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Department of
Business Oversight

FRANCHISE DISCLOSURE DOCUMENT

LEXINGTON

Red Lion Hotels Franchising, Inc , a Washington Corporation
201 W North River Drive
Spokane, WA 99201
Telephone Number (509) 459-6100
www redlion com

The franchise is for the operation of a midscale or upper midscale lodging facility in the select-service or full-service segment, under the trademark Lexington® and certain other proprietary marks Full service properties operate under the Lexington Hotel name, select service properties operate under the Lexington Inn name

The total investment to convert an existing inn into an 85-room Lexington Inn is ~~$232,100~~289,900 to ~~$1,338,000~~1,390,000 This estimate includes the $31,000 to $36,000 that must be paid to us The total investment to convert an existing hotel into a 100-room Lexington Hotel is ~~$316,400~~358,400 to ~~$1,774,000~~1,791,000 This estimate includes the $34,000 to $39,000 that must be paid to us The total investment for a new construction 85-room Lexington Inn is ~~$6,850,700 to $11,156,000~~6,858,500 to $11,155,000, excluding site acquisition and preparation This estimate includes the $31,000 to $36,000 that must be paid to us The total investment for a new construction 100-room Lexington Hotel is ~~$8,692,500 to $14,525,500~~8,671,500 to $14,488,000 excluding site acquisition and preparation This estimate includes the $34,000 to $39 000 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~~Aaron Allison, Membership Development Coordinator, at ~~Red Lion Hotels Franchising, Inc~~ 3300 N University Drive Suite 500, Coral Springs Florida ~~33065 or at 954-575-2668~~ 35065 and (877) 311-2378 ext. 114.

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

The date of issuance of this disclosure document is ~~November 15~~March 31, ~~2016~~2017

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 ARBITRATION OR LITIGATION ONLY IN ~~FLORIDA~~WASHINGTON OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN ~~FLORIDA~~WASHINGTON THAN IN YOUR HOME STATE

2 THE FRANCHISE AGREEMENT STATES THAT ~~FLORIDA~~WASHINGTON 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 SPOUSE(S) OF ANY INDIVIDUALS OWNING 20% OR GREATER LEGAL OR BENEFICIAL INTEREST IN THE FRANCHISE ARE REQUIRED TO SIGN A PERSONAL GUARANTEE IN ORDER TO BIND THE MARITAL ASSETS OF OWNERS AND SPOUSES AS A RESULT, SUCH SPOUSE(S) IS/ARE JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE, WHETHER OR NOT INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS THIS REQUIREMENT PLACES THE PERSONAL AND MARITAL ASSETS OF THE FRANCHISE OWNERS AND SPOUSES AT RISK

4 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

5 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

We ~~reserve the right to~~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	~~January 19~~_____, 2017
Hawaii effective date	~~November 24, 2016~~_____, 2017
Illinois effective date.	*exempt*
Indiana effective date.	April 3, 2017
Maryland effective date	~~December 28, 2016~~_____, 2017
Michigan effective date.	March 31, 2017
Minnesota effective date	~~January 10~~_____ 2017
New York effective date	~~December 19, 2016~~*exempt*
North Dakota effective date.	_____, 2017
Rhode Island effective date.	_____, 2017
South Dakota effective date.	April 3, 2017
Virginia effective date.	_____, 2017
Washington effective date.	_____, 2017
Wisconsin effective date.	March 31, 2017

In all other states that do not require registration, the effective date of this disclosure document is the issuance date of ~~November 15~~March 31, ~~2016~~2017

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

Note Despite subparagraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the franchise agreement We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions You acknowledge that we will seek to enforce this section as written

Table of Contents

ITEM 1	THE FRANCHISOR AND ANY PARENTS PREDECESSORS AND AFFILIATES	1
ITEM 2	BUSINESS EXPERIENCE	5
ITEM 3	LITIGATION	~~11~~9
ITEM 4	BANKRUPTCY	~~11~~9
ITEM 5	INITIAL FEES	~~11~~9
ITEM 6	OTHER FEES	~~12~~10
ITEM 7	ESTIMATED INITIAL INVESTMENT	~~17~~15
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	~~29~~25
ITEM 9	FRANCHISEE S OBLIGATIONS	~~32~~28
ITEM 10	FINANCING	~~33~~29
ITEM 11	FRANCHISOR S ASSISTANCE ADVERTISING COMPUTER SYSTEMS AND TRAINING	~~33~~30
ITEM 12	TERRITORY	~~44~~38
ITEM 13	TRADEMARKS	~~45~~39
ITEM 14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	~~47~~41
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	~~48~~42
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	~~48~~42
ITEM 17	RENEWAL TERMINATION TRANSFER AND DISPUTE RESOLUTION	~~49~~43
ITEM 18	PUBLIC FIGURES	~~52~~46
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	~~52~~46
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	~~53~~47
ITEM 21	FINANCIAL STATEMENTS	~~56~~50
ITEM 22	CONTRACTS	~~56~~50
ITEM 23	RECEIPTS	~~56~~50

EXHIBITS

Exhibit A – List of State Administrators/Agents for Service of Process
Exhibit B – ~~Membership~~Franchise Agreement
Exhibit C – Application
Exhibit D – Representations and Acknowledgement Statement
Exhibit E – Financial Statements
Exhibit F – Guarantee of Performance
Exhibit G – List of Current Franchisee Outlets
Exhibit H – List of Franchisee Outlets Terminated Not Renewed or Who Otherwise Left the System
Exhibit I – Sample General Release
Exhibit J – State Addenda and Agreement Riders
Exhibit K – Receipts

ITEMTHE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, "Red Lion," 'we or 'us means Red Lion Hotels Franchising, Inc the franchisor "You" means the person (or persons) who signs the franchise agreement -- the "franchisee" If the franchisee will be a corporation partnership, limited liability company or other entity, "you" also includes both the business entity and those persons that have a 20% or greater legal or beneficial ownership interest in the franchisee entity who will have to guarantee your obligations and be bound by the provisions of your franchise agreement (~~which we call a Membership~~the "Franchise Agreement"), the form of which is attached as Exhibit B to this disclosure document, and other agreements as described in this disclosure document The spouse of each guarantor also will be required to acknowledge the guaranty ~~References to the "Lexington brand" or "Brand" mean Lexington®, including its segments (Lexington Inn and Lexington Hotel) and brand extensions (for example Lexington Inn & Suites Lexington Legacy Hotel Lexington Legacy Inn, and such other brand extensions as we may authorize) Once you have become a franchisee, you also will be known as a Brand Member We use the terms 'franchisor' and franchisee in this disclosure document where required or suggested by franchising laws, regulations, or guidelines Use of those terms does not diminish the brand membership nature of our relationship 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 ("Red Lion") Our principal business address is 201 West North River Drive, Spokane, Washington 99201, however, we may provide certain support services relating to the Brand from 3300 N University Drive, Suite 500, Coral Springs Florida 33065 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 have~~, directly and indirectly through its subsidiaries has been active in the ownership and management of hotels since ~~our~~its incorporation 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.

On April 30 2015, we purchased the intellectual property assets and hotel franchise license agreements of GuestHouse International, LLC a South Dakota limited liability company This acquisition added the GuestHouse International and Settle Inn brands to the Red Lion 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 Brands and the related lodging facility ~~membership~~franchise agreements Acquired 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

Except as ~~set forth in this Item 1~~described above, 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 Franchis~~or'~~sed Business

~~As of October 5 2016, we began offering franchises for Lexington-branded lodging facilities The Brand is described below under the heading The Franchised Business Also as of October 2016, we began offering franchises, each under a separate franchise disclosure document for lodging facilities under the following Acquired Brands~~

~~*Jameson Inn*~~

We ~~offer franchises for the operation of midscale and upper midscale~~grant qualified persons the right to own and operate full-service, mid-priced lodging facilities ~~in the select-service segment~~ under the trademarks ~~Jameson Inn~~Lexington® and certain other proprietary marks, collectively referred to as the "~~Jameson Marks As of December 31, 2015, there were 24 franchised Jameson Inn-branded lodging facilities open or under contract~~ Lexington Marks", under a form of Franchise Agreement, attached as Exhibit B. We have offered franchises under the Lexington Marks since October 2016. A franchise grants you the right to operate a Lexington-branded hotel, inn or other lodging facility (Lodging Facility) at a specified location.

~~*Americas Best Value Inn*~~

~~We offer franchises for the operation of lodging facilities in the limited-service segment under the trademark Americas Best Value Inn® and certain other proprietary marks, collectively referred to as the ABVI Marks " As of December 31, 2015, there were 45 franchised Americas Best Value Inn-branded lodging facilities open or under contract~~

~~*Country Hearth Inn*~~

~~We offer franchises for the operation of lodging facilities in the budget lodging segment under the trademarks Country Hearth Inn® Country Hearth Suites®, Country Hearth Inn & Suites® and certain other proprietary marks, collectively referred to as the Country Hearth Marks ' As of December 31, 2015 there were 52 franchised Country Hearth-branded lodging facilities open or under contract~~

~~We also act as licensor or franchisor for, and provide services to, the licensees and brand members of the following Acquired Brands for which we will not offer new franchises America s Best Inns & Suites and 3 Palms Hotels & Resorts Additionally, we act as franchisor for, and provide services to, the brand members of the Signature Inn brand While we currently do not offer new franchises for Signature Inn, we anticipate doing so by mid-2017~~

References to the "Lexington brand or 'Brand mean Lexington®, including its segments (Lexington Inn and Lexington Hotel) and brand extensions (for example, Lexington Inn & Suites, Lexington Legacy Hotel, Lexington Legacy Inn, and such other brand

extensions as we may authorize). Upon signing the Franchise Agreement, you will be referred to as a 'Brand Franchisee.

Prior to our acquisition of the Lexington brand, there were 19 lodging facilities operating that became affiliated with the Lexington brand through VHGI's membership model, which it offered before VFI, its subsidiary, began offering franchises for lodging facilities under the Lexington Marks. In September 2016 as part of the acquisition, we assumed the membership agreements for, and began acting as licensor and providing services to, those lodging facilities. The licensees of those membership agreements are known as 'Brand Members throughout this disclosure document and have certain rights and privileges related to the Lexington brand, such as voting rights, as discussed further below.

The franchise concept allows experienced, professional hotel operators greater autonomy in their operations than conventional hotel franchises, while also providing brand standards that may be less elaborate or rigid compared to conventional hotel franchises, as well as 'A Voice and A Vote®" in many of the Brand's policies and directions. All Lexington franchisees must be experienced in the industry (or must have engaged an experienced hotel management company on their behalf) and must have qualified professional hotel management on site. We offer the right to operate under two segments. Lexington Inn (moderately-priced select-service lodging facilities typically consisting of at least 85 rooms with limited food and beverage offerings) and Lexington Hotel (moderately-priced full-service lodging facilities typically consisting of at least 100 rooms).

Amenities include swimming pools (unless geographically contraindicated), complimentary hot continental breakfast (unless an on-site restaurant offering breakfast is open), flat screen televisions (with HBO premium programming), high-speed internet access in all guest rooms and the lobby, in-room single-cup coffee maker, an exercise facility, meeting space, sundry shop, guest laundry, microwave and mini-fridge in guest rooms, valet service (based on location), and a business center. In all cases, we expect the properties to be run according to our Brand Standards by seasoned, well-qualified hospitality professionals, including a certified general manager and a trained director of sales. You may be required to make future investments in your Lodging Facility to comply with changes to Brand Standards. The Brand Standards include all of our mandatory policies, procedures, standards, operating procedures, service standards and rules we periodically prescribe for operating a Lodging Facility, whether described in our resource guides, policy statements, and program manuals (if any) (our Brand Manuals") or otherwise provided in writing, and our 'Trade Dress (which means the business design and image owned by us and our affiliates pertaining to Lexington-branded Lodging Facilities), and other Proprietary Property (as defined in Item 14), all of which may be further revised and developed by us. We may add elements to the Brand Standards or modify, alter or delete elements of the Brand Standards.

Franchisor's Business

~~We~~In addition to offering franchises for lodging facilities under the Lexington Marks, we also offer franchises for lodging facilities under the following brands

~~*Red Lion Hotel Brands*~~

~~We franchise 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® trademarks 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, 2015 there were 25 Red Lion Hotel franchises and 19 Red Lion Inn & Suites franchises. Red Lion also owns and operates hotels under the Red Lion Marks.~~

Leo Hotel Collection Hotels

~~Red Lion has~~We have previously franchised ~~Leo Hotel Collection~~ hotels in the mid-scale to upscale markets under the trademark Leo Hotel Collection. Typically, a Leo Hotel Collection hotel retained their existing hotel name followed by the words, 'A Leo Hotel Collection hotel' for local marketing and signage purposes.

Neither we nor any current affiliate has owned or operated a Leo Hotel Collection hotel. As of December 31, ~~2015~~2016 there was one Leo Hotel Collection hotel. We do not intend to continue to offer Leo Hotel Collection hotels.

Red Lion Hotel Brands

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® trademarks 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, 2016, there were 25 Red Lion Hotel franchises and 26 Red Lion Inn & Suites franchises.

Hotel RL Hotels

In 2014, we launched a new brand, 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. ~~Red Lion~~We announced the first addition to Hotel RL at the Inner Harbor of Baltimore, a hotel acquired by ~~Red Lion~~us that opened in the 3rd quarter of 2015 as a Hotel RL. We also acquired a hotel in Washington DC and opened it as a Hotel RL in the 4th quarter of 2015. ~~Red Lion~~We also ~~announced that~~converted three of our existing owned hotels under the Red Lion Marks located in Salt Lake City, Utah, and in Olympia and Spokane, Washington ~~will convert~~ to the Hotel RL brand in 2016. In addition, we have executed ~~eight~~six franchise agreements with ~~licensees~~franchisees expected to open Hotel RL franchises that were not yet opened as of December 31, ~~2015~~2016. The Hotel RL® and RL™ trademarks and related trademarks, service marks and trade names are collectively referred to as the "RL Marks."

GuestHouse ~~International~~ Brands

~~We~~Since May 2015, we franchise economy segment, primarily limited service hotels, under the GuestHouse Marks. The "GuestHouse Marks" refers to the Guest~~H~~House™ ~~International®~~ trademark and related trademarks and service marks. As of December 31 ~~2015~~2016, there were ~~54~~35 GuestHouse franchises.

Settle Inn Brands

In July 2016, we began offering economy segment extended stay hotels under the Settle Inn Marks The "Settle Inn Marks" refers to the Settle Inn® and Settle Inn & Suites® trademarks and related trademarks and service marks As of December 31, 2016, there were 3 Settle Inn franchises.

As of October 2016, we also began offering franchises, each under a separate franchise disclosure document, for lodging facilities under the following Acquired Brands.

Americas Best Value Inn

We offer franchises for the operation of lodging facilities in the limited-service segment under the trademark Americas Best Value Inn® and certain other proprietary marks, collectively referred to as the "ABVI Marks." As of December 31, 2016, there were 35 franchised Americas Best Value Inn-branded lodging facilities open or under contract. In addition, there were 859 lodging facilities in the United States which became affiliated with the Americas Best Value Inn brand through VHGI's membership model, which it offered before VFI, its subsidiary, began offering franchises for lodging facilities under the ABVI Marks. In September 2016, we acquired the membership agreements for, and began acting as licensor and providing services to, those lodging facilities.

Country Hearth Inn

We offer franchises for the operation of lodging facilities in the budget lodging segment under the trademarks Country Hearth Inn®, Country Hearth Suites®, Country Hearth Inn & Suites® and certain other proprietary marks, collectively referred to as the "Country Hearth Marks. As of December 31, 2016, there were 48 franchised Country Hearth-branded lodging facilities open or under contract.

We also act as licensor or franchisor for, and provide services to, the licensees and franchisees of the following brands, for which we will not offer new franchises. America s Best Inns & Suites, Jameson Inn and 3 Palms Hotels & Resorts. Additionally, we act as franchisor for, and provide services to, the franchisees of the Signature Inn brand. While we currently do not offer new franchises for Signature Inn, we anticipate doing so by late-2017.

