asserted amended counterclaims against us for breach of contract, violation of the Washington Franchise Investment Protection Act and violation of Washington Consumer Protection Act alleging that RLHF charged additional fees which were not identified in the applicable franchise agreements. In connection with their counterclaims, defendants have requested an unspecified amount of damages. On August 11, 2017, defendants in the Franchise Agreement Lawsuit filed an amended answer and asserted amended counterclaims against RLHF for breach of contract, violation of the Washington Franchise Investment Protection Act and violation of Washington Consumer Protection Act alleging that RLHF charged additional fees which were not identified in the applicable franchise agreements. In connection with their counterclaims, defendants have requested an unspecified amount of damages. On November 29, 2017, the court issued an order compelling arbitration of defendants' counterclaims in both the Franchise Agreement Lawsuit and the Guaranty Lawsuit, denying all pending motions as moot, and staying RLHF's pending claims pending the outcome of arbitration. Defendants filed a demand for arbitration on December 22, 2017, and on January 12, 2018, RLHF filed its response. On April 13, 2018, RLHF issued a request for production. Defendants failed to respond to RLHF's discovery requests, so, on May 22, 2018, RLHF filed a motion to compel defendants' response to its discovery requests and requesting an award of its attorneys' fees relating to the motion to compel. On May 25, 2018, the arbitrator issued an order (1) compelling the defendants to respond to RLHF's discovery requests by June 14, 2018, (2) awarding RLHF its reasonable attorneys' fees and costs relating to the motion to compel, and (3) granting RLHF's oral request to file a motion for summary disposition, among other things. On December 28, 2018, the parties entered into a Confidential Settlement and Mutual Release Agreement in which the parties agreed to mutually release each other from all claims, defendants paid to RLHF $500,000, and defendants agreed to immediately cease all use of the Proprietary Marks. On May 9, 2019, the court issued a Stipulated Final Judgment and Order permanently enjoining defendants from further use of RLHF's marks and dismissing all claims and counterclaims in the Franchise Agreement Lawsuit with prejudice, pursuant to the stipulation and agreement between the parties. RLHF filed a similar Proposed Stipulated Final Judgment and Order in the Guaranty Lawsuit, which was granted by the court on June 13, 2019.

Red Lion Hotels Franchising, Inc. v. Kumar and Sadikila Vemulapalli, Case No. 16-2-01814-3 (Superior Court of Washington, County of Spokane). On May 12, 2016, RLHF filed a complaint against guarantors of a former franchisee seeking to enforce their personal guaranty of a franchise agreement. On December 15, 2017, defendants filed an answer, affirmative defenses and counterclaims for breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel/reliance damages, and fraud in the inducement/fraud alleging that RLHF: (1) failed to provide services and support under the franchise agreement, (2) demanded payment of fees other than what defendants allege was agreed upon, (3) countersigned a copy of the franchise agreement that did not contain defendants handwritten changes and therefore was not what defendants believed to be the contract, and (4) interfered with hotel operations following termination. On December 15, 2017, defendants also filed a motion to transfer the case to Ohio or dismiss the action. On December 29, 2017, RLHF filed a motion for summary judgment on defendants' liability under the personal guaranty, and a motion for sanctions for defendants' violation of the court's discovery order. On February 23, 2018, the court denied RLHF's motion to strike defendants' claims and defenses (and their dispositive motion) as untimely. Also on February 23, 2018, the court heard oral arguments on RLHF's motion for summary judgment and motion to strike. On April 6, 2018, the court entered findings of fact, conclusions of law and an order that (1) denied RLHF's motion for summary judgment, and (2) granted in part and denied in part RLHF's motion to strike, pursuant to which the court (a) will allow defendants to pursue their wrong contract defense at trial provided that RLHF has the opportunity to depose two additional witnesses, and (b) struck the remaining defenses and counterclaims asserted by defendants. On June 21, 2018, RLHF filed a renewed motion for summary judgment on defendants' liability under the personal guaranty. On December 18, 2018, the parties entered into a Settlement and Release Agreement in which the parties agreed to mutually release each other from all claims and defendants agreed to pay RLHF $80,000. On June 13, 2019, the court dismissed all claims with prejudice.

Red Lion Hotels Franchising, Inc. v. Century-Omaha Land, LLC and Edwin W. Leslie, Case No. 2:18-cv-00131 (U.S. District Court for the Eastern District of Washington). On April 20, 2018, RLHF filed a lawsuit against a former franchisee and its guarantor for their: (1) trademark and service mark infringement; (2) breach of the franchise license agreement; (3) breach of the guaranty of franchise license agreement; (4) breach of certain financing agreements; (5) breach of a guaranty of a financing agreement; and (6) breach of a key money promissory note as a result of defendants' failure to pay amounts due and failure to satisfy post-termination obligations. In May 2018, Defendant Leslie filed an answer to ~~our~~RLHF's complaint, alleging that RLHF failed to mitigate damages, RLHF's claims were barred due to the doctrine of unclean hands, the action should be stayed pending a mandatory arbitration, and RLHF breached the franchise license agreement. On June 13, 2018, the court entered an order of default against Defendant Century-Omaha Land, LLC. In August 2018, Defendant Leslie and ~~we~~RLHF entered into an arbitration agreement, whereby RLHF and Defendant Leslie jointly agreed that the matter will be determined by arbitration in Spokane County, Washington. The case was stayed against Defendant Leslie pending the outcome of arbitration. On February 19, 2019, the court granted RLHF's motion for default judgment and ordered that judgment be entered for RLHF and against Defendant Century-Omaha Land, LLC in the amount of $3,671,083.89, plus interest. Judgment for RLHF in that amount was entered that day. On May 31, 2019, the arbitrator issued a Final Award against Defendant Leslie awarding RLHF (a) $2,925,961.40, in the aggregate, for amounts owed under the franchise license agreement and certain financing agreements, pre-award interest, attorneys' fees and costs; and (b) post-award interest from June 1, 2019. On June 13, 2019, RLHF filed a motion to confirm the arbitration award. On July 30, 2019, Defendant Leslie filed a motion to set aside, vacate and declare the arbitration award invalid. On August 6, 2019 the court granted RLHF's motion to confirm the arbitration award and entered a judgment in favor of RLHF for $2,925,961.40, plus post-award interest from June 1, 2019. On September 11, 2019, an execution of the foreign judgment was filed in the district court of Douglas County, Nebraska.

Red Lion Hotels Franchising, Inv. v. Minnesota Hospitality, Inc., Case No. 2:19-cv-00061 (U.S. District Court for the Eastern District of Washington). On February 22, 2019, RLHF filed a lawsuit against defendant, the guarantor of a former franchisee, for breach of its guarantee as a result of defendant's failure to ensure the former franchisee's performance under the franchise license agreement, including payment of amounts due. RLHF has requested monetary damages. On April 26, 2019, defendant filed an answer and counterclaim requesting a declaratory judgment that the guarantee of the franchise license agreement is unenforceable and void as a result of RLHF's alleged fraud in the inducement based on RLHF providing information and representations that defendant alleges were false and inaccurate. On May 17, 2019, RLHF filed an answer and affirmative defenses to the counterclaim. On October 7, 2019, defendant and RLHF entered into a settlement and release agreement in which defendant and RLHF agreed to mutually release one another from certain claims and the defendant agreed to pay RLHF $150,000 and execute a confession of judgment. On October 22, 2019, the court granted the parties' stipulated motion to dismiss.

Red Lion Hotels Corporation v. Tiya Hospitality, LLC, Case No. CV-2017-902126.00 (Circuit Court of Jefferson County, Alabama). In May 2017, RLHC filed a lawsuit against a former brand member for failure to pay amounts due and breach of contract for failure to pay amounts due. On July 3, 2017, defendant filed an answer and counterclaim, alleging that RLHC breached the membership agreement, and seeking monetary damages and declaratory judgment. The parties entered into a Confidential Mutual Release and Settlement Agreement on February 19, 2018 under which defendant paid to RLHC $10,500 and the parties agreed to mutually release each other from all claims. On August 9, 2018, the court entered an Order of Dismissal.

Red Lion Hotels Franchising, Inc. v. JS Three Star Investment Inc., Case No. 96777-422 (District Court of the 422nd Judicial District, Kaufman County, Texas). In December 2016, we filed a lawsuit against a former franchisee for failure to pay its account, unjust enrichment and breach of contract as a result of its failure to pay amounts due under the membership agreement. On March 8, 2017, defendant filed an answer and counterclaim alleging that we failed to provide services under the membership agreement, which defendant alleges was a violation of the Texas Deceptive Trade Practices Act, requesting damages in the amount of $81,000. On December 11, 2017, the parties entered into a confidential settlement agreement in which the parties agreed to mutually release each other from all claims. On January 18, 2018, the court dismissed the case with prejudice.

Suit Against Former Franchisees/Guarantors to Collect Unpaid Fees or Liquidated Damages:

Red Lion Hotels Franchising, Inc. v. Tailors Lodging Corporation, Case No. 2018-cv-20280, Filed April 13, 2018 in the State of Tennessee, County of Blount, General Sessions Court of Blount County.

Other than the above, no litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

All prospective franchisees must complete and sign a franchise agreement, which initially acts as an application. Upon your submission, we will review the franchise agreement and determine whether we approve your request for a franchise. If we approve, we will execute the franchise agreement that you submitted, which will become your binding franchise agreement. When you submit your application for a franchise to us for processing, you also must pay us an application fee, the amount of which will depend on the length of contract term you select: $1,500 for a five-year term; $4,999 for a three-year term; and $9,999 for a one-year term. All applicants also must pay a CRS and PMS combined connectivity fee of up to $2,500. You will be required to pay $1,095 for our professional photography services, unless you decide to operate under your own respective independent name rather than the Brand. However, you may purchase this service if you are using an independent name, in which case the fee will be the same. If you elect to utilize our optional CRO, you will pay a connectivity fee of $250 at the time of your application. If you opt to connect to the global distribution system ("GDS") through our booking engine, you will pay a one-time connectivity fee of $250. Collectively, the application fee and CRS/PMS connectivity fee, along with the photography fee, CRO connectivity fee, and GDS connectivity fee (if you have elected them at the time of your application) are known as the "Initial Fee." Please note that if you do not choose from our optional services at the time of application, you may elect to participate in those optional services for which you qualify during the course of your Franchise Agreement, at which time you will be required to pay any applicable initial connectivity charges then in effect.

If we decline your request for a franchise, we will refund the Initial Fee within 30 days. Since the application for a franchise is the franchise agreement, we have included our obligation to refund your Initial Fee upon our rejection of your application on the Initial Fee Authorization Form, as attached as Exhibit C to this disclosure document. Otherwise, all components of the Initial Fee are non-refundable upon our approval of your application, which is evidenced by our execution of the franchise agreement.

ITEM 6. OTHER FEES

TYPE OF FEE[1,2]	AMOUNT	DUE DATE[3]	REMARKS
System Fee	Four percent of Gross Revenue	Monthly upon delivery of invoice	See Note 3.
Third-Party Distribution Program Fees	Varies based on third-party fees.	As incurred	These fees are payable to us in connection with the processing of certain transactions associated with our Third-Party Distribution Program, and includes an administrative fee for our services. See Note 4.
Brand Reputation Program ("BRP") Fee	Between $25-$200 per issue	Upon demand	See Note 5.
Accelerated Property Experience ("APEx") Fee	Currently, $1,000	As incurred	See Note 6.

TYPE OF FEE[1,2]	AMOUNT	DUE DATE[3]	REMARKS
Late Payment Charge	The lesser of (a) 1.5% of the overdue amount or (b) the maximum rate allowed by law	Upon demand	Imposed if any payment you owe us is overdue.
Reactivation Fee	Currently, $2,000	Prior to reactivation	If we have suspended your System Property from the CRS and access to any revenue-generating or revenue-related programs because of a default under your Franchise Agreement and you have cured the default, we may require you to pay this as a condition of reactivation. Although we may periodically change the amount of the fee (presently $2,000), it will not exceed $5,000.
EFT Chargeback fee	$40 per instance	As incurred	You must pay us monthly by Recurring EFT (defined below). In the event of an unfunded Recurring EFT, you will be charged $40 for each unsuccessful attempt made by us. See the Recurring Fee Authorization Form attached as Exhibit D to this disclosure document.
Termination Fee Upon Early Termination Following your Default or Termination by you Without Cause	System Fees through the end of the current Term.	Upon early termination of your Franchise Agreement	See Note 7.
Public Relations & Crisis Management	$300/hour with a minimum of $1,000 per crisis situation and any out-of-pocket expenses we incur.	As billed	See Note 8.
Travel Agency Commission Settlement Fee	Up to $0.85 per transaction	As incurred	See Note 9.
Voice reservation system (optional)	Initial connectivity fee of $250 and transaction fee of 7% of net consumed reservation.	As billed	Use of our central reservation service ("CRO") requires a one-year minimum commitment to this system.
GDS Reservations (optional)	Initial connectivity fee of $250 and transaction fee of $11 per net consumed reservation.	As billed.	Access to the GDS through our booking engine requires a one-year minimum commitment to this program. Third-party commissions are additional.
Professional Photography	$1,095	As billed	This fee will not be applicable if you do not operate the System Property under our Brand. If you operate the System Property under an independent name rather than the Brand, you have the option of purchasing this service. Additional photography, including video, is available for an additional fee.

TYPE OF FEE[1,2]	AMOUNT	DUE DATE[3]	REMARKS
Property Support	$15 per ticket	As incurred	If you require assistance from our dedicated support personnel, you will be charged a fee of $15 per job ticket at the time you initiate your support request. Support requiring more than 20 minutes to resolve will incur an Extended Support Services fee of $42/hour or any portion of an hour.
Taxes	Varies	Upon demand	If any sales, use, gross receipts or similar tax is imposed on us for the receipt of any payments you are required to make to us under the Franchise Agreement, then you must also pay this tax to us.
Indemnification	Amount of damages suffered	Upon demand	You must indemnify us and our affiliates, and our and their respective officers, directors, owners, employees and representatives for all damages any of those parties suffers and costs any of those parties incur relating in any manner to your ownership or operation of your System Property, including enforcement costs.
Performance of Obligations Expenses	Varies	Upon demand	If you default in performing any of your obligations under the Franchise Agreement and we choose to perform your obligations for you, you will immediately reimburse us for the actual costs of so performing.
Failure to De-Identify	$500 per day	Upon demand	If you fail to comply with all of your de-identification obligations within 30 days after the expiration or early termination of your Franchise Agreement, you must pay us this fee for each day in which you are in breach of your obligations. This is in addition to other damages and remedies to which we may be entitled under applicable law. This does not apply if you operate under an independent name rather than our Brand.
Administrative Fee for other requests	Up to $2,500 plus any additional costs we may incur.	When you submit request	Administrative fees arising from extraordinary services such as amendments you request; amendments necessitated by your action or inaction (such as a lease amendment); lender comfort letters; changes of payment method; and similar services.
Transfer Fee	Our then-current application fee (currently, $1,500 for a five-year term; $4,999 for a three-year term; and $9,999 for a one-year term).	Before transfer	You or the transferee must pay this transfer fee prior to our approval of any proposed transfer.
Liquidated Damages for Unauthorized Opening	$5,000 per day that your System Property is open without authorization and our costs, including attorneys' fees	Upon demand	If you open your System Property before we authorize it to open, you must pay us liquidated damages to compensate us for damage to the System (and Network Marks, if applicable). You must also reimburse us for our costs of enforcing our rights.

TYPE OF FEE[1,2]	AMOUNT	DUE DATE[3]	REMARKS
Pre-Opening Termination Fee	$1,000 for each Guest Room	Upon demand	See Note 10.
Conference Registration Fee (optional)	Our then-current Conference Registration Fee, which currently is $1,000 per person plus travel and accommodation costs.	Prior to the start of the respective Conference.	At your option, one of your representatives may attend our Brand Conference for a registration fee. In addition, you must pay your attendees' expenses of travel, lodging, certain meals, and other out-of-pocket costs. Other than the Conference Registration Fee, these fees are paid to third-parties. We may periodically increase the Conference Registration Fee. See Note 11.
Notices	Varies	As billed	For any notice we send to you by commercial courier service as permitted by the Franchise Agreement, we may require you to reimburse us for the shipping expenses.
American Hotel & Lodging Association Fee	$2.50 per room per year	Payable annually, as billed	You are required to join the American Hotel & Lodging Association ("AHLA") and will be charged a fee of $2.50 per room per year. You will pay this fee to us, which we will remit to the AHLA.

[1] Except as indicated otherwise, all fees in this Item 6 are payable to us, are nonrefundable, and are uniformly imposed.

[2] You must pay us by means of an automated payment system using automatically recurring electronic funds transfer that we initiate ("Recurring EFT"), also known as Auto Pay. We may process the transfers at the time any payment is due and owing. Failure to fund your account at the time of a Recurring EFT, or failing to enroll in Recurring EFT payments, will constitute a breach of your Franchise Agreement. If we permit you to pay by any other means, we may condition our approval on the payment of a fee. We also may periodically change your required method of payment with at least 30 days' prior written notice.

[3] Your System Fee includes all booking fees for transactions that flow through our CRS, other than commission and related administrative fees attributable to Online Travel Agencies ("OTAs") that maintain a direct-connect relationship with our CRS; licensing fees for the PMS we provide you; inclusion on our System website; and such other services as we choose to provide.

"Gross Revenue" means the gross revenue attributable to, associated with, or payable for rentals of Guest Rooms and other purchases of goods and services at your System Property, whether by guests or other patrons, whether or not collected, including all credit transactions, guaranteed no-show revenue net of chargebacks from credit card issuers, revenue from reservations cancelled outside of your System Property's cancellation policy, and any proceeds from any business interruption or similar insurance applicable to the loss of revenue due to the non-availability of Guest Rooms. Excluded from Gross Revenue are federal, state and local sales, occupancy and use taxes. "Guest Rooms" means transient hotel rooms.

The obligation to make monthly payments for the System Fee will begin on the Billing Start Date and the obligation to make all other monthly payments will begin on the first day of the calendar month immediately following the opening of the System Property. However, you must pay commissions as incurred. If you sign a Franchise Agreement in connection with an acquisition of an existing System Property, your Billing Start Date will be the first day of the calendar month that is immediately after the day you acquire the existing System Property; you will be responsible for all booking and transaction fees incurred in connection with consumed reservations from the date of your acquisition.

[4] We participate in most major distribution channels and we or our affiliates have established enterprise-level agreements with many of the leading intermediaries, including online travel agencies ("OTAs"), that allow them to offer your hotel room inventory through their websites including, in some cases, rooms at our guest recognition program member rates (collectively, the "Third-Party Distribution Program"). You must participate in our Third-Party Distribution Program. You are responsible for the payment of all reservation fees, including third-party booking fees, GDS fees, and fees associated with the CRO (call center) and CRS, in connection with stays booked at your Hotel through their websites. Those fees are subject to change by the applicable third-parties. You must connect to all third-parties through our CRS, unless such third-party does not directly or indirectly offer interfaces to the CRS. You must maintain rates and inventory in the CRS on a rolling 12-month basis. If you fail to maintain rates and inventory on a rolling 12-month basis, you will be given seven days' written notice to do so, after which, we will extend your rates on your behalf. Upon our first written notice to you for failing to maintain rates and inventory on a rolling 12-month basis, you must pay us $250. For repeated occurrences requiring additional notice to you, we may charge you additional fees.

In connection with the Third-Party Distribution Program, we have established an internal centralized payment solution through which we will pay commissions you owe to certain travel agencies, including OTAs, and other intermediaries on your behalf. You will authorize repayment to us by Recurring EFT and will have an opportunity to reconcile your commissions through our owners' portal. Through the centralized payment solution, we also may collect revenue on your behalf from certain travel agencies, including OTAs, and other intermediaries, which we will remit to you. If we reconcile your reservations through our optional Auto Save Program, you will pay us an additional processing fee of 1% of the Net Realized Revenue (which may increase up to 5% of Net Realized Revenue). "Net Realized Revenue" means your gross revenue less any refunds you have paid.

[5] You will pay us a $25 fee for every guest or other complaint we receive. If the issue raised is not resolved to our satisfaction within 48 hours of our communication to your System Property, then the fee will be raised to $75. If it becomes necessary for us to resolve it, then you will be charged $125 per issue, plus the cost of the resolution (such as a refund provided to a guest). If you do not respond to any negative online reviews within 72 hours of the posting of such reviews, we may do so (directly or through a third-party) on your behalf, in which case you will pay us $39 for each response. These fees may increase based on the frequency and nature of complaints and negative reviews, and your responsiveness (e.g., the time it takes you to respond to guest reviews). We may periodically modify this program, including an increase or otherwise change in fee structure.

[6] If: (a) your System Property operates under our Brand and your TripAdvisor score falls below a 2.0 for at least three consecutive months and we deem it appropriate; (b) we become concerned, based on guest complaints, online reviews, or otherwise, about the condition of the System Property or the services it offers; or (c) you request our assistance, then one of our System Property Specialists will visit your System Property to help you identify problem areas and develop a strategy for improving them, including initiatives for the System Property to undertake improving its online reputation, including its TripAdvisor score. We call this process our Accelerated Property Experience, or "APEx."

[7] If we terminate your Franchise Agreement for cause, or you terminate your Franchise Agreement without cause, you must pay us a termination fee as a lump-sum equal to the System Fee payable for the period from the termination date through the end of the term. This termination fee is in addition to any other damages and remedies to which we may be entitled under applicable law. The termination fee will be based on the average of the monthly System Fees payable to us for the 12 months immediately preceding the termination date or, if you have been operating under the System for fewer than 12 months, the highest amount of monthly System Fees payable to us since you joined the System multiplied by the number of months remaining in the current contract term; however, we will cap the maximum number of remaining months at 36 months.

[8] In the event we deploy our public relations and crisis management team as a result of a situation at your System Property, we will charge you a fee of $300 per hour for our services, with a minimum of $1,000, plus actual costs we incur. The fee and hourly rates are subject to change.

[9] We may use, or require you to use, a travel agent commission settlement program operated by a third-party provider selected by us. We expect settlement fees to be no more than $0.85 per transaction, but this fee may periodically change as third-party fees increase. These settlement fees may be paid directly to the third-party provider or we may collect them and further remit your payment to the third-party provider, less an administrative fee per transaction.

[10] You must pay us this lump sum termination fee if we terminate the Franchise Agreement for your breach before the authorized opening of your System Property.

[11] We also may offer additional optional programs to you during the Term of your Franchise Agreement.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT[1]				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Initial Fee[2]	$4,000 to $14,094	Lump sum	Upon submission of your Application	Us
Conversion Remodeling Expenses[3]	$0 to $200,000	As arranged by you	Before opening	Contractors, vendors and suppliers
Furniture, Fixtures and Equipment[4]	$0 to $200,000	As arranged by you	As incurred	Vendors and suppliers
Signage[5]	$5,000 to $30,000	As arranged by you	As incurred	Vendors and suppliers
Communications Equipment[6]	$0 to $15,000	As arranged by you	As incurred	Vendors and suppliers
Computer System[7]	$0 to $15,000	As arranged by you	As incurred	Vendors and suppliers

YOUR ESTIMATED INITIAL INVESTMENT[1]				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Inventory/Supplies (OS&E) to Begin Operating[8]	$0 to $50,000	As incurred	Before opening	Vendors and suppliers
Other Pre-Opening Expenses[9]	$0 to $25,000	As arranged by you	Before opening	Vendors, suppliers, other third-parties
Grand Re-opening Advertising[10]	$0 to $10,000	Lump sum	Before opening	Vendors, suppliers, us
Additional Funds (3-month initial phase)[11]	$0 to $50,000	Various	As incurred	Employees, suppliers, etc.
Total[12]	**$9,000 to $609,094**			

[1] Other than the Initial Fee, the remaining costs associated with the conversion to a System Property involve the de-identification from a previous brand or flag. However, your costs may fluctuate based on the system requirements of the old brand you operated under. For example, if you previously operated under a brand that required logoed amenities, in-room items such as logoed ice buckets, towels, or shower curtains, you must replace them and otherwise remove all such third-party logos and brand names. Because we do not dictate any specifications for your furniture, fixtures, and equipment ("FF&E") or your operating supplies and equipment ("OS&E") and generally do not mandate any requirements for your physical plant (other than compliance with all applicable laws, rules, and regulations) many of the costs reflected in this Item 7 will depend heavily on the extent to which you must replace existing items in order to de-identify the System Property from a prior brand or to rebrand under our Brand and your personal choices in making those replacements.

The Application Fee is refundable under certain limited circumstances (see Item 5). Otherwise, none of the fees you pay to us or our affiliates are refundable under any circumstance. Whether fees payable to third-parties are refundable is a matter you will have to discuss and negotiate with them.

[2] The amount of your Initial Fee will depend on the length of contract term you select and other choices you make at the time of your application. This amount also includes the CRS and PMS combined connectivity fee of up to $2,500. See Item 5.

[3] We assume that you already own or lease your facility. Accordingly, any financing or lease payments are not included. The cost of remodeling, if any, will vary depending on numerous factors, including: (a) the condition of the intended System Property, (b) the size and configuration of the premises, (c) the cost of materials and labor, and (d) the location of the premises and local conditions.

[4] These amounts include the estimated costs of furniture, fixtures and equipment such as flooring, window treatments, and telephone equipment (other than telephone switch equipment) that may be necessary upon conversion, but exclude the costs of computer systems and Internet access equipment. These costs will vary greatly depending on the size and configuration of the premises, the number and type of Guest Rooms (such as double versus

king rooms or suites), the quality of the existing furniture, fixtures and equipment, how specific the Guest Rooms are to a prior brand, and the optional programs you select (see Item 6).

[5] These amounts include the estimated cost for interior and exterior signage. Exterior sign expenses, including pole signs, may vary significantly depending on local building code requirements. These amounts also do not include installation, which will vary depending upon your market location. If you lease the property, your actual costs may also be affected by any restrictions placed by your landlord on interior and exterior signage. This estimate will be zero if you decide to operate under an independent name rather than the Brand.

[6] These amounts include estimates for the cost of a telephone switch and other telephone and communications equipment, including the cost of high-speed Internet access equipment. If you already own adequate equipment, we have not estimated any cost associated with this item when determining the low end of this estimate.

[7] These amounts include the computer hardware and software necessary to operate your System Property. The exact cost of your computer system will depend on the options you select, and on the systems, including the PMS and point of sales system ("POS") you already own and the technology options you select, subject to our minimum standards. If you already own adequate equipment, we have not estimated any cost associated with this item when determining the low end of this estimate. Please refer to the section entitled "Computer Systems" under Item 11 of this disclosure document to provide you with the required computer hardware and software.

[8] These amounts include the estimated costs for inventory items such as towels, linens, guest room amenities, paper goods and maintenance supplies and equipment. If you do not need to replace any of these items or other operating supplies and equipment (whether because it does not include a logo of a prior brand or otherwise), we have not estimated any cost associated with this item when determining the low end of this estimate.

[9] These amounts include additional estimated expenses for the approximate three-month period prior to your Opening Date, including labor costs, pre-opening marketing costs and costs of professional advisors. Your market, your pace of ramping up the property's occupancy and average daily rate, the seasonality of your opening, the quality of your property management team and other factors will impact the funding you require for this category of expense.

[10] We do not require you to spend any amount on grand re-opening advertising (although, we encourage you to do so).

[11] The additional funds represent certain expenses that you will incur in the operation of the business. You may need these funds to operate the System Property during its three-month initial phase following activation in our CRS. The estimated amount covers items such as payroll costs, rent, utilities, on-going advertising, facility expenses, security, and maintenance - but does not include any salary or allowance for an owner's draw, any amounts you must pay us, or any additional inventory you may need after your initial inventory is consumed. The actual amount of additional funds you will need during the initial phase of operating will depend on factors such as: the size and location of your System Property; your management skill, experience, and business acumen; local economic conditions; the local market for your System Property; competition; and other factors.

[12] This total assumes that your existing facility is in good condition. We relied on our senior leadership team's collective decades of past experience in the ownership, operation, management and development of hotels in all segments of the industry, from budget through upscale brands, as well as industry trends, to compile these estimates. You should review these figures carefully with a business advisor and other appropriate professionals (e.g., an attorney, hotel feasibility specialist, architect, general contractor, or lender) before making any decision to purchase the franchise. We do not finance any portion of your initial investment.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Authorized Specifications and Suppliers

We require you to use our CRS and PMS, and you must purchase any hardware necessary to operate it, as well as merchant processing equipment, if you do not already own it. We do not require that you purchase the hardware from any specific vendors, although we encourage you to consider doing so from one of our authorized vendors. See Item 11, "Computer System," for more detailed information related to the required hardware necessary to interface with the CRS and PMS.

We require that all properties utilize a designated PCI-compliance system, to ensure the integrity of guest data that comes into your possession.

You may not use any booking engine for your System Property other than ours (which we will provide to you at no additional cost; you may not enter into any other representation agreements or similar arrangements; and you may not enter into any agreements with forward distribution channels (such as online travel agencies) without our consent. If we enter into a corporate level agreement with any distribution channel that connects directly to our CRS, we also will enter into a sub-agreement or participation agreement with such distribution channel on your behalf. You will be responsible for all fees due to third-parties, such as travel agents. See Item 11, "Third-Party Distribution Program" for more detailed information about our distribution arrangements. We also may use, or require you to use, a travel agent commission settlement program, which may include a mandatory pay-by-EFT form and certain settlement fees, operated by a third-party provider selected by us.

If you operate the System Property under the Brand, you must purchase the signage from a member of our list of authorized vendors (the "Authorized Vendor Network") (the list of participants in which will be provided to you).

You may request that a vendor be added to the Authorized Vendor Network (or, if we require you to purchase goods and services from designated suppliers, the designated supplier list) by having such supplier submit a written request to us for our approval. We will notify you in writing of approval or disapproval of your request within a reasonable time (generally not more than 30 days) after receiving your written submission. Vendors must demonstrate, to our continuing satisfaction, that they possess: (a) the ability to meet our reasonable standards and specifications for the services or items; and (b) adequate quality controls and capacity to supply your needs promptly and reliably. When considering whether to add a vendor to the Authorized Vendor Network, we may consider any other relevant factors, including any factors relating to the price and quality of the products or services, the reliability of the supplier, and the economic benefits and incentives the supplier may provide to us. We may approve a single supplier for any product or service. We may remove the vendor from the Authorized Vendor Network upon the supplier's failure to continue to meet our standards and specifications, and will notify you in writing of such revocation. We will provide you with our approval criteria upon request. We may change our approval process at any time. We also intend to introduce an online procurement platform in early 2020, which may require you to make certain purchases through that platform; you may be charged a 2-3% procurement fee by the platform provider or designated supplier, which will be remitted to us.

Unless you are operating under an independent name rather than our Brand, we may require you to purchase items bearing our Brand (if you choose to purchase them at all) from a member of the Authorized Vendor Network = and we may designate a specific vendor or vendors for certain products or services. If a Subscriber identifies another vendor willing to provide this product to our specifications, the Subscriber may submit the vendor for addition to the Authorized Vendor Network.

As indicated in Item 11 below under the "Brand Manuals" section, we anticipate establishing a web-based portal by which all Subscribers of the System will be able to interface with us, and through which we will communicate any changes or upgrades to the System, and any changes to System Requirements.

Neither we nor any of our affiliates currently is an exclusive supplier of any product or service used to operate your System Property, although we may designate ourselves or an affiliate as an exclusive provider. We may periodically require you to pay us for purchases from designated third-parties. None of our officers owns an interest in any authorized or recommended vendors or suppliers.

Insurance

You must procure and maintain insurance coverage in the amounts we periodically require, in addition to any other insurance that may be required by applicable law or otherwise. At a minimum, such policies include the following (liability limits for primary and excess/umbrella policies may be in any combination as long as the total minimum limit requirements are met):

- commercial general liability (CGL) insurance for any claims or losses arising or resulting from the operations/premises of the property with combined single limits of $1,000,000 per occurrence for bodily injury and property damage liability and a general aggregate limit not less than $2,000,000. Limits may be met by a combination of CGL and umbrella or excess liability insurance policies on a follow form basis, with a combined limit not less than $5,000,000;

- property and contents insurance (or builder's risk insurance during any period of construction) on all building(s) and contents against loss or damage by fire, lightning and all other risks associated and covered by the "all risks" policy form, all in an amount not less than 90% of the replacement cost;

- boiler and machinery insurance against loss or damage from explosion of boilers or pressure vessels, to the extent applicable;

- business interruption insurance covering at least 12 months loss of profits and necessary continuing expenses for interruptions caused by a covered occurrence;

- workers' compensation insurance in statutory amounts for all your employees and employer's liability insurance in amounts not less than $500,000 per accident or disease;

- liquor liability (applicable only when or if you distribute, sell, serve, or furnish alcoholic beverages) for combined single limits of bodily injury and property damage liability of not less than $1,000,000 per occurrence;

- automobile liability insurance including owned, non-owned and hired vehicles for combined single limits of bodily injury and property damage of not less than $1,000,000 per occurrence; and

- garage-keeper's liability to the extent that System Property operations include parking operations, with a limit adequate to cover the full actual value of all automobiles that are in your care, custody, and control at any one time.

In addition, we strongly recommend that you carry employment practice liability insurance. Each insurance policy for liability coverage must name us and our affiliates, and our and their respective officers, directors and employees as additional named insureds. We must receive copies of certificates of insurance, policy endorsements and proof of payment for all insurance policies before your System Property is activated on our CRS and on an annual basis.

General

In the year ended December 31, 2018, RLHC received $179,128 from vendors based on purchases by all Network Hotels (including our franchisees, licensees, and owned and managed Network Hotels). Neither we nor any other affiliates received revenue from vendors based on franchisee purchases in fiscal year ended December 31, 2018. However, we and our affiliates may do so in the future.

During fiscal year ended December 31, 2018, RLHC and its affiliates and subsidiaries, on a consolidated basis, derived approximately $13,929,000 from purchases of products and services by franchisees and licensees, which represents approximately 10.25% of RLHC's consolidated total revenue of $135,849,000.

We estimate that less than 5% of the products, services, supplies, furniture, fixtures, equipment and inventory used to establish a new System Property, less than 5% used to convert an existing hotel into a System Property, and less than 1% of used to operate a System Hotel are subject to our specifications.

During the term of the Franchise Agreement and any term extensions, we may require you to make additional expenditures and investments to maintain your System Property in accordance with the System Requirements. We anticipate that any such expenditures would be related to technology necessary or advisable to optimize the use of our CRS-connectivity.

You do not have to participate in any purchasing or distribution cooperative that we decide to maintain. There are currently no purchasing or distribution cooperatives maintained by us. We will not provide material benefits to you based on your use of authorized vendors.