The Red Lion Marks, RL Marks, GuestHouse Marks Settle Inn Marks, Lexington Marks ~~(as defined below) Jameson Marks~~, ABVI Marks ~~and~~, Country Hearth Marks and other marks used by hotels for which we offer franchises in the future shall collectively be referred to as the Network Marks.' Hotels we license to operate under the Network Marks shall collectively be referred to as the "Network Hotels "Red Lion Brands refers to all lodging facilities that operate under any of the ~~following~~ brands ~~and~~including their ~~various extensions~~ Red Lion Hotel RL GuestHouse, Settle Inn ~~and each of the Acquired Brands~~, Lexington Inn, Americas Best Value Inn, Country Hearth Inn brands and any other brands operating under any of the Network Marks

We have never offered franchises in any lines of business other than the hotel business and other than the offering for the Red Lion Brands as described above We have no other business activities ~~We do not have any affiliates who offer franchises in any line of business or that offer products to our franchisees~~

~~The Franchised Business~~

~~We franchise hotels under the trademark Lexington® and certain other proprietary marks, collectively referred to as the "Lexington Marks." A franchise grants you the right to operate a Lexington-branded hotel, inn or other lodging facility ("Lodging Facility") at a specified location. The franchise concept allows experienced, professional hotel operators greater autonomy in their operations than conventional hotel franchises, while also providing brand standards that may be less elaborate or rigid compared to conventional hotel franchises as well as A Voice and A Vote® in many of the Brand's policies and directions. All Lexington franchisees must be experienced in the industry (or must have engaged an experienced hotel management company on their behalf) and must have qualified professional hotel management on site. We offer the right to operate under two segments: Lexington Inn (moderately priced select service lodging facilities typically consisting of at least 85 rooms with limited food and beverage offerings) and Lexington Hotel (moderately priced full-service lodging facilities typically consisting of at least 100 rooms). If you prefer to maintain a name that has developed an established identity and goodwill, you may ask for your Lodging Facility to be known as a Lexington Legacy Inn or Hotel. For example, the Lexington-branded property in Sacramento, California, is known as Lions Gate Hotel & Conference Center, a Lexington Legacy Hotel.~~

~~Amenities include swimming pools (unless geographically contraindicated), complimentary hot continental breakfast (unless an on-site restaurant offering breakfast is open), flat screen televisions (with HBO premium programming), high-speed internet access in all guest rooms and the lobby, in-room single-cup coffee maker, an exercise facility, meeting space, sundry shop, guest laundry, microwave and mini-fridge in guest rooms, valet service (based on location), and a business center. In all cases, we expect the properties to be run according to our Brand Standards by seasoned, well-qualified hospitality professionals including a certified general manager and a trained director of sales. You may be required to make future investments in your Lodging Facility to comply with changes to Brand Standards. The Brand Standards' include all of our mandatory policies, procedures, standards, operating procedures, service standards and rules we periodically prescribe for operating a Lodging Facility, whether described in our resource guides, policy statements, and program manuals (if any) (our "Brand Manuals") or otherwise provided in writing, and our "Trade Dress" (which means the business design and image owned by us and our affiliates pertaining to Lexington-branded Lodging Facilities) and other Proprietary Property (as defined in Item 14), all of which may be further revised and developed by us.~~

Our Affiliates

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

RLHC and Red Lion Hotels Holdings, Inc., may provide services to franchisees of the various Red Lion Brands as discussed throughout this disclosure document.

Our affiliate Red Lion Hotels Canada Franchising, Inc. ("RLHCF"), is a Washington corporation that was formed on August 18, 2016. RLHCF has not operated a lodging facility-

~~however, RLHCF~~. As of February 2, 2017, RLHCF began offering franchises to operate hotels under the Red Lion Marks in Canada, and intends to begin offering franchises for certain of the other Red Lion Brands in Canada during 2017, including Hotel RL. In addition, RLHCF intends to franchise lodging facilities under the trademark Canadas Best Value Inn® in Canada during 2017

~~Under the Membership Agreement you will acquire only certain rights with respect to the Brand. You will not acquire rights in any other business of ours or our affiliates.~~

~~RLHC, its direct and indirect subsidiaries and their respective employees will be performing services for licensees of the Brand as discussed throughout this disclosure document.~~

The principal business address of the affiliates of Red Lion is 201 West North River Drive, Spokane Washington 99201. Except as ~~set forth in this Item 1~~described above we do not have any other affiliates that must be disclosed in this Item 1.

Laws, Rules and Regulations

Your Lodging Facility 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 which apply to businesses in general will affect you. Consult your lawyer about them. Discuss with your architect the Americans with Disabilities Act and its architectural guidelines, and state and local accessible facilities requirements. We may require proof that your Lodging Facility complies with the Americans with Disabilities Act prior to the opening of your Lodging Facility and we may periodically request proof after the opening of your Lodging Facility.

The Market and Competition

The market for your services will depend on your Lodging Facility's location, size and its type of operation (that is, resort, conference center, hotel for frequent business travelers, etc.). Our franchisees seek customers and business referrals from the local community and typically solicit business from conventions, and tour and travel groups, on a 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 Red Lion customers~~constitute a significant portion of Lexington events. In general, you will compete with national hotel and motel chains and independently operated local hotels and restaurants 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 the Brand, you may also compete with lodging designed to serve particular segments of the market and to fill particular lodging demands.

ITEM 12 BUSINESS EXPERIENCE

Gregory T Mount – Director and President

Mr Mount joined RLHC as President and Chief Executive Officer in January 2014 He has also served as the Director and President of Red Lion since January 2014 Mr Mount has also served as the President for each of the other subsidiaries of RLHC since the later of the applicable subsidiary s inception or January 2014 ~~and will serve in the same capacity with any additional subsidiaries formed after the issuance date of this disclosure document so long as he continues to serve as President and Chief Executive Officer of RLHC~~ From November 2009 to January 2014 he served as President of Richfield Hospitality, Inc , a hotel management company based in Denver Colorado

~~David M Wright~~ Douglas Ludwig – Executive Vice President, Chief Financial Officer and Treasurer

~~Mr Wright was appointed Interim Chief Financial Officer of RLHC in April 2016 Mr Wright has also served as the Vice President and Treasurer of Red Lion since April 2016 Mr Wright has also served as the Vice President and Treasurer for each of the other subsidiaries of RLHC since the later of the applicable subsidiary s inception or April 2016, and will serve in the same capacity with any additional subsidiaries formed after the issuance date of this disclosure document so long as he continues to serve as the Interim Chief Financial Officer of RLHC Mr Wright joined RLHC as Vice President of Accounting, Tax & External Reporting in December 2015 Prior to joining RLHC, Mr Wright was employed by Itron Inc in Liberty Lake, Washington as Director of Global Consolidation & External Reporting from February 2012 until December 2015 and Assistant Controller – Technical Accounting from October 2008 until February 2012~~

Beginning April 1, 2017, Mr. Ludwig will serve as the Executive Vice President, Chief Financial Officer and Treasurer of RLHC and Red Lion. Prior to joining RLHC, he served as Chief Financial Officer since 2007 for Baha Mar Resorts Limited, a new resort and casino project in Nassau, Bahamas.

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 Red Lion since February 2013 Mr McKeirnan also has served as a Director of Red Lion since January 2004 and as the Secretary of both RLHC and Red Lion 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~~, and will serve in the same capacity with any additional subsidiaries formed after the issuance date of this disclosure document so long as he continues to serve as Executive Vice President, General Counsel and Secretary of RLHC~~ Mr McKeirnan served as Senior Vice President of RLHC and Red Lion from 2005 to February 2013

Others with Management Responsibility

William J Linehan – Executive Vice President, Chief Marketing Officer (RLHC)

Mr Linehan joined RLHC as Executive Vice President, Chief Marketing Officer in February 2014 From 2009 to February 2014 he served as Chief Marketing Officer of Richfield Hospitality Inc a hotel management company based in Denver, Colorado

Harry Sladich – Executive Vice President, Hotel Operations and Sales (RLHC)

Mr Sladich has served as Executive Vice President, Hotel Operations and Sales of RLHC since February 2014 He previously served as RLHC s Executive Vice President, Sales and Marketing from May 2010 to February 2014

Roger J Bloss – President, Global Development (RLHC)

Mr Bloss joined RLHC as President, Global Development in October 2016 and is based in Las Vegas, Nevada Prior to joining RLHC, Mr Bloss served as President and Chief Executive Officer, as well as Chairman of the Board of Directors of VFI in Westlake Village, California, from September 2012 to September 2016 He also founded VHGI in 1999 and served as its President and Chief Executive Officer, in Westlake Village, California from 1999 to September 2016 and served as its Chairman of the Board of Directors from June 2009 to September 2016 Mr Bloss is also the director and officer of a number of other entities as follows Director and President of Thirty-Eight Street, Inc (TESI) since April 1987, Director of Vantage Insurance Services, Inc ("VISI) since January 2008, Director and Vice President, Marketing, of Brown Nester Hospitality Services, Inc (Brown Nester') since March 2011 Director and President of VantaCruise, Inc ("VantaCruise") since September 2013 Manager of Cruise Inn Holdings, LLC (Cruise Inn Holdings") since 2013, Manager of Cruise Inn Membership, LLC (Cruise Inn Membership") since 2013, and President, Chief Executive Officer and Director of VAPAC Inc (VAPAC") since December 2010 Mr Bloss provides services to these various entities out of his offices in Las Vegas Nevada

Bernard ("Bernie") T Moyle – Executive Vice President and Chief Operating Officer (RLHC)

Mr Moyle joined RLHC as Executive Vice President and Chief Operating Officer in October 2016 and is based in Coral Springs, Florida Prior to joining RLHC Mr Moyle served as VFI s Chief Operating Officer and Chief Financial Officer, and was a member of its Board of Directors, in Coral Springs Florida from September 2012 to September 2016 Mr Moyle co-founded VHGI in Coral Springs Florida in 1999, and served as its director from 1999 to September 2016 and as its Chief Operating Officer Chief Financial Officer, Vice-President, Secretary and Treasurer from June 2002 to September 2016 Mr Moyle is also the director and officer of a number of other entities as follows Director, Vice-President, Secretary and Treasurer of TESI since April 1987 Director and Secretary of VISI since January 2008, Director Secretary and Treasurer of Brown Nester since March 2011 Director, Vice-President and Treasurer of VantaCruise since September 2013 Chief Operating Officer Secretary Treasurer and Director of VAPAC since December 2010, Manager of VAPAC Jacksonville, LLC since October 2015, Manager of VCC Flock, LLC since 2010 Manager of VCC Pro Shop LLC since 2012, President of LexDevCoJax LLC since June 2015, Manager of ACC Strategies, LLC since 2009, President of The Country Club of Coral Springs, Inc since 2011, President and Secretary of The Country Club of Coral Springs Golf Academy, Inc since 2011, Manager of Cruise Inn Holdings since 2013, and, Manager of Cruise Inn Membership

since 2013 Mr Moyle provides services to these various entities out of our offices in Coral Springs, Florida

David M. Wright – Vice President of Accounting, Tax & External Reporting (RLHC)

Mr. Wright was appointed Interim Chief Financial Officer of RLHC in April 2016, but beginning April 1, 2017, Mr. Wright will resume his role as the Vice President of Accounting, Tax & External Reporting for RLHC. Mr. Wright served as the Vice President and Treasurer of RLHC from April 2016 through March 2017. Mr. Wright joined RLHC as Vice President of Accounting, Tax & External Reporting in December 2015. Prior to joining RLHC, Mr. Wright was employed by Itron, Inc. in Liberty Lake, Washington as Director of Global Consolidation & External Reporting from February 2012 until December 2015 and Assistant Controller - Technical Accounting from October 2008 until February 2012.

Angela Landgraf – Senior Vice President, Corporate Development (RLHC)

Ms Landgraf has served as the Senior Vice President, Corporate Development of RLHC since October 2016 She previously served as RLHC s Senior Vice President, Business Development from April 2014 to September 2016 ~~Previously~~Prior to that Ms Landgraf served as Senior Vice President, Business Development & Management Services for Richfield Hospitality in Orange County, California from November 2009 to April 2014

~~**Brian Quinn – Senior Vice President, Franchise Upscale (RLHC)**~~

~~Mr Quinn has served as the Senior Vice President, Franchise Upscale of RLHC since October 2016 and is based in Tampa, Florida He previously served as RLHC s Senior Vice President, Chief Franchise Officer from May 2014 to September 2016 Previously, Mr Quinn served as Executive Vice President & Principal, Development for Driftwood Hospitality Management in North Palm Beach Florida from April 2011 to May 2014~~

Mike Castro – Regional Vice President, Lodging Development (RLHC)

Mr Castro has served as Regional Vice President, Lodging Development of RLHC since June 2014 Prior to that Mr Castro served as RLHC s Vice President, Brand Services from May 2012 to June 2014 Mr Castro served as Director, Brand Services of RLHC from January 2011 to May 2012

~~**Phil Lovas – Regional Vice President, Lodging Development (RLHC)**~~

~~Mr Lovas joined RLHC as Regional Vice President, Lodging Development in June 2014 and is based in Phoenix Arizona Mr Lovas also serves as Arizona State Representative from Feb 2012 to the present time From May 2005 to April 2012, Mr Lovas served as Regional Director of Franchise Development for InterContinental Hotels Group located in Phoenix, Arizona~~

David Attardi – Regional Vice President, Lodging Development (RLHC)

Mr Attardi joined RLHC as Regional Vice President, Lodging Development in July 2014 and is based in Washington, DC Mr Attardi previously served as Vice President for B F Saul Company Hospitality Group from September 2007 to July 2014 in Washington, DC

~~**Frank Pena – Area Vice President, Lodging Development (RLHC)**~~

~~Mr Pena joined RLHC as Regional Vice President, Lodging Development in December 2015 and is based in Miami, Florida Mr Pena previously served as Regional Director of Business Development for Magnuson World Wide in Miami, Florida from November 2015 to March 2016 Prior to that Mr Pena was Manager, Franchise Development for Wyndham Hotel Group in Miami, Florida from April 2013 to March 2015 Mr Pena also was Founder and President of FJP Hotel Group in Miami Florida from July 2003 to April 2013~~

~~**David Bennett – Regional Vice President, Lodging Development (RLHC)**~~

~~Mr Bennett joined RLHC as Regional Vice President Lodging Development in January 2016 and is based in Great Barrington, Massachusetts Mr Bennett previously served as Managing Partner, Head of US Commercial Real Estate for Salmon Run Capital in Stockbridge, Massachusetts from August 2013 through December 2015 Prior to that, Mr Bennett was Vice President of Hotel Development for Hampshire Hotels and Resorts, LLC in New York, New York from May 2011 to February 2013~~

~~**Jack Garagnani – Associate Vice President, Franchise Development (RLHC)**~~

~~Mr Garagnani joined RLHC as Associate Vice President, Franchise Development in April 2016 and is based in St Louis, Missouri Prior to joining RLHC, Mr Garagnani was President of Hospitality Plus in St Louis, Missouri from November 2013 until April 2016 Prior to that, Mr Garagnani was Director of Development for Lexington Hotels & Inns in Coral Springs, Florida from April 2010 until October 2013~~

Angie McPetrie – Regional Vice President, Lodging Development (RLHC)

Ms McPetrie joined RLHC as Regional Vice President Lodging Development in March 2015 and is based in Atlanta, Georgia From May 2009 until December 2014 she served as Regional Vice President Franchise Sales and Development, Upscale Brands for Intercontinental Hotels Group and was based in Atlanta, Georgia

~~**Richard Veilleux – Senior**~~**Jamie Metzger – Vice President, Franchise Operations (RLHC)**

~~Mr Veilleux joined RLHC as Senior Vice President of Franchise Operations in April 2016 and is based in Los Angeles California Mr Veilleux served as Senior Director, Owner Services for Starwood Hotels and Resorts Worldwide in Los Angeles, California from June 2008 until March 2016~~

~~**Jamie Metzger – Vice President, Brand Services and Owner Relations (RLHC)**~~

Mr Metzger joined RLHC as Vice President, ~~Brand Services and Owner~~Franchise ~~Rel~~Operations in January 2015 and is based in Phoenix, Arizona Prior to that Mr Metzger was self-employed as a hotel consultant in Phoenix, Arizona from May 2014 to January 2015 Mr Metzger was previously employed by Triyar Hospitality as General Manager of the Aloft Hotel Tempe, in Tempe Arizona from October ~~2008~~2009 to ~~May~~June 2014

~~William Bunce –~~Tom Duffe – Associate Vice President, ~~Brand Services and Owner Relations~~Lodging Development (RLHC)

~~Mr Bunce joined RLHC as Vice President Brand Services and Owner Relations in July 2015 and is based in San Antonio, Texas Prior to that Mr Bunce served as General Manager Vice President of Operations, Area Managing Director for Richfield Hospitality in Denver Colorado from May 2010 to March 2015~~

~~Tom Duffe – Senior Manager, Franchise Licensing and Conversion (RLHC)~~

Mr Duffe has served as ~~Senior Manager, Franchise Licensing and Conversion~~Associate Vice President, Lodging Development of RLHC since January 2016 Prior to that, Mr Duffe joined RLHC in June 2014 as Development Sales Coordinator based in Tampa, Florida Mr Duffe was previously employed by Driftwood Hospitality Management as its Development Manager based in North Palm Beach, Florida from April 2012 until June 2014 Previously, Mr Duffe was employed by Carmel Cafe and Wine bar as Key Employee from July 2011 to May 2012 based in Clearwater Florida

Mark Williams – Vice President, Franchise, Upscale (RLHC)

Mr Williams joined RLHC in October 2016 as Vice President, Franchise, Upscale and is based in Coral Springs, Florida Prior to joining RLHC, Mr Williams was employed by VHGI in Coral Springs, Florida from 2014 to September 2016 as the Group President of Mid-Scale and Upscale Brands From 2013 to 2014, Mr Williams was the Director of Major Markets for G6 Hospitality, in Carrollton, Texas From 1993 to 2013 Mr Williams was the Vice President of North American Development for Best Western International, Inc , in Phoenix, Arizona

~~Jordan Langlois – Vice President, Brand Services (RLHC)~~

~~Mr Langlois joined RLHC in October 2016 as Vice President, Brand Services and is based in Coral Springs, Florida Prior to joining RLHC, Mr Langlois was employed by VHGI, in Coral Springs, Florida, from 2002 to September 2016, and held various positions, most recently as Vice President of Brand Management and prior to that as a Brand Manager and Senior Brand Manager~~

Taylor Goff – Manager, Member Development (RLHC)

Mr Goff joined RLHC in October 2016 as Manager Member Development and is based in Columbus, Ohio 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

~~Judith ("Judi") A. Jarvis – Vice President, Associate General Counsel~~Aaron Allison – Membership Development Coordinator (RLHC)

~~Ms Jarvis joined RLHC in October 2016 as Vice President, Associate General Counsel and is based in Coral Springs, Florida Prior to joining RLHC, Ms Jarvis was employed by VHGI, in Coral Springs, Florida, from 2008 to September 2016 as its Vice President of Legal Affairs and Chief Legal Officer Ms Jarvis also served as the Vice~~

President of Legal Affairs and Chief Legal Officer of VFI in Coral Springs, Florida, from April 2015 to September 2016. Ms. Jarvis has also served as the president of The Law Offices of Judith A. Jarvis, P.A., located in Coral Springs, Florida, since 1997.

Andrew Kraemer – Vice President, Revenue Distribution (RLHC)

Mr. Kraemer joined RLHC in October 2016 as Vice President, Revenue Distribution and is based in Coral Springs, Florida. Prior to joining RLHC, Mr. Kraemer was employed by VHGI, in Coral Springs, Florida, from July 2015 to September 2016 as its Vice President of IT and Electronic Distribution. Since October 2010, Mr. Kraemer has been a member of RevGenie, LLC in Middlesex, New Jersey.

Maxine Lockhart – Vice President, National Sales (RLHC)

Ms. Lockhart joined RLHC in October 2016 as Vice President, National Sales and is based in Coral Springs, Florida. Prior to joining RLHC, Ms. Lockhart was employed by VHGI in Coral Springs, Florida, from 2009 to September 2016, and held various positions, most recently as Vice President of Sales and New Business Development and prior to that as Vice President of Groups, Meetings and Incentives and Director of Groups, Meetings and Incentives.

James ("Jim") Maguire – Vice President, Customer Service (RLHC)

Mr. Maguire joined RLHC in October 2016 as Vice President, Customer Service and is based in Coral Springs, Florida. Prior to joining RLHC, Mr. Maguire was employed by VHGI in Coral Springs, Florida, from September 2014 to September 2016 as its Vice President of Guest Relations. From September 2012 to September 2014, Mr. Maguire was the Director of Operations for iQor in Fort Lauderdale, Florida. During the month of August 2012, Mr. Maguire spent time traveling. From April 2005 to July 2012, Mr. Maguire was the Director of Operations for Cross Country Home Services in Sunrise, Florida.

Jesse Ostrum – Vice President, Revenue Management (RLHC)

Mr. ~~Ostrum~~Allison joined RLHC in October 2016 as its ~~Vice President, Revenue Management~~Membership Development Coordinator and is based in Coral Springs, Florida. Prior to joining RLHC, Mr. ~~Ostrum~~Allison was employed by VHGI, in Coral Springs, Florida, from ~~2009~~September 2004 to September 2016, most recently as its ~~Vice President of Revenue Management from October 2012~~Membership Development Coordinator from August 2014 to September 2016 and prior to that, as its ~~Director of Revenue Management~~Legal Assistant from February ~~2009 to October 2012~~2010 to July 2014 and its Accounts Receivable Team Leader from September 2004 to January 2010.

Laura Crawford – Director, Member and Franchise Operations, Upscale (RLHC)

Ms. Crawford joined RLHC in October 2016 as its Director, Member and Franchise Operations, Upscale and is based in Coral Springs, Florida. Prior to joining RLHC, Ms. Crawford was employed by VHGI, in Coral Springs, Florida, from 2002 to September 2016, and held various positions, most recently as the Director of Brand Management of Mid-Scale to Upscale Brands and prior to that as Brand Manager for Upscale brands and Director of Membership Services and Lexington Brand Manager.

~~Gary Gobin – Manager, Member and Franchise Operations, Member Care Manager Upscale (RHLC)~~

~~Mr Gobin joined RLHC in October 2016 as its Manager, Member and Franchise Operations, Member Care Manager Upscale and is based in Coral Springs Florida Prior to joining RLHC Mr Gobin was employed by VHGI, in Coral Springs, Florida from 2011 to September 2016 and held various positions, most recently as its Brand Manager of the Jameson Inn and 3 Palms Hotels & Resorts brands from March 2016 to September 2016 and prior to that as a Member Services Manager, a Member Care Lead and a Member Care Manager~~

~~Mark Rode – Implementation and Transition Manager, Upscale (RLHC)~~

~~Mr Rode joined RLHC in October 2016 as its Implementation and Transition Manager, Upscale and is based in Coral Springs Florida Prior to joining RLHC, Mr Rode was employed by VHGI, in Coral Springs Florida, from 2007 to September 2016 and held various positions, most recently as the Implementation and Training Manager and SSAP Director for the Lexington Brand~~

ITEM 3. LITIGATION

~~No litigation is required to be disclosed in this Item~~

Suits Against Former Franchisees/Guarantors to Collect Unpaid Fees or Liquidated Damages.

Red Lion Hotels Franchising, Inc. v. Akram Namou, Case No. 16-02-02391-1, Filed June 24, 2016 in the Superior Court of the County of Spokane, WA.

Red Lion Hotels Franchising, Inc. v. Kumar and Sadkila Vemulapalli, Case No. 16-2-01814-3, Filed May 12, 2016 in the Superior Court of the County of Spokane, WA.

Red Lion Hotels Franchising, Inc. v. Linger Chu and His-Hsieh Chu, Case No. 16-02-02283-3, Filed June 17, 2016 in Superior Court of the County of Spokane, WA.

ITEM 4. BANKRUPTCY

Gregory Mount, President and CEO of RLHC and Director and President of Red Lion and his wife, Melissa Mount (the Mounts") were the owners of Professional Search and Placement dba Cool Haus Works LLC (the 'Company), which filed a petition on December 3, 2010 to reorganize under Chapter 11 of the U S Bankruptcy Code in the District of Colorado 10-40362-HRT As guarantors of certain of the Company s obligations, the Mounts also personally filed a petition to reorganize under Chapter 11 of the U S Bankruptcy Code in the District of Colorado 10-40362-HRT The address of the Company and its principal place of business is 10375 Park Meadows Drive, Suite 100, Lone Tree CO 80124 The bankruptcy petition was filed to provide a means of restructuring the Company s debt and paying creditors The Mounts continued to operate the Company and manage their assets as a debtor-in-possession under bankruptcy court supervision after filing the petition On September 27, 2011, the presiding bankruptcy court confirmed the plan of reorganization which restructured the rights of creditors by providing for certain payments and discharged

their claims The Company and the Mounts were discharged from the bankruptcy on February 14, 2012

Other than the above, no bankruptcy information is required to be disclosed in this Item

ITEM 5 INITIAL FEES

When you complete your application, you will pay us an application fee of $3,000

When you sign your ~~Membership~~Franchise Agreement, you will pay us an initial fee equal to the sum of (a) $27,000 plus (b) the product of $200 times the number of Guest Rooms in excess of 80 By way of example, if your Lodging Facility has 100 Guest Rooms the initial fee will be $31,000 ($27,000 plus $200 times 20)

If you propose to purchase signage bearing any Proprietary Marks from any supplier that is not a member of our preferred vendor network, you will pay us a signage approval fee before we review the proposed vendor (currently $3 000, we may increase it up to a maximum amount of $5,000 in the future)

~~If you choose to have us develop your Lodging Facility-specific website we will charge you between $1,200 and $2,000, depending on how content-rich the website is~~

If you are converting an existing inn or hotel into a Lexington Inn or Lexington Hotel and we issue you a Property Improvement Plan (PIP") to which you must agree as a condition of approval that sets forth a list of items you must perform to conform your Lodging Facility to the Brand Standards prior to your Opening Date, and within five days of delivery of that PIP you notify us in writing that you will not comply with the requirements of that PIP, we will refund the initial fee only (as long as you are not otherwise in default of the ~~Membership~~Franchise Agreement and you and your owners have executed a general release in a form satisfactory to us), and we will retain the application fee Further, if we decline to accept your application because we believe it would negatively impact an existing Brand ~~Member~~Franchisee we will refund your application fee and initial fee Otherwise, none of the payments described in this Item is refundable Opening Date" means the date the Lodging Facility opens for business under the ~~b~~Brand

ITEM 6 OTHER FEES

TYPE OF FEE[1] [2]	AMOUNT	DUE DATE	REMARKS
Membership Fee	At your option either (a) the product of $35 times the number of Guest Rooms or (b) 4% of monthly Gross Rooms Revenue [3] [4]	Monthly upon delivery of invoice	You may choose whether you want to pay your Membership Fee as a percentage of Gross Rooms Revenue or a multiple of the number of Guest Rooms You may change your Membership Fee option as of any anniversary of your Billing Start Date[5] if you provide us notice at least 90 days prior to such anniversary This fee may be periodically increased by us upon the affirmative vote of at least 60% of the Brand Franchisees and Brand Members, collectively, voting in person at our Brand Conference or at a telephonic or web meeting

TYPE OF FEE[1 2]	AMOUNT	DUE DATE	REMARKS
			of the Brand Franchisees and Brand Members convened by us (the Voting Members") however we may increase the Membership Fee by the most recently published National Consumer Price Index-All Urban Consumers-All Items (1982-1984 = 100) as most recently published by the U S Department of Labor or a successor index ("CPI") without the approval of the Voting Members If you have elected to pay based on Gross Rooms Revenue and do not deliver the required Monthly Statement (as described in Note 3) then we will charge you a default Membership Fee calculated based on 110% of the Membership Fee that would be payable by you if you were paying a flat fee per Guest Room per month
Marketing Fee	The product of $22 times the number of Guest Rooms	Monthly upon delivery of invoice	This fee may be periodically increased by us upon the affirmative vote of at least 60% of the Voting Members however we may increase the Marketing Fee by the most recently published CPI without the approval of the Voting Members
~~Revenue Support~~Competitive Intelligence Fee	$149 to $199 per month	Monthly upon delivery of invoice	You will pay us this continuing monthly fee for (i) your participation in ~~the~~our Competitive Intelligence Program~~ our revenue management program~~ required of all Brand ~~Members~~Franchisees, and (ii) a property management system ("PMS")-to-central reservation system ("CRS") connectivity fee charged by our CRS which will be invoiced and collected by us and remitted to the CRS provider This fee is subject to increase as ~~the~~ third-party fees increase
Conference Fee	$75 per month	Monthly upon delivery of invoice	If you timely pay all of your Conference Fees one of your representatives may attend our Brand Conference for no additional registration fee In addition you must pay your attendees expenses of travel lodging certain meals and other out-of-pocket costs Other than any registration fees these fees are paid to third parties We may periodically increase the Conference Fee

TYPE OF FEE[1 2]	AMOUNT	DUE DATE	REMARKS
PMS Interface Set Up Fee	$395	At implementation of interface	This is a one-time fee charged by Sabre Hospitality Solutions Inc ("Sabre") our third-party CRS provider for setting up an interface with your PMS This ~~is in addition to any software development fee that may be charged by the CRS if you select a PMS that does not currently interface with the CRS.[6] This~~ fee will be invoiced and collected by us and remitted to Sabre ~~As of the date of this disclosure document it is Sabre's practice to waive this fee if you use Sabre's PMS~~
~~3D Service Retraining Fee~~	~~$1 500 plus costs of travel and accommodations for our trainers~~	~~Upon demand~~	~~If as a result of a quality assurance inspection of the Lodging Facility ("QA Inspection") at least 6 points are deducted from your QA Score because of a 3D Service Program deficiency and each deficiency is not cured under our action plan we may require retraining of certain employees You must pay our then current retraining fee (currently $1 500) plus the cost of travel and accommodations for our trainers~~
Signage Approval Fee	Currently $3 000	Upon demand if applicable	If you propose to purchase any signage bearing any Proprietary Marks from a supplier that is not a member of our preferred vendor network you will pay us our then current signage approval fee Our current fee is $3 000 but we may increase it up to a maximum amount of $5 000 in the future
~~Vantage Rewards~~Guest Recognition Program ~~Fee~~	Currently we do not charge a fee in connection with ~~the Vantage Rewards~~our Guest Recognition ~~p~~Program.[7]	Upon delivery of invoice if applicable	You will be required to participate in the ~~Vantage Rewards program (described in detail in Item 11) Under the Vantage Rewards program you will give a 15% discount to participating guests subject to availability~~ Network-wide Guest Recognition Program.[6]
Renewal Fee	Currently $0	Before renewal	At the time you sign our then current form of ~~Membership~~Franchise Agreement for a renewal term you will pay our then current renewal fee if any
Transfer Fee	Currently a minimum of $13 500	Before transfer	Your transferee or you must pay us a transfer fee in the amount of 50% of the then-applicable initial fee for new Brand ~~Members~~Franchisees if you transfer your Lodging Facility Based on the current initial fee and assuming a Lodging Facility has 80 or fewer Guest Rooms the transfer fee is currently $13 500 This is in lieu of your transferee or you paying an application fee or an initial fee
Late Payment Charge	The greater of (a) $25 or (b) 1 5% of the overdue amount	Upon demand	Imposed if any payment you owe us is overdue

TYPE OF FEE[1 2]	AMOUNT	DUE DATE	REMARKS
Monthly Statement Fee	The greater of (a) $100 or (b) 1 5% of your previous month s Membership Fee	Upon demand	If you elect to pay your Membership Fee as a percentage of Gross Rooms Revenue and you fail to deliver any required Monthly Statement by its due date you will pay us this fee
Audit Fee	The greater of (a) $100 or (b) 1 5% of your previous month s Membership Fee	Upon demand	If you elect to pay your Membership Fee as a percentage of Gross Rooms Revenue and our audit reveals that any month s Gross Rooms Revenue reported to us has been understated by at least 5% in any report you must pay us the audit fee In addition if any audit discloses that you have for any month or longer period understated the amount of the Membership Fee due to us by 10% or more, you must reimburse us for the costs and expenses connected with the audit (including reasonable accounting and attorneys fees and costs)
Reactivation Fee	Currently $2 000	Prior to reactivation	If we have suspended your Lodging Facility from the CRS and access to any revenue-generating or revenue-related programs because of a default under your ~~Membership~~Franchise Agreement or failure of a QA Inspection and you have cured the default you will 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
PIP Re-inspection Fee	Currently $1 000	Upon demand	If we issue you a PIP as a condition of renewal or transfer or as a result of a QA Inspection or at any other time and we have to re-inspect your Lodging Facility to verify it for compliance you will pay us our then current PIP re-inspection fee provide our representatives with complimentary lodging, and reimburse us for all expenses in connection with the inspection including travel costs
Guest Satisfaction Fee	~~Our standard administrative fee (currently $75 but subject to change) plus reimbursement of our costs~~ Up to $200 per complaint based on frequency and nature of complaints and your Lodging Facility s responsiveness to our and the guest s communications	Upon demand	If you fail or refuse to promptly resolve a guest complaint to our satisfaction and we deem it necessary to resolve a guest complaint due to your failure or refusal to do so, you must pay for the cost of resolution (including our administrative fee). Fees are subject to change
E-mail Fee	Currently $0	As incurred	Beginning with your second year of operation we may charge you a reasonable fee for the three email addresses we provide to you

TYPE OF FEE[1 2]	AMOUNT	DUE DATE	REMARKS
Business Generation Commission	Up to 10% of the then-applicable best available rate	Monthly upon delivery of invoice	We may collect a commission for any groups meetings or similar "travel industry sales we generate that stays at your Lodging Facility The then-applicable best available rate is determined based upon the standard non-negotiated rate for the room booked at the time of booking The commission is intended to partially reimburse us for the administrative costs we incur to generate the business
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 Lodging Facility including enforcement costs
Performance of Obligations Expenses	Varies	Upon demand	If you default in performing any of your obligations under the ~~Membership~~Franchise Agreement and we choose to perform your obligations for you you will immediately reimburse us for the actual costs of so performing
Accelerated Fees Upon Early Termination Following your Default or Termination by you Without Cause	See Note ~~8~~7	Upon early termination of your ~~Membership~~Franchise Agreement	See Note ~~8~~7
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 ~~Membership~~Franchise Agreement you must pay us this fee for each day in which you are in breach of your obligations You need not pay these amounts if you can demonstrate to our satisfaction that it was impossible for you to timely cease or cause the cessation of any use of any Proprietary Marks we assert has not been timely ceased This is in addition to other damages and remedies to which we may be entitled under applicable law
Public Relations & Crisis Management	$1,000 per crisis situation and any out-of-pocket expenses we incur.	As billed	See Note 8.
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, and similar services.