ITEM 9: FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

FRANCHISEE'S OBLIGATIONS		
Obligation	**Section In Franchise Agreement**	**Disclosure Document Item**
a. Site selection and acquisition/lease	Not applicable	Not applicable
b. Pre-opening purchases/leases	Section 7(d)	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Section 7(a)	Items 7, 8 and 11
d. Initial and ongoing training	Section 4(b)	Items 1, 6 and 11
e. Opening	Sections 7(a) and 7(g)	Item 11
f. Fees	Sections 3, 4(b), 4(f), 8 and 12(b) and Schedule 3(c)	Items 5, 6, and 7
g. Compliance with standards and policies/operating manual	Sections 1, 6, 7(b), 7(c), 7(g), 7(h), 14(b) and 14(e)	Items 8 and 11
h. Trademarks and proprietary information	Section 9	Items 13 and 14
i. Restrictions on products/services offered	Section 7(i)	Item 16
j. Warranty and customer service requirements	Sections 7(c) and 7(k)	Item 6
k. Territorial development and sales quotas	Not applicable	Not applicable
l. Ongoing product/service purchases	Sections 7(c) and 7(f)	Item 8
m. Maintenance, appearance and remodeling requirements	Section 7(c) and Schedule 7, Section (a) (ii)	Items 6, 11 and 17
n. Insurance	Section 7(j) and Schedule 7	Item 8
o. Advertising	Section 6	Items 6, 7 and 11
p. Indemnification	Section 14(a)	Item 6
q. Owner's participation/management/staffing	Section 7(e)	Item 15
r. Records and reports	Section 7(d)	Item 6
s. Inspections and audits	Sections 7(g) and 7(j)	Items 6 and 11
t. Transfer	Section 10	Items 6 and 17
u. Renewal	Section 1(b)	Items 6 and 17
v. Post-termination obligations	Section 12	Item 17

FRANCHISEE'S OBLIGATIONS		
Obligation	**Section In Franchise Agreement**	**Disclosure Document Item**
w. Non-competition covenants	Not applicable	Not applicable
x. Dispute resolution	Sections 14(g), 14(h), 14(i), 14(j) and 14(k).	Item 17

ITEM 10 FINANCING

We do not offer direct or indirect financing or guarantee your note, lease or other obligations.

ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Assistance

Before you open your System Property, we will provide you the following assistance (at our discretion):

- Gather all information from you necessary to build your System Property into the central reservation system (Franchise Agreement, Section 4.(a));
- Initial training on our CRS and PMS, which will be done remotely (Franchise Agreement, Section 4(a));
- If you are authorized to operate under our Brand and arrange for professional photography (Franchise Agreement, Section 3(a)); and
- Gather any additional information needed to create your property website (Franchise Agreement, Section 4(c)).

In addition to the assistance described above, we may provide such additional assistance as we deem necessary or appropriate.

Post-Opening Assistance

During the operation of your System Property, we will:

- Provide you with access to the exclusive System-designated CRS (Franchise Agreement, Section 4(a));
- Provide you with access to the exclusive System-designated PMS (Franchise Agreement, Section 4(a));
- Establish and host one email address for your System Property (Franchise Agreement, Section 4(c));
- Provide you with a webpage on the System Website (defined below) that represents your System Property (Franchise Agreement, Section 4(c));

- Provide you with our Third-Party Distribution Program, so as long as that program remains in effect (Franchise Agreement, Section 4(d));

- Provide you with our optional CRO system (for an additional fee and subject to a minimum program commitment of one year) (Franchise Agreement, Section 3(c));

- Provide you with our optional GDS connectivity (for an additional fee and subject to a minimum program commitment of one year) Franchise Agreement, Section 3(c));

- Provide you with access to our dedicated support team (at a per ticket and hourly fee) and our live support personnel (at an hourly fee) (Franchise Agreement, Section 4(b)); and

- Provide you with the opportunity to participate in our Auto Save program (Franchise Agreement, Section 4(d)).

Site Selection and Lease

We do not lease the premises to you, nor provide assistance with site selection or negotiations of your purchase or lease of the property.

Marketing and Advertising

Periodically, we or our affiliates may pay for various expenses and programs that, in our view, benefit, in the short-term or the long-term, the System and the Brand, although we have no obligation to do so. We or our affiliates may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services or personnel with any other entity, including our affiliates. If we decide to pay for such programs or expenses, you cannot expect or require, for example, that such programs will be used to promote or benefit only your System Property or your System Property's market. Also, if we decide to pay for such marketing programs, we may use a national or regional advertising agency in addition to our or their in-house marketing department.

We administer an advertising fund for Network Hotels, generally, but we do not require Franchisees to contribute to the fund. We prepare annual statements regarding the advertising fund, but you will not be given the statements, even upon your request.

Local Marketing

You must provide us, for our approval, all materials you intend to use for local marketing (and all other advertising and promotional materials and Online Presence (as defined below)), unless we have already approved them or they consist solely of materials provided by us. We will attempt to review these materials within 10 business days from when we receive them. If you do not receive written approval within those 10 business days, the submitted materials are considered disapproved. All materials on which the Proprietary Marks are used must include the applicable designation of service mark ℠, trademark ™, registered trademark ®, copyright ©, or such other designation as we may specify. If, in our judgment, such materials or advertising may injure or harm the Brand, we may notify you to withdraw or discontinue the use of any advertising or promotional materials or Online Presence, even if previously approved. Within five days after delivery of such notice, you must withdraw and discontinue use of the relevant advertising and promotional materials or use of such Online Presence.

We currently do not require you to join a regional or local advertising cooperative, or any other advertising fund. We may form, change, dissolve or merge cooperatives. We do not have a franchisee advisory council that advises us on advertising policies, though we may establish this council in the future.

Websites, Social Media and Other Online Presence

All System Properties will be represented on our System website (presently www.countryhearth.com) (the "System Website"). System Properties that are authorized to operate under our Brand may be represented on our Network family website (presently www.redlion.com) (the "Network Website"), either in addition to the System Website or in place of it. If a System Property that has been authorized to operate under our Brand loses that right (for example, its TripAdvisor score falls below 2.0 for at least three consecutive months), we will allow it a reasonable time to improve its TripAdvisor score or it will be required to adopt an independent name and will be relocated to our System Website (and removed from the network family website, if applicable).

If you are authorized to operate under our Brand, or under any of the RLHC Brands, you may not register, own, maintain or use any domain name, website, email address, social media account, user name, other online presence or presence on any electronic medium of any kind, relating to RLHC Brands or your System Property or that includes the Network Marks (collectively, "Online Presence"), except as approved in advance by us. As a general rule, we do not permit franchisees to maintain vanity or other independent Online Presences for System Properties operating under the Brand. If your System Property operates under the Brand, you may not list the details or contact information of your System Property on any vanity or other independent websites or other Online Presence, including any OTAs, without our prior approval. You must establish any Online Presence that we may require, and only establish any other Online Presence that we authorize. All use of Online Presences must be in accordance with our guidelines. Given the changing nature of this technology, we have the right to withhold our approval and to withdraw any prior approval to modify our requirements.

You may not, without a legal license or other legal right, post on any Online Presence any material in which any third-party has any direct or indirect ownership interest, including video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third-party may claim intellectual property ownership interests without obtaining prior written consent from the content owner. You must incorporate on any Online Presence any other information we require in the manner we consider necessary to protect the Network Marks.

Your use of all Online Presence shall be subject to our standards as we may implement during the Term of your Franchise Agreement. If we decide to establish a presence on any Online Presence outlet for System Properties, and we establish a specific presence for your System Property, you must adhere to our Online Presence procedures and guidelines that include but are not limited to: appropriate content, relevance, behavior related to communications, frequency and responsiveness to communications, etiquette, naming conventions and use of the Network Marks and posting messages or commentary on third-party websites. We must approve your social media pages and they shall be linked to any RLHC

Brand social media pages we designate, if any. We have the right to require you to remove your social media page(s) if you fail to comply with our guidelines and procedures.

We will own the rights to each Online Presence. At our request, you must grant us access to each Online Presence and to take whatever action we request to prove that we own each Online Presence or help us obtain exclusive administrative rights in such Online Presence.

Upon the expiration or termination of the Franchise Agreement, you must irrevocably assign and transfer to us (or to our designee) all of your right, title and interest in any domain name listings and registrations and other Online Presence which contain any references to the Network Marks or any of the RLHC Brands, and must notify the applicable domain name registrar(s) or other third-party of the termination of your right to use any domain name or Online Presence associated with the Network Marks or any of the RLHC Brands, and will authorize and instruct the cancellation or transfer of the Online Presence to us (or our designee), as directed by us. You must also delete all references to the Network Marks and any of the RLHC Brands from any other Online Presence you own, maintain or operate beyond the expiration or termination of the Franchise Agreement.

You must ensure, on an ongoing basis, that the description of your System Property and its amenities and features, including those you believe make the System Property and its premises accessible to persons with disabilities, is current and accurate in the CRS, on any Online Presence, and in any third-party distribution channels.

Guest Recognition Program

We provide a guest recognition program to the Network Hotels, but System Properties are not eligible to participate in our guest recognition program.

GDS Connectivity

Your System Fee does not include access to the GDS, which is available to you for a set-up fee of $250, and $11 per net consumed reservation. If you elect to connect to the GDS, the channels to which you have access will be considered part of our Third-Party Distribution Program. GDS Connectivity requires a one-year minimum commitment.

Call Center (Voice Reservations System/CRO)

Your System Fee does not include access to our voice reservation call center ("CRO"), which is available to you for a $250 set-up fee and 7% of each reservation processed by the CRO. The CRO service requires a one-year minimum commitment. If you do not choose to use our CRO, you may not use any other CRO for processing voice reservations.

Computer Systems

We will provide you with our exclusive CRS and PMS, both of which are web-based and will run on generic hardware or on devices such as tablets and iPads. Subject to your preferences and the specific (greater) needs of your System Property, you will need:

Windows 10 64 bit or greater, professional version recommended
Intel 14 Processor or better
4GB of RAM (8GB recommended)
Current subscription of antivirus/antimalware for each connecting computer
Printer with appropriate drivers for Windows 10
HTML 5 capable browsers (e.g., Chrome, Edge FireFox, Opera)
Basic printer

We estimate the typical cost for the foregoing, including a monitor to be approximately $1,500. However, as indicated in Item 7 above, you already may own each of these components, which would avoid additional costs to you.

We require that you implement an authorized credit card interface, with tokenization and point-to-point encryption activated. We may require additional interfaces in the future. We periodically may revise the specifications for your PMS, POS and related interfaces, and we may require you to use our authorized suppliers.

You must make periodic upgrades and updates to the PMS that we require, including establishing interfaces to new programs that may become System Requirements in the future. There are no contractual limitations on the frequency and cost of this requirement. We do not have any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system. If we change the CRS, we may require you to switch your PMS, if all required interfaces are not available.

Your System Fee includes the software licensing fees for your PMS. However, you may be responsible for certain one-time fees (for implementation, training, interfacing with our CRS or otherwise) of up to $2,500. More elaborate features (which we do not require but that you may select for other reasons) could cost significantly more.

We have the right to independently access and retrieve any data and information from your PMS. You must provide us with access and any assistance we require to provide us with this independent access. There are no contractual limits on our right to access this information and data.

Other than indicated above and in Item 5, we do not offer any optional services as related to the computer system; however, we may do so in the future.

Time between Signing Your Franchise Agreement and Opening the System Property

The typical length of time between your signing of your Franchise Agreement and the opening of your business as a System Property is expected to be from 7 to 30 days (if you are not erecting new signage and require training on our PMS) or 30 to 60 days (if you will be operating under our Brand or otherwise require new signage).

Brand Manuals

We do not maintain any Brand manuals for the System, however we may provide you with useful information pertaining to the CRS, PMS, and general industry standards. We have established a web-based portal by which all Subscribers of the System are able to interface with us, and through which we will communicate any changes or upgrades to the System, and any changes to System Requirements. If we create a Brand manual, we will provide it to you before buying a franchise.

Training

We offer optional training courses to franchisees and employees of franchisees. Most of our training will be conducted online through our owners' portal known as "Access Point Owner's Portal."

Initial Training

Franchisees are expected to be qualified to operate a System Property or to retain a general manager sufficiently skilled and experienced to do so. We do not provide you with any initial training prior to opening your System Property.

Ongoing Training

Franchisees and employees of franchisees may access ongoing training in topics such as sales, operations, front desk, housekeeping, and other operations, most of which is offered online and at no cost to you. In the event a program is offered live, it is anticipated costs may range from $10 per associate for on-site program(s) to $1,500 per management class. You also pay the travel, wages, living expenses and miscellaneous expenses of those who attend. Training program fees and expenses are not refundable.

Our training is conducted under the supervision of Harry Sladich, Executive Vice President of Franchise Operations and Sales. Mr. Sladich has over 41 years of experience in hotel operations and management, and oversees a team of internal and independent subject matter experts who develop and deliver our training.

ITEM 12 TERRITORY

Grant for a Specific Area

Your franchise is granted for the specific location that you will have selected, and we have approved, prior to signing your Franchise Agreement. We do not permit you to change your location.

Your Rights within Your Territory

You will not receive an exclusive territory. You may face competition from other Franchisees, from outlets that we own, or from channels of distribution or competitive brands we control. We may use and grant others the right to use the System and the Brand anywhere, regardless of how close such business operates to the Property.

Our Rights

In addition to our right to use and grant others the right to use the Proprietary Marks anywhere (regardless how closely located to your System Property), all rights not expressly granted to you in your Franchise Agreement concerning the Proprietary Marks or other matters are reserved by us, including the right to:

- establish, develop, and license or franchise other systems (including other hotel brands), without offering or providing you any rights in, to, or under such other systems;
- sell, under any terms that we deem appropriate, products and services similar or identical to those authorized for your System Property, using the Proprietary Marks; and
- engage in all other activities not expressly prohibited by the Franchise Agreement.

Your Franchise Agreement does not grant you any options, rights of first refusal, or similar rights to acquire additional franchises.

There are no restrictions on our right to solicit or accept reservations from guests residing in your local market or elsewhere on behalf of you or the affiliates listed above. We need not pay you any compensation for reservations we solicit or accept inside your local market through any distribution channels. We will not restrict you or any other Franchisee from soliciting or accepting guest reservations from inside or outside of your local market as long as you comply with applicable law and book any reservations in compliance with the System Requirements and process them through your PMS.

Other Franchise Offerings and Operations of Similar Businesses

We also offer franchise businesses that sell products and services similar to your System Property under the ABVI Marks, Signature Inn Marks, Signature Marks, Red Lion Marks, RL Marks, GuestHouse Marks and Knights Inn Marks, under separate franchise disclosure documents. We also provide brand management and related services to franchisees of the America's Best Inns & Suites brand, Jameson Inn brand, Settle Inn brand, Lexington/Lexington Inn & Suites brand, and the 3 Palms Hotels & Resorts brand. Hotels operating under such other service marks may solicit or accept reservations from guests visiting your local market. Our affiliates also provide connectivity and distribution services to independent hotels that may solicit or accept reservations from guests visiting your local market. We also operate the System for Subscribers that do not use our Brand, but instead use their own independent name. We do not maintain physically separate offices or training facilities for each RLHC Brand.

If any disputes arise between us and any franchisees as a result of any perceived disparate treatment among brands, we will consider and analyze the issue. If we determine that there has been disparate treatment to a particular franchisee or among brands, then we will take the action we deem appropriate to remove any disparate treatment to the franchisee or among franchisees of the different franchise systems.

If there are disputes between franchisees of the different franchise systems, even if the dispute does not directly involve us our franchisee support services will work with the franchisees to resolve the disputes, including working with the franchisees to develop co-marketing opportunities when appropriate, to help resolve the dispute.

ITEM 13 TRADEMARKS

Principal Trademarks

Your Franchise Agreement will include a non-exclusive license to use our Proprietary Marks and operate your System Property under our Brand, so long as you meet and maintain certain requirements under the Franchise Agreement (such as maintaining a TripAdvisor® score of 2.0). You may not use Country Hearth^{SM} or a similar name in your corporate name, in any internet domain or social media site. This is the principal service mark used to identify your System Property. We own the Proprietary Marks and all rights in and goodwill from the use of the Proprietary Marks accrue to us and our affiliates. The following tables summarize the pertinent information concerning our principal service marks for which you are granted a license under your Franchise Agreement.

The following table summarizes the pertinent information concerning the principal service mark for which you are granted a license under your Franchise Agreement, if applicable.

SERVICE MARKS REGISTERED ON THE U.S. PATENT AND TRADEMARK OFFICE'S PRINCIPAL REGISTER		
SERVICE MARK	**REGISTRATION NO.**	**REGISTRATION DATE**
COUNTRY HEARTH INN	2,724,063	June 10, 2003
COUNTRY HEATH INN & SUITES	2,724,062	June 10, 2003
COUNTRY HEARTH SUITES	2,724,061	June 10, 2003
CH	5,772,687	June 11, 2019
COUNTRY HEARTH	5,772,759	June 11, 2019

"Proprietary Marks" means each of the trademarks and service marks listed in the table above, and all other trademarks, service marks, trade names, logos, and commercial symbols that we authorize for System Properties.

In the event you operate your System Property under an independent name rather than the Brand, then you will not be granted the right to use any of the Proprietary Marks.

Currently Effective Trademark Determinations

There are no currently-effective material determinations of the U.S. Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court; pending infringement, opposition or cancellation proceedings; or pending material litigation involving the principal marks.

Agreements Significantly Limiting Your Rights to Use the Proprietary Marks

There are no agreements that significantly limit our right to use or license the use of our principal marks.

Protection of Your Right to Use the Trademarks

We are not required to protect your right to use the Proprietary Marks, or to protect you against claims of infringement or unfair competition arising out of your use of the Proprietary Marks. If you become aware of any claim of infringement, unfair competition, or other challenge to your right to use the Proprietary Marks, you must notify us in writing within seven business days. We will determine whether to take any action in connection with any infringement, challenge or claim, and have the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim.

We are not required to indemnify you for any expenses or damages if you are a party to an administrative or judicial proceeding involving the Proprietary Marks, or if the proceeding is resolved unfavorably to you.

If we believe that it is appropriate to modify or discontinue using any Proprietary Mark or use one or more additional or substitute names or marks, you must, at your cost, modify or discontinue the use of that Proprietary Mark within 30 days of our request (or a longer period that we may allow).

Knowledge of Superior Rights or Infringing Uses

We have no actual knowledge of superior prior rights or infringing uses that could materially affect your use of the principal marks in any state.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Neither we nor any of our affiliates own any patents or pending patent applications that are material to the franchise.

Our websites may be subject to state and federal copyright protection, although we have not filed federal copyright applications for these materials.

There are no determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials which are relevant to their use by our franchisees.

No agreements limit our right to use or license the use of our copyrighted materials. We are not obligated under any agreement to protect or defend our copyrights, although we intend to do so. We do not know of any infringing uses of or superior rights in our copyrighted materials.

You must maintain the confidentiality of all knowledge, know-how, technologies, techniques and other proprietary information that we reveal to you as being confidential and treat this information as trade secrets. You must strictly limit access to the Confidential Information to your employees who have a "need to know" in order to perform their jobs. All persons to whom you grant access to any Confidential Information must be required to comply with the confidentiality provisions of your Franchise Agreement.

"Proprietary Property" means the Proprietary Marks, Confidential Information, System Requirements, and copyrighted (or copyrightable) or trade secret information of our affiliates or of us that you may use under the Franchise Agreement. "Confidential Information" means the System Requirements, our owners' portal, and any knowledge, know-how, technologies, processes, techniques, and any other information that we designate as confidential, proprietary, or trade secrets or that is not readily available in the public domain.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The owners of the franchise are not required to participate in the actual operation of the System Property. If you are an individual, we do not make a recommendation that you personally participate. If you do not personally manage your System Property, we recommend (but do not require) that you employ an on-premises general manager that is sufficiently skilled and experienced to operate the System Property. The general manager is not required to have an ownership interest in you if you are an entity. The general manager is not required to execute an individual undertaking agreeing to protect the Confidential Information from unauthorized use, access or disclosure.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We do not restrict the customers to whom you sell goods and services. You must use the System Property solely for the operation of a Country Hearth-branded hotel except if you operate your System Property under your own independent name, then you still must operate the System Property solely for the operation of a hotel. We do not restrict the type of goods and services that you offer and sell; however, you must operate your System Property in conformity with all applicable laws, rules, regulations, and ordinances and in accordance with the System Requirements as they may exist and are modified.

ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this disclosure document.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
a. Length of the franchise term	Section 1(a)	Initial term is either one year, three years, or five years, depending on your selection.
b. Renewal or extension of the term	Section 1(b)	If you satisfy the conditions in the Franchise Agreement, the term of your Franchise Agreement will automatically extend for the same length of term as the initial term you selected.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
c. Requirements for franchisee to renew or extend	Section 1(b)	Requirements to extend the term of your Franchise Agreement include: neither you nor we have provided the other with written notice, at least 90 days prior to the scheduled expiration date, of an intention not to extend the term; must not be in default of the Franchise Agreement or any other agreement between you and us or our affiliates or with any third-party; and be lawfully entitled to occupy the property for the entire successor Term. Instead of extending the term of your Franchise Agreement, we may require you to sign a new franchise agreement upon the expiration of your Franchise Agreement, which may contain materially different terms and conditions from your original Franchise Agreement.
d. Termination by franchisee	Not applicable.	You may not terminate your Franchise Agreement, except pursuant to applicable state law.
e. Termination by Franchisor without cause	Section 11(d)	We may terminate your Franchise Agreement for any reason or no reason effective as of any BSD Anniversary (in the case of multi-year agreements). We will provide notice of our intention to terminate at least 90 days prior to the intended termination date. We may also terminate your Franchise Agreement if your System Property is condemned, upon notice from you. We may agree to allow you to relocate the System Property to a nearby location you select within four months of your notice of condemnation. But if a new hotel does not become the System Property under the Franchise Agreement within one year of the closing of the System Property, we can terminate the Franchise Agreement immediately upon notice to you, in which case you must pay us a Termination Fee. See Item 6. In addition, if your System Property closes due to fire or other casualty, you must immediately notify us, repair or rebuild the System Property, commence reconstruction within six months after closing, and reopen the System Property for continuous business operations as soon as practicable (but in any case within eighteen months after closing). If you or we choose not to reopen the System Property, either party can terminate the Franchise Agreement upon notice to the other. You need not pay a termination fee unless you operate or own a controlling interest in another hotel on the site before the normal expiration of your Franchise Agreement, in which case you must pay us a Termination Fee. See Item 6.
f. Termination by Franchisor with cause	Sections 11(b) and 11(c)	We can terminate your Franchise Agreement if you default.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
g. "Cause" defined-curable defaults	Section 11(b)	Curable defaults include: failure to pay any amount due us when such amount is due, or failing to enroll in automated recurring payments via EFT; serious or imminent threat or danger to public health or safety resulting from construction, maintenance, or operation of the System Property; you or any of your officers, directors, owners or managers engage in conduct that is harmful to, or reflects unfavorably on, you, us, or the System or engage in conduct that exhibits reckless disregard for the physical or mental well-being of employees, guests, our representatives or the public; excessive guest complaints; failure to procure the required insurance; three or more defaults within a 12 month period, or two or more defaults within a six month period; three or more guest complaints that have not been resolved to our satisfaction; and failure to comply with any other obligation or requirement under the Franchise Agreement. You will have five days, regardless of any longer period of time that any governmental authority may have given you (or less, if a governmental authority provides for a shorter cure period), to cure a serious or imminent threat or danger to public health or safety results from constructing, maintaining or operating the System Property. For any other defaults, you will receive a written notice of breach or default and will have five days to cure such default, unless a longer cure period was specified in the notice of default, other than for those reasons in Section 10(c) of your Franchise Agreement.
h. "Cause" defined-non-curable defaults	Section 11(c)	Non-curable defaults include: you or any of your owners have made or make a material misrepresentation in obtaining the franchise or operating your System Property; abandoning your System Property for more than seven consecutive days or 14 days in any calendar year, or losing the right to occupy the property; you have forfeited the right to do business in the jurisdiction where the System Property is located; you deny us the right retrieve information from the PMS; unauthorized transfer of your rights or the Franchise Agreement; breach of confidentiality covenant; misuse or unauthorized use of the Proprietary Property; bankruptcy; insolvency; appointment of a receiver; or default by you under any agreement with our affiliates or us, or with third-parties that we require you to enter according to your Franchise Agreement, after a prior notice and cure period.
i. Franchisee's obligations on termination/non-renewal	Section 12 and Schedule A	Obligations include: paying amounts due to our affiliates, us and third-parties; ceasing operating business as a System Property; removing Brand signage (unless you continue operating under an independent name rather than the Brand) and otherwise de-identifying your System Property; distinguishing future operations; removing internet references; and ceasing use of and returning or destroying (at our direction) all tangible and intangible Proprietary Property in your possession or control.

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
j. Assignment of contract by Franchisor	Section 10(a)	No restrictions on our right to assign.
k. "Transfer" by franchisee-defined	Section 10(b)	The term "transfer" refers to any sale, assignment, conveyance, or other disposition of—whether voluntarily, involuntarily, directly or indirectly, by operation of law (including transfers upon death) or otherwise—any direct or indirect interest in your Franchise Agreement, 33% or more of the ownership or voting interests in you or your owners (if you are, or your owners if such owners are, legal entities), or a material portion of your assets, without our prior written consent.
l. Franchisor's approval of transfer by franchisee	Section 10(b)	Your franchise agreement is not transferrable by you, without our consent.
m. Conditions for Franchisor approval of transfer	Section 10(b)	You or the transferee pays our then-current application fee.
n. Franchisor's right of first refusal to acquire franchisee's business	None	Not Applicable
o. Franchisor's option to purchase franchisee's business	None	Not Applicable
p. Death or disability of franchisee	Section 10(b)	Any transfers occurring upon your death will be considered a "transfer" of your Franchise Agreement.
q. Non-competition covenants during the term of the franchise	None	Not Applicable
r. Non-competition covenants after the franchise is terminated or expires	None	Not Applicable
s. Modification of the agreement	Sections 9(c)(ii) and 14(c)	No modifications unless signed by the party against whom enforcement is sought, but we may unilaterally modify our System Requirements and you will be bound by such modifications.
t. Integration/merger clause	Section 14(m)	Only the terms of the Franchise Agreement (together with its schedules and exhibits) are binding (subject to state law). Any representations or promises outside of this disclosure document and the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
v. Choice of forum	Section 14(g)	Litigation must be brought in federal court in Denver, Colorado, subject to applicable state law. If the federal court lacks jurisdiction, then such litigation must be brought in state court in Denver, Colorado, unless otherwise mutually agreed by the Parties. However, we may seek injunctive relief in any jurisdiction that has jurisdiction over you.
w. Choice of law	Section 14(g)	Except to the extent the Lanham Act or Federal Arbitration Act governs, Colorado law applies (subject to applicable state law).

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit J.

ITEM 18 PUBLIC FIGURES

We currently do not use any public figure to promote our franchise system, but we may do so in the future.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in this Item 19 may be given only if: (a) a franchisor provides the actual records of an existing outlet you are considering buying; or (b) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised hotels. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing System Property, however, we may provide you with the actual records of that property. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Internal Audit, Attn: Denise Ankarlo, 1550 Market St. Suite 350, Denver, CO 80202, (303) 834-1239, denise.ankarlo@rlhco.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2016 TO 2018[1,2]

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	52	46	-6

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
	2017	46	41	-5
	2018	41	32	-9
Company-Owned	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Total Outlets	**2016**	**52**	**46**	**-6**
	2017	**46**	**41**	**-5**
	2018	**41**	**32**	**-9**

[1] The numbers are as of December 31 of each year.

2 The numbers reflect Country Hearth-branded properties operating under the Brand and do not include any System Properties operating under names other than the Brand (as we have only offered this aspect of the System as of November 2017)

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR THE YEARS 2016 TO 2018[1]

State	Year	Number of Transfers
Kentucky	2016	0
	2017	1
	2018	0
Missouri	2016	0
	2017	0
	2018	1
Total Outlets	**2016**	**0**
	2017	**1**
	2018	**1**

[1] The numbers are as of December 31 of each year.

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2016 TO 2018[1]

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
AL	2016	4	0	0	0	0	1	3
	2017	3	0	1	0	0	0	2
	2018	2	0	2	0	0	0	0
AR	2016	0	1	0	0	0	0	1
	2017	1	0	1	0	0	0	0
	2018	0	0	0	0	0	0	0
CA	2016	1	0	0	1	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
FL	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
GA	2016	13	0	3	0	0	2	8
	2017	8	0	0	1	0	0	7
	2018	7	0	0	0	0	0	7
IL	2016	2	1	0	0	0	0	3
	2017	3	1	0	0	0	0	4
	2018	4	0	0	0	0	0	4
IN	2016	2	0	0	0	0	0	2
	2017	2	0	1	0	0	0	1
	2018	1	0	0	0	0	0	1
KY	2016	4	0	0	1	0	1	2
	2017	2	0	1	0	0	0	1
	2018	1	0	0	0	0	0	1
MD	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
MI	2016	1	1	0	0	0	0	2
	2017	2	1	0	0	0	0	3
	2018	3	0	1	0	0	0	2
MO	2016	3	2	0	0	0	0	5
	2017	5	0	0	0	0	0	5
	2018	5	0	0	2	0	0	3
NV	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
NJ	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	1	0	0	0
NC	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
OH	2016	5	0	0	0	0	1	4
	2017	4	0	0	0	0	0	4
	2018	4	0	1	0	0	0	3
SC	2016	4	0	0	0	0	1	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	1	0	0	2
TN	2016	3	0	0	0	0	0	3
	2017	3	0	1	0	0	0	2
	2018	2	0	1	0	0	0	1
TX	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	1	0	1	0	0	3
WI	2016	1	0	0	0	0	0	1
	2017	1	0	1	0	0	0	0
	2018	0	0	0	0	0	0	0
Total	**2016**	**52**	**5**	**3**	**2**	**0**	**6**	**46**
	2017	**46**	**3**	**6**	**1**	**0**	**1**	**41**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2018	**41**	**1**	**5**	**5**	**0**	**0**	**32**

[1] The numbers are as of December 31 of each year.

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2016 TO 2018[1]

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
All States	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Total	**2016**	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**0**	**0**	**0**	**0**	**0**	**0**
	2018	**0**	**0**	**0**	**0**	**0**	**0**

[1] The numbers are as of December 31 of each year.

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2018 FOR 2019

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchisee Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
AR	0	1	0
CA	0	1	0
GA	0	1	0
Total	**0**	**3**	**0**

This set of tables reflect only those System Properties operating under names other than the Brand:

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2016 TO 2018[1]

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	0	0	0
	2017	0	0	0
	2018	0	15	+15
Company-Owned	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Total Outlets	**2016**	**0**	**0**	**0**
	2017	**0**	**0**	**0**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
	2018	**0**	**15**	**+15**

[1] The numbers are as of December 31 of each year.

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR THE YEARS 2016 TO 2018[1]

State	Year	Number of Transfers
All States	2016	0
	2017	0
	2018	0
Total Outlets	**2016**	**0**
	2017	**0**
	2018	**0**

[1] The numbers are as of December 31 of each year.

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2016 TO 2018[1]

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2016	0	0	0	0	0	0	0
FL	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2016	0	0	0	0	0	0	0
GA	2017	0	0	0	0	0	0	0
	2018	0	7	0	0	0	0	7
	2016	0	0	0	0	0	0	0
IL	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2016	0	0	0	0	0	0	0
MI	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2016	0	0	0	0	0	0	0
MN	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2016	0	0	0	0	0	0	0
MO	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2016	0	0	0	0	0	0	0
SC	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2016	0	0	0	0	0	0	0
TN	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
UT	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
Total	**2016**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2018	**0**	15	0	0	0	0	15

[1] The numbers are as of December 31 of each year.

TABLE NO. 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2016 TO 2018[1]

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
All States	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Total	**2016**	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**0**	**0**	**0**	**0**	**0**	**0**
	2018	**0**	**0**	**0**	**0**	**0**	**0**

[1] The numbers are as of December 31 of each year.

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2018 FOR 2019

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchisee Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
AR	1	0	0
KY	0	1	0
MN	0	1	0
TX	0	1	0
Total	**1**	**3**	**0**

A list of the names, addresses and telephone numbers of all current franchisees as of December 31, 2018, is attached as Exhibit G to this disclosure document.

A list of the names, city, state and telephone number of franchisees who have had a franchise agreement terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this disclosure document, is attached as Exhibit I to this disclosure document. If you buy this franchise, your contact information may be disclosed to buyers when you leave the franchise system.

Confidentiality Clauses

In the last three fiscal years, no Franchisees of the Brand have entered into any confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system.

Trademark-Specific Franchisee Organizations

There are no trademark-specific franchisee or Franchisee organizations associated with the Brand.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit F to this disclosure document are the audited consolidated financial statements of our parent, RLHC and its subsidiaries (which includes us). Such financial statements consist of the audited consolidated balance sheets of RLHC as of December 31, 2018 and December 31, 2017, and the related consolidated statements of comprehensive income (loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018.

RLHF is a wholly-owned subsidiary of RLHC, and RLHC absolutely and unconditionally guarantees to assume the duties and obligations of RLHF under the Franchise Agreements entered into while RLHF is an affiliate of RLHC. This guarantee does not extend to modifications to or renewals of the Franchise Agreements after RLHF ceases to be an affiliate of RLHC. A copy of the RLHC Guarantee of Performance is attached as Exhibit G to this disclosure document.

ITEM 22. CONTRACTS

The following contracts are exhibits to this disclosure document:

Exhibit B	Franchise Application and Agreement
Exhibit C	Initial Fee Authorization Form
Exhibit D	Recurring Fee Authorization Form
Exhibit E	Representations and Acknowledgment Statement
Exhibit J	State Addenda and Agreement Riders

ITEM 23. RECEIPTS

Exhibit K contains detachable documents acknowledging your receipt of the disclosure document.

EXHIBIT A

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

CALIFORNIA

Department of Business Oversight:
1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-7505

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street
San Diego, California 92101
(619) 525-4044

San Francisco

One Sansome Street, Ste. 600
San Francisco, California 94104
(415) 972-8559

HAWAII

(state administrator)

Business Registration Division
Securities Compliance Branch
Department of Commerce and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722

(agent for service of process)

Commissioner of Securities of the
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(state administrator)

Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(agent for service of process)

Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

(state administrator)

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 373-7177

(agent for service of process)

Michigan Department of Commerce,
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

(state administrator)

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

(agent for service of process)

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

(state administrator)

Office of the New York State Attorney General
Investor Protection Bureau
Franchise Section
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8236 Phone
(212) 416-6042 Fax

(agent for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

NORTH DAKOTA

(state administrator)

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - Fifth Floor
Bismarck, North Dakota 58505
(701) 328-4712

(agent for service of process)

Securities Commissioner
600 East Boulevard Avenue
State Capitol - Fifth Floor
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

Department of Business Services Division of Finance & Corporate Securities
350 Winter Street, NE, Room 410
Salem, Oregon 97310-3881
(503) 378-4387

RHODE ISLAND

Department of Business Regulation
Division of Securities
John O. Pastore Complex Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9645

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(state administrator)

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

(agent for service of process)

Clerk, State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

(agent for service of process)

Director
Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

WISCONSIN

(state administrator)

Securities and Franchise Registration
Wisconsin Securities Commission
201 West Washington Avenue
Madison, Wisconsin 53703
(608) 266-1064

(agent for service of process)

Division of Securities
Wisconsin Securities Commission
201 West Washington Avenue
Madison, Wisconsin 53703
(608) 266-1064

EXHIBIT B

FRANCHISE AGREEMENT

COUNTRY HEARTH APPLICATION AND FRANCHISE AGREEMENT

This Application, when signed below by us, becomes a FRANCHISE AGREEMENT (this "**Agreement**") between RED LION HOTELS FRANCHISING, INC. ("**we**," "**us**" or "**our**"), and ____ ("**you**"), as of the date signed by us and set forth below our signature on this Agreement (the "**Agreement Date**"), and pertains to the hotel (the "**Hotel**") located at ____ (the "**Property**"). The parties agree as follows:

BACKGROUND

We offer connectivity to a central reservation system and onward distribution channels as set forth below (the "**System**"). All properties authorized to operate under the System are known as "**System Properties**". Under the System, you may operate the Hotel under our Brand (as defined in Section 2(a) below), so long as you comply with certain obligations under this Agreement; however, you are allowed to continue using an independent name (not affiliated with any other brand, chain or flag), subject to our approval. The name that you will operate under in our System is ______________________. If this name does not include the use of our Brand, the provisions of Schedule A and Schedule 9, as attached hereto, shall not apply.