[1] Except as indicated otherwise all fees are payable to us, are nonrefundable, and are uniformly imposed

[2] You must pay us by means of an automated payment system using pre-authorized transfers from your operating account, through the use of electronic fund transfers, or any other automated payment system we designate We may process the transfers at the time any payment is due and owing

[3] If you choose to pay the Membership Fee as a percentage of Gross Rooms Revenue rather than a flat rate per Guest Room then on the fifth day of the month commencing with the month of the Billing Start Date and within five days after the end of each subsequent calendar month during the term you will send us a statement (in the form prescribed by us) showing the Gross Rooms Revenue, occupancy and other related information that we request for the immediately preceding month (each a "Monthly Statement)

[4] "Gross Rooms Revenue means the gross revenue attributable to or payable for rentals of Guest Rooms, including all credit transactions whether or not collected, guaranteed no-show revenue net of chargebacks from credit card issuers, 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 Rooms Revenue are separate charges to guests for food and beverage, room service, actual telephone charges key forfeitures and entertainment (including internet fees and commissions), vending machine receipts, and federal, state and local sales, occupancy and use taxes Guest Rooms" means transient hotel rooms

[5] If you are converting an existing property into a Lodging Facility, the Billing Start Date" is the first day of the calendar month that is one full calendar month after the date on which you and we sign the ~~Membership~~Franchise Agreement, unless you and we agree to a different date in writing For example, if you and we sign the ~~Membership~~Franchise Agreement on October 20, the Billing Start Date will be December 1 However if your Lodging Facility is new construction then the "Billing Start Date will be the first day of the calendar month that is one full calendar month after the Opening Date

[6] Your Lodging Facility must participate in the brand loyalty, or guest recognition, program (as we may establish during the Term of your Franchise Agreement) for as long as we choose to offer such a program. The basic program fees are included in your Membership Fee. In addition, you are also responsible for the cost of certain guest amenities that may be provided to brand loyalty program members. These guest amenities could include, but may not be limited to, bottled water, snacks, free rooms, complimentary breakfast, free room upgrade, complimentary upgraded Wi-Fi internet access, or other. We also may run periodic promotions in which guests that participate in our loyalty program receive discounts on room stays. As presently contemplated by us, you will be able to control the ability of guests to redeem any rewards nights or receive other loyalty program benefits at your Lodging Facility through the CRS. In other words, guest benefits will be subject to your room availability, which will be in your control.

[6] ~~Our CRS is SynXis, a product of Sabre Many commonly used PMS systems already interface with this CRS However, if yours does not and Sabre must program an interface (or your PMS provider must do so) you will most likely incur hourly charges for software development that would depend in large part on the technical specifications of your PMS~~

~~Accordingly, we cannot reliably estimate the cost of any interface, we have been advised by our CRS provider, however, that the cost should not exceed $5,000.~~

~~7 Although we currently do not charge a fee in connection with the Vantage Rewards program, we are contemplating adding a points-based or credits-based component to the Vantage Rewards program under which we anticipate that we would charge you approximately 7% of the Gross Rooms Revenue for any reservation as to which guests are awarded points or credits. We also anticipate that you will receive 85% of the then-applicable best available rate for any reservation for which points or credits are redeemed. Reservations under the Vantage Rewards program are available only through certain channels that offer the least expensive booking fees and are not available through online travel agencies or other third-party booking sites.~~

~~We may at any time cease operating the Vantage Rewards program and require you to participate in a different brand loyalty program that we designate. We may not provide Brand Members an opportunity to vote on such change. If we require you to participate in a different brand loyalty program, the fees for participation in such brand loyalty program may vary significantly from the fees currently charged, and anticipated to be charged, for the Vantage Rewards program.~~

~~8~~7 If we terminate your ~~Membership~~Franchise Agreement for cause, or you terminate your ~~Membership~~Franchise Agreement without cause (but not on a BSD3 Anniversary), you must pay us accelerated fees as follows (i) if you have not elected to pay the Membership Fees as a percentage of Gross Rooms Revenue you will pay us a lump-sum equal to the Membership Fees, Marketing Fees Conference Fees, and ~~Revenue Support~~Competitive Intelligence Fees payable for the period from the termination date through the earlier of (a) 36 months following the termination date or (b) the end of the term, or (ii) if you have elected to pay Membership Fees as a percentage of Gross Rooms Revenue, you will pay us the product of (x) the average of the monthly Membership Fees payable for the most recently completed 12-month period (or the actual number of months for which your Lodging Facility has been billed monthly Membership Fees, if fewer than 12) multiplied by (y) the lesser of (1) 36 or (2) the number of full months remaining until the end of the term plus the Marketing Fees, Conference Fees, and ~~Revenue Support~~Competitive Intelligence Fees payable for the period from the termination date through the earlier of (a) 36 months following the termination date or (b) the end of the term. These accelerated fees are in addition to any other damages and remedies to which we may be entitled under applicable law.

8 In the event we deploy our public relations and crisis management team as a result of a situation at your Lodging Facility, we will charge you a fee of $1,000 plus actual costs we incur. We also may, but are not obligated to, initiate this service to act on behalf of your Lodging Facility for the benefit of the Brand, us or RLHC and/or its affiliates. In that case, we may charge you an additional $300 per hour for such services. The fee and hourly rates are subject to change.

ITEM 7 ESTIMATED INITIAL INVESTMENT

LEXINGTON INN – NEW CONSTRUCTION – 85 ROOMS

YOUR ESTIMATED INITIAL INVESTMENT[1]				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Application Fee	$3 000	Lump sum	Upon submission of your Application	Us
Initial Fee[2]	$28 000	Lump sum	Upon your signing of the ~~Membership~~Franchise Agreement	Us
Market Study[3]	$6 000 to $17 000	As arranged by you	Before opening	Third parties
Land[4]	Varies	As arranged by you	Before opening	Third party sellers landlords
Permits Licenses Plans Etc [5]	$200 000 to $485 000	As arranged by you	Before opening	Suppliers governmental authorities
Building Construction[6]	$5 400 000 to $9,020 000	As arranged by you	Before opening	Contractors vendors and suppliers
Furniture Fixtures and Equipment[7]	$935 000 to $1 105 000	As arranged by you	As incurred	Vendors and suppliers
Signage[8]	$25 000 to $50 000	As arranged by you	As incurred	Vendors and suppliers
Signage Approval Fee[9]	$0 to $3 000	Lump sum	Upon invoice	Us
Communications Equipment[10]	$35 000 to $65 000	As arranged by you	As incurred	Vendors and suppliers
Computer System[11]	$10 000 to $17 000	As arranged by you	As incurred	Vendors and suppliers
Inventory/Supplies to Begin Operating[12]	$40 000 to $60 000	As incurred	Before opening	Vendors and suppliers
Other Pre-Opening Expenses[13]	~~$75 000~~84,000 to ~~$103 000~~112,000	As arranged by you	Before opening	Vendors suppliers other third parties
Grand Opening Advertising[14]	$0 to $20 000	Lump sum	Before opening	Vendors and suppliers
~~Website Development[15]~~	~~$1 200 to $10 000~~	~~As arranged by you~~	~~As incurred~~	~~Vendors and suppliers or us~~
Insurance (for 12 months)[16][15]	$17 500 to $70 000	As arranged by you	As incurred	Insurance providers
Additional Funds (3 month initial phase)[17][16]	$75 000 to $100 000	Various	As incurred	Employees suppliers etc

YOUR ESTIMATED INITIAL INVESTMENT[1]				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Total (Excluding Land)[4817]	~~$6,850,700~~6,858,500 to ~~$11,156,000~~11,155,000			

[1] The Application Fee and Initial Fee are refundable under certain circumstances (see Item 5) Otherwise, none of the fees you pay to our affiliates or us is 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] This initial fee is the product of (y) $27 000 plus (z) $200 times 5 rooms, based on the assumption that the Lodging Facility has 85 rooms

[3] You may choose to conduct a market study before selecting a location for your Lodging Facility A market study will look at local demographics and potential sources of business and other business drivers in a market, analyze the current demand and supply for lodging facilities in a particular market, forecast the demand and supply in a market, determine the availability of workers in a particular market and analyze the competition in a market, among other things

[4] The cost of acquiring a site for a new Lexington Lodging Facility has not been estimated because it will vary considerably depending on such factors as whether you lease or purchase the land, the location, size and the local real estate market conditions The amount of land required for development may vary greatly depending on local building codes and similar factors

[5] These amounts include the cost of architects and engineers and construction plans as well as local fees (including building permits licenses environmental impact fees, etc), which vary widely depending on your specific location and situation, as well as the design selected by you, and may be significantly greater than shown in this table You should consult with your attorney to determine any applicable licensing or permit fees you must obtain to operate your Lodging Facility

[6] This item includes expenses normally incurred in connection with the construction of an 85-room select-service lodging facility Certain costs will depend on the number and type of guest rooms (for example double versus king rooms) that you choose to build The cost of construction also will vary depending on numerous factors including (a) the size and configuration of the premises, (b) pre-construction costs, (c) cost of materials and labor, (d) location of the premises and local conditions, and (e) whether costs will be incurred by the landlord if the premises are leased These costs include, but are not limited to demolition rough carpentry, finish carpentry, ceilings, tile flooring and walls, millwork, carpet and floor finishes wall finishes, fire protection, HVAC, electrical systems lighting and fixtures These costs do not include signage or site work

[7] These amounts include the estimated costs of furniture, fixtures and equipment such as carpeting, drapes and telephone equipment (other than telephone switch equipment), but

exclude the costs of computer systems The cost of these items will vary depending on the size and configuration of the premises the number and type of guest rooms (such as double versus king rooms or suites) you choose to build, as well as the quality of the furniture fixtures and equipment you select

[8] 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

[9] If you propose to purchase any signage bearing any Proprietary Marks from a supplier that is not a member of our preferred vendor network, you must pay us this fee to reimburse us for our expenses in connection with confirming the signage complies with Brand Standards

[10] 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

[11] These amounts include the computer hardware and software necessary to operate your Lodging Facility including the initial license of a PMS The exact cost of your computer system will depend on the PMS and other technology options you select subject to our minimum standards

[12] These amounts include the estimated costs for inventory items such as towels, linens, guest room amenities paper goods, and maintenance supplies and equipment~~, as well as an initial supply of Lexington 3D Service Our Guests Come First identifiers~~

[13] 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 ~~This amount also includes the first of six installments (each in the amount of $166 67) for the fee to establish a loyalty rewards program for your Lodging Facility~~

[14] We do not require that you spend any amount on grand opening advertising (although we encourage you to do so)

~~[15] Each Brand Member is required to maintain a property-specific website (in addition to your Lodging Facility s presence on the brand s website) You should expect to spend between $1,200 and $10,000 on its development, with the upper end estimated to cover the creation of a content-rich hotel site In addition, you will have to pay a monthly hosting fee (typically $60 to $70 per month) Alternatively, you may pay us to develop your website, which will cost $1 200-$2 000 In either case you may only use our booking engine, which we will provide to you at no additional cost (other than standard booking fees) Please see Item 11 for additional information about domain names~~

~~16~~15 You must, at your own expense, keep in force insurance policies for your Lodging Facility We ~~reserve the right to~~may change types and amounts of coverage This estimate is based on our current requirements which are described in detail in Item 8 of this disclosure document You will likely have to prepay all or a portion of the first year's premiums for

insurance The premiums may vary widely depending on a number of factors, such as the type of building construction, location of the Lodging Facility, revenue of the Lodging Facility, and your loss history

~~17~~16 The additional funds represent certain expenses that you will incur in the operation of the business You may need these funds to operate the Lodging Facility 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 Lodging Facility, how much you follow our methods and procedures, your management skill, experience, and business acumen, local economic conditions the local market for your Lodging Facility competition and other factors

~~18~~17 We relied on our management's past experience and that of existing Lexington affiliated brand ~~members~~franchisees as well as industry trends to compile these estimates You should review these figures carefully with a business advisor before making any decision to purchase the franchise We do not finance any portion of your initial investment

LEXINGTON HOTEL – NEW CONSTRUCTION – 100 ROOMS

YOUR ESTIMATED INITIAL INVESTMENT[1]				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Application Fee	$3 000	Lump sum	Upon submission of your Application	Us
Initial Fee[2]	$31 000	Lump sum	Upon your signing of the ~~Membership~~Franchise Agreement	Us
Market Study[3]	$6 000 to $17 000	As arranged by you	Before opening	Third parties
Land[4]	Varies	As arranged by you	Before opening	Third party sellers landlords
Permits Licenses Plans Etc [5]	$200 000 to $625 000	As arranged by you	Before opening	Suppliers governmental authorities
Building Construction[6]	$6 980 000 to $11 675 000	As arranged by you	Before opening	Contractors vendors and suppliers
Furniture Fixtures and Equipment[7]	$1 100 000 to $1 500,000	As arranged by you	As incurred	Vendors and suppliers
Signage[8]	$25 000 to $50 000	As arranged by you	As incurred	Vendors and suppliers
Signage Approval Fee[9]	$0 to $3 000	Lump sum	Upon invoice	Us

YOUR ESTIMATED INITIAL INVESTMENT[1]				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Communications Equipment[10]	$35 000 to $75 000	As arranged by you	As incurred	Vendors and suppliers
Computer System[11]	$10 000 to $32 000	As arranged by you	As incurred	Vendors and suppliers
Inventory/Supplies to Begin Operating[12]	$60 000 to $125 000	As incurred	Before opening	Vendors and suppliers
Other Pre-Opening Expenses[13]	~~$98 000~~84,000 to ~~$129 500~~112,000	As arranged by you	Before opening	Vendors suppliers other third parties
Grand Opening Advertising[14]	$0 to $20 000	Lump sum	Before opening	Vendors and suppliers
~~Website Development[15]~~	~~$7 000 to $20 000~~	~~As arranged by you~~	~~As incurred~~	~~Vendors and suppliers or us~~
Insurance (for 12 months)[15]	$17 500 to $70 000	As arranged by you	As incurred	Insurance providers
Additional Funds (3 month initial phase)[16]	$120 000 to $150 000	Various	As incurred	Employees suppliers etc
Total (Excluding Land)[17]	~~$8,692,500~~8,671,500 to ~~$14,525,500~~14,488,000			

[1] The Application Fee and Initial Fee are refundable under certain circumstances (see Item 5) Otherwise none of the fees you pay to our affiliates or us is 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] This initial fee is the product of (y) $27,000 plus (z) $200 times 20 rooms, based on the assumption that the Lodging Facility has 100 rooms

[3] You may choose to conduct a market study before selecting a location for your Lodging Facility A market study will look at local demographics and potential sources of business and other business drivers in a market, analyze the current demand and supply for lodging facilities in a particular market, forecast the demand and supply in a market, determine the availability of workers in a particular market, and analyze the competition in a market among other things

[4] The cost of acquiring a site for a new Lexington lodging facility has not been estimated because it will vary considerably depending on such factors as whether you lease or purchase the land the location size and the local real estate market conditions The amount of land required for development may vary greatly depending on local building codes and similar factors

[5] These amounts include the cost of architects and engineers and construction plans as well as local fees (including building permits, licenses, environmental impact fees, etc), which vary widely depending on Brand ~~Members~~Franchisee's specific location and situation and may be significantly greater than shown in this table You should consult with your attorney to determine any applicable licensing or permit fees you must obtain to operate your Lodging Facility

[6] This item includes expenses normally incurred in connection with the construction of a 100 room select-service lodging facility Certain costs will depend on the number and type of guest rooms (for example double versus king rooms) that you choose to build, and the nature and extent of food and beverage services that you plan to offer The cost of construction will vary depending on numerous factors including (a) the size and configuration of the premises (b) pre-construction costs, (c) cost of materials and labor, (d) location of the premises and local conditions, and (e) whether costs will be incurred by the landlord if the premises are leased These costs include, but are not limited to, demolition rough carpentry, finish carpentry, ceilings tile flooring and walls, millwork carpet and floor finishes, wall finishes, fire protection, HVAC electrical systems, lighting and fixtures These costs do not include signage or site work

[7] These amounts include the estimated costs of furniture, fixtures and equipment, such as carpeting, drapes, and telephone equipment (other than telephone switch equipment), but exclude the costs of computer systems The cost of these items will vary depending on the size and configuration of the premises, the number and type of guest rooms (such as double versus king rooms or suites) you choose to build as well as the quality of the furniture, fixtures and equipment you select

[8] 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

[9] If you propose to purchase any signage bearing any Proprietary Marks from a supplier that is not a member of our preferred vendor network, you must pay us this fee to reimburse us for our expenses in connection with confirming the signage complies with Brand Standards

[10] 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

[11] These amounts include the computer hardware and software necessary to operate your Lodging Facility, including the initial license of a PMS The exact cost of your computer system will depend on the PMS and other technology options you select, subject to our minimum standards

[12] These amounts include the estimated costs for inventory items such as towels linens, guest room amenities, paper goods, and maintenance supplies and equipment~~, as well as an initial supply of Lexington 3D Service "Our Guests Come First" identifiers~~

[13] 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 ~~This amount also includes the first of six installments (each in the amount of $166.67) for the fee to establish a loyalty rewards program for your Lodging Facility.~~

[14] We do not require you to spend any amount on grand opening advertising (although we encourage you to actively do so)

~~[15] Each Brand Member is required to maintain a property-specific website (in addition to your Lodging Facility's presence on the brand's website). You should expect to spend between $7,000 and $20,000 on its development, with the upper end estimated to cover the creation of a content-rich hotel site. In addition, you will have to pay a monthly hosting fee (typically $60 to $70 per month). Alternatively, you may pay us to develop your website, which will cost $1,200-$2,000. In either case, you may only use our booking engine, which we will provide to you at no additional cost (other than standard booking fees). Please see Item 11 for additional information about domain names.~~

[15] You must at your own expense keep in force insurance policies for your Lodging Facility. We reserve the right to change types and amounts of coverage. This estimate is based on our current requirements which are described in detail in Item 8 of this disclosure document. You will likely have to prepay all or a portion of the first year's premiums for insurance. The premiums may vary widely depending on a number of factors, such as the type of building construction, location of the Lodging Facility, revenue of the Lodging Facility, and your loss history.

[16] The additional funds represent certain expenses that you will incur in the operation of the business. You may need these funds to operate the Lodging Facility 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 Lodging Facility, how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for your Lodging Facility, competition, and other factors.

[17] We relied on our management's past experience, and that of existing Lexington Brand ~~Members~~Franchisees, as well as industry trends, to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not finance any portion of your initial investment.

LEXINGTON INN – CONVERSION – 85 ROOMS

YOUR ESTIMATED INITIAL INVESTMENT[1]				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Application Fee	$3 000	Lump sum	Upon submission of your Application	Us
Initial Fee[2]	$28 000	Lump sum	Upon your signing of the ~~Membership~~Franchise Agreement	Us
Conversion Remodeling Expenses[3]	$60 700 to $401 000	As arranged by you	Before opening	Contractors vendors and suppliers
Furniture Fixtures and Equipment[4]	$40 000 to $601 000	As arranged by you	As incurred	Vendors and suppliers
Signage[5]	$7 500 to $35 000	As arranged by you	As incurred	Vendors and suppliers
Signage Approval Fee[6]	$0 to $3 000	Lump sum	Upon invoice	Us
Communications Equipment[7]	$5 000 to $15 000	As arranged by you	As incurred	Vendors and suppliers
Computer System[8]	$5 000 to $17 000	As arranged by you	As incurred	Vendors and suppliers
Inventory/Supplies to Begin Operating[9]	$6 700 to $75 000	As incurred	Before opening	Vendors and suppliers
Other Pre-Opening Expenses[10]	~~$25 000~~84,000 to ~~$50 000~~112,000	As arranged by you	Before opening	Vendors suppliers other third parties
Grand Re-opening Advertising[11]	$0 to $10 000	Lump sum	Before opening	Vendors and suppliers
~~Website Development[12]~~	~~$1 200 to $10 000~~	~~As arranged by you~~	~~As incurred~~	~~Vendors and suppliers or us~~
Additional Funds (3 month initial phase)[13][12]	$50 000 to $90 000	Various	As incurred	Employees suppliers etc
Total[14][13]	**~~$232,100~~289,900 to ~~$1,338,000~~1,390,000**			

[1] The Application Fee and Initial Fee are refundable under certain 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] This initial fee is the product of (y) $27,000 plus (z) $200 times 5 rooms, based on the assumption that the Lodging Facility has 85 rooms The initial fee is refundable if a PIP is issued prior to your opening date and within 5 days of receiving such PIP you notify us in writing that you will not comply with the requirements of such PIP and we terminate the

~~Membership~~Franchise Agreement, as long as you are not otherwise in default of the ~~Membership~~Franchise Agreement and you and your owners have executed a general release in a form satisfactory to us

[3] This item includes expenses normally incurred in connection with the remodeling of an existing hotel property to conform to our Brand Standards We assume that you already own or lease your facility Accordingly, any financing or lease payments are not included This item includes expenses normally incurred in connection with the conversion of an 85-room select service or full service lodging facility The cost of remodeling will vary depending on numerous factors, including (a) the condition of the Lodging Facility (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 carpeting, drapes, and telephone equipment (other than telephone switch equipment), but exclude the costs of computer systems These costs will vary greatly depending on the quality of the existing furniture, fixtures and equipment and how specific they are to a prior brand The high end of this estimate was based on a hotel in need of complete refitting of furniture soft goods, artwork, etc

[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

[6] If you propose to purchase any signage bearing any Proprietary Marks from a supplier that is not a member of our preferred vendor network, you must pay us this fee to reimburse us for our expenses in connection with confirming the signage complies with Brand Standards

[7] 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 do not already have such equipment

[8] These amounts include the computer hardware and software necessary to operate your Lodging Facility The exact cost of your computer system will depend on the options you select, and on the systems including the PMS, you already own If you are purchasing a new PMS, please see the costs reflected under the tables for new construction You also should read the section entitled, "Computer Systems, under Item 11 in this disclosure document

[9] These amounts include the estimated costs for inventory items such as towels, linens, guest room amenities, paper goods, and maintenance supplies and equipment~~, as well as an initial supply of Lexington 3D Service Our Guests Come First" identifiers~~ The actual costs may be significantly less, depending on the condition and quantity of stock on hand at the time of conversion

[10] 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 ~~This amount also includes the first of six installments (each in~~

~~the amount of $166 67) for the fee to establish a loyalty rewards program for your Lodging Facility~~

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

~~[12] Each Brand Member is required to maintain a property-specific website (in addition to your Lodging Facility's presence on the brand s website) You should expect to spend between $1,200 and $10,000 on its development, with the upper end estimated to cover the creation of a content-rich hotel site In addition, you will have to pay a monthly hosting fee (typically $60 to $70 per month) Alternatively you may pay us to develop your website, which will cost $1 200-$2,000 In either case, you may only use our booking engine which we will provide to you at no additional cost (other than standard booking fees) Please see Item 11 for additional information about domain names~~

[~~13~~12] The additional funds represent certain expenses that you will incur in the operation of the business You may need these funds to operate the Lodging Facility 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 Lodging Facility, how much you follow our methods and procedures your management skill, experience, and business acumen, local economic conditions, the local market for your Lodging Facility, competition, and other factors

[~~14~~13] This total assumes that your existing facility is in good condition We relied on our management s past experience and that of existing Lexington Brand ~~Members~~Franchisees, as well as industry trends, to compile these estimates You should review these figures carefully with a business advisor before making any decision to purchase the franchise We do not finance any portion of your initial investment

LEXINGTON HOTEL – CONVERSION – 100 ROOMS

YOUR ESTIMATED INITIAL INVESTMENT[1]				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Application Fee	$3 000	Lump sum	Upon submission of your Application	Us
Initial Fee[2]	$31 000	Lump sum	Upon your signing of the ~~Membership~~Franchise Agreement	Us
Conversion Remodeling Expenses[3]	$85 700 to $520 000	As arranged by you	Before opening	Contractors vendors and suppliers
Furniture Fixtures and Equipment[4]	$53 500 to $775 000	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**
Signage[5]	$7 500 to $35 000	As arranged by you	As incurred	Vendors and suppliers
Signage Approval Fee[6]	$0 to $3 000	Lump sum	Upon invoice	Us
Communications Equipment[7]	$5 000 to $25 000	As arranged by you	As incurred	Vendors and suppliers
Computer System[8]	$5 000 to $22 000	As arranged by you	As incurred	Vendors and suppliers
Inventory/Supplies to Begin Operating[9]	$8 700 to $150 000	As incurred	Before opening	Vendors and suppliers
Other Pre-Opening Expenses[10]	~~$35 000~~84,000 to ~~$75 000~~112,000	As arranged by you	Before opening	Vendors suppliers other third parties
Grand Re-opening Advertising[11]	$0 to $15 000	Lump sum	Before opening	Vendors and suppliers
~~Website Development[12]~~	~~$7 000 to $20,000~~	~~As arranged by you~~	~~As incurred~~	~~Vendors and suppliers or us~~
Additional Funds (3 month initial phase)[13][12]	$75 000 to $100 000	Various	As incurred	Employees suppliers etc
Total[14][13]	**~~$316,400~~358,400 to ~~$1,774,000~~1,791,000**			

[1] The Application Fee and Initial Fee are refundable under certain 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] This initial fee is the product of (y) $27,000 plus (z) $200 times 20 rooms, based on the assumption that the Lodging Facility has 100 rooms The initial fee is refundable if a PIP is issued prior to your opening date and within 5 days of receiving such PIP you notify us in writing that you will not comply with the requirements of such PIP and we terminate the ~~Membership~~Franchise Agreement, as long as you are not otherwise in default of the ~~Membership~~Franchise Agreement and you and your owners have executed a general release in a form satisfactory to us

[3] This item includes expenses normally incurred in connection with the remodeling of an existing hotel property to conform to our Brand Standards We assume that you already own or lease your facility Accordingly, any financing or lease payments are not included This item includes expenses normally incurred in connection with the conversion of a 100-room select service or full service lodging facility The cost of remodeling will vary depending on numerous factors, including (a) the condition of the Lodging Facility, (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 carpeting, drapes, and telephone equipment (other than telephone switch equipment), but exclude the costs of computer systems These costs will vary greatly depending on the quality of the existing furniture, fixtures and equipment and how specific they are to a prior brand The high end of this estimate was based on a hotel in need of complete refitting of furniture, soft goods, artwork etc

[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

[6] If you propose to purchase any signage bearing any Proprietary Marks from a supplier that is not a member of our preferred vendor network, you must pay us this fee to reimburse us for our expenses in connection with confirming the signage complies with Brand Standards

[7] 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 do not already have such equipment

[8] These amounts include the computer hardware and software necessary to operate your Lodging Facility The exact cost of your computer system will depend on the options you select and on the systems, including the PMS, you already own If you are purchasing a new PMS, please see the costs reflected under the tables for new construction You also should read the section entitled, "Computer Systems" under Item 11 in this disclosure document

[9] These amounts include the estimated costs for inventory items such as towels, linens guest room amenities, paper goods, and maintenance supplies and equipment~~, as well as an initial supply of Lexington 3D Service 'Our Guests Come First identifiers~~ The actual costs may be significantly less depending on the condition and quantity of stock on hand at the time of conversion

[10] 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 ~~This amount also includes the first of six installments (each in the amount of $166 67) for the fee to establish a loyalty rewards program for your Lodging Facility~~

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

~~[12] Each Brand Member is required to maintain a property specific website (in addition to your Lodging Facility s presence on the brand s website) You should expect to spend between $7,000 and $20 000 on its development with the upper end estimated to cover the creation of a content rich hotel site In addition, you will have to pay a monthly hosting fee~~

~~(typically $60 to $70 per month) Alternatively, you may pay us to develop your website, which will cost $1,200-$2,000 In either case, you may only use our booking engine, which we will provide to you at no additional cost (other than standard booking fees) Please see Item 11 for additional information about domain names~~

~~13~~12 The additional funds represent certain expenses that you will incur in the operation of the business You may need these funds to operate the Lodging Facility 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 Lodging Facility, how much you follow our methods and procedures your management skill, experience, and business acumen local economic conditions, the local market for your Lodging Facility, competition, and other factors

~~14~~13 This total assumes that your existing facility is in good condition We relied on our management's past experience and that of existing Lexington Brand ~~Members~~Franchisees, as well as industry trends, to compile these estimates You should review these figures carefully with a business advisor 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 may dictate the manufacturers, vendors or suppliers from which you will purchase or lease equipment, supplies, inventory, advertising materials, or any other products or services used to operate the Lodging Facility We ~~reserve the right to~~may modify and add approved vendors or suppliers We periodically may require you to enter into and comply with all of the provisions of agreements with (or terms and conditions required by) certain designated suppliers or vendors (each, a "Third Party Agreement") The Third Party Agreements may be with providers of discount or promotional programs (including room discounts, rewards programs, frequent traveler programs, photographic or virtual tour programs, and gift card programs) We currently require you to sign, prior to opening for business as a Lexington-branded Lodging Facility, the following Third Party Agreements attached as an exhibits to your ~~Membership~~Franchise Agreement ~~(i) a~~ travel agent commission settlement agreement (TACS Agreement) which includes a mandatory pay-by-ACH form ~~and (ii) a loyalty program agreement that supports the Lexington rewards program (VOILA Agreement)~~ The terms of each Third Party Agreement may be subject to change Further if you propose to purchase any signage bearing any Proprietary Marks from a supplier that is not a member of our preferred vendor network, you must pay us our then current signage approval fee (currently $3 000, but we may increase it up to a maximum amount of $5 000) You may not use any booking engine for your Lodging Facility other than ours, 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 brand-level or corporate level agreement with any distribution channel, we also ~~will~~may enter into a sub-agreement or participation agreement with such distribution channel on your behalf, or we may require you

to do so You will be responsible for all booking fees payable to third parties for reservations made for your Lodging Facility through our booking engine

We maintain a preferred vendor list that we will supply to you You may request that a vendor be added to the preferred vendor list (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 have the right to require as a condition of our approval that our representatives are permitted to inspect the vendor's facilities, and that the vendor attend our Brand Conference and enter into our then-applicable vendor agreement Other than our signage approval fee we do not currently charge a fee for the vendor approval process but we ~~reserve the right to~~may do so 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 grant preferred status or approve suppliers for our Brand ~~Members~~Franchisees 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 concentrate purchases with one or more suppliers to obtain the lowest prices or the best advertising support or services for any group of Brand ~~Members~~Franchisees We ~~reserve the right to~~may revoke approval or preferred status 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 currently require you to purchase our logoed items from vendors on the preferred vendor list If a Brand ~~Member~~Franchisee identifies another vendor willing to provide this product to our specifications, the Brand ~~Member~~Franchisee may submit the vendor for addition to the preferred vendor list

Neither we nor any of our affiliates currently is an exclusive supplier of any product or service used to operate your Lodging Facility, although we ~~reserve the right to~~may designate ourselves or an affiliate as an exclusive provider Currently, Roger Bloss, our President of Global Development and Bernie Moyle, our Executive Vice President and Chief Operating Officer, each have minority ownership interests in the following approved vendors Brown Nester Hospitality Services, Inc , an approved vendor of hotel brokerage services, Vantage Insurance Services Inc , an approved vendor of insurance services, and Cal-Vegas Limited an approved vendor of hotel management services Other than as identified in this Item, none of our officers owns an interest in any authorized or recommended suppliers

~~**Computer System**~~

~~Before commencing operation of the Lodging Facility, you must purchase an approved PMS from a member of our designated vendor list and ensure that it is installed at the Lodging Facility in compliance with the specifications described in the Brand Manuals or otherwise in writing The specifications include the requirement to maintain and use full two-way connectivity between the CRS and PMS and to provide us with remote access to your PMS You must use SynXis from Sabre, the brand-specified CRS, required for representation in the global distribution system exclusively~~

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 insurance for any claims or losses arising or resulting from the operations/premises of the Lodging Facility with combined single limits of $2 000 000 per occurrence for bodily injury and property damage liability and a general aggregate limit not less than $10,000,000 which will apply on a per location basis as evidenced by specific endorsement, and a deductible that does not exceed $25,000 Such insurance will include premises and operations independent contractors, blanket contractual products and completed operations, advertising injury, employees as additional insureds, broad form property damage, personal injury incidental medical malpractice, severability of interests innkeeper s and safe deposit box liability and explosion, collapse and underground coverage during any construction,

- 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 $100,000 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

- garage-keeper s liability to the extent that 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 and

- fidelity bond coverage or crime insurance on all employees in an amount not less than $100,000

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 no later than 10 days from the date you sign your ~~Membership~~Franchise Agreement and on an annual basis Your insurance must be written by an insurance company with a Best rating of A or better

~~**Revenue Derived from Required Purchases and Leases**~~

General

In the year ended December 31, 2016, RLHC received $42,188 from vendors based on purchases by our franchisees of Red Lion Brands and affiliates. Neither we nor any other affiliates received revenue from vendors based on franchisee purchases in fiscal year ended December 31, 2016. However, we and our affiliates may do so in the future.