1. ***Term***.

(a) ***Initial Term.*** The term of this Agreement (the "**Term**") commences on the Agreement Date and expires ________ months from the Billing Start Date (as defined Section 8(b)), subject to earlier termination as set forth in this Agreement.

(b) ***Renewal.*** The Term will automatically renew for successive terms of _______ months unless either party has provided the other party with a written notice of non-renewal at least 90 days prior to the expiration of the then-current Term if (i) you are not in default of any provision of this Agreement, any other agreement between you and us or our affiliates, or any Third-Party Agreement (as defined in Section 7(f)); and (ii) you are lawfully entitled to continue to use and occupy the Property for the entire following successor term. We reserve the right to require you to sign our then-current form of franchise agreement upon each renewal.

2. ***Grant of License***.

(a) ***Brand***. The System pertains to hotels under the name Country Hearth (collectively, the "**Brand**"). The Brand includes certain Proprietary Property (as defined in Section 9(a)), all of which may be further revised and developed by us or our affiliates.

(b) ***Grant of License***. We grant you the right and you undertake the obligation, to operate your Hotel and to use the Proprietary Property as authorized under this Agreement and in accordance with the System Requirements during the Term (the "**Brand License**"), so long as you maintain a certain rating/score on a third-party online review website that is designated by us. Currently, you must maintain a score of at least 2.0 on TripAdvisor®, but the required score/rating and the online review website that we designate is subject to change (the "**Hotel Rating**"). This License is revocable in the event you do not maintain the Hotel Rating at any time during the Term; however, in the event you wish to continue using the System under a name other than the Brand, we will grant you the right to use the Confidential Information and System, as authorized under this Agreement and in accordance with the System Requirements, for the remaining portion of the Term, subject to Schedule A ("**System License**"; collectively referred to herein with the Brand License as the "**Licenses**"). The Hotel expressly includes only the hotel located at the Property and you may not transfer the Licenses to another hotel or another location without our prior written permission. The License(s) granted to you do not include the right to use "Country Hearth" or "CHI" in your corporate (or other entity) name, in an Internet domain name, website, email address, social media account, user name, other online presence or presence on any electronic medium of any kind, or in any similar manner. The Licenses are non-exclusive, non-transferrable and non-sublicensable. You acknowledge and agree that the License does not extend to any bar, restaurant or other facility located on the premises of the Hotel, unless separately approved by us in writing.

3. ***Fees***. All fees payable to us under this Agreement are fully earned by us upon payment and are non-refundable, except as otherwise expressly provided in this Agreement. You will pay us the following fees:

(a) ***Initial Fee***. At such time as you submit your application for a franchise (the "**Application**") to us, you will pay us (i) an application fee equal to $____________; (ii) a PMS/CRS (both defined in Section 3(b) below) set-up fee of up to $2,500; (iii) a photography fee of $1,095 (unless you are not utilizing our Brand and you have declined to utilize our professional photography services); (iv) a voice reservation set-up fee of $250 (if you have elected to use our call center, also known as our "**CRO**"); (v) and a GDS connectivity set-up fee of $250 (if you have elected to connect to the global distribution system ("**GDS**")) through our booking engine (the foregoing fees, as applicable, collectively are referred to herein as the **"Initial Fee**").

(b) ***System Fees***. You will pay us a monthly fee for using our System ("**System Fees**") equal to four percent (4%) of Gross Revenue. "**Gross Revenue**" means the gross revenue attributable to, associated with, or payable for rentals of Guest Rooms and other purchases of goods and services at your Hotel, whether by guests or other patrons, whether or not collected, including all credit transactions, guaranteed no-show revenue net of chargebacks from credit card issuers, revenue from reservations cancelled outside of your Hotel's cancellation policy, and any proceeds from any business interruption or similar insurance applicable to the loss of revenue due to the non-availability of Guest Rooms. Excluded from Gross Revenue are federal, state and local sales, occupancy and use taxes. "**Guest Rooms**" means transient hotel rooms. System Fees include the cost of ongoing access to our central reservation system (the "**CRS**"); a license for our property management system ("**PMS**"); and booking fees for all reservations derived through our CRS (including those attributable to online travel agencies and other distribution channels with direct-connect relationships with our CRS, with the understanding that third-party commissions are not included in your System Fees).

(c) ***Recurring Fees for Optional Services***. Subject to certain limitations, you have the right to subscribe to such optional services (the "**Optional Services**") at such fees as may be established by us from time to time. As of the Agreement Date, the Optional Services and the current fees for them are set forth in Schedule 3(c). If you have elected to subscribe to any Optional Services as of the Agreement Date, your participation will be indicated on Schedule 3(c). You may have opportunities in the future to add Optional Services that are offered by us from time to time. All initial one-time fees associated with Optional Services must be paid by you to us before the Optional Services are provided; recurring monthly fees and transaction-based fees, if any, will be billed to you, and must be paid, monthly. As indicated on Schedule 3(c), certain Optional Services require minimum one-year commitments.

(d) ***Other Fees***. You may be required to pay other fees from time to time (such as late fees; guest complaint fees; and other administrative charges) consistent with the franchise disclosure document previously provided to you. Such fees are subject to change.

4. ***Our Duties***.

(a) ***Central Reservation System and Property Management System***. We will provide you with access to our designated CRS and PMS. You may not book reservations through any other electronic reservation system, booking engine, unapproved third-party distribution system, or other technology. Prior to the date your Hotel begins operating as a System Property ("**Opening Date**"), we will gather all information we need from you to build your Hotel into the CRS. We reserve the right to change or modify the CRS or PMS at any time.

(b) ***Training, Assistance and Support.*** If you require assistance from our dedicated support personnel, you will be charged a fee per job ticket, which the amount will be designated by us, at the time you initiate your support request. Support requiring more than 20 minutes to resolve the issue will incur an additional fee at an hourly rate that we will specify. You also will have complimentary access to our regional training sessions offered to all properties that operate under any of our brands (the "**Network Brands**").

(c) ***Website Content and Email Account***. We may establish certain content related to your Hotel on a website dedicated to System Properties ("**System Website**"), based on content (such as a description of the guest rooms and amenities offered) that you must provide to us. The type of content that is added to the System Website that refers to your Hotel is at our sole discretion. The System Website will include our booking engine. We also will assign an email account to you, which you must use to communicate with us.

(d) ***Distribution Channels.***

(i) We will provide you with access to all third-party distribution systems that maintain direct-connect relationships with our CRS and as to which we have negotiated and entered into enterprise-level agreements with several leading intermediaries for various distribution channels, pursuant to which such distribution channels and online travel agencies will offer your Hotel's room inventory through their websites (the "**Third-Party Distribution Program**"). You must participate in all of our third-party distribution relationships and under the terms and conditions we have negotiated, including price terms. You will be responsible for the payment of all fees and commissions charged in connection with stays booked at your Hotel through their websites. Those fees are subject to change by the applicable third parties.

(ii) In connection with the Third-Party Distribution Program, we have established an internal centralized payment solution through which we may pay commissions you owe to certain travel agencies, including online travel agencies ("**OTAs**"), and other intermediaries on your behalf. You will authorize payment to us using Auto Pay for any reimbursement owed to us and will have an opportunity to reconcile your commissions through our owner's portal (at such time as it becomes available). We also may collect revenue from travel agencies, including OTAs, and other intermediaries for further remittance to you. We may modify or cease providing the internal centralized payment solution at any time.

(iii) We also have developed a proprietary program ("**Auto Save**") that allows us to reconcile guest stays booked through third-parties with revenue collected and commission charged for such stays. Under Auto Save, we collect revenue owed to you from wholesalers, OTAs and other intermediaries as a result of such reconciliation for further distribution to you. You can track the savings realized (or that could have been realized) by participating in Auto Save through our owners' portal where you may opt in or out of this program at any time. In order to participate in Auto Save, the Hotel must be using one of our authorized PMS systems with full two-way connectivity enabled. We will charge you an administrative fee to help defray our costs of this program (currently 1% of Net Realized Revenue, which may increase up to 5% of Net Realized Revenue), which may be debited from any revenue we collect on your behalf. "**Net Realized Revenue**" means Gross Revenue less all refunds actually paid by you.

(iv) You must connect to all third-parties through the CRS, unless such third-parties do not directly or indirectly offer interfaces for the CRS. You may not bypass the CRS by connecting such third-party distribution channels to your PMS or otherwise. If you fail to maintain rates and inventory on a rolling 12-month basis, you will be given seven (7) days' written notice to do so, after which, we will extend your rates on your behalf. Upon our first written notice to you for failing to maintain rates and inventory on a rolling 12-month basis, you must pay us a fee of $250. For repeated occurrences requiring additional notice to you, we may charge you additional fees.

(e) ***Authorized Vendor Network***. We maintain a list of authorized vendors for the benefit of all of the Network Brands and participants in the System, and will provide you access to them. You acknowledge that some of the suppliers from which you choose to acquire products or services may pay us rebates, or provide us with other benefits, based on your purchases of those products and services.

(f) ***Accelerated Property Experience ("APEx").*** At your request, a member of our System Property Specialist team will visit the Property and help you identify problem areas, challenges, and opportunities for improvement, and assist you in developing strategies for addressing them, with a view towards raising the Hotel's online reputation, including through online third-party review websites (e.g., your TripAdvisor® score). This process is known as the Accelerated Property Experience, or "APEx." The fee for this service currently is $1,000 per visit and is subject to change during the Term. If you are operating your Hotel under our Brand and your Hotel Rating falls below our required level (currently, 2.0 score on TripAdvisor®) for at least three consecutive months, we may require you to engage, and pay for, APEx as a condition of maintaining your Brand License.

(g) ***Duties Solely to You; Delegation of Duties.*** All of our obligations under this Agreement are owed solely to you. No other party may rely on, enforce, or obtain relief for breach of such obligations either directly or by subrogation. You acknowledge and agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are any of our present or future owners, subsidiaries or affiliated entities, our agents, or independent contractors with whom we have contracted to perform these obligations.

5. ***Territory.*** You are not obtaining any protected or exclusive territory. We have the right to use and grant others the right to use the System and the Brand anywhere. All rights not expressly granted in this Agreement to you are reserved by us (and our affiliates), including, without limitation, the right to establish, develop, and license or franchise hotels (including the Brand, the Network Brands or under any other trademarks and/ or service marks) located anywhere, regardless of how close such business operates to the Property.

6. ***Websites and Internet Marketing.*** If you are authorized to operate under our Brand, or under any of the Network Brands, you may not register, own, maintain or use any domain name, website, email address, social media account, user name, other online presence or presence on any electronic medium of any kind ("**Online Presence**"), relating to the System, the Brand or the Hotel or that includes any service marks of the Network Brands ("**Network Marks**"), except as approved in advance by us in writing. As a general rule, we do not permit franchisees to maintain vanity or other independent Online Presences for Hotels operating under the Brand. If your Hotel operates under the Brand, you may not list the details or contact information of your Hotel on any vanity or other independent websites or other Online Presence, including any OTAs, without our prior written approval. You must establish any Online Presence that we may require and only establish any other Online Presence that we authorize. in accordance with our guidelines. Given the changing nature of this technology, we have the right to withhold our approval and to withdraw any prior approval to modify our requirements. You may not, without a legal license or other legal right, post on any Online Presence any material in which any third-party has any direct or indirect ownership interest, including video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third-party may claim intellectual property ownership interests without obtaining prior written consent from the content owner. You must incorporate on any Online Presence any other information we require in the manner we consider necessary to protect the Network Marks. We will own the rights to each Online Presence. At our request, you must grant us access to each Online Presence and to take whatever action we request to prove that we own each Online Presence or help us obtain exclusive administrative rights in such Online Presence.

7. ***Your Duties.***

(a) ***Conditions Precedent to Opening.*** You will not operate under the System, and will not be connected to our CRS, until:

(i) the Initial Fee and all other amounts due to our affiliates and us prior to opening the Hotel have been paid in full;

(ii) we have been furnished with current certificates of insurance and policy endorsements, and if we request, copies of all required insurance policies;

(iii) you have provided to us information about your Hotel to enable us to represent your Hotel on any designated websites; and

(iv) you satisfy any other conditions that we reasonably impose.

Opening your Hotel before we authorize you to open will constitute unauthorized use of the System (and Proprietary Marks, if applicable) and a material breach of this Agreement. Recognizing the difficulty of ascertaining damages for such a breach, you agree to pay to us, as liquidated damages, solely for the damage to the System (and Proprietary Marks, if applicable), and not as a penalty, $5,000 per day to compensate us for the damage to the System (and Proprietary Marks, if applicable). You also agree to reimburse us for our costs, including attorneys' fees, incurred in enforcing our rights. These damages do not limit any other remedies we may have, at law or in equity.

(b) ***Use of the Hotel.*** Without our consent, you will not use or permit the use of the Hotel for any purpose other than operating a hotel and you will not use any trademarks or service marks on the

Property or to operate the Hotel other than the name identified under the Background section of this Agreement.

(c) ***Operational Requirements.*** Once you have commenced operating the Hotel under the System, you must actively and continuously operate the Hotel for the entire duration of the Term. You agree to participate in all distribution channels included in the System (including the GDS, if you have opted for connectivity to the GDS) and maintain inventory and price parity among the various distribution channels. If we maintain a corporate-level agreement with any distribution channel (such as Expedia, Booking.com, or any other online travel agency), you must participate in all such distribution channels or you must opt out of our Third-Party Distribution Program entirely (see Section 4(d)). You may not maintain a separate agreement with any distribution channel with which we have a corporate-level agreement or that otherwise is included in our Third-Party Distribution Program. You must ensure, on an ongoing basis, that the description of your Hotel and its amenities and features, including those you believe make the Hotel and its premises to persons with disabilities, is current and accurate in the CRS, on any Online Presence, and in any third-party distribution channels.

(d) ***PMS.*** You will provide any assistance we require to allow us to independently access and retrieve, at any time, such data and information from your PMS as we, at our discretion, deem necessary, desirable or advisable, and you expressly authorize us to do so. You are exclusively responsible for the cost of such access and retrieval. You acknowledge that we have the right to use such data and information (whether we retrieve it from your PMS or it is transmitted to the CRS from your PMS) for any lawful purpose so long as we comply with all applicable laws and our consumer privacy policy then in place. Notwithstanding the foregoing, we will not sell or rent such data and information to any third-party without your prior written approval unless it is part of a set of aggregated data that does not identify your Hotel, the data specifically associated with your Hotel or you. You will not maintain more than one PMS in connection with the operation of the Hotel and all OTAs and other distribution channels must be connected to our CRS, or, if no connectivity is available for a particular distribution channel, through your authorized PMS unless directed or approved by us in advance in writing. You must process all reservations through the PMS and report all no-shows and cancelled reservations for which revenue was received (other than cancellation fees or deposits, which also must be processed through the PMS). Any failure to do so will constitute a material breach of this Agreement. Your PMS and merchant processor must utilize tokenization provided by an authorized vendor.

(e) ***Employees.*** You are solely responsible for making and performing all employment decisions and functions, including those related to recruiting, hiring, firing, compensation, work hours and schedules, work assignments, safety and security, training, disciplining, supervising and record keeping. Under no circumstances will your employees or other persons working at the Hotel be deemed to be employees of any of our affiliates or us.

(f) ***Third-Party Agreements***. From time to time we may require you to enter into, and comply with all of the provisions of, agreements with certain designated suppliers or vendors (each, a "**Third-Party Agreement**"). The terms of each Third-Party Agreement may not be amended by you in any manner and may be subject to change by the third parties without notice. Among such Third-Party Agreements are third-party distribution agreements (including those that you authorize us to enter on your behalf, such as the Third-Party Agreements with Expedia® and Booking.com® that we have negotiated) and the mandatory merchant processing gateway agreement. You expressly authorize us to enter into such agreements on your behalf (see Section 14(n)), except with respect to the Third-Party Distribution Program (in the event you elect to opt out of the Third-Party Distribution Program).

(g) ***Compliance with Laws, Rules and Regulations.***

(i) You will comply with all applicable federal, state, and local laws, rules and regulations, including, without limitation, antiterrorism laws. You will timely obtain, maintain, and renew when required any and all permits, certificates, licenses or franchises necessary for the full and proper conduct of the Hotel under this Agreement. No assistance, guidance, standards, or requirements that we provide you constitute a representation or warranty of any kind, express or implied, that your Hotel is compliant with federal, state, or local laws, rules, or regulations.

(ii) Without limiting the generality of anything in this Section, you will comply with the Americans with Disabilities Act ("**ADA**") to the extent it applies to the Property and the improvements constructed thereon. Upon reasonable request by us, but no more than annually, you must certify to us (via an architect, general contractor, or recognized ADA standards consultant reasonably acceptable to us), on a form satisfactory to us, that the Hotel is ADA compliant.

(h) ***Information Security.*** You must implement, at a minimum, all industry-standard administrative, physical and technical safeguards advisable to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information ("**Personal Information**"). You must use best efforts to protect guests against a cyber-event, identity theft or theft of Personal Information. No assistance, guidance, standards, or requirements that we provide you constitute a representation or warranty of any kind, express or implied, that your Hotel is compliant with federal, state, or local laws, or acceptable industry standards. It is your responsibility to confirm that the safeguards you use to protect Personal Information comply with all laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of Personal Information. You will ensure that all necessary consents have been obtained in order to use, and to transfer or disclose to us any Personal Information (as defined in the applicable privacy legislation). If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately and specify the extent to which Personal Information was compromised or disclosed.

(i) ***Products and Services the Hotel Offers***. You agree that you will not offer or sell at your Hotel or any other location any products or services bearing the Proprietary Marks without out prior approval; otherwise, we do not restrict the goods or services you may offer and sell at your Hotel, so long as you operate your Hotel in accordance with this Agreement, including, without limitation, Section 7(g) above.

(j) ***Insurance.*** You will at all times comply with the insurance requirements set forth in Schedule 7.

(k) ***Brand Reputation Program.*** Your staff and you will treat guests and other members of the public with courtesy and respect, and will attempt to resolve all guest complaints promptly and to the guests' reasonable satisfaction. If we become aware of a guest complaint, we will notify you of the same by e-mail or through the owner's portal, when available; you will have five days from the date of that e-mail to respond with an explanation of the issue and your proposed resolution. If we disagree with your proposal, we may address the guest complaint on your behalf and in the best interests of the Brand. You will pay us a $25 fee for every guest or other complaint we receive. If the issue raised is not resolved to our satisfaction within 48 hours of our communication to your Hotel, then the fee will be raised to $75 per complaint. If it becomes necessary for us to resolve the complaint, then you will be charged $125 per complaint plus the cost of the resolution. If you do not respond to any negative online review within 72 hours of the posting of such review, we (or our designee) may respond (either directly or indirectly on your behalf), in which case you will pay us $39 for each response. These fees may be increased based on the frequency and nature of complaints and negative online reviews, and your responsiveness (e.g., the time it takes you to respond to guest reviews). Repeated guest complaints (whether or not resolved) may result in suspension or termination.

8. ***Fees and Payments***.

(a) ***Third-Party Fees***. We may periodically require you to pay us fees due from you to third parties, which we will collect on behalf of such third parties and remit to such third parties. We have the right to establish an internal centralized payment solution, pursuant to which we may collect revenue from online travel agencies and other intermediaries on your behalf and distribute it to you. We also may advance commissions to such parties on your behalf, and collect the amounts we advanced from you. How payment is made will depend on whether guests make payments directly to you or pay you through the intermediaries. In consideration for facilitating this centralized payment solution, we will charge an administrative fee, the amount of which has not yet been determined, but which is not expected to exceed 5% of the net realized revenue. You may opt out of this centralized payment solution, if and when we implement it, by opting out of our Third-Party Distribution Program.

(b) ***Payments.*** Unless otherwise specified in this Agreement (or in a Third-Party Agreement, as applicable), your obligation to make any monthly payments required by this Agreement (or any Third-Party Agreement) will begin on the Billing Start Date, and you will pay all invoiced amounts within 30 days of the date of the applicable invoice. Unless otherwise stated in this Agreement (including any amendment to this Agreement), the "**Billing Start Date**" is the first day of the calendar month that immediately follows the Opening Date. Notwithstanding the foregoing, you will be obligated to make payments reservation fees and commissions from the time those fees are incurred, regardless of the Billing Start Date. Your obligations to pay amounts due to us or any of our affiliates will not be suspended as a result of any interruption to your business regardless of the cause. In the event you are executing this Agreement in connection with your acquisition of a System Property that is subject to a prior franchise agreement with us, the Billing Start Date shall commence on the first day of the calendar month that immediately follows the closing of your acquisition; you will be responsible for all booking and transaction fees incurred in connection with consumed reservations from the date of your acquisition.

(c) ***Payment System***. Unless otherwise directed by us, all payments required to be provided by you to any of our affiliates or us will be effectuated by an automated payment system using automatically recurring electronic funds transfer that we initiate ("**Recurring EFT**"), also known as Auto Pay. You will authorize automatically Recurring EFT payments prior to activation and will cooperate with us to implement and maintain the efficient process of Recurring EFT payments. You must ensure that we have up-to-date viable payment instructions (e.g., bank account and routing numbers) at all times during the Term of this Agreement. You also shall maintain such bank account(s) for such payments and shall maintain an account balance that at least covers your System Fees and any other fee described in Section 3. You shall not alter or close any such account, except with our prior written approval. If we process any payment and it is rejected by your financial institution for any reason, you will pay us a fee of $40 for each attempt we make that is unsuccessful, which such fee is subject to change. If we permit you to pay by any other means, we may require payment of a processing fee. Your obligations to pay amounts due to us or to any of our affiliates will not be suspended as a result of any interruption to your business, regardless of the cause. We reserve the right to modify the payment system outlined in this Section 8.(c) during the Term, which may allow us to collect all your Hotel's revenue (other than cash collected at your Hotel) and remit funds to you (after deducting your payment obligations to us and third parties to which we remit payments on your behalf for the respective period). We expect to remit payment to you within three banking days of our receipt of cleared funds.

(d) ***No Right of Setoff.*** Your obligations to make payments in accordance with this Agreement are absolute and unconditional. They are not subject to any setoff for any reason whatsoever.

(e) ***Late Charges.*** If any payment under this Agreement or any other agreement between you and us is overdue for any reason you will pay to us on demand a late charge equal to the greater of (a) $25 or (b) 1.5% of the overdue amount. If a greater amount than may be lawfully collected is inadvertently collected, it will be applied to reduce outstanding amounts owed for System Fees or other fees to which we are entitled. You acknowledge and agree that if you fail to pay any amounts when due, we may report your delinquent payment to credit bureaus.

(f) ***Transaction Fees.*** Other than those booking fees that are included in your System Fee, you are responsible for the payment of all transaction and reservation fees incurred in connection with the operation of your Hotel, whether payable through the Payment System, any other system we establish, or directly to a third-party, and agree to timely pay all such fees.

(g) ***Taxes***. If any gross receipts, sales, use, excise or any similar tax that is based upon gross income or revenues is imposed upon us for the receipt of any payments you are required to make to us under this Agreement, then you must also pay us, as applicable, an amount equal to such tax. If any gross receipts, sales, use, excise or any similar tax that is based upon gross income or revenues is imposed upon the payment made pursuant to this Section 8, the amount due under this Section 8 will be an amount such that the net amount retained by us, after payment of such tax, equals the tax imposed on all payments made under this Agreement.

(h) ***Rebates.*** You acknowledge that suppliers from which you choose to acquire products or services may pay us rebates, or provide us with other benefits, based on your purchases of those products and services. If we receive such rebates or benefits, we intend to utilize them solely to subsidize the Brand Conference and other educational opportunities made available to owners of System Properties.

9. ***Proprietary Property***.

(a) ***Definitions of Proprietary Marks and Proprietary Property.*** "**Proprietary Marks**" means the service mark Country Hearth Inn® and all other trademarks, service marks, trade names, logos, and commercial symbols that we may authorize you to use as part of the Brand. "**Proprietary Property**" means the Proprietary Marks, Confidential Information (as defined in subsection (c), below), and copyrighted (or copyrightable) or trade secret information of our affiliates or of us that you may use under this Agreement.

(b) ***Your Use of the Proprietary Property.*** You may only use the Proprietary Property in accordance with this Agreement and the attached Schedule 9. If you are not operating the Hotel under our Brand, you have no right to use the Proprietary Property and Schedule 9 shall not apply; however, you will have access to Confidential Information through the System License, whereby Section 9(c) below shall also apply to you.

(c) ***Confidential Information.***

(i) To protect our reputation and goodwill, you will conduct your Hotel in accordance with all of our mandatory policies, procedures, specifications, standards, operating procedures, service standards and rules we periodically prescribe related to the System ("**System Requirements**"), including those contained in the Brand manuals (if any) and other writings provided by us. At all times, you and your owners will treat and maintain the Confidential Information as confidential and as our trade secrets. Without our prior consent, you will not copy, record, or otherwise reproduce any of the Confidential Information, in whole or in part. For purposes of this Agreement, "**Confidential Information**" means the System Requirements, our Brand manuals, and any knowledge, know-how, technologies, processes, techniques, and any other information that we designate as confidential, proprietary, or trade secrets or that is not readily available in the public domain. You acknowledge that any unauthorized use or disclosure of Confidential Information would be an unfair method of competition and a breach of trust and confidence and will result in irreparable harm to our affiliates and us.

(ii) We may periodically combine, update, amend, revise and change the System Requirements. You will comply with each new or changed provision and the current version periodically in effect will supersede all prior versions. We may notify you of updates to the System Requirements by posting them on our intranet, owner's portal or in any other manner we elect. In the event of any dispute as to the contents of the System Requirements, the terms contained in the standards we maintain at our home office are controlling.

(iii) We may, at our discretion and as we may deem in the best interests of all concerned in any specific instance, vary requirements for any System Property based upon the particular site or circumstances. You are not entitled to any similar variation under this Agreement.

(d) ***Return of Materials***. Upon the expiration or termination of the Agreement, you must, at your expense, immediately deliver to us at our then current headquarters all tangible and intangible Proprietary Property (together with all copies and any other forms of reproductions of such materials) in your possession or control.

10. ***Transfers***.

(a) ***Transfer by Us.*** We maintain a staff to manage and operate the System and the Brand and staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular manager, owner, director, officer, or employee remaining with us in any capacity. We may change our ownership or form or assign this Agreement and any other agreement to a third-party without restriction.

(b) ***Transfer by You.***

(i) Unless otherwise expressly permitted by this Agreement, without our prior written consent, you may not sell, assign, transfer or otherwise dispose of this Agreement or any direct or indirect interest in this Agreement, your Hotel or substantially all of its assets. Any purported or attempted transfer by you—by operation of law or otherwise–in violation of this Agreement is null and void, and a material breach of this Agreement. Notwithstanding the foregoing, we will not unreasonably withhold, condition or delay our consent to transfer.

(ii) You will provide us with at least five days' prior written notice of any transfer of voting or ownership interests in you if you are a legal entity, or in any of your owners if such owners are legal entities, and a transfer of 33% or more of such voting or ownership interests—individually or in the aggregate, directly or indirectly—is considered a transfer of an interest in this Agreement by you, as is a transfer of a material portion of your assets.

(iii) Neither you nor your owners (or their respective owners) may create, permit, or suffer a lien against, or pledge, mortgage, hypothecate, grant a security interest in, or in any manner encumber this Agreement (or any interest in this Agreement). Each of the acts described in the foregoing sentence, along with any leasing of your Hotel to another individual or entity, shall be considered a transfer of an interest by you under Section 10(b)(i).

(iv) As a condition to our consent of any proposed transfer, the transferee or you must pay us a transfer fee in the amount of 100% of the then-applicable initial fee for new franchisees of the System.

Our consent to any proposed transfer is not an expression of our opinion concerning the appropriateness or fairness of the terms of the transfer or the likelihood of the transferee's success. Notwithstanding anything in this Agreement to the contrary, you may not make, permit, or suffer any transfer of this Agreement or any interest in this Agreement if you, or any of your direct or indirect owners, are the subject of either a voluntary or involuntary bankruptcy proceeding. In addition, we will not unreasonably withhold, condition or delay our acceptance of a new application and franchise agreement with the transferee.

11. ***Default and Termination***.

(a) ***Suspension.*** If you fail to comply with any obligation or requirement imposed by this Agreement and you fail to cure such default within two days, unless a longer cure period is specified in a notice of default we deliver to you, then, without any further notice to you, (i) you will immediately be suspended from the CRS, and (ii) we have the right, at our sole discretion, to suspend your access to any revenue-generating or revenue-related programs. However, all fees continue to accrue during the suspension period. We will reinstate your rights only if you: (a) take all actions necessary to cure such default and provide evidence of cure satisfactory to us within the time frame stated in the notice, whichever is applicable; and, if required, (b) pay our then current reactivation fee. Exercising our suspension rights pursuant to this Section 11.(a) does not preclude us from exercising any other rights and remedies—including our right to terminate this Agreement pursuant to Section 11.(b) or 11.(c)—if the applicable default has not been cured within any permitted cure period. Notwithstanding anything set forth in this Agreement, we reserve the right to immediately suspend your rights under this Agreement, without prior notice, if we reasonably believe the operation or condition of the Hotel presents a potential threat to the life or safety of any person, or if you have been cited with the violation of any health, safety, or sanitation law, ordinance, or regulation.

(b) ***Termination by Us—After Notice and Right to Cure.*** In addition to the defaults specified in Section 11(c), you are in default under this Agreement if:

(i) you fail to pay us, any of our affiliates, or any required third-party any amount due under this Agreement or any other agreement when such amount is due, or you fail to enroll with us to initiate automatic recurring payments;

(ii) a serious or imminent threat or danger to public health or safety results from constructing, maintaining, or operating the Hotel and such threat or danger remains uncorrected for five days after we or any governmental authority deliver written notice of the threat or danger, regardless of any longer period of time that any governmental authority may have given you to cure such threat or danger, unless a cure cannot be reasonably completed in such time, in which event you will immediately begin to take all reasonable steps to cure;

(iii) you or any of your officers, directors, owners or managerial employees engage in conduct that is harmful to, or reflects unfavorably on, you, us, or the Brand; or engage in conduct that exhibits a reckless disregard for the physical or mental well-being of employees, guests, our representatives, or the public at large;

(iv) we become aware of guest complaints (whether resolved or not) that we deem to be excessive;

(v) you fail to procure or maintain any insurance required by this Agreement;

(vi) you (or any of your owners) (A) fail on three or more separate occasions within any 12 consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (B) fail on two or more separate occasions within any six consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(vii) you have three or more guest complaints that have not been resolved to our reasonable satisfaction;

(viii) you fail to comply with any other obligation or requirement under this Agreement, including, without limitation, the System Requirements.

Prior to terminating this Agreement for any of the above defaults, we will provide you a notice of default briefly describing the nature of the default and the cure period, which will be five days unless a longer cure period is specified in the notice of default. Except as otherwise provided in Section 11(c) or elsewhere in this Agreement, if any default described in a notice of default is not cured and evidence of such cure provided to us by the end of the cure period—or such longer period as applicable law may require—without any further notice to you, we may immediately terminate this Agreement. To the extent a cure is permitted under this Agreement, you have the burden of proving you properly and timely cured any default.

(c) ***Termination by Us—After Notice, No Right to Cure.*** Upon the occurrence of any of the following events, without providing you with any opportunity to cure, we may, by notice, immediately terminate this Agreement:

(i) you or any of your owners have made or make any material misrepresentation in obtaining the License(s), including in any franchise application submitted to us, or operating your Hotel;

(ii) you abandon the Hotel or, for more than seven consecutive days or 14 days in any calendar year, you cease to conduct a hotel at the Property; you lose the right to possess the Property; or you otherwise forfeit the right to do or transact business in the jurisdiction where the Property is located;

(iii) you deny us the right—or otherwise interfere with, impede, or impair our exercise of our right—to inspect the Hotel or retrieve information from the PMS;

(iv) any person attempts or purports to transfer any rights or obligations under this Agreement without our prior consent or otherwise breaches any of the provisions of Section 10;

(v) any breach occurs under Section 8 or 9, or any other provisions related to Confidential Information or Proprietary Property;

(vi) you become insolvent or make a general assignment for the benefit of creditors; a petition in bankruptcy is filed by you or such a petition is filed against or consented to by you and such petition is not dismissed within 45 days; you are adjudicated as bankrupt; a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; a receiver or other custodian (permanent or temporary) of your business or assets is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under federal or any state law is instituted by or against you; execution is levied against your operation or property, or suit to foreclose any lien or mortgage against the Property or your other assets is instituted against you and not dismissed within 45 days; a substantial portion of your real or personal property used in the Hotel is sold after levy thereupon by any sheriff, marshal, or constable; or

(vii) you or any of your affiliates default under any other agreement with our affiliates or us (including any other franchise agreement or Third-Party Agreement) and fail to cure such default within any applicable cure period, if any.

(d) ***Termination by Us Without Cause.*** We may terminate this Agreement for any reason or no reason effective as of each anniversary of the Billing Start Date (each of these windows, a "**BSD Anniversary**"). We must provide you with notice of our intention to terminate at least 90 days prior to the intended termination date, and all of your and our obligations will continue to apply through the end of the BSD Anniversary on which this Agreement is terminated. If we terminate the Agreement without cause, you will not be responsible for the Termination Fee under Section 12.

(e) ***Right to Perform.*** If you default in performing any of your obligations under this Agreement, we have the right (but not the duty) to perform your obligations. If we do, you will immediately reimburse us for the actual costs of so performing. If we exercise our rights under this provision, that will not affect our right to terminate this Agreement Sections 11(b) or 11(c), above.

(f) ***Condemnation***. You will, at the earliest possible time, give us notice of any proposed taking of any portion of the Hotel by eminent domain. If we agree that the Hotel or a substantial part of the Hotel is to be taken, we may, at our sole discretion and within a reasonable time of the taking (within four months) transfer this Agreement to a nearby location you select. If we approve a new location, and if within one year of the closing of the Hotel you open a new hotel (or are diligently proceeding toward opening a new hotel and ultimately do so) at the new location in accordance with our specifications and in accordance with our timing requirements, then the new hotel will be deemed to be the Hotel licensed under this Agreement. If a condemnation takes place and a new hotel does not, for whatever reason, become the Hotel under this Agreement within one year of the closing of the Hotel, then we may terminate this Agreement immediately upon notice to you, and we will require you to pay us the Termination Fee under Section 12.