~~In 2015 n~~Neither we nor our affiliates derived ~~any~~ revenue from ~~franchisee~~ purchases of goods or services made by franchisees during fiscal year 2016

We currently estimate that the required purchases described above represent approximately 15% to 20% of the cost to establish a new Lodging Facility and approximately 2% to 5% of operating expenses.

During the term of the Franchise Agreement and any term extensions, we may require you to make additional expenditures and investments to maintain your Lodging Facility in accordance with the Brand Standards and to remove any deficiencies in your Lodging Facility s operations.

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 preferred vendors.

~~The cost of purchases from designated sources or according to our specifications is estimated to represent less than 7% of your total purchases in connection with the establishment of your Lodging Facility and significantly less if you undertake new construction After you open, the cost of purchases from designated sources or according to our specifications is estimated to represent less than 5% of your total purchases to operate your Lodging Facility~~

~~**Supplier Rebates**~~

~~Certain of our preferred vendors may provide us or our affiliates with benefits as a result of your purchases from them Our affiliates or we currently may receive 2% to 3% of revenue from franchisee purchases from vendors of furniture, fixtures, equipment, supplies, services, and technology products and services In 2015, neither we nor our affiliates received any rebates as a result of franchisee purchases If we receive any such monetary rebates, we intend to use them solely to support the Brand Conference and other educational~~

~~opportunities made available to Brand Members (and members of all of the Acquired Brands) however, there is no restriction on our use of these funds. In addition, we may receive non-monetary benefits such as advertising and marketing support or services. We will not provide material benefits to you based upon your use of preferred vendors.~~

~~**Purchasing or Distribution Cooperatives, Purchase Arrangements**~~

~~No purchasing or distribution cooperatives exist. However, we may negotiate purchase arrangements (including price terms) with vendors in order to obtain pricing for Brand Members that individual Brand Members may not be able to obtain by dealing directly with the suppliers. As a convenience to Brand Members, we may purchase certain products (such as logoed items, if any) in bulk, in order to obtain preferential pricing for Brand Members. In such instances, you may choose to purchase such items from us, and we expect to resell those products to Brand Members without markups. As of the date of this disclosure document, we had not purchased or sold such products to Brand Members.~~

ITEM 6 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the fFranchise 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 5.5	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 5.1 and 5.2	Items 7, 8 and 11
d. Initial and ongoing training	Sections 3.2, 3.4 and 3.5	Items 1, 6 and 11
e. Opening	Sections 5.2 and 5.10	Item 11
f. Fees	Sections 5.4.g, 5.5, 5.7, 5.13, 6.1, 6.5, 9.2.d.v, 10.1 and 11.5	Items 5, 6, and 7
g. Compliance with standards and policies/operating manual	Sections 5.1, 5.4, 5.7, 5.8, 5.10 and 5.11, Article 8 and Section 13.5	Items 8 and 11
h. Trademarks and proprietary information	Articles 7 and 8	Items 13 and 14
i. Restrictions on products/services offered	Section 5.8	Item 16
j. Warranty and customer service requirements	Section 5.4	Item 6
k. Territorial development and sales quotas	Not applicable	Not applicable
l. Ongoing product/service purchases	Sections 5.4, 5.5, 5.7, 5.9 and 5.13	Item 8

FRANCHISEE'S OBLIGATIONS		
Obligation	**Section In Franchise Agreement**	**Disclosure Document Item**
m Maintenance appearance and remodeling requirements	Sections 2 2 e 5 1, 5 4 and 7 2 b	Items 6 11 and 17
n Insurance	Section 5 14 and Schedule 5 14	Item 8
o Advertising	Article 4	Items 6 7 and 11
p Indemnification	Section 13 1	Item 6
q Owner s participation/management/staffing	Sections 5 6 and 13 21	Item 15
r Records and reports	Section 5 5 and Schedule 6 1 d to the ~~Membership~~Franchise Agreement	Item 6
s Inspections and audits	Sections 5 1 5 10 and 5 13 and Schedule 6 1 d	Items 6 and 11
t Transfer	Section 9 2	Items 6 and 17
u Renewal	Section 2 2	Items 6 and 17
v Post-termination obligations	Article 11	Item 17
w Non-competition covenants	Not applicable	Not applicable
x Dispute resolution	Sections 13 11 and 13 12	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 Lodging Facility under the Lexington brand we will provide you the following assistance

- ~~Initial training some of which may take place at the Lodging Facility and some of which may take place at our offices located in Coral Springs, Florida (or other location we may designate) (Membership Agreement, Section 3 2),~~
- An introduction to the Brand, which will take place at a location we designate, some of which may take place at the Lodging Facility (Franchise Agreement, Part II, Section 3.2).
- Provide you a copy of the Brand Manuals, if any (with periodic revisions as required), which may be provided in an electronic medium, including by download from our website (~~Membership~~Franchise Agreement, Section 3 3),
- If a Lodging Facility has not yet been constructed on the property, review and approve

your preliminary and final design development drawings for compliance with Brand Standards before the commencement of construction If we do not approve of the design development drawings we will provide reasonable recommendations for incorporation into the drawings (~~Membership~~Franchise Agreement, Section 5 1) and

- Provide you with a list of equipment supplies advertising materials, inventory and other products and services we require you to use to operate your Lodging Facility and a list of approved or recommended suppliers of these items (~~Membership~~Franchise Agreement, Section 5 7)

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 Lodging Facility we will

- Provide you with access to the exclusive brand-designated CRS (~~Membership~~Franchise Agreement Section 3 1),
- To the extent we consider appropriate or reasonably necessary assist you in promoting your Lodging Facility, including providing sales support, and refresher, advanced or additional training programs and seminars at locations designated by us, which may be at your Lodging Facility, at our principal offices ~~located in Coral Springs, Florida~~ at the Brand Conference, remotely (by telephone, webinar or otherwise), or at another location or any combination of these locations We may designate attendance at these programs and seminars as optional or required (~~Membership~~Franchise Agreement, Section 3 4)
- Convene a brand conference (no less frequently than every 18 months) at which Brand ~~Members~~Franchisees may gather to network, participate in educational seminars, and vote on Brand-related initiatives (the Brand Conference) (~~Membership~~Franchise Agreement, Section 3 5),
- ~~Maintain, operate and administer a Marketing Program (Membership Agreement Section 4 1)~~
- License to you the domain name for your Lodging Facility and establish and host three email addresses for your Lodging Facility (~~Membership~~Franchise Agreement Section 4 4), and
- ~~Provide you with a webpage on the Brand Websites (defined below) that represents your Lodging Facility (Membership Agreement, Section 4 5), and~~
- Provide you with our mandatory Competitive Intelligence Program ~~Currently, the fee for this program is included in the monthly Revenue Support Fee (Membership~~ (Franchise Agreement, Section 6 1 f)

Site Selection and Lease

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

Marketing and Advertising

~~Marketing Program~~

~~The Marketing Program is a special program that was created for the benefit of brand members of all of the Acquired Brands. You will pay us a non-refundable monthly Marketing Fee equal to the product of $22 times the number of Guest Rooms. This fee may be periodically increased upon the affirmative vote of at least 60% of the Voting Members, however we may increase any of our fees by the most recently published CPI, without the approval of the Voting Members. Marketing Fees will be paid by Lexington Brand Members and company owned Lexington Lodging Facilities (if any) on the same basis. All Lexington Brand Members are required to contribute at the same rate. Brand members of other Acquired Brands contribute at different rates.~~

We and ~~O~~our affiliates ~~or we have the exclusive right to maintain, operate and administer the Marketing Program, but we operate with the input of the Upscale Group Advisory Board (defined below), as well as the input of an advisory board and advertising counsel comprised of brand members from certain other Acquired Brands, which will include conducting advertising, public relations, and promotional activities that we consider beneficial to the Acquired Brands and brand members of all the Acquired Brands (including~~ will use your Marketing Fees (see Item 6) to pay for various expenses and programs that, in our view, benefit, in the short-term or the long-term, the Network and Network Hotels. These programs and expenditures may include but are not limited to, conducting advertising campaigns, creating and maintaining a website or sites, or related strategies, administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, and other media advertising and using advertising promotion and marketing agencies and other advisors to provide assistance, administering online advertising and marketing campaigns, including search engine, social media, e-mail and display ad campaigns developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any other evolutions or next generations of any such devices, administering a guest ~~rewards~~recognition program ~~and/~~(or a loyalty program or similar rewards program), or implementing other marketing programs designed to encourage the patronage of ~~l~~Lodging ~~f~~Facilities ~~of the Acquired Brands~~, conducting test marketing, marketing surveys and public relations activities, preparing marketing materials, participating in travel industry trade shows, operating a tour and travel department including group sales, foreign independent travel consortia and merchant programs, and such other use as we deem appropriate~~)~~ We or our affiliates may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services and/or personnel with any other entity, including our affiliates. Marketing Fees are intended to benefit the Network and Network Hotels generally, and you cannot expect or require, for example, that any part of the Marketing Fees be used to promote or benefit only your Lodging Facility or your Lodging Facility s market. We and our affiliates have no obligation in administering any activities paid for with Marketing Fees to make expenditures for you that are equivalent or proportionate to your payments, or to ensure that the Lodging Facility benefits directly or proportionately from such expenditures. We or our affiliates may create any programs and allocate monies derived from Marketing Fees to any regions or localities, as we or they consider appropriate in our or their sole judgment but we and they are not obligated to do so. We or our affiliates will not use Marketing Fees to defray any of our or their general operating expenses, except for such salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Marketing Fees. We or our affiliates may use a

national or regional advertising agency in addition to our or their in-house marketing department.

The Marketing Fees may be periodically increased upon the affirmative vote of at least 60% of the Voting Members, however, we may increase any of our fees by the most recently published CPI, without the approval of the Voting Members. Marketing Fees will be paid by Lexington Brand Franchisees and company-owned Lexington Lodging Facilities (if any) on the same basis. All Lexington Brand Franchisees are required to contribute at the same rate. Franchisees of other Red Lion Brands may contribute at different rates.

Currently, the Marketing Fees paid by our franchisees and franchisees of our affiliate in Canada will be combined and used for the same programs and expenditures. We may use your Marketing Fees to pay for separate programs and expenditures for Lodging Facilities operating under the Brand in the United States and/or Canada.

The aggregate Marketing Fees paid to us by Network Hotels do not constitute an escrow account, a trust fund or 'advertising fund" and we are not a fiduciary with respect to the Marketing Fees paid by you and other Network Hotels. We may, but are not obligated to, expend funds in excess of the amounts received from Network Hotels. We have no obligation, however, to create a separate bank or deposit account for the Marketing Fees or keep segregated any funds received in connection with the Marketing Fees, and the monies collected will not be regarded as being held in trust and do not bear interest. The Monthly Program Fees do not cover your cost of participating in any optional marketing programs and promotions offered by us. The obligation to pay the Marketing Fees is in addition to, and does not in any respect substitute for your obligation to operate your Lodging Facility in accordance with the Brand Standards. We or our affiliates will prepare for each calendar year a statement describing the total amount of monies collected and describing in general terms the costs incurred by us in administering the Marketing Fees within 90 days after the end of the calendar year and will furnish the statement to you upon written request. The statements are not audited.

We or our affiliates may, in any calendar year, spend more or less than the aggregate contributions of Marketing Fees from all Network Hotels. We or our affiliates may loan money to the Network or borrow from others to cover deficits and may invest any surplus for future use.

While we or our affiliates have the exclusive right to spend the Marketing Fees in our discretion, we operate with the input of the Upscale Group Advisory Board (defined below), as well as the input of an advisory board and advertising counsel comprised of franchisees from certain other Red Lion Brands. We may use the services of an affiliated marketing agency to create advertising and promotional programs and purchase media, however charges to us for such services will be at least as favorable as terms available from arms-length agencies We may make, or refrain from making, any expenditures for marketing and promotional activities We may allocate all or any portion of the marketing contributions from Brand ~~Members~~Franchisees and other ~~Acquired~~Red Lion Brands' ~~brand members~~franchisees to support one brand, a select group of brands or all of the ~~Acquired~~Red Lion Brands We may use Marketing Fees to solicit new franchise sales

In the year ended December 31, 2016, 30.6% of the Marketing Fees we collected from all franchisees of Network Hotels was used for digital and non-digital media promotions and placement, 26.7% was used for certain technologies, and 42.7% was spent on general

and administrative expenses. Please note, these expenditures were made prior to our acquisition of the Lexington brand in 2016.

We or our affiliates may defer, reduce, suspend, reinstate or terminate the administration of the Marketing Fees at any time. If we or our affiliates terminate the administration of Marketing Fees, an amount equal to the balance, if any, of aggregate unexpended Marketing Fees from all Brand Franchisees will be spent or at the end of the calendar year in which such termination occurs will be distributed to Network Hotels in proportion to their respective contributions during the twelve (12) calendar months ending on the last day of the calendar month preceding the calendar month in which such termination occurs.