(g) ***Casualty***. If the Hotel is damaged by fire or other casualty, you will immediately notify us. If the damage or repair requires closing the Hotel, you may choose to repair or rebuild the Hotel, provided you (i) immediately notify us, (ii) begin reconstruction within six months after closing, and (iii) re-open the Hotel for continuous business operations as soon as practicable (but in any event within 18 months after the closing of the Hotel), giving us ample advance notice of the date of reopening. The Term shall be extended the number of days the property is not open for business operations otherwise we each have the right to terminate this Agreement, without penalty, if you elect not to repair or rebuild the Hotel.

12. ***Your Obligations upon Termination or Expiration***. Upon the expiration or sooner termination of this Agreement, all rights granted under this Agreement to you terminate immediately, and the provisions of this Section 12 apply to the rights and obligations of the parties.

(a) ***Payment of Outstanding Amounts.*** Within 10 days after the effective date of termination or expiration, you will pay all System Fees, all fees associated with optional programs, amounts owed for products or services you purchased from our affiliates or us, and all other unpaid amounts you owe to us, our affiliates and all third parties under the Third-Party Agreements.

(b) ***Termination Fee.***

(i) If we terminate this Agreement pursuant to Section 11(b) or 11(c), or you terminate this Agreement without cause, you will pay us a lump-sum payment equal to the System Fees and all other applicable recurring fees from the termination date through the end of the Term (the "**Termination Fee**"). This is not a penalty, but a bona fide estimate of our liquidated damages arising from such early termination. You and we agree that the calculation described in this Section is a calculation only of the damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of System Fees and other fees for which you have contracted, and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of this Agreement. In the event you have more than 36 months remaining in your Term, we will cap our calculation of the Termination Fee at 36 months.

(ii) If you fail to comply with all of your obligations under Section 3(b) of Schedule A within 30 days after the expiration or sooner termination of this Agreement, you also pay us $500 for each day in which you are in breach of such obligations.

(iii) The parties agree that it would be difficult if not impossible to determine the amount of damages that we would suffer if this Agreement is terminated. Nevertheless, the parties agree that the lump sum payments provided under this Section 12(b) are reasonable in light of the damages we may be expected to incur. You acknowledge that your obligation to pay us the Termination Fee is in addition to, not in lieu of, your obligations to pay other amounts due to us under this Agreement up through the date of termination and to strictly comply with your post termination obligations. The legal remedies under this Agreement will not preclude us from equitable remedies to which we may be entitled under applicable law.

(c) ***Pre-Opening Termination Fee***. If you breach this Agreement and we terminate this Agreement, before the Hotel opens, the parties agree that it would be difficult if not impossible to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your operation of the Hotel through the Term. The parties agree that a reasonable estimate of those damages is, and you agree to pay us as compensation for the damages, an amount equal to $1,000 for each Guest Room.

(d) ***Transfer or Sale of Hotel to Third-Party***. If you operate your Hotel under the Brand and you sell, assign or transfer all or substantially all of the assets of the Hotel to a third-party that will not operate the Hotel under any of the Network Brands, all of your de-identification obligations under Schedule A must be completed prior to the sale, assignment or transfer to ensure that the third-party buyer, assignee or transferee does not operate the Hotel under the Brand.

13. ***Representations and Warranties***.

(a) ***Ownership.*** You represent that you own and operate the Hotel; that you are not leasing it from any party; that no party other than you operates or manages the Hotel (excluding any general manager who may be hired by you); and that there are no agreements by which any party other than you has the right to own, operate, or acquire the Hotel.

(b) **Authorization.** You represent that the individual who signing this Agreement owns at least twenty percent (20%) of the entity that owns the Hotel (if an entity owns the Hotel) or otherwise owns at least twenty percent (20%) of the Hotel and has the right to bind you legally.

(c) ***Specially Designated National or Blocked Person.*** You represent that none of the persons that owns an interest in the Hotel, directly or beneficially, is a "Specially Designated National" or "Blocked Person." "Specially Designated National" or "Blocked Person" means (i) a person designated by the U.S. Department of Treasury's Office of Foreign Assets Control from time to time as such status, (ii) a person described in Section 1 of U.S. Executive Order 13224, issued September 23, 2001, or (iii) a person otherwise identified by government or legal authority as a person with whom we or our affiliates are prohibited from transacting business. Currently a list of such designations is published under the internet website address http://sdnsearch.ofac.treas.gov/. The text of the Executive Order is published at www.ustreas.gov/office/enforcement/ofac.

(d) ***Receipt of FDD.*** You acknowledge that you received from us a franchise disclosure document and all exhibits and supplements (the "**FDD**") at least 14 calendar days before signing this Agreement or any other binding agreement with, or making any payment to, our affiliates or us in connection with the sale of the License(s).

(e) ***Acknowledgement of Risk.*** You acknowledge and agree to the following:

(i) Your success in owning and operating the Hotel is speculative and will depend on many factors. Such factors include, to a large extent: your independent business ability; the quality and location of the Hotel; your experience in operating a hotel; your efforts at local sales and marketing; and the level of customer service provided by you and your staff to guests of the Hotel. Except as specifically included in this agreement, no representations or promises, express or implied, have been made by us or any of our officers, directors, employees, brokers, or representatives, to induce you to enter into this Agreement. No employee, officer, director, broker or representative of ours is authorized to do otherwise.

(ii) You acknowledge that, in all of your dealings with our owners, officers, directors, employees, and representatives, such individuals act only in their representative capacity and not in an individual capacity. You further acknowledge that this Agreement and all business dealings between you and such individuals as a result of this Agreement are solely between you and us.

14. ***General Provisions***.

(a) ***Indemnification.*** You must indemnify us and our affiliates, and our and their respective officers, directors, owners, employees and representatives for all damages any of those parties suffers and costs any of those parties incur relating in any manner to your ownership or operation of your Hotel, including enforcement costs. Notwithstanding the expiration or sooner termination of this Agreement, this indemnity will continue in full force and effect.

(b) ***Independent Status.*** This Agreement does not create a fiduciary relationship between you and us. You are an independent contractor. Unless expressly provided to the contrary, nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, affiliate or servant of the other party for any purpose whatsoever. You will take such affirmative action as we request to disclose to the public that you are independent from us, including displaying signage at your front desk that identifies the name of the owner or operator of the Hotel and that you operate it under a license from us.

(c) ***Amendments; Binding Effect; Survival.*** The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by the party as to whom enforcement of any such amendment, supplement, waiver, or modification is sought and making specific reference to this Agreement. This Section 14(c) is subject to the terms of Section 9(c)(i) and 14(f). All of the terms and provisions of this Agreement are binding upon, inure to the benefit of, and are enforceable by the parties and their respective legal representatives, heirs, successors, and permitted assigns. All our and your respective obligations that expressly or by their nature survive the expiration or sooner termination of this Agreement continue in full force and effect subsequent to and notwithstanding its expiration or termination.

(d) ***No Disparagement.*** Both during and after the Term, neither you nor any of your owners will disparage either our affiliates or us or any of their or our respective officers, directors, stockholders, employees, or representatives, any other System Properties or their owners or franchisees of the Network Brands, any aspect of the Brand or the Network Brands, or any other of our brand concepts or those of our affiliates.

(e) ***Notices.*** All notices and other communications required or permitted under this Agreement must be in writing and will be deemed delivered: (i) on the date delivered if by personal delivery; (ii) on the date of transmission if by e-mail (as long as the sender confirms the e-mail by delivering an original confirmation copy by mail or expedited delivery service, in accordance with this Section 14(e) within three days after transmission); (iii) on the next business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or (iv) on the date upon which the return receipt is signed or delivery is refused if mailed by registered or certified mail (postage prepaid), return receipt requested. Each notice must be addressed to the appropriate party at its address set forth below its signature or to such other address as that party may designate by notice complying with the terms of this Section 14(e). For any notice that we send to you via a nationally recognized commercial courier service in accordance with this Section 14.(e), we may require you to reimburse us for shipping expenses.

(f) ***Severability; Waivers.*** If it turns out that a particular term is not enforceable, this will not affect any ***other*** term, and we may, at our discretion, modify any unenforceable term to the extent required to be valid and enforceable. If you do not comply with the terms of this Agreement, and we do not take action right away, this does not mean that we are giving up any rights that we may have (such as taking action in the future).

(g) ***Governing Law; Venue and Jurisdiction.*** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) or the United States Arbitration Act (9 U.S.C. §§ 1 et seq.), this Agreement and any related agreement, and all transactions contemplated by this Agreement and any related agreement, as well as our offer, sale, or negotiation of a Country Hearth franchise or the relationship of the parties arising from the franchise or from entering this Agreement, are governed by, and must be construed and enforced in accordance with, the internal laws of the State of Colorado, without regard to its conflict-of-laws principles. NOTWITHSTANDING THE FOREGOING, ANY STATUTES OF THE STATE OF COLORADO REGULATING THE OFFER OR SALE OF FRANCHISES, BUSINESS OPPORTUNITIES, OR SIMILAR INTERESTS OR GOVERNING THE RELATIONSHIP BETWEEN OR AMONG THE PARTIES TO THIS AGREEMENT, OR BETWEEN US AND YOUR GUARANTORS AND OWNERS, IF ANY, DO NOT APPLY UNLESS THEIR RESPECTIVE JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION. Any claims, controversies, disputes or actions must be brought in federal court in Denver, Colorado; provided, that, if the federal court lacks jurisdiction, then such claims, controversies, disputes or actions must be brought in state court in Denver, Colorado, unless otherwise mutually agreed by the parties. You irrevocably submit to the jurisdiction of such courts and waive any objection you might have to either the jurisdiction of or venue in such courts. However, with respect to any action for injunctive relief, the parties may bring such action in any court of competent jurisdiction.

(h) ***Attorneys' Fees and Expenses***. The prevailing party in any legal action or other proceeding will recover from the non-prevailing party all fees, costs and expenses (including reasonable attorneys' fees and costs through all trial and appellate levels and proceedings). If we are required to engage legal counsel or other professionals in connection with any failure by you to pay when due any monies owed under this Agreement or submit when due any reports, information or supporting records, or in connection with any failure otherwise to comply with this Agreement, you will reimburse us on demand for all of the above-listed costs and expenses we incur, whether or not a legal action or other proceeding is initiated.

(i) ***Waiver of Exemplary and Punitive Damages***. Except for your obligations to indemnify us for third-party claims under Section 14(a), we and you (and your owners) waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains.

(j) ***Jury Waiver***. THE PARTIES MUTUALLY AND WILLINGLY WAIVE THE RIGHT TO A TRIAL BY JURY OF ANY AND ALL CLAIMS MADE BETWEEN THEM WHETHER NOW EXISTING OR ARISING IN THE FUTURE WHETHER ARISING FROM OR RELATED TO THE SALE, NEGOTIATION, EXECUTION, OR PERFORMANCE OF THE TRANSACTIONS TO WHICH THIS AGREEMENT RELATES.

(k) ***Class Action Bar and Limitations of Claims***. The parties agree that claims of any other party or parties shall not be joined with any claims asserted in any action or proceeding between you and us. No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement. Except for claims arising from your non-payment or underpayment of amounts owed us pursuant to this Agreement, any and all claims arising out of or relating to this Agreement or our relationship with you as franchisor and franchisee are barred unless a judicial or arbitration proceeding, as applicable, is commenced in accordance with this Agreement within one year after the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims. You and we are bound by the provisions of any limitation period of time in which claims must be brought under the previous sentence or applicable law, whichever expires earlier.

(l) ***Consents, Authorization, Approvals or Other Satisfaction.*** Whenever our consent, authorization, approval, or other satisfaction (collectively, "**Approval**") is required under this Agreement, unless such Approval is in writing and signed by a duly authorized executive officer, such Approval is not binding upon us. Our Approval, whenever required, may be withheld if any default by you exists under this Agreement. Further, any Approval provided by us under or arising out of this Agreement is an expression only that our minimum requirements for us to grant it have been met, or waived, at our discretion, nothing more. Additionally, you will not claim that the provision or withholding of any Approval by us imposes any liability on us.

(m) ***Entire Agreement.*** This Agreement (together with its exhibits and schedules) represents the entire understanding and agreement between the parties with respect to the subject matter of this Agreement, and supersedes all other negotiations, understandings, and representations, if any, made by and between the parties. Nothing in this Agreement or any related agreement, however, is intended to disclaim the express representations we made in the FDD that we furnished to you.

(n) ***Third Parties; Limited Power of Attorney.*** The terms of this Agreement control the relationship between you and us. Except as provided in this Agreement, they do not create any third-party beneficiary rights. Notwithstanding anything to the contrary contained in this Agreement, the parties agree that each of their respective owners, officers, directors, employees, agents, attorneys and other representatives are third-party beneficiaries of the provisions Section 13(e), 14(g), 14(h), 14(i), 14(j) and 14(k). You hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney-in-fact to effectuate any System-wide initiatives.

(o) ***Counterparts***. This Agreement may be executed in two or more counterparts, each of which is an original, but all of which together constitute one and the same instrument. Confirmation of execution by scanned and e-mailed, or electronically signed and verified, signature page is binding upon any party to such confirmation.

[*Signature Page Follows*]

SIGNATURE PAGE – HOTEL OWNED BY ENTITY

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:** ____
By: _____________________________________	By: _____________________________________
Name: __________________________________	Name: __________________________________
Title: ___________________________________	Title: ___________________________________
Date: ___________________________________	Date: ___________________________________
Address: 1550 Market Street, Suite 350	Address: ________________________________
Denver, Colorado 80202	____
E-mail: __________________________________	E-mail: __________________________________

SIGNATURE PAGE – HOTEL OWNED BY ONE OR MORE INDIVIDUALS

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:** ____
By: ____________________________________	____
Name: _________________________________	Name: _________________________________
Title: __________________________________	Percent Owner:___________________________
Date: __________________________________	Date: __________________________________
Address: 1550 Market Street, Suite 350	Address: _______________________________
Denver, Colorado 80202	____
E-mail: ________________________________	E-mail: ________________________________

Schedule A

Operating under the Country Hearth Brand Name and Logo

In the event you continue operating your Hotel under a name other than the Brand, this Schedule A does not apply; however, if you intend to use our Proprietary Marks and operate your Hotel under our Brand, you are subject to the following additional requirements:

1. ***Proprietary Marks***

(a) All Sites containing any of the Proprietary Marks and any Linked Sites must advertise, promote, and reflect on the Property and the Brand in a first-class, dignified manner. You acknowledge and agree that any use of the Proprietary Marks in any materials, whether electronic or physical copies, must be approved by us in writing prior to your use of the materials. Any use of the Brand on the Internet, or any computer network/electronic distribution, must conform to our System Requirements, including the identity and graphics standards for all System Properties. Given the changing nature of this technology, we have the right to withhold our approval, and to withdraw any prior approval, and to modify our requirements, at our sole discretion. We have the right to determine the content and use of online and electronic media associated with any of the Proprietary Marks. You may not participate in any website or other electronic media (including social media) that markets goods and services under the Proprietary Marks unless it is first approved in writing by us.

(b) You acknowledge that you may not, without a legal license or other legal right, post on your Site(s) any material in which any third-party has any direct or indirect ownership interest (including video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third-party may claim intellectual property ownership interests). You also agree to incorporate on your Site(s) any other information we require in the manner we deem necessary to protect the Proprietary Marks.

(c) Upon the expiration or termination of this Agreement, you agree to irrevocably assign and transfer to us (or to our designee) all of your right, title and interest in any domain name listings and registrations which contain any reference to the Network Marks, Proprietary Marks, Brand, Network Brands or System Properties, and will notify the applicable domain name registrar(s) of the termination of your right to use any domain name or Site(s) associated with the Proprietary Marks or the Brand, and will authorize and instruct the cancellation or transfer of the domain name to us (or our designee), as directed by us. You will also delete all references to the Network Marks, Proprietary Marks, Brand, Network Brands or System Properties from any other Site(s) you own, maintain or operate beyond the expiration or termination of this Agreement.

(d) Your use of all Online Presence shall be subject to our approval. You must adhere to our Online Presence guidelines and procedures that include but are not limited to: appropriate content, relevance, behavior related to communications, frequency and responsiveness to communications, etiquette, naming conventions and use of the Brand. We must approve your social media pages and they shall be linked to the Brand social media pages we maintain. We have the right to require you to remove your social media page(s) if you fail to comply with our guidelines and procedures, as they may change from time to time.

2. ***Your Obligations Upon Termination or Expiration of the Franchise Agreement or Revocation of Brand License.***

Notwithstanding any of your obligations under Section 12 of the Agreement, upon the expiration or sooner termination of the Agreement, or the revocation of your Brand License, you will also comply with the following obligations:

(a) ***Cease Operations.*** You will immediately cease operating the Hotel under the Brand. You will not, directly or indirectly: (a) use any of the Proprietary Property; (b) represent yourself as a present or former franchisee of us; (c) represent your Hotel as a present or former System Property; or (d) in any other way affiliate or associate yourself with the Brand. You will immediately cease all use of the Proprietary Marks and will de-identify the Hotel, including as required by Section 2(b) of this Schedule A and as we otherwise designate in writing. You will immediately cease using or operating any Online Presence related to the Hotel or the Network Marks, and take any action as may be required to disable such Online Presence, or transfer exclusive control and access of such Online Presence to us, as we determine at our sole discretion. You will comply with all applicable laws in connection with the de-identification of the Hotel, including as relates to disposing of Personal Information, in any form, in your possession or the possession of your employees. Notwithstanding the foregoing, you will honor any advance reservations, including group bookings, made prior to the termination date at the rates and on the terms established when the reservations were made and pay when due all related commissions, booking fees, and other charges associated therewith.

(b) ***Distinguishing Operations.*** In the manner we specify, you will immediately remove all identifying architectural superstructure and signage on or about the Property bearing our name or logos or any other of the Proprietary Marks, and otherwise cease and terminate all representations of affiliation with the Brand and us. Upon request, you will hold for delivery to us, at your expense, all such property belonging to us. Until the time of its removal, any signage that you cannot remove within one business day of the expiration or termination of this Agreement must be completely covered (by you and at your expense) in such a manner that our Proprietary Property is not visible whether the sign lighting is on or off. Until all modifications and alterations required by this paragraph are completed, you will: (i) maintain a conspicuous sign, in the form we specify, at the Hotel stating that your facilities are no longer associated with our Brand; and (ii) advise all guests or prospective guests telephoning your business that you and your business are no longer associated with our Brand. If you fail or refuse to comply with the requirements of this paragraph, we may enter upon the Property to make, or cause to be made, the required modifications, alterations, and changes. We do so at your expense, without responsibility for any actual or consequential damages to the property of you or others, and without liability for trespass or other tort or criminal act.

(c) ***Return of Materials.*** At your expense, you will, at our direction, immediately return to us or destroy all tangible and intangible Proprietary Property (together with all copies and any other forms of reproductions of such materials) in your possession or control. In the event you continue to operate the Hotel pursuant to a System License, you may continue using the Confidential Information and System during the Term, but Section 9(d) of the Agreement shall still apply.

Schedule 3(c)

Optional Services

Description	Fees	Selected
Voice Reservations (CRO)	$250 one-time fee; 7% of net consumed reservation; minimum of one-year commitment to this program is required	
GDS Connectivity	$250 one-time fee; $11 per net consumed reservation; minimum of one year commitment to this program is required	
Professional Photography (mandatory if using Country Hearth brand name and logo)	$1,095 minimum; additional photography, including is available for an additional fee	

Schedule 7
Insurance Requirements

(a) ***Types and Amounts of Coverage***. Throughout the Term, you will maintain such types of insurance in such amounts as we may require. Such insurance is in addition to any other insurance that may be required by applicable law, your landlord, your mortgagee, or otherwise. At a minimum, such policies include the following (liability limits for primary and excess/umbrella policies may be in any combination as long as the total minimum limit requirements are met):

(i) commercial general liability ("**CGL**") insurance for any claims or losses arising or resulting from the operations/premises of the Hotel with combined single limits of $1,000,000 per occurrence for bodily injury and property damage liability and a general aggregate limit not less than $2,000,000. Limits may be met by a combination of CGL and umbrella or excess liability insurance policies on a follow form basis, with a combined limit not less $5,000,000;

(ii) property and contents insurance (or builder's risk insurance during any period of construction) on all building(s) and contents against loss or damage by fire, lightning and all other risks associated and covered by the "all risks" policy form, all in an amount not less than 90% of the replacement cost;

(iii) boiler & machinery insurance against loss or damage from explosion of boilers or pressure vessels to the extent applicable;

(iv) business interruption insurance covering at least 12 months loss of profits and necessary continuing expenses for interruptions caused by a covered occurrence;

(v) workers' compensation insurance in statutory amounts for all your employees and employer's liability insurance in amounts not less than $500,000 per accident/disease;

(vi) liquor liability (applicable only when or if you distribute, sell, serve, or furnish alcoholic beverages) for combined single limits of bodily injury and property damage liability of not less than $1,000,000 per occurrence;

(vii) automobile liability insurance including owned, non-owned and hired vehicles for combined single limits of bodily injury and property damage of not less than $1,000,000 per occurrence; and

(viii) garage-keeper's liability to the extent that Hotel operations include parking operations, with a limit adequate to cover the full actual value of all automobiles that are in your care, custody, and control at any one time.

Additionally, we strongly recommend that you carry employment practice liability insurance.

(b) ***Insurance Requirements.*** Each of the insurance policies required by this Agreement will: (i) be written by an insurance company reasonably satisfactory to us; (ii) to the extent legally permissible, name us, our affiliates, and our and their respective officers, directors and employees as additional named insureds and loss payees for all liability coverage policies; (iii) be specifically endorsed to provide that the coverages will be primary and that any insurance carried by any additional insured will be excess and non-contributory; and (iv) provide that all coverages afforded to us (and our affiliates) will be coextensive with the coverage provided to you or any named insured on such policy, and any language in such policy that purports to limit the coverage available to us (and our affiliates) will be deemed deleted as to us (and our affiliates). At any time, we may adjust the amounts of coverage required under such insurance policies and require different or additional kinds of insurance, including excess liability insurance. All insurance may be effected under policies of blanket insurance which cover your other properties and affiliates so long as such blanket insurance satisfies the requirements of this Agreement. Our requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for your Hotel's operations. Such requirements represent only the minimum coverage that we deem acceptable to protect our interests. It is your sole responsibility to obtain insurance coverage for your Hotel that you deem appropriate, based on your own independent investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances.

(c) ***Evidence of Insurance.*** No later than 10 days from the Agreement Date, and in any event, prior to opening your Hotel in our System, an approved insurance company must issue a certificate of insurance showing compliance with the insurance requirements of this Schedule 7 and a policy endorsement designating our affiliates and us as additional named insureds (if applicable), and together therewith you must furnish us with a paid receipt showing the certificate number. The certificate of insurance or policy endorsement must include a statement by the insurer that the policy or policies must not be canceled, subject to non-renewal, or materially altered without at least 30 days' prior notice to us. Upon our request, you must supply us with copies of all insurance policies and proof of payment. You will deliver renewal certificates and policy endorsements designating our affiliates and us as additional named insureds, if applicable, (or certified copies of the policies if requested by us) together with a paid receipt showing the certificate number not less than 10 days prior to each insurance policy's renewal date.

(d) ***Your Failure to Maintain Insurance.*** If, for any reason, you fail to procure or maintain the insurance required by this Agreement (as revised from time to time by us), we have the right (but not the duty) to immediately procure such insurance and may do so through an affiliated insurance agency. We may procure less than the amount of insurance required by this Agreement and will not be liable to you if the amount we procure is insufficient to cover your risks. If we do procure such insurance, we may charge the cost of such insurance to you. Upon demand, you will immediately pay us such charges, together with a reasonable fee for our expenses in so acting. The insurance maintained by us does not in any way limit or affect your obligation to obtain and maintain the foregoing policy or policies in the amounts specified in this Schedule 7. Our performance of your obligations will not relieve you of liability under the indemnity provisions set forth in this Agreement.

Schedule 9
Proprietary Property

(a) ***Your Use of the Proprietary Property***. Both during and after the Term:

(i) You will use the Proprietary Property only in connection with operating the Hotel at the Property;

(ii) You will use the Proprietary Marks as the sole service mark identifications for the Hotel and prominently display the Proprietary Marks on or in connection with all materials we designate, and only in the manner we prescribe;

(iii) You will not use the Proprietary Property as security for any obligation or indebtedness or in any manner encumber it;

(iv) You will not use the Proprietary Marks as part of your corporate, partnership, limited liability company or other legal name;

(v) You will not use or attempt to register any other trademarks, service marks, or other commercial symbol that is the same as or similar to any of the Proprietary Marks, or any mark with phonetic or graphic similarity to the Proprietary Marks;

(vi) You will comply with our instructions concerning filing and maintaining the requisite fictitious, trade, or assumed-name registrations for the Proprietary Marks, and execute any documents we deem reasonably necessary to obtain protection for the Proprietary Property and our interest in the Proprietary Property; and

(vii) You will exercise caution when using our Proprietary Property to ensure that the Proprietary Property is not jeopardized in any manner.

(b) ***Infringement by You.*** Any use of the Proprietary Property not in strict accordance with, or outside the scope of, this Agreement, without our prior written consent, infringes our rights in the Proprietary Property. Both during and after the Term, you will not, directly or indirectly, infringe or contest or aid in contesting the validity of, or our rights in or to, the Proprietary Property, or take any other action in derogation of such rights.

(c) ***Claims Against the Proprietary Property***. In the event of any claim of infringement, unfair competition, or other challenge to your right to use any Proprietary Property, or in the event you become aware of any use of, or claims to, any Proprietary Property by any Person other than System Properties or their owners or us, you will notify us in writing no later than seven business days thereafter.

(d) ***Our Right to Modify the Proprietary Marks.*** If, at any time, at our discretion, it becomes advisable to modify or discontinue the use of any Proprietary Mark or use one or more additional or substitute names or marks you will do so at your sole expense within 30 days of our request.

(e) ***Ownership; Inurement Solely to Us.*** Except as expressly granted in this Agreement, you have no ownership or other rights in the Proprietary Property. We are the owner, or authorized licensee, of the Proprietary Property. All goodwill associated with the Proprietary Property and the Hotel inures directly and exclusively to our (or our licensor's) benefit.

EXHIBIT C

INITIAL FEE AUTHORIZATION FORM

Pay Initial Fee

Based on your preferences, your Initial Fee is $[INITIAL FEE]. Please complete the following to authorize payment, which will be debited from the checking or savings account you indicate. **Please note: If your application is denied by us for any reason, we will refund the entire amount of your Initial Fee to the same account you designate below.**

I authorize Red Lion Hotels Franchising, Inc., to charge my bank account indicated below for$[INITIAL FEE] on or after [INSERT DATE SUBMITTED].

First Name	Last Name
Account Number	**Routing Number**

In submitting this authorization form, I understand that because this is an electronic transcation, these funds may be withdrawn from my account as soon as the above noted transaction date. In the case of the payment being rejected for Non-Sufficient Funds ("NSF"), I understand that Red Lion Hotels Franchising, Inc., may, at its discretion, attempt to process the charge again within 30 days and I agree to an additional $40.00 charge for every attempt returned NSF, which will be initiated as a separate transaction from the authorized payment. I acknowledge that the origination of EFT transactions to my account must comply with the provisions of applicable law. I will not dispute Red Lion Hotels Franchising, Inc., billing my bank so long as the amount debited from my account corresponds to the amount indicated above. I represent that I am an authorized signer on the above-indicated account and am legally entitled to grant this authorization.

○ By checking this circle, I indicate that I have read and understand the foregoing and agree to it.

Save & Continue

EXHIBIT D

RECURRING FEE AUTHORIZATION FORM

Authorize Recurring Payments

Your System Fee will vary from month to month, as further described in your franchise agreement. Please complete the following to authorize payment, whih will be debited from the checking or savings account you indicate. **Please note: If your application is denied by us for any reason, this form will be invalid.**

I authorize Red Lion Hotels Franchising, Inc., to charge my bank account indicated below for monthly fees and other charges that arise under my franchise agreement.

First Name	Last Name
Account Number	**Routing Number**

In submitting this authorization form, I understand that in the case of the payment being rejected for Non-Sufficient Funds ("NSF"), I understand that Red Lion Hotels Franchising, Inc., may, at its discretion, attempt to process the charge again within 30 days and I agree to an additional $40.00 charge for every attempt returned NSF, which will be initiated as a separate transaction from the authorized payment. I acknowledge that the origination of EFT transactions to my account must comply with the provisions of applicable law. I will not dispute Red Lion Hotels Franchising, Inc., billing my bank so long as the amount debited from my account corresponds to the amount billable under my franchise agreement. I represent that I am an authorized signer on the above-indicated account and am legally entitled to grant this authorization.

○ By checking this circle, I indicate that I have read and understand the foregoing and agree to it.

Save & Continue

EXHIBIT E

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to Red Lion Hotels ("Franchisor") that the person(s) signing below ("I," "me" or "my"), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a Country Hearth Inn®, Country Hearth Suites®, or Country Hearth Inn & Suites® franchise to operate as a Country Hearth Inn®, Country Hearth Suites®, or Country Hearth Inn & Suites®-branded lodging facility is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor's Franchise Disclosure Document and Exhibits (collectively, the "FDD") in deciding to purchase the franchise.

In that regard, I represent to Franchisor and acknowledge that:

I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.	INITIAL:
I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan) before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.	INITIAL:
Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.	INITIAL:
My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.	INITIAL:
I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.	INITIAL:

PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED. Have you received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of success)? ☐ Yes ☐ No (Initial Here: ____) If you selected "Yes," please describe the information you received on the lines below: ____ ____	INITIAL:

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;

2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;

3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or

4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

If the lodging facility that you will operate under the Country Hearth Inn®, Country Hearth Suites®, or Country Hearth Inn & Suites® brand is located in Maryland or if you are a resident of Maryland, the following shall apply:

Any acknowledgments or representations of the franchisee which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

[Signature page follows]

FRANCHISEE:

Sign here if you are taking the franchise as an
INDIVIDUAL(S)
(Note: use these blocks if you are an individual or a partnership but the partnership is not a separate legal entity)

____
Signature
Print Name: ____________________________
Date: _________________________________

____
Signature
Print Name: ____________________________
Date: _________________________________

____
Signature
Print Name: ____________________________
Date: _________________________________

____
Signature
Print Name: ____________________________
Date: _________________________________

Sign here if you are taking the franchise as a
CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

____
Print Name of Legal Entity

By: ___________________________________
Signature

Print Name: ____________________________
Title: _________________________________
Date: _________________________________

EXHIBIT F

FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Red Lion Hotels Corporation
Denver, Colorado

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Red Lion Hotels Corporation (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 8, 2019 expressed an unqualified opinion thereon.

Change in Accounting Method Related to Revenue Recognition

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for recognition of revenues and related disclosures in 2018 due to the adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2001.

Spokane, Washington
March 8, 2019

RED LION HOTELS CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2018 and 2017

	2018	2017 (Revised)
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents ($4,564 and $6,487 attributable to VIEs)	$ 17,034	$ 32,429
Restricted cash ($2,652 and $12,326 attributable to VIEs)	2,755	12,429
Accounts receivable, net of an allowance for doubtful accounts $2,345 and $1,436, respectively ($1,064 and $3,200 attributable to VIEs)	18,575	13,143
Accounts receivable from related parties	—	1,520
Notes receivable, net	2,103	1,098
Other current assets ($680 and $1,252 attributable to VIEs)	6,218	5,305
Assets held for sale ($0 and $34,359 attributable to VIEs)	—	34,359
Total current assets	46,685	100,283
Property and equipment, net ($74,250 and $137,479 attributable to VIEs)	115,522	165,302
Goodwill	18,595	9,404
Intangible assets, net	60,910	50,749
Other assets, net ($705 and $174 attributable to VIEs)	8,075	1,976
Total assets	$ 249,787	$ 327,714
LIABILITIES		
Current liabilities:		
Accounts payable ($650 and $1,810 attributable to VIEs)	$ 5,322	$ 4,100
Accrued payroll and related benefits ($369 and $1,453 attributable to VIEs)	5,402	7,457
Other accrued liabilities ($1,092 and $2,184 attributable to VIEs)	4,960	4,094
Long-term debt, due within one year ($25,056 and $62,914 attributable to VIEs)	25,056	62,914
Contingent consideration for acquisition due to related party, due within one year	—	9,289
Total current liabilities	40,740	87,854
Long-term debt, due after one year, net of debt issuance costs ($0 and $48,483 attributable to VIEs)	9,114	48,483
Line of credit, due after one year	10,000	—
Deferred income and other long-term liabilities ($480 and $772 attributable to VIEs)	2,245	1,554
Deferred income taxes	772	2,219
Total liabilities	62,871	140,110
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
RLH Corporation stockholders' equity:		
Preferred stock - 5,000,000 shares authorized; $0.01 par value; no shares issued or outstanding	—	—
Common stock - 50,000,000 shares authorized; $0.01 par value; 24,570,158 and 23,651,212 shares issued and outstanding	246	237
Additional paid-in capital, common stock	182,018	178,028
Accumulated deficit	(16,512)	(18,042)
Total RLH Corporation stockholders' equity	165,752	160,223
Noncontrolling interest	21,164	27,381
Total stockholders' equity	186,916	187,604
Total liabilities and stockholders' equity	$ 249,787	$ 327,714

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

RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2018, 2017, and 2016

	2018	2017	2016
	(In thousands, except per share data)		
Revenue:			
Royalty	$ 22,309	$ 17,558	$ 7,472
Marketing, reservations and reimbursables	25,948	26,179	14,087
Other franchise	5,537	4,822	3,075
Company operated hotels	82,021	123,100	123,589
Other	34	267	128
Total revenues	135,849	171,926	148,351
Operating expenses:			
Marketing, reservations and reimbursables	26,877	25,435	16,426
Company operated hotels	67,314	95,731	97,666
Selling, general, administrative and other expenses	32,122	29,753	18,634
Depreciation and amortization	17,003	18,824	16,095
Asset impairment	10,582	—	—
Gain on asset dispositions, net	(42,021)	(449)	(2,436)
Acquisition and integration costs	2,219	1,529	2,112
Total operating expenses	114,096	170,823	148,497
Operating income (loss)	21,753	1,103	(146)
Other income (expense):			
Interest expense	(6,209)	(8,252)	(6,752)
Loss on early retirement of debt	(794)	—	—
Other income (loss), net	265	818	326
Total other income (expense)	(6,738)	(7,434)	(6,426)
Income (loss) from continuing operations before taxes	15,015	(6,331)	(6,572)
Income tax benefit	(71)	(4,662)	(478)
Net income (loss) from continuing operations	15,086	(1,669)	(6,094)
Discontinued operations:			
Income from discontinued business unit, net of income tax expense of $0, $221 and $790	—	425	1,254
Loss on sale of business unit, net of income tax expense of $1,127	—	(244)	—
Net income from discontinued operations	—	181	1,254
Net income (loss)	15,086	(1,488)	(4,840)
Net (income) loss attributable to noncontrolling interest	(13,129)	2,069	163
Net income (loss) and comprehensive income (loss) attributable to RLH Corporation	$ 1,957	$ 581	$ (4,677)
Earnings (loss) per share - basic			
Income (loss) from continuing operations attributable to RLH Corporation	$ 0.08	$ 0.01	$ (0.29)
Income from discontinued operations	—	0.01	0.06
Net income (loss) attributable to RLH Corporation	$ 0.08	$ 0.02	$ (0.23)
Earnings (loss) per share - diluted			
Income (loss) from continuing operations attributable to RLH Corporation	$ 0.08	$ 0.01	$ (0.29)
Income from discontinued operations	—	0.01	0.06
Net income (loss) attributable to RLH Corporation	$ 0.08	$ 0.02	$ (0.23)
Weighted average shares - basic	24,392	23,669	20,427
Weighted average shares - diluted	25,477	24,253	20,427

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

RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2018, 2017, and 2016

	Red Lion Hotels Corporation Stockholders' Equity						
	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit) (Revised)	RLH Corporation Total Equity (Revised)	Equity Attributable to Non-controlling Interest	Total Equity (Revised)
	(In thousands, except share data)						
Balances, January 1, 2016	20,051,145	$ 201	$ 143,901	$ (13,946)	$ 130,156	$ 33,609	$163,765
Net loss	—	—	—	(4,677)	(4,677)	(163)	(4,840)
Shared based payment activity	193,336	1	2,466	—	2,467	—	2,467
Contribution of joint venture interests	—	—	539	—	539	2,654	3,193
Shares issued for Vantage acquisition purchase price	690,000	7	5,748	—	5,755	—	5,755
Distributions to noncontrolling interests	—	—	—	—	—	(3,593)	(3,593)
Proceeds from issuance of common stock, net of offering costs	2,499,999	25	18,435	—	18,460	—	18,460
Balances, December 31, 2016	23,434,480	234	171,089	(18,623)	152,700	32,507	185,207
Net income (loss)	—	—	—	581	581	(2,069)	(1,488)
Shared based payment activity	216,732	3	3,358	—	3,361	—	3,361
Shares allocated for Vantage acquisition purchase price	—	—	3,581	—	3,581	—	3,581
Distributions to noncontrolling interests	—	—	—	—	—	(3,057)	(3,057)
Balances, December 31, 2017	23,651,212	237	178,028	(18,042)	160,223	27,381	187,604
Net income	—	—	—	1,957	1,957	13,129	15,086
Cumulative effect of the adoption of Topic 606	—	—	—	(427)	(427)	—	(427)
Shared based payment activity	228,946	2	3,535	—	3,537	—	3,537
Shares issued for Vantage continent consideration	690,000	7	2,870	—	2,877	—	2,877
Buyout of noncontrolling interest	—	—	(2,415)	—	(2,415)	2,111	(304)
Distributions to noncontrolling interests	—	—	—	—	—	(21,457)	(21,457)
Balances, December 31, 2018	24,570,158	$ 246	$ 182,018	$ (16,512)	$ 165,752	$ 21,164	$186,916

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

RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018, 2017, and 2016

	2018	2017	2016
		(In thousands)	
Operating activities:			
Net income (loss)	$ 15,086	$ (1,488)	$ (4,840)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	17,003	18,888	16,281
Amortization of debt issuance costs	942	1,187	1,166
Amortization of key money and contract costs	748	—	—
Amortization of contract liabilities	(753)	—	—
Gain on asset dispositions, net	(42,021)	(449)	(2,437)
Loss on early retirement of debt	794	—	—
Asset impairment	10,582	—	—
Loss on sale of entertainment business	—	244	—
Deferred income taxes	(1,302)	(3,497)	249
Equity in investments	—	—	(157)
Stock based compensation expense	3,955	3,309	2,640
Provision for doubtful accounts	1,014	528	433
Fair value adjustments to contingent consideration	581	1,670	339
Change in current assets and liabilities, net of business acquired:			
Accounts receivable	(3,644)	(4,130)	(3,183)
Notes receivable	(19)	(88)	(110)
Other current assets	(6,907)	(1,229)	(2,075)
Accounts payable	1,249	(2,543)	(1,006)
Other accrued liabilities	(822)	2,114	(1,738)
Net cash provided by (used in) operating activities	(3,514)	14,516	5,562
Investing activities:			
Capital expenditures	(8,615)	(9,779)	(33,511)
Acquisition of Knights Inn	(27,249)	—	—
Acquisition of Vantage Hospitality	—	—	(22,603)
Net payments related to the sale of entertainment business	—	(6,679)	—
Net proceeds from disposition of property and equipment	113,748	28	5,898
Collection of notes receivable related to property sales	62	694	2,309
Advances on notes receivable	(1,048)	(409)	(943)
Proceeds from sales of short-term investments	—	—	18,085
Other, net	—	—	77
Net cash provided by (used in) investing activities	76,898	(16,145)	(30,688)
Financing activities:			
Borrowings on long-term debt	30,000	3,297	24,766
Repayment of long-term debt	(107,999)	(1,373)	(4,939)
Proceeds from line of credit borrowing	10,000	—	—
Debt issuance costs	(1,282)	(41)	(181)
Buyout of joint venture interest	(304)	—	—
Proceeds from sale of interests in joint ventures	—	—	3,193
Distributions to noncontrolling interest	(21,457)	(3,057)	(3,593)
Contingent consideration paid for Vantage Hospitality acquisition	(7,000)	—	—
Stock-based compensation awards canceled to settle employee tax withholding	(647)	(361)	(353)
Proceeds from common stock offering, net	—	—	18,460
Stock option and stock purchase plan issuances, net and other	236	413	180
Net cash provided by (used in) financing activities	(98,453)	(1,122)	37,533
Change in cash, cash equivalents and restricted cash:			
Net increase (decrease) in cash, cash equivalents and restricted cash	(25,069)	(2,751)	12,407
Cash, cash equivalents and restricted cash at beginning of year	44,858	47,609	35,202
Cash, cash equivalents and restricted cash at end of year	$ 19,789	$ 44,858	$ 47,609

RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
For the Years Ended December 31, 2018, 2017, and 2016

	2018	2017	2016
		(In thousands)	
Supplemental disclosure of cash flow information:			
Cash paid during years for:			
Income taxes	$ 963	$ 189	$ 111
Interest on debt	$ 6,338	$ 7,016	$ 5,485
Non-cash operating, investing and financing activities:			
Acquisition of property and equipment through capital lease and other LT obligations	$ 328	$ 542	$ 1,352
Property and equipment, purchases not yet paid	$ 27	$ 402	$ 2,238
Shares issued for Vantage acquisition	$ 2,877	$ —	$ 5,755
Accrual of contingent consideration for Vantage acquisition	$ —	$ —	$ 10,861
Assumption of contingent consideration obligation from acquisition	$ —	$ —	$ 965

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

1. Organization

Red Lion Hotels Corporation ("RLH Corporation", "RLHC", "we", "our", "us", or "our company") is a NYSE-listed hospitality and leisure company (ticker symbol: RLH) doing business as RLH Corporation and primarily engaged in the franchising and ownership of hotels under the following proprietary brands: Hotel RL, Red Lion Hotels, Red Lion Inn & Suites, GuestHouse, Settle Inn, Americas Best Value Inn, Canadas Best Value Inn, Signature and Signature Inn, Knights Inn, and Country Hearth Inns & Suites.

A summary of our properties as of December 31, 2018, including the approximate number of available rooms, is provided below:

	Upscale Service Brand		Select Service Brand		Total	
	Hotels	**Total Available Rooms**	**Hotels**	**Total Available Rooms**	**Hotels**	**Total Available Rooms**
Ending quantity, December 31, 2018	112	15,900	1,215	69,800	1,327	85,700

On May 14, 2018, Red Lion Hotels Franchising, Inc., a wholly-owned subsidiary of RLH Corporation (RLH Franchising) completed the purchase of all of the issued and outstanding shares of capital stock of Knights Franchise Systems, Inc. (KFS), and the purchase of certain operating assets from, and assumption of certain liabilities relating to the business of franchising Knights Inn branded hotels to hotel owners from Wyndham Hotel Group Canada, ULC and Wyndham Hotel Group Europe Limited, pursuant to an Amended and Restated Purchase Agreement, dated May 1, 2018, for an aggregate purchase price of $27.2 million. See Note 17, *Acquisitions and Dispositions* for further discussion.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and in accordance with generally accepted accounting principles in the United States of America (GAAP) and include all accounts and wholly and majority-owned subsidiaries' accounts. All significant inter-company and inter-segment transactions and accounts have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could materially differ from those estimates.

Reclassifications

Beginning with the fourth quarter of 2018, we have disaggregated and reclassified the presentation of certain items in the Statements of Comprehensive Income (Loss) for the years ended December 31, 2017 and 2016. We have disaggregated royalty revenues from other franchise revenues, combined revenues from company operated hotels and other revenues from managed properties, combined operating expenses from company operated hotels, other costs from managed properties, and hotel facility and land lease, and reclassified amounts previously allocated as operating expenses for franchised and company operated hotels into selling, general and administrative and marketing, reservations, and reimbursable expenses. These costs continue to be allocated to their respective segments as presented in Note 3, *Business Segments*.

We believe these classifications better reflect our results of operations as we have changed our business model to focus on the franchising of hotels. Additionally, we believe these reclassifications will allow better comparison with financial statements of peer companies. The reclassifications had no impact on total revenue, total operating expenses, operating income, net income, earnings per share, total assets, total equity, or cash flows for any period. The following tables show the impact of the reclassifications on previously reported financial statements for each year presented (in thousands):

	For the Year Ended December 31, 2017		
	As Previously Reported	Reclassifications	As Currently Presented
Revenue:			
Company operated hotels	$ 119,186	$ 3,914	$ 123,100
Other revenues from managed properties	3,914	(3,914)	—
Franchised hotels	48,559	(48,559)	—
Other	267	—	267
Royalty	—	17,558	17,558
Marketing, reservations and reimbursables	—	26,179	26,179
Other franchise	—	4,822	4,822
Total revenues	$ 171,926	$ —	$ 171,926
Operating expenses:			
Company operated hotels	$ 91,622	$ 4,109	$ 95,731
Other costs from managed properties	3,914	(3,914)	—
Franchised hotels	34,794	(34,794)	—
Depreciation and amortization	18,824	—	18,824
Hotel facility and land lease	4,806	(4,806)	—
Gain on asset dispositions, net	(449)	—	(449)
General, administrative, and other expenses	15,783	(15,783)	—
Acquisition and integration costs	1,529	—	1,529
Marketing, reservations and reimbursables	—	25,435	25,435
Selling, general, administrative and other expenses	—	29,753	29,753
Total operating expenses	$ 170,823	$ —	$ 170,823

	For the Year Ended December 31, 2016		
	As Previously Reported	Reclassifications	As Currently Presented
Revenue:			
Company operated hotels	$ 117,641	$ 5,948	$ 123,589
Other revenues from managed properties	5,948	(5,948)	—
Franchised hotels	24,634	(24,634)	—
Other	128	—	128
Royalty	—	7,472	7,472
Marketing, reservations and reimbursables	—	14,087	14,087
Other franchise	—	3,075	3,075
Total revenues	$ 148,351	$ —	$ 148,351
Operating expenses:			
Company operated hotels	$ 91,572	$ 6,094	$ 97,666
Other costs from managed properties	5,948	(5,948)	—
Franchised hotels	19,315	(19,315)	—
Depreciation and amortization	16,095	—	16,095
Hotel facility and land lease	4,740	(4,740)	—
Gain on asset dispositions, net	(2,436)	—	(2,436)
General, administrative, and other expenses	11,151	(11,151)	—
Acquisition and integration costs	2,112	—	2,112
Marketing, reservations and reimbursables	—	16,426	16,426
Selling, general, administrative and other expenses	—	18,634	18,634
Total operating expenses	$ 148,497	$ —	$ 148,497

Revision of Previously Issued Financial Statements for Immaterial Misstatements

During the fourth quarter of 2018, we identified an error affecting previous periods as leasehold improvements for our Red Lion Hotel Seattle Airport property acquired on December 31, 1999 were assigned a useful life in excess of the lease term of the associated land lease for the property. As a result, we have understated depreciation expense by approximately $165,000 in each of the past 19 years. We have assessed the effects of these errors to our previously issued financial statements and based upon quantitative and qualitative factors, determined that the errors were not material to our previously issued financial statements. We have corrected the $2.6 million cumulative understatement of depreciation expense as of January 1, 2016, through a reduction in property and equipment, net and accumulated deficit and revised prior period balances accordingly. We also recognized the remaining $0.5 million understatement of depreciation expense from 2016 through the third quarter of 2018 in depreciation expense during the fourth quarter of 2018. The following table shows the impact of the revision on the December 31, 2017 Consolidated Balance Sheet (in thousands):

	As Previously Reported	Adjustment	As Revised
ASSETS			
Property and equipment, net ($134,843 attributable to VIEs)	$ 167,938	$ (2,636)	$ 165,302
Total assets	330,350	(2,636)	327,714
STOCKHOLDERS' EQUITY			
RLH Corporation stockholders' equity:			
Accumulated deficit	$ (15,406)	$ (2,636)	$ (18,042)
Total RLH Corporation stockholders' equity	162,859	(2,636)	160,223
Total stockholders' equity	190,240	(2,636)	187,604
Total liabilities and stockholders' equity	330,350	(2,636)	327,714

The following table shows the impact of the revision on the Consolidated Statements of Changes in Stockholders' Equity for the periods presented (in thousands):

	As Previously Reported	Adjustment	As Revised
Retained Earnings (Accumulated Deficit) as of January 1, 2016	$ (11,310)	$ (2,636)	$ (13,946)
Retained Earnings (Accumulated Deficit) as of December 31, 2016	(15,987)	(2,636)	(18,623)
Retained Earnings (Accumulated Deficit) as of December 31, 2017	(15,406)	(2,636)	(18,042)

Revenue Recognition for 2018

Revenue is generally recognized as services are provided. Revenues are primarily derived from franchise contracts with third-party hotel owners, as well as from individual hotel guests and corporate patrons at our owned and leased hotels. Revenues are also derived from management of third-party owned hotels. The majority of compensation received for our performance obligations is variable consideration from our management and franchise contracts or fixed transactional guest consideration through our owned and leased hotels. We recognize the variable fees as the services to which they relate are delivered, applying the prescribed variable consideration allocation guidance. In certain circumstances we defer consideration and recognize consideration over time as the related performance obligations are satisfied.

Franchised hotels revenue

We identified the following services as one performance obligation in connection with our franchise contracts:

- *Intellectual Property (IP)* licenses grant a non-exclusive, limited revocable license to the RLH trademarks and hotel names.
- *Manual and Training Services* provide operational assistance unique to the RLH brands, business model and standards.
- *Reservation Services* are provided through direct or indirect system access.
- *Marketing Services and Arrangements* benefit the overall hotel network and include brand promotions, direct guest marketing, brand name marketing and various other programs targeted at advertising to guests.
- *Brand Conference* is provided typically annually for third party owners to gather and attend educational seminars and brand informational presentations.

The performance obligation related to franchise revenues is delivered over time. While the underlying services may vary from day to day, the nature of the promises are the same each day, other than the Brand Conference, which is recognized in the month the service is provided, and the property owner can independently benefit from each day's services. Franchise fees are typically based on the sales or usage of the underlying hotel, with the exception of fixed upfront fees that usually represent an insignificant portion of the transaction price. In addition, we have certain franchise agreements that contain a declining royalty rate over the term of the contract. Revenue for these contracts cannot be recognized based on the underlying sales or usage of the hotel, but are instead accounted for as variable consideration recognized ratably over the term of the agreements.

Franchised hotels revenue represent fees earned in connection with the licensing of one of our brands, usually under long-term contracts with the property owner, and include the following:

- *Royalty fees* are generally based on a percentage of a hotel's monthly gross room revenue or a fixed monthly fee based on room count. These fees are typically billed and collected monthly, and revenue is generally recognized at the same time the fees are billed.
- *Marketing, reservations and reimbursables* are associated with our brands and shared services, which are paid from fees collected by us from the franchised properties. Revenue is generally recognized on a gross basis as fees are billed, which are based on the underlying hotel's sales or usage (e.g., gross room revenues and number of reservations processed) and expenses are expected to equal the revenues over time.
- *Other franchise fees* are primarily charges for services provided to franchised properties for revenue management, brand conference, and quality assurance inspections. In addition, this includes application, initiation and other fees that are charged when: (i) new hotels enter our system, (ii) there is a change of ownership, or (iii) contracts with properties already in our system are extended or modified. These fees are typically fixed and collected upfront and are recognized as revenue over the term of the franchise contract.

Any consideration paid or anticipated to be paid to incentivize hotel owners to enter into franchise contracts is capitalized and reduces revenues as amortized. The commission or direct costs of acquiring the contract or modification are recorded as contract acquisition costs and are recognized in franchise costs when amortized on a straight-line basis over the length of the contract.

Company operated hotels revenue

We identified the following performance obligations in connection with our owned and leased hotel revenues, for which revenue is recognized as the respective performance obligations are satisfied, which results in recognizing the amount we expect to be entitled to for providing the goods or services to the hotel customer or guest:

- *Room reservations or ancillary services* are typically satisfied as the good or service is transferred to the hotel guest, which is generally when the room stay occurs.
- *Other ancillary goods and services* are purchased independently of the room reservation at standalone selling prices and are considered separate performance obligations, which are satisfied when the related good or service is provided to the hotel guest.
- *Hotel management fees* represent fees earned from hotels that we manage, usually under long-term contracts with the property owner and are generally based on a percentage of a hotel's monthly gross revenue. Base fees are typically billed and collected monthly, and revenue is generally recognized at the same time the fees are billed.
- *Other revenue from managed properties* represent direct reimbursements including payroll and related costs and certain other operating costs of the managed properties' operations, which are contractually reimbursed to us by the property owners as expenses are incurred. Revenue is recognized based on the amount of expenses incurred by us that are included in *Company operated hotels* operating expenses in our Consolidated Statements of Comprehensive Income (loss). These expenses are then reimbursed by the property owner typically on a monthly basis, which results in no net effect on operating income (loss) or net income (loss).

Company operated hotels revenue primarily consist of hotel room rentals, revenue from accommodations sold in conjunction with other services (e.g., package reservations), food and beverage sales and other ancillary goods and services (e.g., parking) related to owned, leased and consolidated non-wholly owned (joint venture) hotel properties and hotel management fees and related direct reimbursement of certain operating costs for managed properties. Revenue is recognized when rooms are occupied or goods and services have been delivered or rendered, respectively. Payment terms typically align with when the goods and services are provided. The management fees from third-party hotel owners earned under the contract relate to a specific outcome of providing the services (e.g., hotel room sales). We use time as the measure of progress to recognize as revenue the fees that are allocated to the period earned per the contract.

Other revenues

Other revenues include revenues generated by the incidental support of hotel operations for owned, leased, managed and franchised hotels, including purchasing operations, and other operating income.

Taxes and fees collected on behalf of governmental agencies

We are required to collect certain taxes and fees from customers on behalf of governmental agencies and remit these back to the applicable governmental agencies on a periodic basis. We have a legal obligation to act as a collection agent. We do not retain these taxes and fees and, therefore, they are not included in our measurement of transaction prices. We have elected to present revenue net of sales taxes and other similar taxes. We record a liability when the amounts are collected and relieve the liability when payments are made to the applicable taxing authority or other appropriate governmental agency.

Revenue Recognition for 2017 and 2016

Revenue is generally recognized as services are provided. When payments from customers are received before services have been performed, the amount received is recorded as deferred revenue until the service has been completed. We recognize revenue from the following sources:

Franchised hotels revenue

Fees received in connection with the franchise and marketing of our brand names. Franchise revenues are recognized as earned in accordance with the contractual terms of the franchise agreements. These include *Royalty*, *Other franchise*, and *Marketing, reservations, and reimbursables*.

Company operated hotels revenue

Room rental and food and beverage sales from majority owned and leased hotels and management fees from hotels under management contract. Revenues are recognized when services have been performed, generally at the time of the hotel stay or guest's visit to the restaurant or at the time the management services are provided. We recognize other revenue and costs from managed properties when we incur the related reimbursable costs. These costs primarily consist of payroll and related expenses at managed properties where we are the employer. As these costs have no added markup, the revenue and related expense have no impact on either our operating or net income.

Other revenues

Other revenues include revenues generated by the incidental support of hotel operations for owned, leased, managed and franchised hotels, including purchasing operations, and other operating income.

Taxes and fees collected on behalf of governmental agencies

Indirect taxes, e.g., sales tax, occupancy tax, etc., are recognized on a net basis (excluded from revenues).

Cash and Cash Equivalents

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents. At times, cash balances at banks and other financial institutions may be in excess of federal insurance limits.

Restricted Cash

In accordance with our various borrowing arrangements, cash is often restricted and held primarily as reserves for debt service (interest only), property improvements and other requirements from the lenders.

Allowance for Doubtful Accounts

The ability to collect individual accounts receivable is reviewed on a routine basis. An allowance for doubtful accounts is recognized based on a combination of reserves calculated based on underlying characteristics of receivables (such as the age of the related receivable) as well as specifically identified amounts believed to be uncollectible. If actual collection experience changes, revisions to the allowance may be required and if all attempts to collect a receivable fail, it is recorded against the allowance. The estimate of the allowance for doubtful accounts may be impacted by, among other things, national and regional economic conditions. Acquired accounts receivable from business acquisitions are recorded at fair value, based on amounts expected to be collected, therefore no allowance for doubtful accounts related to these accounts is recorded at the acquisition date.

The following schedule summarizes the activity in the allowance account for trade accounts receivable for the past three years for continuing operations (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Allowance for doubtful accounts, continuing operations			
Balance, beginning of year	$ 1,436	$ 944	$ 657
Additions to allowance	1,014	528	358
Write-offs, net of recoveries	(105)	(36)	(71)
Balance, end of year	$ 2,345	$ 1,436	$ 944

Accounts Receivable from Related Parties

Amounts receivable from related parties relate to outstanding amounts billed to the owners of hotels we manage for reimbursement of costs of the operations of those hotels. We have a related party relationship with these owners, and there is no allowance for doubtful accounts associated with these receivables.

Notes Receivable

We carry notes receivable at their estimated collection amount, and they are classified as either current or long-term depending on the expected collection date. Interest income on notes receivable is recognized using the interest method.

Other Current Assets

Other current assets primarily includes prepaid and other expenses such as prepaid insurance, prepaid taxes, deposits, advertising costs and prepaid costs related to our brand conferences. Other current assets also consists of inventories, which are mostly food and beverage products held for sale at the company operated restaurants and guest supplies. Inventories are valued at the lower of cost, determined on a first-in, first-out basis, or net realizable value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The cost of improvements that extend the life of property and equipment is capitalized. Repairs and maintenance charges are recognized as incurred.

Depreciation is provided using the straight-line method over the estimated useful life of each asset, which ranges as follows:

Buildings	25 to 39 years
Equipment	2 to 15 years
Furniture and fixtures	2 to 15 years
Landscaping and improvements	15 years

Leasehold improvements are capitalized and depreciated over the term of the applicable lease, including renewable periods if reasonably assured to be exercised based on economic conditions and factors, or over the useful lives, whichever is shorter.

Assets Held for Sale

We consider a property to be an asset held for sale when all of the following criteria are met:

- management commits to a plan to sell the property;
- it is unlikely that the disposal plan will be significantly modified or discontinued;
- the property is available for immediate sale in its present condition;
- actions required to complete the sale of the property have been initiated;
- sale of the property is probable, we expect the completed sale will occur within one year; and
- the property is actively being marketed for sale at a price that is reasonable given its current market value.

Upon designation as an asset held for sale, we record the carrying value of each property at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and cease depreciation.

Goodwill

Goodwill is assigned to our reporting units based on the expected benefit from the synergies arising from each business combination, determined by using certain financial metrics. The reporting units are aligned with our reporting segments. Goodwill is not amortized, but we test goodwill for impairment each year as of October 1, or more frequently should facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than the carrying amount. As part of the impairment test, we may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit, including goodwill, is less than its carrying amount, or if we elect to bypass the qualitative assessment, we would then proceed with a quantitative assessment. The quantitative assessment involves calculating an estimated fair value of each reporting unit based on projected future cash flows, and comparing the estimated fair values of the reporting units to their carrying amounts, including goodwill. If the estimated fair value of the reporting unit exceeds its carrying value, including goodwill, no impairment is recognized. However, if the carrying amount of a reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to the excess, limited to the total goodwill balance of the reporting unit.

We have not recognized any impairment on goodwill during the years ended December 31, 2018, 2017 and 2016.

Indefinite-Lived Intangible Assets

Through prior business combinations we have obtained intangible assets related to our Americas Best Value Inn, Canadas Best Value Inn, Guesthouse, Knights Inn, and Red Lion brands. At the time of each acquisition, the brands were assigned a fair value based on the relief from royalty method. As there are no limitations on the useful lives of these assets, we have determined they are indefinite-lived intangible assets that will not be amortized. Annually, on October 1, we reassess the useful lives of each asset to determine if they should continue to be classified as indefinite and we additionally test the assets for impairment. Impairment may also be tested at any point in which facts and circumstances indicate that it is more likely than not that the fair value of the asset is less than the carrying amount. As part of the impairment test, we may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of the asset is less than its carrying amount, or if we elect to bypass the qualitative assessment, we would then proceed with a quantitative assessment. The quantitative assessment involves calculating an estimated fair value of the asset using the relief from royalty method, and comparing the estimated fair value of the asset to its carrying amount. If the estimated fair value of the asset exceeds its carrying value, no impairment is recognized. However, if the carrying amount of the asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess.

As of October 1, 2018, we recognized an impairment loss on the Guesthouse brand indefinite-lived intangible asset of $3.5 million included in *Asset impairment* in the Consolidated Statements of Comprehensive Income (Loss) and reclassified the $2.1 million remaining fair value from an indefinite-lived intangible asset to a finite-lived intangible asset. See further discussion of the impairment and reclassification at Note 6, *Goodwill and Intangible Assets*. No impairment expense on indefinite-lived intangible assets was recognized during the years ended December 31, 2017 or 2016.

Valuation of Long-Lived Assets Including Finite-Lived Intangible Assets

We test long-lived asset groups, including finite-lived intangible assets, for recoverability when changes in circumstances indicate the carrying value may not be recoverable. For example, when there are material adverse changes in projected revenues or expenses, significant underperformance relative to historical or projected operating results, or significant negative industry or economic trends. We also perform a test for recoverability when management has committed to a plan to sell or otherwise dispose of an asset group. We evaluate recoverability of an asset group by comparing its carrying value to the future net undiscounted cash flows that we expect will be generated by the asset group. If the comparison indicates that the carrying value of an asset group is not recoverable, we recognize an impairment loss for the excess of carrying value over the estimated fair value. When we recognize an impairment loss for assets to be held and used, we depreciate the adjusted carrying amount of those assets over their remaining useful life.

During the year ended December 31, 2018, we recognized an impairment loss on the Baltimore property of $7.1 million included in *Asset impairment* in the Consolidated Statements of Comprehensive Income (Loss). See further discussion of the impairment at Note 5, *Property and Equipment*. No impairment expense on long-lived assets was recognized during the years ended December 31, 2017 and 2016.

Variable Interest Entities

We analyze the investments we make in joint venture entities based on the accounting guidance for variable interest entities (VIEs). These joint ventures are evaluated to determine whether (1) sufficient equity at risk exists for the legal entity to finance its activities without additional subordinated financial support or, (2) as a group, the holders of the equity investment at risk lack one of the following characteristics (a) the power, through voting or similar rights, to direct the activities of the legal entity that most significantly impact the entity's economic performance or, (b) the obligation to absorb the expected losses of the legal entity or (c) the right to receive expected residual returns of the legal entity, or (3) the voting rights of some equity investors are not proportional to their obligations to absorb the losses or the right to receive benefits and substantially all of the activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. If any one of the above three conditions are met then the joint venture entities are considered to be VIEs.

We consolidate the results of any such VIE in which we determine that we are the primary beneficiary. We are considered to be the primary beneficiary of an entity if we have both the power to direct the activities that most significantly affect the VIE's economic performance and the obligation to absorb the losses of, or right to receive the benefits from, the VIE that could be potentially significant to the VIE.

Business Combinations

On the date of acquisition, the assets acquired, liabilities assumed, and any noncontrolling interests in the acquiree are recorded at their fair values. The acquiree's results of operations are also included in our consolidated results as of the date of acquisition. Intangible assets that arise from contractual/legal rights, or are capable of being separated are measured and recorded at fair value, and amortized over the estimated useful life. If practicable, assets acquired and liabilities assumed arising from contingencies are measured and recorded at fair value. If the valuation of any contingent assets or liabilities is not practicable, such assets and liabilities are measured and recorded when it is probable that a gain or loss has occurred and the amount can be reasonably estimated. The residual balance of the purchase price, after fair value allocations to all identified assets and liabilities, represents goodwill. Acquisition-related costs are recognized as incurred. Restructuring costs associated with an acquisition are generally recognized in periods subsequent to the acquisition date, and changes in deferred tax asset valuation allowances and acquired income tax uncertainties, including penalties and interest, after the measurement period are recognized as a component of the provision for income taxes. Our acquisitions may include contingent consideration, which require us to recognize the fair value of the estimated liability at the time of the acquisition. Subsequent changes in the estimate of the amount to be paid under the contingent consideration arrangement are recognized in the Consolidated Statements of Comprehensive Income (Loss). Cash payments for contingent or deferred consideration up to the amount of liability recognized on the acquisition date are classified within cash flows from financing activities within the Consolidated Statements of Cash Flows and any excess is classified as cash flows from operating activities.

Other Assets

Other assets primarily consist of key money arrangements with certain of our franchisees and IT system implementation and license costs, for both our franchisees and our company operated hotels. We recognize key money paid in conjunction with entering into long-term franchise agreements as prepaid expenses and amortize the amount paid as a reduction of revenue over the term of the franchise agreements. IT system implementation and license costs represent costs incurred to implement, operate and maintain RevPak, our proprietary guest management system application and are amortized over the initial term of the software license arrangement or the current license period, as applicable.

Fair Value Measurements

Applicable accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). We measure our assets and liabilities using inputs from the following three levels of the fair value hierarchy:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date.
- Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).
- Level 3 includes unobservable inputs that reflect assumptions about what factors market participants would use in pricing the asset or liability. We develop these inputs based on the best information available, including our own data.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that we believe these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning, and results of recent operations. At December 31, 2018 and 2017, a partial valuation allowance was recorded to reduce our deferred tax assets to an amount that is more likely than not to be realized. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We classify any interest expense and penalties related to underpayment of taxes and any interest income on tax overpayments as components of income tax expense.

We record uncertain tax positions in accordance with Accounting Standards Codification (ASC) 740 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. See Note 14, *Income Taxes*.

Advertising and Promotion

Costs associated with advertising and promotional efforts are generally recognized as incurred. During the years ended December 31, 2018, 2017 and 2016, we incurred approximately $2.7 million, $5.6 million and $5.3 million, respectively, in advertising expense included in *Marketing, reservations, and reimbursables expense* in the Consolidated Statements of Comprehensive Income (Loss).

Discontinued Operations

When an asset group meets the criteria to be classified as held-for-sale or is disposed of by sale, and the disposal represents a strategic shift that has or will have a major impact on our financial statements, we classify the results of operations as discontinued operations in our Consolidated Statements of Comprehensive Income (Loss) for all periods presented.

On October 3, 2017, we completed the sale of certain specified liabilities and substantially all of the assets of our entertainment segment, previously composed of WestCoast Entertainment and TicketsWest, including ticketing agreements and engagement agreements with various entertainment venues, teams and artists located throughout the Western United States. The transaction represented a strategic shift that had a major impact on our financial statements. In accordance with this strategic shift, the results of the entertainment segment are reported as discontinued operations for all periods presented in this annual report on Form 10-K. See Note 17 *Acquisitions and Dispositions*, for further discussion.

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share attributable to RLH Corporation is computed by dividing income (loss) attributable to RLH Corporation by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share attributable to RLH Corporation gives effect to all dilutive potential shares that are outstanding during the period and include outstanding stock options, other outstanding employee equity grants, warrants and amounts contingently issuable in association with the Vantage acquisition contingent consideration, by increasing the weighted-average number of shares outstanding by their effect. See Note 13 *Earnings (Loss) Per Share*.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. We have adopted the standard on January 1, 2019 and applied the package of practical expedients included therein. The standard was adopted using the modified retrospective transition method and we did not apply the standard to the comparative periods presented in the year of adoption.

Due to the existence of certain operating lease obligations as of January 1, 2019, we anticipate the recognition of approximately $51 million of ROU assets and corresponding lease liabilities of approximately $52 million, with reductions of other accrued liabilities and deferred income and other long-term liabilities of approximately $1 million. However, the Consolidated Statement of Comprehensive Income (Loss) recognition of lease expenses is not expected to materially change from the current methodology.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*, which will change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The ASU will replace the current "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For trade and other receivables, held to maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowances for losses. The ASU is effective in the first quarter of 2020. We are currently evaluating the effects of this ASU on our financial statements, and such effects have not yet been determined.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which provides modifications to the disclosure requirements over fair value measurements. The ASU is effective in the first quarter of 2020, with early adoption permitted. We are currently evaluating the effects of this ASU on our financial statements, and such effects have not yet been determined.

We have assessed the potential impact of other recently issued, but not yet effective, accounting standards and determined that the provisions are either not applicable to us or are not anticipated to have a material impact on our consolidated financial statements.

New Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. We adopted the requirements of Topic 606 on January 1, 2018 using the modified retrospective method, as permitted by the standard, resulting in a cumulative adjustment to *Accumulated deficit* of $0.4 million. In implementation, we applied the transition guides to franchise agreements originated by us. No contract liability was recorded for franchise contracts that were acquired in prior business combinations or asset purchases.

The provisions of Topic 606 affected our revenue recognition as follows:

- Application, initiation and other fees are recognized over the enforceable period of the franchise contract, rather than upon execution of the contract. These fees are recognized in *Other franchise* revenues.

- Certain contract acquisition costs related to our management and franchise contracts are recognized over the term of the contracts rather than upon execution of the contract. The amortization of these costs is recognized in *Selling, general, administrative and other expenses* over the enforceable period of the franchise contract.

Information below represents the effect of the adoption of Topic 606 on our Consolidated Balance Sheet as of December 31, 2018 and our Consolidated Statement of Comprehensive Income (Loss) for the year ended December 31, 2018 (in thousands, except per share data).