~~In any calendar year, we may spend more or less than that year's marketing contributions made by Brand Members to the Marketing Program. Any amounts not spent will be carried over to the next calendar year. Our affiliates and we exclusively control the concepts and materials and all other matters relating to advertising, public relations, marketing, market research and promotional campaigns. However, we may spend your Marketing Fees only for the purposes authorized in your Membership Agreement. Your Marketing Fees are intended to maximize general public and industry recognition and acceptance of the Acquired Brands as a whole. In administering the Marketing Program we need not (i) make expenditures of contributions from members of the Lexington brand benefit Lexington Brand Members directly, (ii) make expenditures for you that are equivalent or proportionate to your Marketing Fees, or (iii) ensure that you benefit directly or pro rata from advertising or promotions conducted in connection with the Marketing Fees. We are not required to spend any amount on advertising in the area or territory where your Lodging Facility is located or from which its business is sourced. With respect to maintaining, operating, or administering the Marketing Program, neither we nor any affiliate is a trustee or fiduciary and assume no other direct or indirect liability or obligation to you.~~

~~The Marketing Program is not independently audited, however a report of the operations of the Marketing Program is prepared every year, at the expense of the Marketing Program, and is made available to Brand Members on request. We are not obligated to provide you with a periodic (or other) accounting of how advertising or Marketing Fees are spent.~~

~~We began offering franchises for Lodging Facilities as of October 2016 and therefore did not collect any Marketing Fees in 2015.~~

~~The Marketing Fees may be used to pay the reasonable salaries and benefits of personnel who manage and administer the Marketing Program, the Marketing Program's other administrative costs, travel expenses of personnel while they are on Marketing Program business, meeting costs, overhead relating to Marketing Program business, and other expenses that we incur in activities reasonably related to administering or directing the Marketing Program including, conducting market research, public relations, preparing advertising, promotion and marketing materials and collecting and accounting for Marketing Fees contributions. We do not and will not use the Marketing Fees for our general corporate overhead, salaries of personnel not related to the Marketing Program, nor our general administrative expenses.~~

~~At any time we may stop collecting Marketing Fees and terminate the Marketing Program. If we do so, we will not disburse the remaining funds, if any. If terminated, we may~~

~~also reinstate the Marketing Program at any time. We also reserve the right to establish separate marketing programs for each of the Acquired Brands or a group of the Acquired Brands.~~

Advisory Board

~~One of the hallmarks of~~We believe that it is important to maintain mechanisms by which our ~~b~~Brand ~~is that~~Franchisees and Brand Members ~~have a significant say in many issues, which we refer to as "A Voice and A Vote®." Members participate primarily~~can both inform us as to their preferences and issues, and hold us accountable. We do so through two ~~different~~main avenues ~~membership~~ voting by Voting Members at the Brand Conference, and participation in the Upscale ~~Group~~Brands Advisory Board ~~(described below), most of whose members are elected by the brand members participating at the Brand Conference. New initiatives and significant changes to certain Brand Standards or fees require the approval of at least 60% of the Lexington membership voting in person.~~

. The "Upscale Brands Group" or Upscale Brands," collectively, refers to Hotel RL, Red Lion Hotel, Red Lion Inns & Suites, Lexington, Settle Inn, and 3 Palms Hotels and Resorts. Some brands representatives have been elected by Brand Franchisees and/or Brand Members and other brand representatives have been or will be appointed by us. ~~The Lexington brand members, Jameson Inn brand members and 3 Palms brand members participate in a combined advertising council and advisory board called the Upscale Group Advisory Board. The Upscale Group Advisory Board consists of 14 members, comprised as follows: seven representatives of the Lexington brand, two representatives of the Jameson brand, one representative of the 3 Palms brand, one representative of the Preferred Vendors and three corporate representatives. Representatives of the brands will serve for two year terms (after a transition period through 2018 to provide for staggered terms). The Vendor representative will serve for a one-year term and the corporate representatives will serve indefinite terms. To run for election for the Upscale Group Advisory Board, a Brand Member must not be in default of its membership agreement.~~

~~The current Upscale Group Advisory Board brand member representatives will serve until 2017, at which time all interested Brand Members who are not in default of their agreements will be invited to run for election to one of four two-year terms or one of three one-year terms to be voted on by all Brand Members voting in person at the December 2017 Brand Conference.~~

We may change~~,~~ or dissolve ~~or merge~~ the Upscale ~~Group~~Brands Advisory Board, alter the manner by which representatives are designated or form other advisory boards or councils, although there are no present plans to do so.

Local Marketing

You must have a local marketing plan. We strongly encourage you to spend at least 4-5% of your Gross Rooms Revenue on local marketing, although we currently do not have a minimum requirement for that expenditure. You must provide us for our approval, all materials to be used for local marketing (and all other advertising and promotional materials), 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 ~~our~~the Proprietary Marks are

used must include the applicable designation of service mark or other designation as we may specify We may notify you to withdraw or discontinue the use of any promotional materials or advertising materials, even if they were previously approved

We currently do not require you to join a regional or local advertising cooperative or any other advertising fund We have the right to form, change, dissolve or merge cooperatives

~~Internet Marketing~~**Websites**

~~We retain the sole right to advertise on the internet, create or operate a website or sites, and use the Proprietary Marks as part of any domain name, with respect to any aspect of our Brand or your Lodging Facility (including the use of the Proprietary Marks) However you will develop and maintain a website for the Lodging Facility (separate and apart from the webpage on the Brand Websites described below) and may promote the Lodging Facility through social media (including Facebook®, YouTube®, Instagram®, Twitter® and Pinterest®), and you must comply with our website and internet policies then in effect Currently, this includes a requirement that you exclusively use our booking engine on your website we will provide the booking engine to you at no additional cost (other than normal booking fees charged by third parties) We will license to you the domain name for your Lodging Facility and will establish and host three email addresses for your Lodging Facility You may not use any other email addresses in the operation of your Lodging Facility We will provide the email addresses to you at no additional cost during the first year of operation of your Lodging Facility however, we may charge a reasonable fee beginning with your second year of operation as a Lexington branded Lodging Facility Our affiliates or we exclusively own all rights in such domain names You unconditionally disclaim any ownership interests in those domain names and any domain names that may be confusingly similar You may not register any domain name in any class or category that contains the words "Lexington or any abbreviation, acronym or variation of such word~~

~~We have established a website to advertise, market and promote the Brand and Lexington branded lodging facilities as well as a 'family' website to advertise, market and promote, collectively, all of the Acquired Brands (jointly, the 'Brand Websites') We will provide you with a webpage on the Brand Websites that represents your Lodging Facility You must (i) provide us the information and materials we request to develop, update, and modify your webpage, and (ii) notify us whenever any information on your webpage is not accurate We will own all intellectual property and other rights in the Brand Websites, including your webpage, and all information they contain (including, the domain name or URL for your webpage, the log of 'hits' by visitors, and any personal or business data that visitors supply) We periodically may update and modify the Brand Websites (including your webpage) We have final approval rights over all information on the Brand Websites (including your webpage) We will maintain your webpage on the Brand Websites as long as you are in full compliance with the Membership Agreement and all Brand Standards we implement (including, those relating to the Brand Websites) Without our prior consent, you will not develop, establish, operate, own license, use or participate in a website on which the Proprietary Marks appear or otherwise use any of the Proprietary Marks on or in connection with the internet, including (a) in domain names (including top level or country code domain names and folder extensions in domain names), (b) in metatags in your website, (c) in social media user names (d) by publishing, linking or deeplinking to any of our websites in~~

~~connection with social media websites, (e) in sponsored advertising programs, or (f) in any pay-per-click or similar advertising.~~

You may not register, own, maintain or use any domain names, World Wide Web, social media or other electronic communications sites (collectively "Site(s)'), relating to the Network or your Lodging Facility or that includes the Network Marks, except as approved in advance by us. The only domain names, Sites, or Site contractors that you may use relating to the Lodging Facility are those assigned or otherwise approved by us. You must obtain our prior written approval concerning any third-party Site in which your Lodging Facility will be listed, and any proposed links between the Site and any other Sites ("Linked Sites") and any proposed modifications to same. All sites containing any of the Network Marks and any Linked Sites must advertise, promote, and reflect on your Lodging Facility and the Network and Brand in a first-class, dignified manner. Our right to approve all materials is necessitated by the fact that those materials will include and be inextricably linked with our Network Marks. Therefore, any use of the Network Marks on the Internet, or any computer network/electronic distribution, must conform to our requirements, including the identity and graphics standards for all Lodging Facilities and Network Hotels. 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 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 without obtaining prior written consent from the content owner. You must incorporate on your Site(s) any other information we require in the manner we consider necessary to protect the Lexington Marks.

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 which contain any references to our Network Marks or Brand, and must notify the applicable domain name registrar(s) of the termination of your right to use any domain name or Site(s) associated with the Network 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 must also delete all references to the Network Marks or Brand from any other site(s) you own, maintain or operate beyond the expiration or termination of the Franchise Agreement. (Franchise Agreement, Paragraph 4.4)

Provided we have reviewed and approved the content of your Lodging Facility s informational web pages, we will provide you the right, at your expense, to have your Lodging Facility's informational web pages linked from the Brand information web page we maintain.

~~Brand Loyalty Programs~~**Social Media**

Your use of social media shall be subject to our standards as we may implement during the Term of your Franchise Agreement. You must adhere to our social media 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 our Network Marks. We must approve your social media pages and they shall be linked to our Brand or Network Hotel 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.

Guest Recognition Program

We require all Brand Franchisees to participate in our approved guest recognition program and other programs that we may develop to encourage guest loyalty (collectively, the "Programs"). We may retain a program administrator ("Program Administrator") to manage these Programs, but we may also use our own employees and may develop our own materials to support and administer the Programs. We provide these programs to Brand Franchisees. We may change the fees at any time upon reasonable notice to you. The fees may be paid to us or the Program Administrator to cover the cost of the goods and services provided to the guests, including the cost of administering the Programs. We do not derive profit from the fees you pay for the Programs. Brand Franchisees must communicate required information and submit required fees as outlined in the Brand Manual and/or programs reference guide to the Program Administrator. The Program Administrator is responsible for any reimbursements and tracking reports to Brand Franchisees as outlined in the Brand Manual and/or programs reference guide. The fees fund the cost of the Program(s) (including the cost of any Program Administrator) and provide reimbursement to the hotels for program reward redemption.

Our management monitors these Programs, the Program Administrator and the Programs funds and reserves the right to change them at any time.

~~All Brand Members must participate in the brand loyalty programs we periodically designate. Currently, we require all Brand Members to participate in our points-based loyalty program, referred to as "Lexington Rewards" as well as our guest rewards program known as "Vantage Rewards". The Vantage Rewards program applies to all lodging facilities within the Acquired Brands. Guests that have enrolled in both programs have the option of earning points that can be redeemed for free hotel stays, airline miles and purchases from online retailers (under the Lexington Rewards program), or receiving a 15% discount off the best available rate, a late checkout and a complimentary room upgrade, subject to availability (under the Vantage Rewards program).~~

~~Although you generally are required to allocate at least 5% of your room inventory to the Lexington Rewards program and Vantage Rewards program combined, guests are advised that the discounted rate, late checkout and room upgrades under the Vantage Rewards program are provided only if available. Other than providing a 15% discount to guests and upgrading their rooms, there currently is no cost to you associated with the Vantage Rewards program.~~

~~In response to requests from the Acquired Brands' brand members, and in response to growing consumer trends, we are considering adding an opportunity for Vantage Rewards participants to earn points or credits towards future stays at all Acquired Brands. If a points-based or credits-based component is added to the Vantage Rewards program, the Lexington Rewards program will be discontinued. At that time, guests would have the opportunity of either receiving an instant discount of 15% off the best available rate, or earning points or credits towards a future stay, but would not be eligible for both. Although we have not yet determined the cost to Brand Members if we add a points-based or credits-based component to the Vantage Rewards program, we currently anticipate that you will pay us approximately 7% of the Gross Rooms Revenue associated with a reservation for which the guest earned~~

~~points or credits, and we will pay you approximately 85% of the then-applicable best available rate when a guest redeems points or credits for a stay at your Lodging Facility.~~

~~We may at any time cease operating the Lexington Rewards and Vantage Rewards programs and require you to participate in a different brand loyalty program that we designate. We may not provide Brand Members an opportunity to vote on such change. If we require you to participate in a different brand loyalty program, the fees for participation in such brand loyalty program may vary significantly from the fees currently charged, and anticipated to be charged, for the Lexington Rewards and Vantage Rewards programs.~~

Computer Systems

We do not currently have any specific hardware requirements. However, ~~B~~before commencing operation of your Lodging Facility, you must ensure that a PMS is installed at your Lodging Facility in compliance with the specifications described in the Brand Manuals or otherwise in writing that it is fully operational and that your staff is properly trained in its use. We periodically may revise the specifications and we may require you to use our designated suppliers.

~~You must make periodic upgrades and updates to the PMS that we require, including establishing interfaces to new programs that may become Brand Standards 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.~~

~~We do not c~~Currently ~~have any specific hardware requirements. We do not mandate a specific PMS, but your PMS must be acquired from a vendor on our preferred vendor list and it must be internet or cloud-based. Your PMS must at a minimum allow you to book reservations, perform check-in and check-out functions, manage rates and inventory availability, support group bookings, collect guest history and CRM information, automate front desk and operational accounting and record keeping, and have reporting and analysis capabilities. In addition, it~~, the approved PMS vendors are Opera, Visual Matrix, SynXisPMS, SkyTouch, Anand Systems (ASI Front Desk or ASI Cloud), Auto Clerk (MyHms), and RoomKey by RSI Group. You must have a full two-way direct interface with our CRS (currently SynXis, by Sabre), which you must use to transmit to the CRS all guest reservation information pertaining to reservations that were not processed through the CRS (e.g. walk-ins and other hotel-direct bookings). The PMS also must interface with ~~our loyalty program (currently provided by VOILA Hotel Rewards from Hospitality Marketing Concepts) and/or any guest rewards program~~the programs we offer, if applicable, and we may require additional interfaces in the future.

You must make periodic upgrades and updates to the PMS that we require, including establishing interfaces to new programs that may become Brand Standards 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.

~~Notwithstanding our requirement for a full two-way interface with our CRS, the prior franchisor of the Brand previously approved some PMS systems offered by the preferred vendors that do not presently have such full two-way interfaces available. However, those preferred vendors have advised us or the prior franchisor that the required full two-way~~

~~interface is in development. If you select one of those PMS systems, you must upgrade to their full two-way interface when it becomes available and, in the interim, you must use your best efforts to otherwise provide the required information to the CRS.~~

~~Presently the following preferred vendors provide web or cloud-based systems with full two-way direct interfaces to the CRS: Sabre Hospitality Solutions and SkyTouch. The following preferred vendors offer web or cloud-based systems that presently do not include the required full two-way interface but that you may use subject to the provisions in the preceding paragraph: Auto Clerk (MyHms), RoomKey by RSI Group, and Anand Systems (ASI Front Desk or ASI Cloud). If you wish to use a PMS system other than any of these, you may request our approval. If we approve another PMS at your request, you will be responsible for the cost of developing any required interfaces.~~

The estimated cost of PMS software varies and is often dependent on the number of rooms at your Lodging Facility but it is expected to range from ~~$450~~300/month to ~~$685~~900/month for a 100-room lodging facility, plus one-time fees (for implementation, training, interfacing with our CRS or otherwise) of up to $5,000. 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.

We offer a number of optional services for a fee, which may vary during the Term of your Franchise Agreement, and some of which may be subject to certain requirements, such as supplemental CRS interfaces or subscriptions to third-party services. Presently, the list of options includes but is not limited to technology-related services (such as a managed PCI compliance program and up to 25 email accounts in addition to those included with your Monthly Royalty Fee), a revenue management service, and marketing and public relations, including the production of marketing collateral for your Lodging Facility).

Time between Signing Your ~~Membership~~Franchise Agreement and Opening the Lodging Facility

If you are converting your existing lodging facility into a Lexington-branded lodging facility, the typical length of time between your signing of your ~~Membership~~Franchise Agreement and the opening of your business is expected to be from 45 to 90 days from the date the agreement is signed. Factors that may affect this typical time period include your ability to install equipment, fixtures and signage and recruit competent staff and to complete any required pre-opening PIP (including obtaining any requisite building permits if applicable). If your Lodging Facility is new construction we require that you commence construction (start pouring the foundation) within 12 months of the date your ~~Membership~~Franchise Agreement is signed, and we estimate the time from the date on which you sign your ~~Membership~~Franchise Agreement to the date you open your Lodging Facility as a Lexington Inn or Lexington Hotel to be 12 to 24 months (or 12 months from the time you commence construction). This estimate may vary depending on numerous factors, including location, construction schedules, and financing, as well as those factors identified above in connection with conversions.