	As Reported	Adjustment	Balances without adoption of topic 606
ASSETS			
Other current assets	$ 6,218	$ (288)	$ 5,930
Other assets, net	8,075	(887)	7,188
Total assets	249,787	(1,175)	248,612
LIABILITIES			
Other accrued liabilities	$ 4,960	$ (679)	$ 4,281
Deferred income and other long-term liabilities	2,245	(1,183)	1,062
Deferred income taxes	772	38	810
Total liabilities	62,871	(1,824)	61,047
STOCKHOLDERS' EQUITY			
RLH Corporation stockholders' equity:			
Accumulated deficit	$ (16,512)	$ 649	$ (15,863)
Total RLH Corporation stockholders' equity	165,752	649	166,401
Total stockholders' equity	186,916	649	187,565
Total liabilities and stockholders' equity	249,787	(1,175)	248,612

Year Ended December 31, 2018	As Reported	Adjustment	Balances without adoption of topic 606
Revenue:			
Other franchise	$ 5,537	$ 537	$ 6,074
Total revenues	135,849	537	136,386
Operating expenses:			
Selling, general, administrative and other expenses	32,122	422	32,544
Total operating expenses	114,096	422	114,518
Operating income (loss)	21,753	115	21,868
Income (loss) from continuing operations before taxes	15,015	115	15,130
Income tax benefit	(71)	28	(43)
Net income (loss) from continuing operations	15,086	87	15,173
Net income (loss)	15,086	87	15,173
Net income (loss) and comprehensive income (loss) attributable to RLH Corporation	1,957	87	2,044
Basic earnings (loss) per share from continuing operations	$ 0.08	$ —	$ 0.08
Diluted earnings (loss) per share from continuing operations	$ 0.08	$ —	$ 0.08

In August 2016, the FASB issued ASU 2016-15*, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* to address diversity in practice for eight specific topics: (1) debt prepayment or debt extinguishment costs; (2) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims; (5) proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); (6) distributions received from equity method investees; (7) beneficial interests in securitization transactions; and (8) separately identifiable cash flows and application of the predominance principle. We adopted this guidance as of January 1, 2018, as required, and there was no material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Clarifying the Definition of a Business* (ASU 2017-01), which narrows the definition of a business and provides a framework that gives entities a basis for making reasonable judgments about whether a transaction involves an asset or a business. ASU 2017-01 states that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. If this initial test is not met, a set cannot be considered a business unless it includes an input and a substantive process that together significantly contribute to the ability to create output. We adopted this guidance as of January 1, 2018, as required, and there was no material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment* (ASU 2017-04), which simplifies the measurement of goodwill impairment by removing step two of the goodwill impairment test that requires the determination of the fair value of individual assets and liabilities of a reporting unit. ASU 2017-04 requires goodwill impairment to be measured as the amount by which a reporting unit's carrying value exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We early adopted this guidance as of October 1, 2018, as allowed, for our annual goodwill impairment testing and there was no material impact on our financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.* ASU 2017-05 clarifies that a financial asset is within the scope of Subtopic 610-20 if it meets the definition of an in substance nonfinancial asset and provides guidance for the partial sale of nonfinancial assets. The guidance was effective for us as of January 1, 2018 in conjunction with our adoption of Topic 606. We implemented this ASU on a modified retrospective basis and there was no material impact on our consolidated financial statements.

3. Business Segments

We have two operating segments: franchised hotels and company operated hotels. The "other" segment consists of miscellaneous revenues and expenses, cash and cash equivalents, certain receivables, certain property and equipment and general and administrative expenses, which are not specifically associated with an operating segment. Management reviews and evaluates the operating segments exclusive of interest expense, income taxes and certain corporate expenses; therefore, they have not been allocated to the operating segments. We allocate direct selling, general, administrative and other expenses to our operating segments. All balances have been presented after the elimination of inter-segment and intra-segment revenues and expenses.

The results of operations of the entertainment segment were treated as discontinued operations, due to the sale of the business completed on October 3, 2017. As a result, the revenue and operating expenses of the entertainment segment are excluded from the segment disclosures below.

Selected financial information is provided below (in thousands):

Year Ended December 31, 2018	**Franchised Hotels**	**Company Operated Hotels**	**Other**	**Total**
Revenue	$ 53,794	$ 82,021	$ 34	$ 135,849
Operating expenses:				
Segment and other operating expenses	36,203	70,899	19,211	126,313
Depreciation and amortization	4,110	11,007	1,886	17,003
Asset impairment	3,482	7,100	—	10,582
Gain on asset dispositions, net	—	(41,943)	(78)	(42,021)
Acquisition and integration costs	2,219	—	—	2,219
Operating income (loss)	$ 7,780	$ 34,958	$ (20,985)	$ 21,753
Capital expenditures	$ 438	$ 2,235	$ 6,311	$ 8,984
Identifiable assets as of December 31, 2018	$ 101,863	$ 123,527	$ 24,397	$ 249,787

Year Ended December 31, 2017	Franchised Hotels	Company Operated Hotels	Other	Total
Revenue	$ 48,559	$ 123,100	$ 267	$ 171,926
Operating expenses:				
Segment and other operating expenses	34,897	100,342	15,680	150,919
Depreciation and amortization	2,434	15,020	1,370	18,824
Asset impairment	—	—	—	—
Gain on asset dispositions, net	—	(461)	12	(449)
Acquisition and integration costs	1,426	—	103	1,529
Operating income (loss)	$ 9,802	$ 8,199	$ (16,898)	$ 1,103
Capital expenditures	$ 650	$ 4,718	$ 3,103	$ 8,471
Identifiable assets as of December 31, 2017	$ 70,035	$ 239,023	$ 18,656	$ 327,714

Year Ended December 31, 2016	Franchised Hotels	Company Operated Hotels	Other	Total
Revenue	$ 24,634	$ 123,589	$ 128	$ 148,351
Operating expenses:				
Segment and other operating expenses	21,191	102,260	9,275	132,726
Depreciation and amortization	890	14,176	1,029	16,095
Asset impairment	—	—	—	—
Gain on asset dispositions, net	—	(2,043)	(393)	(2,436)
Acquisition and integration costs	237	—	1,875	2,112
Operating income (loss)	$ 2,316	$ 9,196	$ (11,658)	$ (146)
Capital expenditures	$ —	$ 31,738	$ 2,972	$ 34,710
Identifiable assets as of December 31, 2016	$ 66,601	$ 257,947	$ 17,351	$ 341,899

4. Variable Interest Entities

Our joint venture entities have been determined to be variable interest entities (VIEs), and RLH Corporation has been determined to be the primary beneficiary of each VIE. Therefore, we consolidate the assets, liabilities, and results of operations of (1) RL Venture LLC (RL Venture), (2) RLS Balt Venture LLC (RLS Balt Venture), (3) RLS Atla Venture LLC (RLS Atla Venture) and (4) RLS DC Venture LLC (RLS DC Venture). In October 2018, we purchased the outstanding noncontrolling interest of RLS Balt Venture, making the entity a wholly owned subsidiary that is no longer a variable interest entity. This transaction is described further below.

RL Venture

We own a 55% interest in RL Venture, with the remaining 45% owned by Shelbourne Falcon RLHC Hotel Investors LLC (Shelbourne Falcon), an entity that is led by Shelbourne Capital LLC (Shelbourne). The hotels owned by RL Venture were managed by RL Management, one of our wholly-owned subsidiaries, subject to a management agreement until December 2018, at which point management of the hotels was outsourced to a third party management company. RL Venture is considered a variable interest entity because our voting rights are not proportional to our financial interest and substantially all of RL Venture's activities are conducted on our behalf. We have determined that we are the primary beneficiary as (a) we exert power over two of the entity's key activities (hotel operations and property renovations) and share power over the remaining key activities with Shelbourne Falcon, which does not have the unilateral ability to exercise kick-out rights, and (b) we have the obligation to absorb losses and right to receive benefits that could be significant to the entity through our 55% equity interest and management fees. As a result, we consolidate RL Venture. The equity interest owned by Shelbourne Falcon is reflected as a noncontrolling interest in the condensed consolidated financial statements.

In February 2018, five of the RL Venture properties were sold for an aggregate sale price of $47.2 million. In April 2018, one of the RL Venture properties sold for $5.5 million. In May 2018, one of the RL Venture properties sold for $9.3 million. In July 2018, two additional RL Venture properties sold for $54.5 million. As of December 31, 2018, RL Venture holds two remaining properties. See further discussion of these sales in Note 17, *Acquisitions and Dispositions*. Proceeds from these sales were used to repay in full the RL Venture term loan as discussed further in Note 8, *Debt and Line of Credit*.

Cash distributions may be made periodically based on calculated distributable income. For the year ended December 31, 2018, RL Venture made cash distributions of $47.6 million, of which we received $26.2 million. For the year ended December 31, 2017, RL Venture made cash distributions of $6.8 million, of which we received $3.7 million. Under our credit agreement with Deutsche Bank AG New York Branch (DB), Capital One, National Association and Raymond James Bank, N.A., as lenders and DB as the administrative agent dated as of May 14, 2018, as amended, (DB Credit Agreement), these funds must be deposited into a cash collateral account and may be used to pay down the principal outstanding on the Senior Secured Term Loan. In August 2018, RLH Corporation deposited the $20.6 million received from RL Venture in a cash collateral account controlled by DB and used the funds to make a prepayment on the balance outstanding under the Senior Secured Term Loan under the DB Credit Agreement.

RLS Balt Venture

RLS Balt Venture owns the Hotel RL Baltimore Inner Harbor. Prior to October 2018, we owned a 73% interest in RLS Balt Venture, with the remaining 27% owned by Shelbourne Falcon II. In October 2018, we signed an agreement with Shelbourne Falcon Charm City Investors LLC (Shelbourne Falcon II), an entity led by Shelbourne, in which we dissolved the joint venture relationship in exchange for consideration of $0.3 million and gives RLH Corporation 100% ownership of RLS Balt Venture LLC. The buyout impacted the balance sheet through an increase in the noncontrolling interest balance of $2.1 million and a decrease in additional paid in capital of $2.4 million. Subsequent to the buyout, RLS Balt Venture is now a fully consolidated subsidiary of the Company and is no longer a variable interest entity.

Previously, RLS Balt Venture was considered a variable interest entity because our voting rights were not proportional to our financial interest and substantially all of RLS Balt Venture's activities were conducted on our behalf. We were the primary beneficiary as (a) we exerted power over the entity's key activities (hotel operations and property renovations) and shared power over the remaining key activities with Shelbourne Falcon II, which did not have the unilateral ability to exercise kick-out rights, and (b) we had the obligation to absorb losses and right to receive benefits that could be significant to the entity through our 73% equity interest and management fees. As a result, we consolidated RLS Balt Venture. The equity interest owned by Shelbourne Falcon II was reflected as a noncontrolling interest in the condensed consolidated financial statements.

In May 2017 and 2018, RLH Corporation provided $2.8 million and $2.0 million, respectively, to RLS Balt Venture to fund operating losses. There were no cash distributions made during the years ended December 31, 2018 or 2017.

RLS Atla Venture

We own a 55% interest in RLS Alta Venture and Shelbourne Falcon Big Peach Investors LLC (Shelbourne Falcon III), an entity led by Shelbourne, owns a 45% interest. RLH Atlanta LLC (RLH Atlanta), which is wholly-owned by RLS Atla Venture, owns a hotel adjacent to the Atlanta International Airport that opened in April 2016 as the Red Lion Hotel Atlanta International Airport, which is managed by RL Management. RLS Atla Venture is considered a variable interest entity because our voting rights are not proportional to our financial interest and substantially all of RLS Atla Venture's activities are conducted on our behalf. We have determined that we are the primary beneficiary as (a) we exert power over the entity's key activities (hotel operations and property renovations) and share power over the remaining key activities with Shelbourne Falcon III, which does not have the unilateral ability to exercise kick-out rights, and (b) we have the obligation to absorb losses and right to receive benefits that could be significant to the entity through our 55% equity interest and management fees. As a result, we consolidate RLS Atla Venture. The equity interest owned by Shelbourne Falcon III is reflected as a noncontrolling interest in the consolidated financial statements.

Cash distributions may be made periodically based on calculated distributable income. There were no cash distributions made during the years ended December 31, 2018 or 2017.

On August 9, 2018 we announced that we would be marketing for sale the Red Lion Hotel Atlanta International Airport owned by RLH Atlanta.

RLS DC Venture

We own a 55% of RLS DC Venture, and Shelbourne Falcon DC Investors LLC (Shelbourne Falcon IV), an entity led by Shelbourne, owns 45%. RLC DC LLC, which is wholly-owned by RLS DC Venture, owns a Hotel RL in Washington DC, which was managed by RL Management until December 2018, at which point management of the hotel was outsourced to a third party management company. RLS DC Venture is considered a variable interest entity because our voting rights are not proportional to our financial interest, and substantially all of RLS DC Venture's activities are conducted on our behalf. We have determined that we are the primary beneficiary as (a) we exert power over the entity's key activities (hotel operations and property renovations) and share power over the remaining key activities with Shelbourne Falcon IV, which does not have the unilateral ability to exercise kick-out rights, and (b) we have the obligation to absorb losses and right to receive benefits that could be significant to the entity through our 55% equity interest and management fees. As a result, we consolidate RLS DC Venture. The equity interest owned by Shelbourne Falcon IV is reflected as a noncontrolling interest in the consolidated financial statements.

In May 2017, RLH Corporation provided $950,000 to RLS DC Venture to fund restricted cash required by its loan agreement with Pacific Western Bank. In May 2018, RLH Corporation provided $450,000 to RLS DC Venture to be used as a principal payment on the debt to Pacific Western Bank to bring the loan into compliance with the loan to value debt covenant requirement of the loan agreement. These fundings were not treated as a loan or as a capital contribution. Rather, it is preferred capital of RLS DC Venture and will be repaid only when the DC hotel property is sold, when RLS DC Venture is liquidated, or the restricted cash is released per the loan agreement. Upon such an event, RLH Corporation will receive the preferred capital plus a preferred return of 9% on the May 2017 preferred capital and 11% on the May 2018 preferred capital, compounded annually, prior to any liquidation proceeds being returned to the members.

In May 2018, the loan was also amended to add a $4.5 million principal guarantee by RLH Corporation. The amendment also allows future debt service coverage ratio covenant defaults to be cured by an increase in the RLH Corporation principal guarantee. This option can be exercised a maximum of two times during the remaining term of the loan. In December 2018, the loan was further amended to add an additional $6.0 million principal guarantee by RLH Corporation, remediating Q3 2018 breaches in the debt service coverage ratio and the required loan to value ratio through May 31, 2019.

Cash distributions may be made periodically based on calculated distributable income. There were no cash distributions made during the years ended December 31, 2018 or 2017.

5. Property and Equipment

Property and equipment used in continuing operations is summarized as follows (in thousands):

	December 31, 2018	December 31, 2017
Buildings and equipment	$ 150,072	$ 216,618
Furniture and fixtures	19,746	29,132
Landscaping and land improvements	2,713	5,104
	172,531	250,854
Less accumulated depreciation	(82,240)	(121,524)
	90,291	129,330
Land	19,372	31,710
Construction in progress	5,859	4,262
Property and equipment, net	$ 115,522	$ 165,302

In the third quarter of 2018, we recognized a $7.1 million impairment on our Baltimore property. The default on the RL Baltimore loan (described further in Note 8, *Debt and Line of Credit*), coupled with challenging cash flow results for the asset gave rise to the impairment. The fair value of the asset was determined by a third-party valuation that included an analysis of selling prices for similar assets as well as a discounted cash flow analysis, which are Level 3 fair value measurements. Key inputs to the fair value measurement for these assets included forecasted revenues expected to be generated by the hotel, factoring in the market it serves, as well as forecasted operating costs and capital expenditures that would be incurred by a market participant. Other inputs included sales data for similarly situated hotels in the market, adjusted to reflect known differences in the assets.

During the year ended December 31, 2018, we sold nine hotel properties for a total gain of $40.7 million. See further discussion of these dispositions at Note 17, *Acquisitions and Dispositions*.

6. Goodwill and Intangible Assets

During the fourth quarter of 2018, as part of our annual impairment testing of indefinite lived intangible assets, we identified an impairment of $3.5 million on our Guesthouse indefinite lived brand name in our franchised hotels segment as the brand has encountered lower growth than previously expected, mostly due to the addition of other offerings in our portfolio. The impairment loss is included in the *Asset Impairment* caption in the Consolidated Statements of Comprehensive Income (Loss).

The inputs used to measure the fair value of the Guesthouse brand name were largely unobservable, and accordingly, this measure is classified as Level 3. The fair value of the Guesthouse brand name was estimated based on the relief from royalty method, which models the cash flows from the brand intangibles assuming royalties were received under a licensing arrangement. This discounted cash flow analysis uses inputs such as forecasted future revenues attributable to the brand, assumed royalty rates and a risk-adjusted discount rate that approximates the estimated cost of capital. The unobservable inputs used in this valuation included projected revenue growth rates, royalty rates, and the discount rate. The Company used a discount rate of 11%. Additionally, we have reclassified the remaining $2.1 million balance to a finite lived brand name with a remaining useful life of 6.3 years as of December 31, 2018.

Aside from the impairment of indefinite lived intangible assets described above, changes in the goodwill and other intangible asset balances from December 31, 2017 to December 31, 2018 relate to the Knights Inn acquisition on May 14, 2018 as described in Note 17*, Acquisitions and Dispositions* and continuing amortization of finite lived intangible assets.

The following table summarizes the balances of goodwill and other intangible assets (in thousands):

	December 31, 2018	December 31, 2017
Goodwill	$ 18,595	$ 9,404
Intangible assets		
Brand name - indefinite lived	$ 41,278	$ 39,160
Trademarks - indefinite lived	128	128
Brand name - finite lived, net	4,326	2,814
Customer contracts - finite lived, net	15,178	8,647
Total intangible assets	$ 60,910	$ 50,749

Goodwill and other intangible assets attributable to each of our business segments at December 31, 2018 and 2017 were as follows (in thousands):

	December 31, 2018		December 31, 2017	
	Goodwill	Intangible Assets	Goodwill	Intangible Assets
Company operated hotels	$ —	$ 4,660	$ —	$ 4,660
Franchised hotels	18,595	56,250	9,404	46,089
Total	$ 18,595	$ 60,910	$ 9,404	$ 50,749

The following table summarizes the balances of amortized customer contracts and finite-lived brand names (in thousands):

	December 31, 2018	December 31, 2017
Customer contracts(1)	$ 20,773	$ 11,673
Brand name - finite lived(2)	5,395	3,295
Accumulated amortization	(6,664)	(3,507)
Net carrying amount	$ 19,504	$ 11,461

(1) Customer contracts are being amortized on a straight-line basis over useful remaining lives ranging from 6.3 years to 15.0 years, with a weighted average remaining life of 13.3 years.
(2) Brand name - finite lived are being amortized on a straight-line basis over useful remaining lives ranging from 6.3 years to 7.8 years, with a weighted average remaining life of 7.1 years.

Amortization of our finite lived intangible assets was $3.2 million, $2.1 million and $0.8 million for the years ended December 31, 2018, 2017, and 2016, respectively.

As of December 31, 2018, estimated future amortization expenses related to customer contracts and finite-lived brand names is as follows (in thousands):

Years Ending December 31,	Amount
2019	$ 3,552
2020	3,055
2021	2,643
2022	2,306
2023	2,008
Thereafter	5,940
Total	$ 19,504

7. Revenue from Contracts with Customers

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers (in thousands):

	December 31, 2018
Accounts receivable	$ 18,575
Key money disbursed	6,409
Capitalized contract costs	1,172
Contract liabilities	1,981

Significant changes in the key money disbursements, capitalized contract costs, and contract liabilities balances during the period are as follows (in thousands):

	Key Money Disbursed	Capitalized Contract Costs	Contract Liabilities
Balance as of January 1, 2018	$ 1,148	$ 750	$ 1,444
Key money disbursed	5,695	—	—
Costs incurred to acquire contracts	—	736	—
Cash received in advance	—	—	1,290
Revenue or expense recognized that was included in the January 1, 2018 balance	(207)	(244)	(526)
Revenue or expense recognized in the period for the period	(227)	(70)	(227)
Balance as of December 31, 2018	$ 6,409	$ 1,172	$ 1,981

Estimated revenues and expenses expected to be recognized related to performance obligations that were unsatisfied as of December 31, 2018, including revenues related to application, initiation and other fees are as follows (in thousands):

Years Ending December 31,	Revenue	Contra Revenue	Expense
2019	$ 693	$ 482	$ 291
2020	474	475	258
2021	312	432	163
2022	243	412	132
2023	133	390	86
Thereafter	126	4,218	242
Total	$ 1,981	$ 6,409	$ 1,172

We did not estimate revenues expected to be recognized related to our unsatisfied performance obligations for our: (i) royalty fees, as they are considered sales-based royalty fees recognized as hotel room sales occur in exchange for licenses of our brand names over the terms of the franchise contracts; and (ii) hotel management fees since they are allocated entirely to the wholly unsatisfied promise to transfer management services, which form part of a single performance obligation in a series, over the term of the management contract. Therefore, there are no amounts included in the table above related to these revenues.

8. Debt and Line of Credit

The current and noncurrent portions of long-term debt as of December 31, 2018 and 2017 are as follows (in thousands):

	December 31,			
	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Line of Credit	$ —	$ 10,000	$ —	$ —
Senior Secured Term Loan	—	9,355	—	—
RL Venture	—	—	40,602	32,625
RL Baltimore	—	—	13,300	—
RLH Atlanta	9,225	—	9,360	—
RLH DC	15,943	—	332	16,303
Total debt	25,168	19,355	63,594	48,928
Unamortized debt issuance costs	(112)	(241)	(680)	(445)
Long-term debt net of debt issuance costs	$ 25,056	$ 19,114	$ 62,914	$ 48,483

The collateral for each of the borrowings within the joint venture entities is the assets and proceeds of each respective entity. Each of our debt agreements contain customary reporting, financial and operating covenants. We were in compliance with all of the financial covenants of our debt agreements at December 31, 2018, unless further described below.

Senior Secured Term Loan and Line of Credit

In May 2018, RLH Corporation and certain of its direct and indirect wholly-owned subsidiaries entered into a credit agreement with Deutsche Bank AG New York Branch (DB), Capital One, National Association and Raymond James Bank, N.A., as lenders and DB as the administrative agent (DB Credit Agreement). The DB Credit Agreement provided for a $30.0 million senior secured term loan facility (Senior Secured Term Loan) and a $10.0 million senior secured revolving credit facility (Line of Credit). The principal amount of the Senior Secured Term Loan was distributed at closing to fund the KFS acquisition.

The loan agreement includes customary requirements for lender approval of annual operating and capital budgets, under certain conditions. It also includes customary events of default, cross-default provisions, and restrictions on payment of dividends. Our obligations under the DB Credit Agreement are (i) guaranteed by all of our direct and indirect wholly-owned subsidiaries, and (ii) secured by all of the present and after-acquired accounts, inventory, equipment, intellectual property, contractual rights and other tangible or intangible assets of RLH Corporation and the subsidiary guarantors.

The default of RL Baltimore LLC on August 10, 2018 under the terms of the Baltimore Note, as described below, created a default under our DB Credit Agreement. On August 31, 2018, we entered into a First Amendment (Amendment) and Waiver (Waiver) to the DB Credit Agreement. Pursuant to the Waiver, the Lenders agreed to waive the default of RLH Corporation under the DB Credit Agreement caused by the default of RL Baltimore LLC under the terms of the Baltimore Note, with the waiver to be effective August 10, 2018.

The Amendment also authorized our purchase of the Baltimore Note through our wholly owned subsidiary RLH Balt Acquisition, as described below, and added RLH Balt Acquisition as a Guarantor under the Credit Agreement. Our equity interest in RLH Balt Acquisition, and its interest in the Baltimore Note, were pledged to Lenders to secure the obligations of the Company under the Credit Agreement. In addition, the Amendment provided that there would be no cross default under the DB Credit Agreement with respect to the Baltimore Note for a period of 180 days, and clarified that no cross default under the DB Credit Agreement would occur in the event RLH Balt Acquisition waives any default under the Baltimore Note after such date.

In August 2018, we deposited $20.6 million from asset sale proceeds and related joint venture distributions into a cash collateral account controlled by the lender. We subsequently used these funds to make a prepayment on the balance outstanding under the Senior Secured Term Loan, reducing the outstanding balance of the Senior Secured Term Loan to $9.4 million at December 31, 2018. In August 2018, we also drew the full $10.0 million available to us on the Line of Credit. This amount remains outstanding as of December 31, 2018 and we have no further borrowing capacity through the Line of Credit. Due to the August 2018 prepayment described above, there are no further scheduled principal payments due until maturity.

The loans and credit commitments mature in May 2023. Due to the August 2018 prepayment described above, there are no further scheduled principal payment due until maturity. Outstanding amounts under the Senior Secured Term Loan and Line of Credit will bear interest at our election of 1-month, 2- month, 3-month, or 6-month LIBOR plus 3.00% with interest payable at the end of each elected 1-month, 2-month, 3-month, or 6-month elected term. As of December 31, 2018 we have elected a 1-month LIBOR rate resulting in an interest rate of 5.3%.

In addition, the DB Credit Agreement includes mandatory prepayment of the Senior Secured Term Loan using any proceeds from incurred or issued indebtedness, and, starting with the full fiscal quarter ending March 31, 2019, requires prepayments in an amount equal to (x) 50% of all distributions received by RLH Corporation or its subsidiary guarantors from their respective subsidiaries and joint venture interests during any such fiscal quarter, minus (y) the amount of the amortization payment required to be made by RLH Corporation for such fiscal quarter, capped at $5.0 million. In addition, all net proceeds received by RLH Corporation from non-ordinary course asset sales and other specified dispositions of property, including the RL Venture property sales, must be maintained in a cash collateral account controlled by DB, subject to the right of RLH Corporation to prepay the Senior Secured Term Loan in whole or in part at any time with such proceeds.

RL Venture

In January 2015, RL Venture Holding LLC, a wholly-owned subsidiary of RL Venture entered into a loan agreement with Pacific Western Bank, which was secured by the hotels owned by RL Venture. The original principal amount of the loan was $53.8 million with an additional $26.2 million to be drawn over a two-year period to cover improvements related to the original hotels owned by the subsidiary.

In 2018, nine of the RL Venture properties were sold for $116.5 million. Using proceeds from the hotel sales and restricted cash associated with the debt, during the year ended December 31, 2018, RL Venture repaid the full $73.2 million principal outstanding under its loan agreement with Pacific Western Bank. Due to the extinguishment of this debt, we recognized a *Loss on early retirement of debt* of $0.7 million, from the write off of unamortized debt issuance costs. This debt is no longer outstanding as of December 31, 2018.

RL Baltimore

In April 2015, RL Baltimore obtained a mortgage loan from PFP Holding Company IV LLC, an affiliate of Prime Finance, secured by the Hotel RL Baltimore Inner Harbor. The initial principal amount of the loan was $10.1 million, and the lender agreed to advance an additional $3.2 million to cover expenses related to improvements to the hotel, which we drew during the year ended December 31, 2015.

In May 2018, RL Baltimore executed a three-month extension for its outstanding loan with PFP Holding Company IV (PFP). In connection with the extension, RLH Corporation agreed to allow RLS Balt Venture to transfer $2.0 million of costs owed to RLH Corporation for management fees and other operating costs into a preferred capital balance. The PFP loan matured and became due on August 10, 2018. Prior to the maturity date of the RL Baltimore loan, we were engaged in negotiations with our joint venture partner in RLS Balt Venture, LLC and the lender to evaluate options to address the maturity including, but not limited to, extending the agreement, amending the agreement, or paying off the loan with currently available cash, however, the parties were unable to reach agreement prior to the maturity date and accordingly the loan went into default.

In September 2018, RLH Corporation, through our wholly owned subsidiary RLH Baltimore Loan Acquisition LLC (RLH Balt Acquisition), purchased the outstanding promissory note, in the original principal amount of $13.3 million (Baltimore Note) for a total purchase price of $13.6 million, resulting in a *Loss on early retirement of debt* of $0.1 million, from the write off of unamortized debt issuance costs. RL Baltimore is a wholly owned subsidiary of RLS Balt Venture LLC, a consolidated subsidiary of RLH Corporation in which, at the time of the transaction, we held a 73% interest.

On October 25, 2018, RLH Corporation signed an agreement with Shelbourne Falcon II, which dissolves the joint venture relationship and gives RLH Corporation 100% ownership of RLS Balt Venture LLC. This debt is no longer outstanding as of December 31, 2018.

RLH Atlanta

In September 2015, RLH Atlanta obtained a mortgage loan from PFP Holding Company IV LLC, an affiliate of Prime Finance, secured by a hotel adjacent to the Atlanta International Airport, which opened in April 2016 as the Red Lion Hotel Atlanta International Airport. The initial principal amount of the loan was $6.0 million, and the lender has agreed to advance an additional $3.4 million to cover expenses related to improvements to the hotel, which we drew during the first quarter of 2016.

The loan matures in September 2019. Interest under the advanced portions of the loan is payable monthly at LIBOR plus 6.35%. Monthly principal payments of $10,000 began in September 2017 and increased to $15,000 beginning October 2018. The interest rate as of December 31, 2018 was 9.8%. We are currently evaluating options regarding the upcoming maturing including, but not limited to, disposal of the property prior to maturity or negotiation of replacement debt.

The loan agreement includes customary requirements for lender approval of annual operating and capital budgets, under certain conditions. It also includes customary events of default. The liability of RLH Atlanta under the loan agreement is generally non-recourse. However, the lender may obtain a monetary judgment against RLH Atlanta if the lender suffers losses under certain circumstances listed in the loan agreement, including but not limited to fraud, criminal activity, waste, misappropriation of revenues, and breach of environmental representations. RLH Corporation has guaranteed these recourse obligations of RLH Atlanta and agreed to customary reporting and operating covenants. We were in compliance with all financial covenants at December 31, 2018.

RLH DC

In October 2015, RLH DC obtained a new mortgage loan from Pacific Western Bank secured by the Hotel RL Washington DC. The initial principal amount of the loan was $15.2 million, and the lender agreed to advance an additional $2.3 million to cover expenses related to improvements to the hotel. At December 31, 2018, there were unamortized debt issuance costs of $0.1 million. The interest rate as of December 31, 2018 was 7.0%.

In May 2018 the loan was amended. With the amendment, RLH Corporation provided approximately $450,000 to RLS DC Venture to be used as a principal payment on the debt. The loan was also amended to add a $4.5 million principal guarantee by RLH Corporation. The amendment also allows future debt service coverage ratio covenant defaults to be cured by an increase in the RLH Corporation principal guarantee. This option can be exercised a maximum of two times during the remaining term of the loan.

As of September 30, 2018, RLH DC did not meet the debt service coverage ratio and loan to value ratio covenants and received notice from the lender that RLH DC was in default on the loan. On December 14, 2018, RLH DC and RLH Corporation executed an amendment to the mortgage loan agreement to increase the RLH Corporation principal guarantee to $10.5 million, remediating the debt service coverage ratio default, and increased the required loan to value ratio through May 31, 2019, remediating the loan to value ratio covenant default.

The loan matures in October 2019. Interest under the advanced portions of the loan is payable monthly at LIBOR plus 4.55%. Monthly principal payments began in November 2017 in an amount that would repay the outstanding principal balance over a 25-year amortization period. We are currently evaluating options regarding the upcoming maturing including, but not limited to, disposal of the property prior to maturity or negotiation of replacement debt.

The loan agreement includes customary requirements for lender approval of annual operating and capital budgets, under certain conditions. It also includes customary events of default. The liability of RLH DC under the loan agreement is generally non-recourse. However, the lender may obtain a monetary judgment against RLH DC if the lender suffers losses under certain circumstances listed in the loan agreement, including but not limited to fraud, criminal activity, waste, misappropriation of revenues, and breach of environmental representations. RLH Corporation has guaranteed these recourse obligations of RLH DC and agreed to customary reporting and operating covenants. We were in compliance with all financial covenants at December 31, 2018.

Contractual maturities for long-term debt outstanding at December 31, 2018, for the next five years, are summarized by the year as follows (in thousands):

Years Ending December 31,	Amount
2019	$ 25,168
2020	—
2021	—
2022	—
2023	19,355
Thereafter	—
Total	$ 44,523

9. Derivative Financial Instruments

We enter into derivative transactions to hedge our exposure to interest rate fluctuations, and not for trading purposes. We manage our floating rate debt using interest rate caps in order to reduce our exposure to the impact of changing interest rates and future cash outflows for interest. We estimate the fair value of our interest rate caps via calculations that use as their basis readily available observable market parameters. This option-pricing technique utilizes a one-month LIBOR forward yield curve, obtained from an independent external service, which is a Level 2 input. Changes in fair value of these instruments are recognized in interest expense on the Consolidated Statements of Comprehensive Income (Loss). At December 31, 2018 and December 31, 2017, the valuation of the interest rate caps resulted in the recognition of assets with minimal values both individually and in the aggregate, which are included within *Other assets, net* on the Consolidated Balance Sheets. We were entered into cap rate transactions as described in the table below as of December 31, 2018 and December 31, 2017.

Subsidiary	Institution	Original Notional Amount	LIBOR Reference Rate Cap	Expiration
		(In millions)		
RLH Atlanta	SMBC Capital Markets, Inc.	$ 9.3	3%	September 2019
RLH DC	Commonwealth Bank of Australia	$ 16.0	3%	October 2019

10. Operating and Capital Lease Commitments

We have both operating and capital leases in the normal course of business. The operating leases relate to four of our company operated hotel properties and our headquarters. We are obligated under capital leases for certain hotel equipment at our company operated hotel locations. The capital leases typically have a five-year term and are recorded in *Other accrued liabilities* and *Deferred income and other long-term liabilities* on the Consolidated Balance Sheets. The equipment assets are included within our *Property and equipment, net* balance and are depreciated over the lease term.

Total future minimum payments due under all current term operating and capital leases at December 31, 2018 are as indicated below (in thousands):

Years Ending December 31,	Operating Lease Obligation	Capital Lease Obligation	Total Lease Obligation
2019	$ 5,035	$ 137	$ 5,172
2020	4,730	131	4,861
2021	4,761	65	4,826
2022	4,792	34	4,826
2023	4,755	11	4,766
Thereafter	251,434	—	251,434
Total	$ 275,507	$ 378	$ 275,885

Two leases comprise $248.8 million of future minimum lease payments beyond 2023. One is a ground lease for our Hotel RL Washington DC property with a term through 2080 and the other is a ground lease for our Red Lion Anaheim property with a lease term through 2021, but includes renewal options through 2106 that are reasonably assured to be exercised.

Total rent expense from continuing operations, under leases for the years ended December 31, 2018, 2017 and 2016 was $5.8 million, $6.3 million, and $5.7 million, respectively, which are recorded in *Company operated hotels* and *Selling, general, administrative and other expenses* on our Consolidated Statements of Comprehensive Income (Loss).

11. Commitments and Contingencies

At any given time we are subject to claims and actions incidental to the operations of our business. Based on information currently available, we do not expect that any sums we may receive or have to pay in connection with any legal proceeding would have a materially adverse effect on our consolidated financial position or net cash flow.

12. Stock Based Compensation

Stock Incentive Plans

The 2015 Stock Incentive Plan (2015 Plan) authorizes the grant or issuance of various option and other awards including restricted stock units and other stock-based compensation. The 2015 Plan was approved by our shareholders in 2015 and provided for awards of 1.4 million shares, subject to adjustments for stock splits, stock dividends and similar events. In May 2017, our shareholders approved an amendment to the 2015 Plan to authorize and additional 1.5 million shares, for a total authorized of 2.9 million shares. As of December 31, 2018, there were 1,051,643 shares of common stock available for issuance pursuant to future stock option grants or other awards under the 2015 Plan.

Stock based compensation expense reflects the fair value of stock based awards measured at grant date, including an estimated forfeiture rate, and is recognized over the relevant service period. For the years ended December 31, 2018, 2017 and 2016 stock-based compensation expense is as follows:

	Years Ended December 31,		
	2018	2017	2016
		(In thousands)	
Stock options	$ 82	$ 69	$ 51
Restricted stock units	2,887	2,582	2,135
Performance stock units	442	180	—
Unrestricted stock awards	498	434	419
Employee Stock Purchase Plan	46	44	35
Total stock-based compensation	$ 3,955	$ 3,309	$ 2,640

Stock Options

Stock options issued are valued based upon the Black-Scholes option pricing model and we recognize this value as an expense over the periods in which the options vest. Use of the Black-Scholes option-pricing model requires that we make certain assumptions, including expected volatility, forfeiture rate, risk-free interest rate, expected dividend yield and expected life of the options, based on historical experience. Volatility is based on historical information with terms consistent with the expected life of the option. The risk free interest rate is based on the quoted daily treasury yield curve rate at the time of grant, with terms consistent with the expected life of the option. In 2016 there were 81,130 shares of stock options granted, and no stock options granted in 2018 or 2017.

Stock option fair value assumptions are as follows for stock options granted for year ended December 31, 2016:

Grant Date	Volatility	Forfeiture Rate	Risk-free Interest Rate	Dividend Yield	Expected Life (Years)
March 28, 2016	61.12%	21.07%	1.37%	—%	5

A summary of stock option activity for the year ended December 31, 2018, is as follows:

	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2018	90,827	$ 8.26
Options granted	—	—
Options exercised	(5,265)	$ 8.74
Options forfeited	(4,432)	$ 8.74
Balance, December 31, 2018	81,130	$ 8.20
Exercisable, December 31, 2018	40,566	$ 8.20

Additional information regarding stock options outstanding and exercisable as of December 31, 2018, is presented below.

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Expiration Date	Weighted Average Exercise Price	Aggregate Intrinsic Value(1)	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value(1)
$8.20	81,130	7.24	2026	$ 8.20	$ —	40,566	$ 8.20	$ —

(1) The aggregate intrinsic value, in thousands, is before applicable income taxes and represents the amount option recipients would have received if all options had been exercised on the last trading day of 2018, based upon our closing stock price of $8.20.

Restricted Stock Units, Shares Issued as Compensation

During 2018, 2017 and 2016, we granted 514,512, 483,020 and 297,989 unvested restricted stock units, respectively, to executive officers and other key employees, which typically vest 25% each year for four years on each anniversary of the grant date. While all of the shares are considered granted, they are not considered issued or outstanding until vested. As of December 31, 2018, 2017 and 2016 there were 1,288,714, 1,246,966 and 1,036,680 unvested restricted stock units outstanding, respectively. Since we began issuing restricted stock units, approximately 21.3% of total restricted stock units granted have been forfeited.

A summary of restricted stock unit activity for the year ended December 31, 2018, is as follows:

	Number of Shares		Weighted Average Grant Date Fair Value
Balance, January 1, 2018	1,246,966	$	7.23
Granted	514,512	$	10.45
Vested	(215,170)	$	7.02
Forfeited	(257,594)	$	7.66
Balance, December 31, 2018	1,288,714	$	8.47

We issued 215,170 shares of common stock to employees in 2018 as their restricted stock units vested. Under the terms of the 2006 and 2015 plans and upon issuance, we authorized a net settlement of distributable shares to employees after consideration of individual employees' tax withholding obligations, at the election of each employee. The fair value of restricted stock that vested during 2018, 2017 and 2016 was approximately $2.2 million, $1.1 million and $1.1 million, respectively.

During 2018, 2017 and 2016, we recognized approximately $2.9 million, $2.6 million and $2.1 million, respectively, in compensation expense related to these grants, and expect to recognize an additional $5.4 million in compensation expense over the remaining weighted average vesting periods of approximately 34 months.

Performance Stock Units, Shares Issued as Compensation

During 2018 and 2017 we granted 158,431 and 171,993 performance stock units (PSUs) to certain of our executives. These PSUs include both performance vesting conditions and a service vesting condition. The performance vesting conditions are based on a combination of (1) an annual earnings goal tied to Adjusted EBITDA for 2018 and 2017 issuances, and (2) a goal tied to the number of signed franchise license agreements in the year for 2017 issuances. Each performance condition has a minimum, a target and a maximum share amount based on the level of attainment of the performance condition with payouts of 25% to 50% at the minimum, 100% at the target, and 160% at the maximum. The service period for each grant is three years. Compensation expense, net of estimated forfeitures, is calculated based on the estimated full year attainment of the performance conditions during the performance period and recognized on a straight-line basis over the performance and service periods, adjusted for actual performance after it is attained. Based on these assumptions, PSU compensation expense recognized for the years ended December 31, 2018 and 2017 was $0.4 million and $0.2 million, respectively for each period. The remaining compensation expense related to PSUs of approximately $1.1 million will be recognized over the next 24 months.

A summary of performance stock unit activity based on target shares for the year ended December 31, 2018, is as follows:

	Number of Shares		Weighted Average Grant Date Fair Value
Balance, January 1, 2018	171,993		6.45
Granted	158,431	$	9.75
Vested	—		—
Forfeited	(121,223)	$	7.69
Balance, December 31, 2018	209,201	$	8.23

Unrestricted Stock Awards

Unrestricted stock awards are granted to members of our Board of Directors as part of their compensation. Awards are fully vested and expense is recognized when granted. The fair value of unrestricted stock awards is the market close price of our common stock on the date of the grant. During 2018, 2017 and 2016, we recognized approximately $0.5 million, $0.4 million and $0.4 million, respectively, in compensation expense related to these grants.

The following table summarizes unrestricted stock award activity for the years ended December 31:

	2018	2017	2016
Shares of unrestricted stock granted	46,068	55,600	54,864
Weighted average grant date fair value per share	$ 10.81	$ 7.81	$ 7.67

Employee Stock Purchase Plan

Under the employee stock purchase plan (ESPP) as approved in 2008, 300,000 shares of common stock were authorized for purchase by eligible employees. In May 2017, our shareholders authorized an additional 300,000 shares for a total of 600,000 shares authorized under the ESPP plan. As of December 31, 2018, 317,729 shares were available for grant. Eligible employees may purchase shares of our common stock at a 15% discount through payroll deductions. No employee may purchase more than $25,000 worth of shares, or more than 10,000 total shares, in any calendar year. As allowed under the ESPP, a participant may elect to withdraw from the plan, effective for the purchase period in progress at the time of the election with all accumulated payroll deductions returned to the participant at the time of withdrawal. During 2018, 2017 and 2016, there were 27,118, 33,925 and 29,795 shares, respectively, issued, and approximately $46,000, $44,000 and $35,000 was recognized in compensation expense related to the discount associated with the plan in each year, respectively.

	2018	2017	2016
Shares of stock sold to employees	27,118	33,925	29,795
Weighted average fair value per ESPP award	$ 7.18	$ 6.16	$ 5.97

Warrants

In January 2015, in connection with Shelbourne Falcon's purchase of equity interests in RL Venture, we issued Shelbourne warrants to purchase 442,533 shares of common stock. The warrants have a five-year term from the date of issuance and a per share exercise price of $6.78. The warrants have been classified as equity due to required share settlement upon exercise. Accordingly, the estimated fair value of the warrants was recognized in additional paid in capital upon issuance, and we do not recognize subsequent changes in fair value in our financial statements. As of December 31, 2018 all warrants were still outstanding.

13. Earnings (Loss) Per Share

The following table presents a reconciliation of the numerators and denominators used in the basic and diluted net income (loss) per share computations for the years ended December 31, 2018, 2017 and 2016 (in thousands, except per share amounts):

	Years Ended December 31,		
	2018	2017	2016
Numerator - basic and diluted:			
Net income (loss) from continuing operations	$ 15,086	$ (1,669)	$ (6,094)
Net (income) loss attributable to noncontrolling interest	(13,129)	2,069	163
Net income (loss) from continuing operations attributable to RLH Corporation	1,957	400	(5,931)
Net income from discontinued operations	—	181	1,254
Net income (loss) attributable to RLH Corporation	$ 1,957	$ 581	$ (4,677)
Denominator:			
Weighted average shares - basic	24,392	23,669	20,427
Weighted average shares - diluted	25,477	24,253	20,427
Earnings (loss) per share - basic			
Net income (loss) from continuing operations attributable to RLH Corporation	$ 0.08	$ 0.01	$ (0.29)
Net income from discontinued operations	$ —	$ 0.01	$ 0.06
Net income (loss) attributable to RLH Corporation	$ 0.08	$ 0.02	$ (0.23)
Earnings (loss) per share - diluted			
Net income (loss) from continuing operations attributable to RLH Corporation	$ 0.08	$ 0.01	$ (0.29)
Net income from discontinued operations	$ —	$ 0.01	$ 0.06
Net income (loss) attributable to RLH Corporation	$ 0.08	$ 0.02	$ (0.23)

For the years ended December 31, 2017 and 2016, contingently issuable shares related to the Vantage acquisition are excluded from the calculation of diluted earnings per share as it would be antidilutive.

The following table presents options to purchase common shares, restricted stock units outstanding, performance stock units outstanding, warrants to purchase common shares and contingently issuable shares included in the earnings per share calculation, as well as the amount excluded from the dilutive earnings per share calculation if they were considered antidilutive, for the years ended December 31, 2018, 2017 and 2016.

	Years Ended December 31,		
	2018	2017	2016
Stock Options [(1)]			
Dilutive awards outstanding	9,845	11,767	—
Antidilutive awards outstanding	71,285	79,060	132,868
Total awards outstanding	81,130	90,827	132,868
Restricted Stock Units [(2)]			
Dilutive awards outstanding	800,201	524,016	—
Antidilutive awards outstanding	488,513	722,950	1,036,680
Total awards outstanding	1,288,714	1,246,966	1,036,680
Performance Stock Units [(3)]			
Dilutive awards outstanding	108,889	—	—
Antidilutive awards outstanding	100,312	171,993	—
Total awards outstanding	209,201	171,993	—
Warrants [(4)]			
Dilutive awards outstanding	166,121	48,594	—
Antidilutive awards outstanding	276,412	393,939	442,533
Total awards outstanding	442,533	442,533	442,533
Shares for Vantage Contingent Consideration [(5)]			
Dilutive awards outstanding	—	—	—
Antidilutive awards outstanding	—	483,000	690,000
Total awards outstanding	—	483,000	690,000
Total dilutive awards outstanding	1,085,056	584,377	—

(1) All stock options or the year ended December 31, 2016 were anti-dilutive as a result of the RLH Corporation weighted average share price during the reporting periods, in addition to the net loss in 2016.

(2) Restricted stock units were anti-dilutive for the year ended December 31, 2016 due to the net loss attributable to RLH Corporation in the reporting period. If we had reported net income for the year ended December 31, 2016 then 512,263 restricted stock units would have been dilutive.

(3) Performance stock units are not included in the weighted average diluted shares outstanding until the performance targets are met. Certain performance stock unit grants were antidilutive for each year ended December 31, 2018 and 2017 as their respective targets had not been achieved as of the end of each year.

(4) For the year ended December 31, 2016 all warrants were anti-dilutive due to the net loss attributable to RLH Corporation in the reporting period. If we had reported net income for the year ended December 31, 2016 then 49,510 warrants, would have been dilutive.

(5) As part of the Vantage Hospitality Group, Inc. (Vantage Hospitality, Vantage) acquisition, up to an additional 690,000 shares could be issued with the one-year and two-year contingent consideration earn outs (see Note 16, *Related Party Transactions*). These shares are not included in basic shares outstanding until the period the contingency is resolved, which was September 30, 2017 for the 414,000 shares related to the year-one contingent consideration earn out and May 2018 for the 276,000 share year-two earnout. As of December 31, 2018 no shares are contingent as the remaining 276,000 shares were issued in the fourth quarter of 2018. For the years ended December 31, 2017 and 2016, all of the contingent consideration shares were anti-dilutive due to the net loss from continuing operations attributable to RLH Corporation in the reporting periods. If we had reported net income for the years ended December 31, 2017 and 2016, 414,000 and zero shares would have been dilutive, respectively.

14. Income Taxes

Major components of the income tax expense from continuing and discontinued operations for the years ended December 31, 2018, 2017 and 2016, are as follows (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Current:			
Federal (benefit) expense	$ 424	$ —	$ —
State (benefit) expense	718	119	63
Foreign (benefit) expense	88	58	—
Deferred (benefit) expense	(1,301)	(3,491)	249
Income tax (benefit) expense	$ (71)	$ (3,314)	$ 312
Less: tax expense of discontinued operations	—	1,348	790
Income tax benefit from continuing operations	$ (71)	$ (4,662)	$ (478)

The differences from continuing operations between income taxes expected at the U.S. federal statutory income tax rate of 21% for 2018 and 34% for 2017 and 2016, and the reported income tax (benefit) expense are summarized as follows (in thousands, except percentages):

	Years Ended December 31,					
	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
(Benefit) expense provision at federal statutory rate	$ 3,187	21.0%	$ (2,152)	34.0%	$ (2,235)	34.0%
State/foreign tax expense	82	0.5%	147	-2.3%	70	-1.1%
Effect of tax credits	(490)	-3.1%	(26)	0.4%	10	-0.2%
Non-controlling interest	(2,804)	-17.9%	703	-11.1%	163	-2.5%
Impact of change in tax law and rates	—	—%	393	-6.3%	—	—%
Other	134	0.9%	109	-1.7%	(468)	7.1%
Valuation allowance	(180)	-1.9%	(3,836)	60.6%	1,982	-30.2%
Income tax benefit from continuing operations	$ (71)	-0.5%	$ (4,662)	73.6%	$ (478)	7.1%

On December 22, 2017, the President signed into law H.R. 1 known as the 2017 Tax Cuts and Jobs Act (the 2017 Tax Act). The 2017 Tax Act made significant changes to existing U.S. tax law, most notably a reduction in the top U.S. corporate income tax rate from 34% to 21% effective January 1, 2018. The 2017 Tax Act also imposes a one-time tax on historic deferred foreign income, modifies the future taxation of foreign earnings, repeals the corporate alternative minimum tax, provides for full expensing of qualified purchased assets and limits a company's use of net interest expense and net operating losses generated on or after January 1, 2018.

RLHC recognized the income tax effects of the 2017 Tax Act in our consolidated financial statements for the year ended December 31, 2017.

We applied a three-step process to be applied to each reporting period to account for and qualitatively disclose income tax effects attributable to the enactment of the 2017 Tax Act: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (including subsequent adjustments to those amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with the law prior to the enactment of the 2017 Tax Act.

RLHC measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to reverse. Accordingly, RLH Corporation's deferred tax assets and liabilities were remeasured to reflect a reasonable estimate of the impact of the tax law and the reduction in the U.S. corporate income tax rate from 34% to 21%. The provisional tax benefit may be impacted by changes in estimates used (i.e. joint venture and other activities) upon the filing of the 2018 corporate return.

Significant components of the net deferred tax assets and liabilities from continuing operations at December 31, 2018 and 2017, are as follows (in thousands):

	December 31,			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	$ 1,564	$ —	$ —	$ 726
Brand name	—	4,211	—	4,647
RL Venture	—	75	—	1,672
RL Baltimore	—	—	—	66
RLH DC	118	—	151	—
RL Atlanta	—	202	—	168
Gain on sale leaseback	14	—	456	—
Tax credit carryforwards	2,696	—	4,548	—
Federal and state net operating losses	682	—	2,869	—
Other	7,198	—	4,902	—
Valuation allowance	(8,556)	—	(7,866)	—
Total	$ 3,716	$ 4,488	$ 5,060	$ 7,279

At December 31, 2018 we had used the federal operating loss in its entirety. At December 31, 2017, we had federal gross operating loss carryforwards from continuing operations of approximately $9.1 million. At December 31, 2018 and 2017, we had state gross operating loss carryforwards from continuing operations of approximately $10.6 million and $15.4 million, respectively; and federal and state tax credit carryforwards from continuing operations of approximately $2.7 million and $4.5 million, respectively. The state net operating loss carryforwards will expire beginning in 2019; the tax credit carryforwards will begin to expire in 2024.

On January 1, 2018 the Company adopted Topic 606 using the modified retrospective method, resulting in a cumulative adjustment to accumulated deficit of $0.4 million. A deferred tax asset of $0.1 million was recorded on the cumulative adjustment.

We assess the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. Due to changes in the tax laws associated with the enactment of the 2017 Tax Act, RLH Corporation has determined that a full valuation allowance is no longer required. Therefore as of December 31, 2018, the total valuation allowance of $8.6 million was recorded to reduce deferred tax assets to an amount that is more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as forecasted taxable income and our projections for growth. Should we determine we will be able to realize additional deferred tax assets, the tax benefits relating to any reversal of the valuation allowance will be accounted for as a reduction of income tax expense.

A summary of our valuation allowance activity as it relates to continuing operations for the years ended December 31 is as follows (in thousands):

	Valuation Allowance[(1)]
Balances, January 1, 2016	$ 7,876
Increase during period	3,826
Balances, December 31, 2016	11,702
Decrease during period	(3,836)
Balances, December 31, 2017	7,866
Increase during period	690
Balances, December 31, 2018	$ 8,556

(1) The change in the valuation allowance shown in this table does not correspond to the annual valuation allowance amounts shown in the rate reconciliation table for 2016 due to items required to be recognized through equity.

We classify any interest expense and penalties related to tax positions and any interest income on tax overpayments as components of income tax expense.

We recognize the financial statement effect of a tax position when it is more likely than not to be sustained on the basis of its technical merits. We have no material uncertain tax positions at December 31, 2018 and 2017, and do not anticipate a significant change in any unrecognized tax benefits over the next twelve months. Accordingly, we have not provided for any unrecognized tax benefits or related interest and penalties. With limited exception, we are no longer subject to U.S. federal, state and local income tax examinations by taxing authorities for years prior to 2014. Additionally, the year 2012 is subject to examination, to the extent that net operating loss and income tax credit carryforwards from that year were utilized in 2014 and later years.

15. Fair Value

Applicable accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). We measure our assets and liabilities using inputs from the Level 1, Level 2 and Level 3 of the fair value hierarchy.

Cash, Restricted Cash and Accounts Receivable carrying values approximate fair value due to the short-term nature of these items. We estimate the fair value of our notes receivable using expected future payments discounted at risk-adjusted rates, both of which are Level 3 inputs. We estimate the fair value of our long-term debt and capital lease obligations using expected future payments discounted at risk-adjusted rates, both of which are Level 3 inputs. The fair values provided below are not necessarily indicative of the amounts we or the debt holders could realize in a current market exchange. In addition, potential income tax ramifications related to the realization of gains and losses that would be incurred in an actual sale or settlement have not been taken into consideration. Estimated fair values of financial instruments (in thousands) are shown in the table below.

	December 31,			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Notes receivable	$ 2,103	$ 2,103	$ 1,098	$ 1,098
Financial liabilities:				
Total debt	$ 44,523	$ 43,880	$ 110,598	$ 112,117
Total capital lease obligations	378	378	1,147	1,147

16. Related Party Transactions

All four of our joint ventures - RL Venture, RLS Atla Venture, RLS Balt Venture and RLS DC Venture - have agreed to pay to Shelbourne an investor relations fee each month equal to 0.50% of its total aggregate revenue. Shelbourne is the entity that leads Shelbourne Falcon, Shelbourne Falcon II, Shelbourne Falcon III and Shelbourne Falcon IV, the minority interest holder in these joint ventures. The amount Shelbourne Capital earned from all four joint ventures during the year ended December 31, 2018, 2017 and 2016 totaled $211,000, $435,000, and $423,000, respectively. Columbia Pacific Opportunity Fund, LP (CP), previously one of our largest shareholders, is an investor in Shelbourne Falcon, our minority partner in RL Venture. For the years ended December 31, 2018, 2017, and 2016 Shelbourne Capital earned $161,000, $366,000, and $366,000 respectively, from RL Venture.

In 2015, RL Venture agreed to pay CPA Development, LLC, an affiliate of CP, a construction management fee of $200,000 related to the renovation projects. RL Venture paid the remaining balance of $78,000 during the year ended December 31, 2016, fully satisfying the commitment.

On April 17, 2018, we entered into a commitment letter with CP that described the general terms and conditions for a single advance term loan of $20 million. Upon execution of the commitment letter, we paid CP a non-refundable commitment fee of $200,000, and agreed to reimburse CP for all reasonable out-of-pocket costs and expenses, including reasonable legal fees, whether or not the loan was funded. The commitment was not used and terminated on May 31, 2018. At the time of the transaction, CP held beneficial ownership of 1,510,105 shares of our common stock, and 442,533 shares of common stock subject to a warrant held by an entity in which an affiliate of CP holds an indirect interest. CP is also an investor in Shelbourne Falcon, which holds a 45% interest in RL Venture.

In 2015, we entered into a management agreement with the owner (the LLC entity) of Red Lion Hotel Woodlake Conference Center Sacramento. A member of our board of directors is a 0.50% owner of the entity that serves as the manager member of the

LLC entity. During the year ended December 31, 2016, we recognized management fee and brand marketing fee revenue from the LLC entity of $107,000. On December 12, 2016 the LLC permanently closed the Red Lion Hotel Woodlake.

Effective March 2016, our wholly owned subsidiary, RL Management entered into a one-year contract to manage the Hudson Valley Resort and Spa, a hotel located in Kerhonkson, New York. Following the initial one-year term, we continue to manage the property on a month-to-month basis. The hotel is owned by HNA Hudson Valley Resort & Training Center LLC, an affiliate of HNA RLH Investments LLC, previously one of our largest shareholders, and is controlled by HNA Group North America LLC, for which Enrico Marini Fichera, previously one of our directors, serves as the Head of Investments. Under that contract, our subsidiary is entitled to a monthly management fee equal to $8,333 or three percent of the hotel's gross operating revenues, whichever is greater. During the years ended December 31, 2018, 2017, and 2016 we recognized management fee revenue from HNA Hudson Valley Resort & Training Center LLC of $75,000, $110,000 and $87,000, respectively. On June 12, 2018, HNA RLH Investments LLC sold their common shares in RLH to a third party and Enrico Marini Fichera resigned from the Board effective June 18, 2018, no longer making them a related party.

The total amounts receivable from related parties, primarily related to hotel management agreements, were $1.5 million at December 31, 2017, and are classified within *Accounts receivable from related parties* on our Consolidated Balance Sheets. We do not consider HNA Hudson Valley Resort & Training Center LLC to be a related party as of December 31, 2018.

On September 30, 2016, we completed our acquisition of the operating assets and assumption of certain liabilities (the Assets) relating to specified hotel brands and brand extensions from Thirty-Eight Street, Inc. (TESI), Vantage Hospitality Group, Inc. (Vantage Hospitality) and certain other parties, pursuant to an Asset Purchase Agreement dated September 13, 2016 (the Purchase Agreement). The Assets were acquired for $22.6 million in cash, after the working capital adjustment, and the issuance of 690,000 shares of the Company's common stock. Of the cash consideration, $10.3 million (less approximately $250,000 that was placed into an indemnity escrow account) was paid to Vantage Hospitality, and the balance of $12.3 million was paid to TESI. The 690,000 shares of the Company's common stock were issued to TESI. In connection with the acquisition of the Assets, our board appointed Bernard T. Moyle, as our Executive Vice President and Chief Operating Officer and Roger J. Bloss as our Executive Vice President and President of Global Development.

We were informed that each of Messrs. Bloss and Moyle holds 50% of the outstanding common shares of TESI. Pursuant to the Purchase Agreement's post-closing contingent consideration provisions, upon the achievement of certain performance measures as of the first anniversary of the closing date, additional consideration was to be paid to TESI in an aggregate amount of (i) $4.0 million in cash and (ii) 414,000 shares of the Company's common stock (the First Earn-out Payment). TESI is also entitled to earn additional consideration if certain performance measures have been met as of the second anniversary of the closing date in an aggregate amount of up to (i) $3.0 million in cash and (ii) 276,000 shares of the Company's common stock (the Second Earn-out Payment).

In January 2018, we settled the first portion (Year 1) of contingent consideration in the amount of $7.6 million, including (i) $4.0 million in cash and (ii) 414,000 shares of the Company's common stock. In October 2018, we settled the second and final portion (Year 2) of the Vantage contingent consideration in an aggregate amount of $3.0 million in cash and 276,000 shares of the Company's common stock.

In connection with the acquisition of the Assets from Vantage Hospitality and TESI, we entered into a transition services agreement with Vantage Hospitality, under which we provided accounting and transition services on behalf of Vantage Hospitality and TESI from October 1, 2016 through June 30, 2017. Vantage Hospitality was billed $80,000 for these services in 2017.

Messrs. Bloss and Moyle each additionally indirectly own a 5.7% equity interest in a limited liability company that owns the Lexington Hotel and Conference Center in Jacksonville, Florida. During the years ended December 31, 2018 and 2017, the Company billed the property approximately $328,000 and $211,000 for franchise fees and related services, including royalty and marketing. This hotel, along with the Lexington Inn & Suites, Daytona Beach and the ABVI Las Vegas, are managed by Cal-Vegas, Ltd. (Cal-Vegas), of which TESI (owned by Messrs. Bloss and Moyle) is the General Partner and holds a 2% general partner interest, and Mr. Moyle serves as the Chief Operating Officer and Chief Financial Officer. The Company and Cal-Vegas are not parties to any agreement with respect to these properties, as the management contracts are between Cal-Vegas and the Company's franchisees, who are unrelated third parties. Cal-Vegas, Ltd. is also the lessee of the ABVI Las Vegas hotel. Franchise fees billed by the Company to each of these properties for the years ended December 31, 2018 and 2017 were as follows: Lexington Inn & Suites, Daytona Beach, $41,000 and $77,000, respectively, and ABVI Las Vegas, $1,000 and $2,000, respectively.

Effective May 31, 2018, Messrs. Bloss and Moyle entered into consulting agreements through December 31, 2020, ending their employment with the Company. They are no longer considered related parties to the Company subsequent to the end of their employment.

During 2018, we transitioned management of our company operated Hotel RL Baltimore Inner Harbor and Hotel RL Washington DC from RL Management, Inc., to HEI Hotels and Resorts, of which one of the members of our Board of Directors, Ted Darnall, is currently the Chief Executive Officer. During the year ended December 31, 2018, we paid $22,000 in management fees to HEI Hotels and Resorts for management of these properties.

On January 14, 2019, the Company announced the appointment of Julie Shiflett as Chief Financial Officer of RLH. Prior to this appointment, the Company paid consulting fee to NorthWest CFO, a consulting firm of which Ms. Shiflett is a Principal. During the years ended December 31, 2018, 2017 and 2016 we paid consulting fees of $394,000, $206,000, and $235,000 to NorthWest CFO.

17. Acquisitions and Dispositions

Acquisitions

Knights Inn Acquisition

On May 14, 2018, RLH Franchising completed the purchase of all of the issued and outstanding shares of capital stock of KFS, and the purchase of certain operating assets from, and assumption of certain liabilities relating to the business of franchising Knights Inn branded hotels to hotel owners from Wyndham Hotel Group Canada, ULC and Wyndham Hotel Group Europe Limited, pursuant to the Amended and Restated Purchase Agreement, dated May 1, 2018, for an aggregate purchase price of $27.2 million. The purchase price was financed through borrowing under the DB Credit Agreement. See Note 8, *Debt and Line of Credit* for discussion of the DB Credit Agreement.

The acquisition of KFS was treated as a business combination under U.S. GAAP. During the second quarter, we estimated the allocation of the purchase price to the assets acquired and liabilities assumed based on estimated fair value assessments. The allocation of the purchase price is preliminary pending the completion of various analyses and the finalization of estimates primarily pertaining to the fair value assessment of accounts receivable. During the measurement period (which is not to exceed one year from the acquisition date), additional assets or liabilities may be recognized if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets or liabilities as of that date. The preliminary allocation may be adjusted after obtaining additional information regarding, among other things, asset valuations, liabilities assumed and revisions of previous estimates, and these adjustments may be significant. The following reflects our preliminary purchase price allocation as of December 31, 2018 (in thousands):

	Fair Value
Current assets	$ 1,288
Intangible assets	16,800
Goodwill	9,191
Total assets acquired	27,279
Current liabilities	30
Total liabilities acquired	30
Total net assets acquired	$ 27,249

Current assets are comprised of $4.6 million in contractual value of acquired receivables, less a fair value adjustment of $3.3 million based on expected collectability.

Intangible assets acquired are as follows (in thousands):

	Fair Value	Useful Life
Brand names	$ 7,700	Indefinite
Customer contracts	9,100	15 years
Total intangible assets	$ 16,800	

We recognized $9.2 million in goodwill as the result of the acquisition, recorded within our franchise reporting segment. The goodwill is deductible for income tax purposes. The factors that make up the goodwill are primarily expected synergies from combining the operations of Knights Inn with our own.

The following table presents the revenues and earnings from Knights Inn's operations that are included in the Consolidated Statement of Comprehensive Income (Loss) for the year ended December 31, 2018 (in thousands):

		Year Ended December 31, 2018
Revenue	$	4,265
Net income (loss) from continuing operations before income taxes		2,874

The following supplemental pro forma results are based on the individual historical results of RLH Corporation and KFS, with adjustments to give effect to the combined operations as if the acquisition had been consummated on January 1, 2017 (in thousands, except per share data) (unaudited):

	Years Ended December 31,			
	2018		2017	
Revenue	$	138,478	$	179,506
Net income		17,017		4,792
Net income and comprehensive income attributable to RLH Corporation		3,887		6,831
Earnings per share attributable to RLH Corporation - basic	$	0.18	$	0.29
Earnings per share attributable to RLH Corporation - diluted	$	0.17	$	0.28

We recognized acquisition related expenses of $2.2 million during the year ended December 31, 2018, and they are included within *Acquisition and integration costs* on our Consolidated Statements of Comprehensive Income (Loss).

Vantage Acquisition

On September 30, 2016 (the close date), we (i) acquired selected assets and assumed certain liabilities of Vantage Hospitality Group, Inc. (Vantage), a subsidiary of Thirty-Eight Street, Inc. (TESI) and (ii) acquired one brand name asset from TESI. Vantage is a hotel franchise company, and the addition of the Vantage assets substantially increased our number of franchise properties and provided us with a broader presence in the United States and Canada. We acquired over 1,000 hotel franchise and membership license agreements, as well as multiple brand names, including Americas Best Value Inn, Canadas Best Value Inn, Lexington Hotels & Inns, America's Best Inns & Suites, Jameson Inns, Country Hearth Inns & Suites, Vantage Hotels, Value Inn Worldwide, Value Hotel Worldwide, 3 Palms Hotels and Resorts and Signature Inn.

The purchase price totaled $40.2 million, including the following (in thousands):

		Purchase Price
Cash paid to Vantage at close date	$	10,300
Cash paid to TESI at close date		12,300
Total cash consideration at close date		22,600
Value of 690,000 shares to TESI at close date		5,800
Total consideration at close date		28,400
Fair value of contingent consideration		10,900
Assumption of Vantage obligation		900
Total purchase price	$	40,200

The acquisition was funded at closing with $22.6 million of cash on hand, of which $10.3 million was paid to Vantage and $12.3 million was paid to TESI and 690,000 shares of RLH Corporation stock paid to TESI, which was valued at $5.8 million, based on the closing price of RLH Corporation stock of $8.34 on the close date. The total purchase price was $40.2 million, which included the estimated fair value of $0.9 million for the assumption of an obligation related to a previous business acquisition of Vantage and the fair value of $10.9 million of primarily contingent consideration, the total of which will be paid to TESI at the first and second anniversaries of the close date, based on the attainment of certain performance criteria. A minimum of $2.0 million of the additional consideration was not contingent and was required to be paid in equal amounts at the first and second anniversaries of the close date. Payment of the contingent consideration was dependent on the retention of Vantage properties under franchise or membership license agreements, as determined by the room count at the first and second year anniversary dates when compared with the room count at the close date.

The contingent consideration was measured at each anniversary date independent of the other measurement period and is recorded as a liability due to the expected payment of cash and a variable number of shares. Changes in the obligation were recognized within *Acquisition and integration costs* in the Consolidated Statements of Comprehensive Income (Loss). At each reporting period, we are required to assess the fair value of the liability and record any changes in fair value in our Consolidated Statements of Comprehensive Income (Loss). Based on our periodically updated assessments, we recognized expense of $0.2 million, $1.4 million, and $0.3 million, for the years ended December 31, 2018, 2017, and 2016, respectively.

In January 2018, we settled the first portion (Year 1) of contingent consideration in the amount of $7.6 million, including $4.0 million in cash and 414,000 shares of the Company's common stock. In October 2018, we settled the second and final portion (Year 2) of the Vantage contingent consideration in an aggregate amount of $3.0 million in cash and 276,000 shares of the Company's common stock.

Following the closing of the acquisition Roger J. Bloss and Bernard T. Moyle were appointed to executive management positions at RLH Corporation, and Messrs. Bloss and Moyle also have ownership interests in TESI. Therefore, the contingent consideration obligations are classified as related party liabilities within our Consolidated Balance Sheets. Both Messrs. Bloss and Moyle resigned as officers effective May 31, 2018, but have executed consulting agreements with RLH Corporation through December 31, 2020.

Dispositions

Company Operated Hotel Dispositions

During the year ended December 31, 2018, we began execution of a hotel asset sales initiative consistent with our previously stated business strategy to focus on moving towards operations as primarily a franchise company, and disposed of nine hotels from our company operated hotels segment, comprising net assets of $70.7 million, for net cash proceeds of $116.5 million. These dispositions resulted in a combined gain of $40.7 million. These dispositions did not meet the criteria for discontinued operations.

The following summarizes the results of operations for the nine properties sold during 2018 (in thousands):

	Years Ended December 31,		
	2018	2017	2016
Pre-tax income (loss)	$ 38,673	$ 889	$ 2,147
Net (income) loss attributable to noncontrolling interest	(17,403)	(400)	(966)
Net income (loss) attributable to RLHC	$ 21,270	$ 489	$ 1,181

At December 31, 2018, we have no properties meeting the criteria to be classified as held for sale on our Consolidated Balance Sheets.

At December 31, 2017, we had six hotel properties from our company operated hotels segment that met the criteria to be classified as held for sale on our Consolidated Balance Sheets. The following table presents the assets of the Hotel business segment included in the Consolidated Balance Sheets as *Assets held for sale* at December 31, 2017 (in thousands):

	December 31, 2017
Other current assets	$ 156
Property and equipment, net	34,143
Other assets, net	60
Assets held for sale	$ 34,359

During the year ended December 31, 2016, we disposed of one hotel from our company operated hotels segment for net cash proceeds of $5.7 million. This disposition resulted in a gain of $1.5 million.

WestCoast Entertainment and TicketsWest Disposition

During the year ended December 31, 2017, we completed the sale of certain specified liabilities and substantially all of the assets of our entertainment segment, previously composed of WestCoast Entertainment and TicketsWest. As such, the results of the entertainment business are reported as discontinued operations. We recognized a loss on sale of $0.2 million net of tax of $1.1 million in the fourth quarter of 2017, based on cash proceeds of $6.0 million, less transaction costs of $0.7 million, and $4.4 million of net assets.

The WestCoast Entertainment and TicketsWest disposal represented a strategic shift that had a major impact on our financial statements. This was considered to be a strategic shift as we chose to exit the business segment entirely and focus on our growing franchise segment. In accordance with this strategic shift, the results of the entertainment business are reported as discontinued operations, and the assets and liabilities are classified as held for sale for all periods presented in this annual report on Form 10-K.

The following summarizes the results of the entertainment segment included in the Consolidated Statements of Comprehensive Income (Loss) as discontinued operations (in thousands).

	Years Ended December 31,	
	2017	**2016**
Entertainment revenue	$ 9,125	$ 15,719
Operating expenses:		
Entertainment	8,412	13,635
Depreciation and amortization	64	186
Gain on asset dispositions, net	3	(1)
Total operating expenses	8,479	13,820
Operating income	646	1,899
Interest expense	—	(12)
Other income (loss), net	—	157
Income tax expense	221	790
Income from discontinued operations	$ 425	$ 1,254

The following table represents the cash flow items associated with discontinued operations of the entertainment segment for the years ended December 31, 2017 and 2016 (in thousands).

	Years Ended December 31,	
	2017	**2016**
Depreciation and amortization	$ 64	$ 186
Capital expenditures	$ 101	$ 104

18. Parent Company Financial Statements

RED LION HOTELS CORPORATION
CONDENSED BALANCE SHEETS
(Parent Company Only)
December 31, 2018 and 2017

	2018	2017
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,470	$ 25,942
Restricted cash	103	103
Accounts receivable, net	25,049	25,233
Accounts receivable from related parties	—	1,520
Notes receivable, net	2,102	1,098
Other current assets	5,538	4,054
Assets held for sale	—	—
Total current assets	45,262	57,950
Investment in subsidiaries	27,220	40,129
Property and equipment, net	41,433	27,991
Goodwill	18,595	9,404
Intangible assets, net	60,910	50,749
Other assets, net	7,370	1,801
Total assets	$ 200,790	$ 188,024
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,487	$ 7,597
Accrued payroll and related benefits	5,033	6,005
Other accrued liabilities	3,868	1,909
Long-term debt, due within one year	—	—
Contingent consideration for acquisition due to related party, due within one year	—	9,289
Total current liabilities	13,388	24,800
Long-term debt, due after one year, net of debt issuance costs	9,114	—
Line of credit, due after one year	10,000	—
Deferred income and other long-term liabilities	1,764	782
Deferred income taxes	772	2,219
Total liabilities	35,038	27,801
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
RLH Corporation stockholders' equity		
Preferred stock	—	—
Common stock	246	237
Additional paid-in capital, common stock	182,018	178,028
Accumulated deficit	(16,512)	(18,042)
Total stockholders' equity	165,752	160,223
Total liabilities and stockholders' equity	$ 200,790	$ 188,024

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

RED LION HOTELS CORPORATION
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Parent Company Only)
For the Years Ended December 31, 2018, 2017 and 2016

	2018	2017	2016
		(In thousands)	
Revenue:			
Royalty	$ 22,309	$ 17,558	$ 7,472
Marketing, reservations and reimbursables	25,948	26,179	14,087
Other Franchise	6,790	4,822	3,075
Company operated hotels	56,413	71,333	74,297
Other	34	267	128
Total revenues	111,494	120,159	99,059
Operating expenses:			
Marketing, reservations and reimbursables	26,877	25,383	16,516
Company operated hotels	46,694	59,076	63,002
Selling, general, administrative and other expenses	32,098	29,806	18,543
Depreciation and amortization	10,073	6,679	4,790
Asset impairment	3,482	—	—
Gain on asset dispositions, net	(478)	(455)	(856)
Acquisition and integration costs	2,219	1,529	2,112
Total operating expenses	120,965	122,018	104,107
Operating income (loss)	(9,471)	(1,859)	(5,048)
Other income (expense):			
Interest expense	(940)	(5)	(100)
Loss on early retirement of debt	(794)	—	—
Equity in income of subsidiaries	12,461	(3,150)	(1,367)
Other income (loss), net	630	752	106
Total other income (expense)	11,357	(2,403)	(1,361)
Income (loss) from continuing operations before taxes	1,886	(4,262)	(6,409)
Income tax expense (benefit)	(71)	(4,662)	(478)
Net income (loss) from continuing operations	1,957	400	(5,931)
Discontinued operations:			
Income from discontinued business unit, net of income tax expense	—	425	1,254
Loss on sale of business unit, net of income tax expense	—	(244)	—
Net income from discontinued operations	—	181	1,254
Net income (loss) and comprehensive income (loss)	$ 1,957	$ 581	$ (4,677)

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

RED LION HOTELS CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(Parent Company Only)
For the Years Ended December 31, 2018, 2017, and 2016

	2018	2017	2016
		(In thousands)	
Operating activities:			
Net income (loss)	$ 1,957	$ 581	$ (4,677)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	10,005	6,735	4,968
Amortization of debt issuance costs, key money and contract costs, and contract liabilities	1,142	—	—
Gain on asset dispositions, net	(376)	(211)	(857)
Asset impairment	3,482	—	—
Deferred income taxes	(1,302)	(3,497)	288
Equity in investments	(13,098)	2,760	1,356
Stock based compensation expense	3,955	3,309	2,640
Provision for doubtful accounts	856	496	429
Fair value adjustments to contingent consideration	581	1,670	339
Change in current assets and liabilities, net of business acquired:			
Accounts receivable	1,771	(12,167)	(9,500)
Notes receivable	(18)	(88)	(110)
Other current assets	(6,471)	(1,101)	(2,200)
Accounts payable and other accrued liabilities	(4,076)	2,715	3,902
Net cash provided by (used in) operating activities	(1,592)	1,202	(3,422)
Investing activities:			
Capital expenditures	(7,033)	(4,870)	(3,512)
Acquisition of Knights Inn	(27,249)	—	—
Acquisition of Vantage Hospitality	—	—	(22,603)
Purchases of interests in investments in joint venture entities	—	(950)	—
Consolidation of Baltimore joint venture	2,763	—	—
Distributions from investments in joint ventures	26,226	3,736	4,393
Contribution to / purchase of preferred equity of Baltimore joint venture	(15,906)	—	—
Net proceeds (payments) from disposition of property and equipment	—	(6,672)	400
Buyout of joint venture interest	(304)	—	—
Collection of notes receivable related to property sales	62	694	2,309
Advances on notes receivable	(1,048)	(409)	(943)
Proceeds from sales of short-term investments	—	—	18,085
Other, net	—	—	77
Net cash used in investing activities	(22,489)	(8,471)	(1,794)
Financing activities:			
Borrowings on long-term debt and line of credit	40,000	—	—
Repayment of long-term debt	(20,645)	—	—
Debt issuance costs	(1,335)	—	—
Proceeds from sale of interests in joint ventures	—	—	3,218
Contingent consideration paid for Vantage Hospitality acquisition	(7,000)	—	—
Stock-based compensation awards canceled to settle employee tax withholding	(647)	(346)	(353)
Proceeds from common stock offering, net	—	(15)	18,460
Stock option and stock purchase plan issuances, net and other	236	413	155
Net cash provided by financing activities	10,609	52	21,480
Change in cash, cash equivalents and restricted cash:			
Net increase (decrease) in cash, cash equivalents and restricted cash	(13,472)	(7,217)	16,264
Cash, cash equivalents and restricted cash at beginning of year	26,045	33,262	16,998
Cash, cash equivalents and restricted cash at end of year	$ 12,573	$ 26,045	$ 33,262
Noncash operating, investing and financing activities:			
Conversion of accounts receivable to preferred equity	$ 450	$ —	$ —

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

RED LION HOTELS CORPORATION
(Parent Company Only)
NOTES TO CONDENSED FINANCIAL STATEMENTS

A. Organization

Principles of Consolidation

The condensed parent company only financial statements include only the accounts of Red Lion Hotels Corporation (the Company) and its wholly-owned subsidiaries. Investments in the Company's joint venture entities are accounted for under the equity method in these condensed financial statements.

Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted since this information is included in the Company’s consolidated financial statements included elsewhere in this annual report on Form 10-K.

B. Commitments and Contingencies

At any given time we are subject to claims and actions incidental to the operations of our business. Based on information currently available, we do not expect that any sums we may receive or have to pay in connection with any legal proceeding would have a materially adverse effect on our consolidated financial position or net cash flow.

Total future minimum payments due under all current term operating and capital leases at December 31, 2018, are as indicated below (in thousands):

Years Ending December 31,	Operating Lease Obligation	Capital Lease Obligation	Total Lease Obligation
2019	$ 4,069	$ 32	$ 4,101
2020	3,765	36	3,801
2021	3,795	36	3,831
2022	3,826	34	3,860
2023	3,789	11	3,800
Thereafter	196,395	—	196,395
Total	$ 215,639	$ 149	$ 215,788

19. Subsequent Events

In March 2019, $2.8 million of previous cash contributions by RLH Corporation to RLS Alta Venture, were classified as preferred capital and will be repaid only when the Atlanta hotel property is sold or when RLS Alta is liquidated. Upon such an event RLH Corporation will receive the $2.8 million plus a preferred return of 9%, compounded annually, prior to any liquidation proceeds being returned to members.

EXHIBIT G

GUARANTEE OF PERFORMANCE

GUARANTY OF PERFORMANCE

For value received, **RED LION HOTELS CORPORATION**, a Washington corporation located at **1550 MARKET STREET, SUITE 350, DENVER, COLORADO 80202** (the "Guarantor"), absolutely and unconditionally guarantees the performance by **RED LION HOTELS FRANCHISING, INC.**, located at **1550 MARKET STREET, SUITE 350, DENVER, COLORADO 80202** (the "Franchisor"), of all of the obligations of Franchisor in accordance with the terms and conditions of the franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2019 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees as amended, modified or extended from time to time. This guarantee continues in full force and effect until all obligations of the Franchisor under its franchise registrations and Franchise Agreements are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive notice of Franchisor's default. This guarantee is binding on the Guarantor and its successors and assignees.

The Guarantor signs this guarantee at Spokane, Washington on the 28th day of March, 2019.

GUARANTOR:

RED LION HOTELS CORPORATION

By: ____________________
Name: Thomas L. McKeirnan
Title: Director and Executive Vice President, General Counsel and Secretary

EXHIBIT H

LIST OF FRANCHISEES

LIST OF FRANCHISEES AS OF 12/31/2018

Company	Address	City	State	Zip	Phone
Fairwinds Motel, Inc.	2935 N. Federal Highway	Fort Lauderdale	FL	33306	954-565-7761
Karishma Riya Inc.	2182 Gordon Highway	Augusta	GA	30909	706-312-7000
Shrinathji-Krupa Inc.	25 Carson Loop NW	Cartersville	GA	30121	770-386-0700
Individually Owned	938 Forrester Drive SE	Dawson	GA	39842	229 995-5725
Shivan of Gainesville Inc.	766 Jesse Jewell Parkway	Gainesville	GA	30501	770 287 3205
Unique Hotel LLC	2767 Windy Hill Rd	Marietta	GA	30067	678-213-4700
Gauri Holding Inc.	273 North Broad Street	Toccoa	GA	30577	706-297-7799
Sheeva Hospitality LLC	6710 Shannon Parkway	Union City	GA	30291	770-306-7750
Shri Gunatitanand, LLC	1438 Highway 41 North	Calhoun	GA	30701	706-625-1511
Ratanma, Inc.	200 Market Place Drive	Perry	GA	31069	478-987-5060
Coastal Hotels Corporation	230 Warren Mason Blvd.	Brunswick	GA	31520	912-261-0002
B & BH, LLC	3530 Thurmon Tanner Parkway	Oakwood	GA	30566	770-533-9444
Suresh & Durga, Inc.	4095 Covington Highway	Decatur	GA	30032	404-286-2500
6286 Riverdale Kamla, LLC	6286 Georgia Hwy 85	Riverdale	GA	30274	678-216-1300
Kaival Hospitality, LLC	160 W Coffee Street	Hazlehurst	GA	31539	912-379-1770
JZ & PV Holdings, LLC	409 West University Avenue	Urbana	IL	61801	217-531-2493
Satpal Hospitality Inc.	711 West Main Street	Benton	IL	62812	618-438-8205
VTD Inc.	3141 N. Water Street	Decatur	IL	62523	217-877-8888
Onken Properties LLC	1013 Plummer Drive	Edwardsville	IL	62025	618-656-7829
Jaydeep Properties, LLC	567 East Highway 38	Rochelle	IL	61068	815-562-9530
8850 Twenty First Street Inc.	8850 East 21st Street	Indianapolis	IN	46219	317-755-1283
Roy Patel	395 Corvette Drive	Bowling Green	KY	42101	270-783-4443
Saishran LLC	9544 Ocean Highway	Delmar	MD	21875	410-896-4400
Kiv & Mahi Hospitality, Inc.	2301 North Lincoln Road	Escanaba	MI	49829	906-789-1000
Iron Hospitality LLC	1518 South Stephenson Avenue	Iron Mountain	MI	49801	906-774-7400
YOGI MQT LLC	1275 US Hwy 41 W.	Marquette	MI	49855	906-228-8100
Excel Hospitality LLC	620 Elm Street	Annandale	MN	55302	320-274-3006
Siya Inc.	500 Mark Twain Avenue	Hannibal	MO	63401	573-221-4100
Wise Motels Inc.	222 East Summit Street	Maryville	MO	64468	660-582-8088
Mataji Properties LLC	100 Matthews Lane	Sikeston	MO	63801	573-472-4400

LIST OF FRANCHISEES AS OF 12/31/2018

Company	Address	City	State	Zip	Phone
Swaminarayan, LLC	1725 West Fifth Street	Eureka	MO	63025	636-549-3384
AVP Hospitality Inc.	410 E. Newbern Rd	Kinston	NC	28504	252-527-6064
Wake Hospitality Inc.	700 Money Court (Highway 64)	Knightdale	NC	27545	919-266-7324
Motel Sleepers Inc.	1525 Cotton Grove Road	Lexington	NC	27292	336-357-2100
Day's Inn, Inc.	411 W. Winnemucca Boulevard	Winnemucca	NV	89445	775-623-3661
Kenton Hotel Inc.	902 E. Columbus St.	Kenton	OH	43326	419-675-1400
Binta Enterprises Limited	1810 Victoria Street	Washington Court House	OH	43160	740-333-4478
Motel Sleepers Inc.	1201 S. Conwell Avenue	Willard	OH	44890	419-935-8817
Shiva Hotels LLC	224 Bruce Road	Greenville	SC	29605	864-312-4400
Shivanand Inc.	104 Interstate Drive	Saint George	SC	29477	843-563-2277
Rang Corporation	2448 Boundary Street	Beaufort	SC	29906	843-524-3322
Shantling Inc.	2009 West Reelfoot Avenue	Union City	TN	38261	731-885-7774
Ram Ratan Limited Partnership	7717 Lee Highway	Chattanooga	TN	37421	423-894-5454
Rushi Partners LT	3450 S. Clack Street	Abilene	TX	79606	325-695-7700
Sonal Investments LLC	216 South Georgia Avenue	Sweetwater	TX	79556	325-235-5234
Sharva, LLC	3782 NW Loop 410	San Antonio	TX	78229	210-736-9054
Santoshi Hospitality, LLC	245 North Red Cliffs Drive	St. George	UT	84790	435-652-3030

LIST OF FRANCHISEES SIGNED BUT NOT YET OPENED AS OF 12/31/2018

Company	Address	City	State	Zip	Phone
Jay Hunaman, LLC	2002 Walker Drive	Brinkley	AR	72071	870-734-2035

EXHIBIT I

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM OR NOT COMMUNICATED

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

LIST OF FRANCHISEES WHO HAVE
LEFT THE SYSTEM OR NOT COMMUNICATED
AS OF 12/31/2018

Company	Address	City	State	Zip	Phone
C.H.I. LLC	3025 W. First Street	Gulf Shores	AL	36542	251-968-8080
Hometown Inn LLC	333 Haslam Street	Piedmont	AL	36272	256-447-9780
Shreeji of Sturgis Inc.	1730 S. Centerville Rd	Sturgis	MI	49091	269-651-8505
Americas Host Inn LLC	556 Amerihost Drive	Fulton	MO	65251	573-642-0077
Ambe Crupa LLC	900 Vance Road	Mexico	MO	65265	573-582-0055
Pragji LLC	230 East White Horse Pike	Galloway	NJ	08205	609-404-0019
Sunbest Management Inc.	70 Private Road - 302	South Point	OH	45680	740-377-2786
Bhavani Properties LLC	3020 Charleston Highway	Cayce	SC	29033	803-794-7500
Neil Hospitality Inc.	321 Hwy 641 North	Camden	TN	38320	731-584-6666
DJ Hospitality Management LLC*	9503 North Interstate 35	San Antonio	TX	78233	210-637-0622
KJH Host INC	1808 FM 102	Wharton	TX	77488	979-532-1152

*Terminated prior to opening.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT J

STATE ADDENDA AND AGREEMENT RIDERS

ADDITIONAL DISCLOSURES FOR THE FRANCHISE DISCLOSURE DOCUMENT OF RED LION HOTELS FRANCHISING, INC.

The following are additional disclosures for the Franchise Disclosure Document of RED LION HOTELS FRANCHISING, INC. required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. OUR WEBSITE, www.redlion.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

4. The following statement is added to the end of Item 3:

Neither we, our parent, predecessor or affiliate nor any person in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following sentence is added at the end of the "Remarks" section for the line item entitled, "Late Payment Charge" within the Item 6 Table:

The highest interest rate allowed in California is 10% annually.

6. The following paragraphs are added to the end of Item 17:

The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Franchise Agreement requires application of the laws of the State of Colorado. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code, Section 1671, certain liquidated damages clauses are unenforceable.

ILLINOIS

1. The "Summary" section of Item 17(v), entitled **Choice of forum**, is deleted in its entirety.

2. The "Summary" section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

> Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the state of Illinois apply.

3. The following paragraph is added to the end of Item 17:

> However, this section shall not act as a condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or the Illinois Regulations Section 200.69.

MARYLAND

1. **Initial Fees**. The following is added to the end of Items 5 and 7:

> Any release required as a condition of obtaining a refund of the initial fee shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the "Summary" section of Item 17(h), entitled **"Cause" defined – non-curable defaults**:

> The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

3. The "Summary" sections of Item 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**, are amended to add the following:

> A franchisee may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to the end of the chart in Item 17:

> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

MINNESOTA

1. **Termination Fee and Liquidated Damages**. The Item 6 line items of the Franchise Disclosure Document entitled “Termination Fee Upon Early Termination Following your Default or Termination by you Without Cause”, “Liquidated Damages for Unauthorized Opening” and “Pre-Opening Termination Fee” will not be enforced to the extent prohibited by applicable law.

2. **Trademark Indemnification**. The following paragraph is added to the end of Item 13:

> Provided you have complied with all provisions of the Franchise Agreement applicable to the Proprietary Marks, we will protect your rights to use the Proprietary Marks and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Proprietary Marks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

3. **Renewal, Termination, Transfer and Dispute Resolution**. The following is added to the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release as a condition of renewal and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NORTH DAKOTA

1. **Termination Fee and Liquidated Damages**. The Item 6 line items of the Franchise Disclosure Document entitled “Termination Fee Upon Early Termination Following your Default or Termination by you Without Cause”, “Liquidated Damages for Unauthorized Opening” and “Pre-Opening Termination Fee” will not be enforced to the extent prohibited by applicable law.

2. The "Summary" section of Item 17(v), entitled **Choice of forum**, is deleted and replaced with the following:

To the extent required by North Dakota Franchise Investment Law, you may bring an action in North Dakota. Otherwise, litigation must be brought in federal court in Denver, Colorado. If the federal court lacks jurisdiction, then such litigation must be brought in state court in Denver, Colorado, unless otherwise mutually agreed by the Parties. However, we may seek injunctive relief in any jurisdiction that has jurisdiction over you.

3. The "Summary" section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the State of Colorado will apply.

RHODE ISLAND

1. The following language is added to the end of the "Summary" sections of Item 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

VIRGINIA

1. The following language is added to the end of the "Summary" section of Item 17(e), entitled **Termination by franchisor without cause**:

> Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. The following language is added to the end of Item 17:

> The State of Washington has a statute, RCW 19.100.180, which may supersede this Franchise Disclosure Document or the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede this Franchise Disclosure Document or the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.
>
> In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (the "Act"), Chapter 19.100 RCW, shall prevail.
>
> A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
>
> Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

RIDER TO THE RED LION HOTELS FRANCHISING, INC.
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and ____, whose principal business address is ____ ____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___ ____________________________ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the System Property (as defined in the Franchise Agreement) that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **GOVERNING LAW; VENUE AND JURISDICTION**. The first sentence of Section 14(g) of the Franchise Agreement is deleted and replaced with the following:

> Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) or the United States Arbitration Act (9 U.S.C. §§ 1 et seq.), this Agreement and any related agreement, all transactions contemplated by this Agreement and any related agreement, and the relationship created by this Agreement, as well as our offer, sale, or negotiation of a franchise under the System or the relationship of the parties arising from the franchise or from entering this Agreement, are governed by, and must be construed and enforced in accordance with, the internal laws of the State of Illinois.

3. **WAIVER OF EXEMPLARY AND PUNITIVE DAMAGES and JURY WAIVER**. The following language is added to the end of Sections 14(i) and 14(j) of the Franchise Agreement:

> However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or Illinois Regulations at Section 200.609.

4. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following language is added to the end of Section 14(k) of the Franchise Agreement:

> However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following language is added as Section 14(p) of the Franchise Agreement:

> (p) **ILLINOIS FRANCHISE DISCLOSURE ACT**. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ENTITY

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ___________________________________	By: ___________________________________
Name: ________________________________	Name: ________________________________
Title: _________________________________	Title: _________________________________
Date: _________________________________	Date: _________________________________
Address: 1550 Market Street, Suite 350	Address: ______________________________
Denver, Colorado 80202	_______________________________________
E-mail: _______________________________	E-mail: _______________________________

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ONE OR MORE INDIVIDUALS

US:
RED LION HOTELS FRANCHISING, INC.

By: ___________________________________

Name: ________________________________

Title: _________________________________

Date: _________________________________

Address: 1550 Market Street, Suite 350

Denver, Colorado 80202

E-mail: ________________________________

YOU:

____

Name: ________________________________

Percent Owner:__________________________

Date: _________________________________

Address: ______________________________

____

E-mail: ________________________________

**RIDER TO THE RED LION HOTELS FRANCHISING, INC.
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and ____, whose principal business address is ____ _____________________________________ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ______________________ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the System Property (as defined in the Franchise Agreement) that you will operate under the Franchise Agreement will be located in Maryland.

2. **BANKRUPTCY**. The following is added to the end of Section 11(c)(vi) of the Franchise Agreement:

> ; however, we and you acknowledge that certain aspects of this provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

3. **REPRESENTATIONS AND WARRANTIES**. The following is added to the end of Section 13 of the Franchise Agreement:

> Your acknowledgments or representations made in this Agreement, which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law, are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. **GOVERNING LAW, VENUE AND JURISDICTION**. The following is added to the end of Section 14(g) of the Franchise Agreement:

> Notwithstanding the foregoing, you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law and Maryland law shall apply to such claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following language is added to the end of Section 14(k) of the Franchise Agreement:

> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ENTITY

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________
Date: _____________________________	Date: _____________________________
Address: 1550 Market Street, Suite 350	Address: __________________________
Denver, Colorado 80202	_________________________________
E-mail: ____________________________	E-mail: ____________________________

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ONE OR MORE INDIVIDUALS

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ______________________________	______________________________
Name: ______________________________	Name: ______________________________
Title: ______________________________	Percent Owner:______________________________
Date: ______________________________	Date: ______________________________
Address: 1550 Market Street, Suite 350	Address: ______________________________
Denver, Colorado 80202	______________________________
E-mail: ______________________________	E-mail: ______________________________

RIDER TO THE RED LION HOTELS FRANCHISING, INC.
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and ____, whose principal business address is ____ ____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___ __________________________ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the System Property (as defined in the Franchise Agreement) that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **RENEWAL AND TERMINATION**. The following is added to the end of Sections 1(b), 11(b) and 11(c) of the Franchise Agreement:

> However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

3. **LIQUIDATED DAMAGES**. The following is added to the end of the last paragraph of Section 7(a) of the Franchise Agreement:

> We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

4. **TERMINATION FEES**. The following is added to the end of Sections 12(b) and 12(c) of the Franchise Agreement:

> We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

5. **GOVERNING LAW; VENUE AND JURISDICTION**. The following is added to the end of Section 14(g) of the Franchise Agreement:

> Notwithstanding the foregoing, Minn. Stat. Sec 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside Minnesota. Nothing in this Agreement shall abrogate or reduce any of your rights under Minnesota Statues Chapter 80C or your right to any procedure, forum or remedies that the law of the jurisdiction provide.

6. **WAIVER OF EXEMPLARY AND PUNITIVE DAMAGES and JURY WAIVER**. If and then only to the extent required by the Minnesota law, Sections 14(i) and 14(j) of the Franchise Agreement are deleted.

7. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following is added to the end of Section 14(k) of the Franchise Agreement:

> Minnesota law provides that no action may be commenced under Minn. Stat Sect. 80C.17 more than 3 years after the cause of action accrues.

8. **CLAIMS AGAINST THE PROPRIETARY PROPERTY**. The following is added to the end of Section c. of Schedule 9 to the Franchise Agreement:

> Provided you have complied with all provisions of this Agreement applicable to the Proprietary Property, we will protect your rights to use the Proprietary Property and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Proprietary Property in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ENTITY

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________
Date: _____________________________	Date: _____________________________
Address: 1550 Market Street, Suite 350	Address: __________________________
Denver, Colorado 80202	___________________________________
E-mail: ___________________________	E-mail: ___________________________

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ONE OR MORE INDIVIDUALS

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ___________________________________	______________________________________
Name: ________________________________	Name: ________________________________
Title: _________________________________	Percent Owner:_________________________
Date: _________________________________	Date: _________________________________
Address: 1550 Market Street, Suite 350	Address: ______________________________
Denver, Colorado 80202	______________________________________
E-mail: _______________________________	E-mail: _______________________________

RIDER TO THE RED LION HOTELS FRANCHISING, INC.
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and ____, whose principal business address is ____ ____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___ __________________________ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the System Property (as defined in the Franchise Agreement) that you will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **LIQUIDATED DAMAGES**. The following is added to the end of the last paragraph of Section 7(a) of the Franchise Agreement:

> We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.

3. **TERMINATION FEES**. The following language is added to the end of Sections 12(b) and 12(c) of the Franchise Agreement:

> We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.

4. **GOVERNING LAW; VENUE AND JURISDICTION**. Section 14(g) of the Franchise Agreement is deleted and replaced with the following:

> (g) ***Governing Law; Venue and Jurisdiction.*** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) or the United States Arbitration Act (9 U.S.C. §§ 1 et seq.), and except as otherwise required by North Dakota law, this Agreement and any related agreement, all transactions contemplated by this Agreement and any related agreement, and the relationship created by this Agreement, as well as our offer, sale, or negotiation of a franchise or the relationship of the parties arising from the franchise or from entering this Agreement, are governed by, and must be construed and enforced in accordance with, the internal laws of the State of Colorado, without regard to its conflict-of-laws principles. NOTWITHSTANDING THE FOREGOING, ANY STATUTES OF THE STATE OF COLORADO REGULATING THE OFFER OR SALE OF FRANCHISES, BUSINESS OPPORTUNITIES, OR SIMILAR INTERESTS OR GOVERNING THE RELATIONSHIP BETWEEN OR AMONG THE PARTIES TO THIS AGREEMENT, OR BETWEEN US AND YOUR GUARANTORS AND OWNERS, IF ANY, DO NOT APPLY UNLESS THEIR RESPECTIVE JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION. Any claims, controversies, disputes or actions must be brought in federal court in Denver, Colorado; provided, that, if the federal court lacks jurisdiction, then such claims, controversies, disputes or actions must be brought in state court in Denver, Colorado, unless otherwise mutually agreed by the parties. You irrevocably submit to the jurisdiction of such courts and waive any objection you might have to either the jurisdiction of or venue in such courts. Notwithstanding the

foregoing, to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law. However, with respect to any action for injunctive relief, the parties may bring such action in any court of competent jurisdiction.

5. **WAIVER OF EXEMPLARY AND PUNITIVE DAMAGES and JURY WAIVER**. To the extent required by the North Dakota Franchise Investment Law, Sections 14(i) and 14(j) to the Franchise Agreement are deleted.

6. **CLASS ACTION BAR AND LIMITATIONS OF CLAIMS**. The following is added to the end of Section 14(k) of the Franchise Agreement:

The statutes of limitations under North Dakota law apply with respect to claims arising under the North Dakota Franchise Investment Law.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ENTITY

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________
Date: _____________________________	Date: _____________________________
Address: 1550 Market Street, Suite 350	Address: __________________________
Denver, Colorado 80202	__________________________________
E-mail: ___________________________	E-mail: ___________________________

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ONE OR MORE INDIVIDUALS

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ___________________________________	____
Name: ________________________________	Name: _________________________________
Title: _________________________________	Percent Owner:__________________________
Date: _________________________________	Date: __________________________________
Address: 1550 Market Street, Suite 350	Address: _______________________________
Denver, Colorado 80202	____
E-mail: _______________________________	E-mail: ________________________________

RIDER TO THE RED LION HOTELS FRANCHISING, INC.
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and ____, whose principal business address is ____ ____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___ ____________________________ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the System Property that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **GOVERNING LAW; VENUE AND JURISDICTION**. The following language is added to Section 14(g) of the Franchise Agreement:

> SECTION 19-28.1-14 OF THE RHODE ISLAND FRANCHISE INVESTMENT ACT PROVIDES THAT "A PROVISION IN A FRANCHISE AGREEMENT RESTRICTING JURISDICTION OR VENUE TO A FORUM OUTSIDE THIS STATE OR REQUIRING THE APPLICATION OF THE LAWS OF ANOTHER STATE IS VOID WITH RESPECT TO A CLAIM OTHERWISE ENFORCEABLE UNDER THIS ACT."

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ENTITY

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ________________________________	By: ________________________________
Name: ______________________________	Name: ______________________________
Title: _______________________________	Title: _______________________________
Date: _______________________________	Date: _______________________________
Address: 1550 Market Street, Suite 350	Address: ____________________________
Denver, Colorado 80202	____________________________________
E-mail: _____________________________	E-mail: _____________________________

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ONE OR MORE INDIVIDUALS

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ___________________________________	___________________________________
Name: ________________________________	Name: ________________________________
Title: _________________________________	Percent Owner:__________________________
Date: _________________________________	Date: _________________________________
Address: 1550 Market Street, Suite 350	Address: ______________________________
Denver, Colorado 80202	___________________________________
E-mail: ________________________________	E-mail: ________________________________

RIDER TO THE RED LION HOTELS FRANCHISING, INC.
FRANCHISE AGREEMENT
FOR USE IN VIRGINIA

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and ____, whose principal business address is ____ ____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___ ____________________________ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because the System Property (as defined in the Franchise Agreement) that you will operate under the Franchise Agreement will be established or maintained in Virginia.

2. **TERMINATION BY US WITHOUT CAUSE**. The following is added to the end of Section 11(d) of the Franchise Agreement:

> Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ENTITY

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________
Date: _____________________________	Date: _____________________________
Address: 1550 Market Street, Suite 350	Address: __________________________
Denver, Colorado 80202	__________________________________
E-mail: ____________________________	E-mail: ____________________________

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ONE OR MORE INDIVIDUALS

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ___________________________________	______________________________________
Name: ________________________________	Name: _________________________________
Title: _________________________________	Percent Owner:__________________________
Date: _________________________________	Date: _________________________________
Address: 1550 Market Street, Suite 350	Address: ______________________________
Denver, Colorado 80202	______________________________________
E-mail: _______________________________	E-mail: _______________________________

**RIDER TO THE RED LION HOTELS FRANCHISING, INC.
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON**

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation with its principal business address at 1550 Market Street, Suite 350, Denver, Colorado 80202 ("we," "us," or "our"), and ____, whose principal business address is ____ ____ ("you" or "your").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___ ___________________________ (the "Franchise Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in the State of Washington; and/or (b) the System Property (as defined in the Franchise Agreement) that you will operate under the Franchise Agreement will be located in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **WASHINGTON LAW**. The following paragraphs are added to the end of the Franchise Agreement:

> In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, this Agreement shall be modified as follows:
>
> The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.
>
> In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW, shall prevail.
>
> A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
>
> Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ENTITY

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ____________________________________	By: ____________________________________
Name: _________________________________	Name: _________________________________
Title: __________________________________	Title: __________________________________
Date: __________________________________	Date: __________________________________
Address: 1550 Market Street, Suite 350	Address: _______________________________
Denver, Colorado 80202	_______________________________________
E-mail: ________________________________	E-mail: ________________________________

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the effective date of the Franchise Agreement.

SIGNATURE PAGE – PROPERTY OWNED BY ONE OR MORE INDIVIDUALS

US: **RED LION HOTELS FRANCHISING, INC.**	**YOU:**
By: ______________________________	______________________________
Name: ______________________________	Name: ______________________________
Title: ______________________________	Percent Owner:______________________________
Date: ______________________________	Date: ______________________________
Address: 1550 Market Street, Suite 350	Address: ______________________________
Denver, Colorado 80202	______________________________
E-mail: ______________________________	E-mail: ______________________________

EXHIBIT K

RECEIPTS

RECEIPT
COUNTRY HEARTH – FRANCHISEASY (OUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Red Lion Hotels Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Red Lion Hotels Franchising, Inc. or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our first personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Red Lion Hotels Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Red Lion Hotels Franchising, Inc., 1550 Market Street, Suite 350, Denver, Colorado 80202. This franchise is being offered online only. If any individual assisted you with this process on behalf of Red Lion Hotels Franchising, Inc., please enter that person's name here:_________________________________.

Issuance Date: March 28, 2019; as amended ~~Nov~~December ~~21~~10, 2019

See Exhibit A for Red Lion Hotels Franchising, Inc.'s registered agents authorized to receive service of process.
I have received a disclosure document dated March 28, 2019; as amended ~~Nov~~December ~~21~~10, 2019, that included the following Exhibits:

Exhibit A -	State Administrators/Agents for Service of Process	Exhibit F -	Financial Statements
Exhibit B -	Franchise Agreement	Exhibit G -	Guarantee of Performance
Exhibit C -	Initial Fee Authorization Form	Exhibit H -	List of Current Franchisee Outlets
Exhibit D -	Recurring Fee Authorization Form	Exhibit I -	List of Franchisee Outlets Terminated, Not Renewed or Who Otherwise Left the System
Exhibit E -	Representations and Acknowledgment Statement	Exhibit J	State Addenda and Agreement Riders
		Exhibit K -	Receipts

____________________ ____________________ ____________________
Date Signature Printed Name

Property located at ____
(street address) (city) (state/province) (zip/postal code)

Please enter the address of the Property, sign this copy of the receipt, print the date on which you received this disclosure document, and return it through our online DocuSign-enabled process.

RECEIPT
COUNTRY HEARTH – FRANCHISEASY (YOUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Red Lion Hotels Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Red Lion Hotels Franchising, Inc. or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our first personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Red Lion Hotels Franchising, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Red Lion Hotels Franchising, Inc., 1550 Market Street, Suite 350, Denver, Colorado 80202. This franchise is being offered online only. If any individual assisted you with this process on behalf of Red Lion Hotels Franchising, Inc., please enter that person's name here:________________________________.

Issuance Date: March 28, 2019; as amended ~~Nov~~December ~~21~~10, 2019

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Exhibit I -	List of Franchisee Outlets Terminated, Not Renewed or Who Otherwise Left the System
Exhibit J	State Addenda and Agreement Riders
Exhibit K -	Receipts

____________________ ____________________________ ____________________________
Date Signature Printed Name

Property located at ____
(street address) (city) (state/province) (zip/postal code)

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.