Brand Manuals

You will have the opportunity to view the Brand Manuals, if any before buying a franchise

Training

Initial Training

Brand ~~Members~~Franchisees are expected to be experienced hotel operators or to have retained an experienced, professional hotel management company While we do not impose any specific training requirement on you prior to opening your Lodging Facility, we will work with you to familiarize yourself with our brand's culture and resources and our CRS Brand ~~Members~~Franchisees are invited to spend time with key operations personnel at our principal office ~~located in Coral Springs Florida~~ prior to, or shortly after, opening, at no additional cost (other than travel, accommodations and incidentals) If any of the brand introduction is held at your Lodging Facility you must provide accommodations for our personnel, at your cost

In addition, the following training ~~(some of which is mandatory)~~ is provided concurrently with or shortly after opening

~~Lexington 3D Service Program~~

~~Brand Members have determined that although each Lexington branded lodging facility is unique the common attribute that guests are encouraged to expect and recognize in all Lexington properties is superior and thoughtful customer service To meet that expectation, a proprietary guest relations program known as the Lexington 3D Service Program (which is known to the public as "Our Guests Come First") was developed The 3Ds" stand for Discover Deliver, and Delight Participation in this Brand Member authorized program is mandatory~~

~~Training for the Lexington 3D Service Program is held at your Lodging Facility and typically takes place contemporaneously with, or shortly after, opening All hotel personnel that have the potential for guest contact are required to complete designated parts of this training program Enhanced training must be completed by managers and specified personnel who will become the property s point person and trainer for the program at that hotel (known as 'Service Champions) Although hotel personnel and Service Champions are required to attend and complete training, we do not require that such training be completed to our satisfaction You are responsible for all expenses your trainees incur in connection with this training, and you must provide accommodations for our trainers at your cost~~

~~Compliance with the 3D Service Program is evaluated as part of each Brand Member's QA Inspection and two points are deducted for each deficiency (deficiencies include the failure to provide training documentation for every applicable employee who has worked at the property for more than 30 days) We will provide you with an action plan to remedy each deficiency If we have deducted at least six points from your QA Score in connection with the 3D Service Program and you fail to cure the deficiencies under the action plan within 30 days, your staff will require retraining in the program at a cost to you of our then current retraining fee (currently, $1,500) plus the travel expenses and accommodations of our trainers It is possible that sufficient points will be deducted from your QA Score that,~~

~~when added with other points deducted for unrelated issues your Lodging Facility will fail its QA Inspection If this failure is left uncured it could result in termination of your membership~~

~~The following table summarizes the initial 3D training schedule, subjects, and location of training~~

~~TRAINING PROGRAM~~
~~("Lexington 3D Service Program")~~

~~SUBJECT~~	~~HOURS OF CLASSROOM TRAINING~~	~~HOURS OF ON-THE-JOB TRAINING~~	~~LOCATION WHERE TRAINING HELD~~
~~3D Service Orientation[1]~~	~~2-5 hours~~	~~N/A~~	~~Your Lodging Facility~~
~~3D Service Skills Lite[2]~~	~~5 hours~~	~~N/A~~	~~Your Lodging Facility~~
~~3D Service Skills Intensive[3]~~	~~5 hours~~	~~N/A~~	~~Your Lodging Facility~~
~~3D Leadership Training[4]~~	~~2-5 hours~~	~~N/A~~	~~Your Lodging Facility~~
~~Train-the-Trainer[5]~~	~~2 hours~~	~~N/A~~	~~Your Lodging Facility~~
~~TOTAL~~	~~17 hours~~	~~N/A~~	~~Your Lodging Facility~~

~~[1] All staff must complete this portion of the training program~~

~~[2] All staff must complete this portion of the training program~~

~~[3] Only staff with high guest interaction department heads, supervisors managers and Service Champions are required to complete this portion of the training program~~

~~[4] Only department heads supervisors managers and Service Champions are required to complete this portion of the training program~~

~~[5] Only Service Champions are required to complete this portion of the training program~~

~~Lexington 3D Service training is led by Mark Rode who has less than 1 year of experience with us and over 21 years of experience in the subjects taught Mr Rode has been designated a Certified Hotel Administrator and Certified Lodging Manager by AHLEI Our proprietary Lexington 3D Service Manuals, handouts, videos and role playing serve as the basis for instruction~~

TACS Training

~~Other~~Certain training that will occur early in your relationship with our brand is provided by Dell/TACS Training in this travel agency commission settlement system which also is the mechanism by which all booking fees are processed, is conducted by the travel agency commission ("TACS") personnel online and by telephone and typically occurs shortly after opening There is no fee for this training and it is not mandatory but is strongly recommended, as it will facilitate your staff's ability to review booking fees and commissions resolve disputes in a timely manner, and generally understand this mandatory settlement

process Training should take less than one hour depending on your staff's experience and understanding

Additional or Refresher Training

Contemporaneously with, or shortly after, opening, we also provide non-mandatory training in the CRS (which is provided by webinar and telephone) ~~Initial training in accessing the CRS often is provided by our Implementation Manager, as part of his on-site implementation process~~ The duration and details of this training may depend, in part, on your PMS and its connectivity to our CRS

Ongoing training and support is provided by Laura Crawford who has less than 1 year of experience with us and over 21 years of experience in the subjects taught Ms Crawford has been designated a Certified Lodging Manager by AHLEI, holds a Certificate in Hospitality Management Marketing from Cornell University s School of Hotel Administration, and has been designated as a Certified Revenue Management Executive (CRME) by the Hospitality Sales and Marketing Association (HSMAI)

We may provide other refresher, advanced or additional training programs and seminars at locations designated by us, which may be at your Lodging Facility, at our principal office ~~located in Coral Springs Florida~~, remotely (by telephone webinar or otherwise), or at another location or any combination of these locations We may designate attendance at these programs and seminars as optional or required If any such training program or seminar is held at your Lodging Facility you must provide accommodations for our personnel, at your cost

Ongoing Education

Throughout their relationship with the Brand, Brand ~~Members~~Franchisees have the opportunity to participate in optional training provided by our educational program at no additional charge Ongoing education sessions are currently offered approximately 25 times a year at various locations throughout North America as well as at the Brand Conference The ongoing education curriculum changes year to year and reflects feedback from previous attendees and our assessment of important issues facing ~~members~~franchisees of the Lexington brand and other ~~Acquired Brands For example, at the request of brand members of all Acquired Brands in 2015, each ongoing education session in 2016 will include a "town hall session at which brand members are asked to pose questions directly to Roger Bloss, Bernie Moyle Jordan Langlois and all other senior executives, and are invited to share their ideas for the betterment of all Acquired Brands~~ Red Lion Brands.

For all ongoing education sessions, you must pay your expenses and each trainee's other expenses, including travel lodging, and meal expenses, other than lunch during the educational sessions, which is provided by ~~Red Lion~~us

Regional ongoing education sessions are conducted by RLHC s Director of Training Rita Weber, who also supervises ongoing education sessions at the Brand Conference and facilitates the AHLEI (as defined below) certification program Ms Weber has been designated a Certified Hospitality Trainer by AHLEI, holds their Certified Hotel Administrator (CHA') designation, and has less than 1 year of experience with us and over 31 years of experience in the subjects taught ~~Members of the Sales Support & Assurance Program team often assist Ms Weber depending on the region and the input from Members prior to the~~

~~training session and outside speakers may be invited as the topics warrant~~ Training material consists primarily of proprietary written material developed from industry sources, including handouts Sessions may include videos, role playing and other interactive tools

AHLEI and AAHOA Certification

You must have a general manager who has earned the CHA designation from ~~AHLEI We also may accept CHO (~~the American Hotel & Lodging Educational Institute (AHLEI) or the Certified Hotel ~~Owner, granted by~~Operator (CHO) designation from the Asian American Hotel Owners Association~~), upon request~~ ("AAHOA')

Brand ~~Members~~Franchisees and general managers are offered the opportunity to take the CHA test or the CHO test at the Brand Conference ~~To facilitate this we will hire an AHLEI proctor who conducts a four-hour review session one morning during the Brand Conference The exam is administered that afternoon, and~~These exams are administered in the afternoon following review sessions administered by instructors from AHLEI and AAHOA, respectively. ~~r~~Results are available before the conclusion of the conference If a Brand ~~Member~~Franchisee or general manager passes the test at the Brand Conference we will pay ~~AHLEI's~~the certification fee ~~(currently $475-60)~~, if the Brand ~~Member~~Franchisee or general manager does not pass at that administration, we will pay one half of the certification fee and the Brand ~~Member~~Franchisee will be billed for the other half

Director of Sales Training

By the time you open for business as a Lexington Inn or Lexington Hotel, your director of sales must have satisfactorily completed a sales training program acceptable to us (which may include sales training under another brand s system) or otherwise must have demonstrated to us a sufficient level of experience and skill While ~~Brand Members have declined to authorize one~~a specific training program ~~an acceptable program typically includes a pre-training conference call (1-2 hours) a three-day session at your Lodging Facility (21 hours), and a follow-up conference call (1 hour) 30 days after on-site training You are responsible for the costs of these training programs The cost for these training programs varies but generally includes the costs of the trainer's travel and accommodations An example of a currently acceptable sales training program is My Hospitality Sales Pro the fee for which is $1,750 plus the cost of the trainer s travel and accommodations~~ has not been designated, we may do so in the future A vacancy in the director of sales position must be filled within a reasonable time period (expected to be no more than 60 days) and any replacement director of sales will be subject to the same training requirement described above

ITEM 12 TERRITORY

Grant for a Specific Area

Your franchise is granted for the specific location that you will have selected prior to signing your ~~Membership~~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 Brand ~~Members~~Franchisees, from outlets that we own or from channels of distribution or competitive brands we control We may grant franchises under the Lexington ~~B~~brand ~~Membership~~ to other persons to operate other licensed units that are in close proximity to your Lodging Facility However, if the potential new Brand ~~Member's~~Franchisee s lodging facility is located within a three-mile radius of your Lodging Facility we will provide you with a courtesy notice and a reasonable opportunity (but no more than five days) to submit a written statement explaining the negative market impact that you believe the potential new Brand ~~Member~~Franchisee may have on your business If we do not agree with your statement, you may request immediate review by a panel of Brand Franchisee and/or Brand Members ~~representatives~~ (one ~~of whom~~representative will be selected by you, one ~~of whom~~representative will be selected by us and the third ~~of whom~~representative will be selected by the other panel members) The panel will promptly issue its opinion of the market impact, which opinion will be considered persuasive (but will not be binding) You and we agree to act in good faith to reach a fair and amicable resolution of any of these matters within 5 days (or such other timeframe as deemed necessary by us to protect the Lexington brand) of when you submit your written statement explaining the anticipated negative market impact The ultimate decision of whether to grant a new franchise under the Lexington ~~B~~brand ~~Membership~~ will be ours

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 Lodging Facility), all rights not expressly granted to you in your ~~Membership~~Franchise Agreement concerning the Proprietary Marks or other matters are reserved by us, including the right to

- establish, develop, and license or franchise lodging facilities (including the Brand), located anywhere, regardless of how close such business operates to your Lodging Facility
- sell, under any terms that we deem appropriate, products and services similar or identical to those authorized for your Lodging Facility, using the Proprietary Marks, and
- engage in all other activities not expressly prohibited by the ~~Membership~~Franchise Agreement

Your ~~Membership~~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 Brand ~~Member~~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 Brand Standards

Other Franchise Offerings and Operations of Similar Businesses

We also offer franchise businesses that sell products and services similar to your Lodging Facility under the ~~Jameson Marks,~~ ABVI Marks, Country Hearth Marks, Red Lion Marks, RL Marks GuestHouse Marks and Settle Inn Marks each under a separate franchise disclosure document Further, we intend to offer franchises for businesses that sell products and services similar to your Lodging Facility under the Signature Inn ~~mark~~brand and anticipate doing so by ~~mid-~~late-2017 We also provide brand management and related services to franchisees and licensees of the ~~Signature Inn brand,~~ America s Best Inns & Suites brand, Jameson Inn brand and the 3 Palms Hotels & Resorts brand. We may decide to offer franchises in the Red Lion Brands or other brands that we may acquire in the future Lodging facilities operating under such other trademarks may solicit or accept reservations from guests residing in your local market We utilize the same principal business address as identified in Item 1 of this disclosure document for all Red Lion Brands and do not maintain physically separate offices ~~or~~and training facilities for ~~each brand~~all Red Lion Brands, however, we may provide certain support services relating to Red Lion Brands from 3300 N. University Drive, Suite 500, Coral Springs, Florida 33065

If any disputes arise between us and any brand ~~members~~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 brand ~~member~~franchisee or among brands, then we will take the action we deem appropriate to remove any disparate treatment to the brand ~~member~~franchisee or among brand ~~members~~franchisees of the different franchise systems

If there are disputes between brand ~~members~~franchisees of the different franchise systems even if the dispute does not directly involve us, our ~~member~~brand franchisee support services will work with the brand ~~members~~franchisees to resolve the disputes, including working with the brand ~~members~~franchisees to develop co-marketing opportunities when appropriate, to help resolve the dispute If it becomes necessary, the brand ~~members~~franchisees will bring their dispute before representatives of the applicable advisory board or advisory boards for a recommended resolution If the brand ~~members~~franchisees and we do not agree to the recommended resolution to the dispute between the brand ~~members~~franchisees, then the brand ~~members~~franchisees will need to resolve the dispute between them without further intervention from us

ITEM 13 TRADEMARKS

Principal Trademarks

Under your ~~Membership~~Franchise Agreement we grant you the non-exclusive right to operate your Lodging Facility under the trademarks displayed below You may not use the Lexington or similar names in your corporate name however, nor in any internet domain or social media site These are the principal trademarks used to identify your Lodging Facility 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 trademarks for which you are granted a license under your ~~Membership~~Franchise Agreement

TRADEMARKS REGISTERED ON THE U S PATENT AND TRADEMARK OFFICE'S PRINCIPAL REGISTER		
TRADEMARK	**REGISTRATION NO**	**REGISTRATION DATE**
LEXINGTON	2 212,584	12/22/1998
A SUITE FOR THE PRICE OF A ROOM	1 309 495	12/11/1984
WE'VE GOT YOU COVERED	3 091 362	5/9/2006
YOU DESERVE IT	3 341 923	11/20/2007
	4 496 892	3/18/2014
	4 500 881	3/25/2014
~~LEXINGTON~~HELLO REWARDS	~~4 525 828~~4,918,924	~~5/6/2014~~3/15/2016
	4,525 829	5/6/2014

For each registration noted above all required affidavits and renewals have been filed

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 Lexington Inns and Lexington Hotels

Currently Effective Trademark Determinations

Pursuant to a decision by the U S Trademark Trial and Appeal Board, certain of our LEXINGTON registrations are geographically restricted to cover the entire United States except for a defined area in New York, NY There are no other 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 in a manner material to you, other than as follows

In April 2009, VHGI entered into a Settlement and Coexistence Agreement with the then-owner of the hotel known at the time as the Radisson Lexington Hotel which is located at 511 Lexington Avenue New York, New York The hotel currently is known as The Lexington New York City Pursuant to that agreement, there are certain perpetual geographic

restrictions on our ability to use the Lexington name in designated areas in Manhattan and around the New York metropolitan airports

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

Except as described above, 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

~~No~~Neither we nor any of our affiliates own any patents or pending patent applications that are material to the franchise

The Brand Manuals if any, and 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~~ brand ~~members~~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 the Brand Manuals, as well as 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 the Brand Manuals or any other

Confidential Information must be required to comply with the confidentiality provisions of your ~~Membership~~Franchise Agreement We may require you to have your employees and contractors execute individual undertakings and will have the right to regulate the form of and to be a party to or third-party beneficiary under any such agreements with independent enforcement rights You may use our Proprietary Property only in connection with operating your Lodging Facility under your ~~Membership~~Franchise Agreement

'Proprietary Property' means the Proprietary Marks, Confidential Information, Brand Standards and copyrighted (or copyrightable) or trade secret information of our affiliates or of us that you may use under the ~~Membership~~Franchise Agreement "Confidential Information" means the Brand Standards, 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

ITE~~M~~ 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 Lodging Facility If you are an individual, we do not make a recommendation that you personally participate You must at all times employ a general manager (who has earned the Certified Hotel Administrator designation from AHLEI or the CHO designation from AAHOA), and a full-time director of sales, each of whom must be dedicated solely to the Lodging Facility The general manager must ~~complete the Lexington 3D Service Program, and must~~ devote, on a full-time basis, his or her best efforts to managing and operating ~~the Lodging Facility The general manager must execute an individual undertaking, in a form approved by us, agreeing to protect the Confidential Information from unauthorized use, access or disclosure, and to use the Confidential Information only in the operation of~~ the Lodging Facility Neither the general manager nor the director of sales is required to have an ownership interest in the Brand ~~Member~~Franchisee The general manager and the director of sales must be in place prior to the Lodging Facility opening as a Lexington-branded Lodging Facility

If you are a corporation, partnership, limited liability company or other legal entity any person with a 20% or greater legal or beneficial ownership interest (which may be persons who hold title in the ownership interests or persons who do not hold title in the ownership interests but enjoy equitable rights) in you must sign the Guaranty and Assumption of Obligations attached as Exhibit A to the ~~Membership~~Franchise Agreement guaranteeing the performance of all of your obligations under the ~~Membership~~Franchise Agreement The spouse of any guarantor also will be required to consent in writing to his or her spouse's execution of the guaranty which serves to bind the assets of the marital estate to the guarantor s performance of the Guaranty and Assumption of Obligations, if required in a state to bind the marital assets

ITE~~M~~ 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We do not restrict the customers to whom you sell goods and services You must operate your Lodging Facility in conformity with the Brand Standards, including complying with the terms of all mandatory marketing, reservation, advertising, promotional, training and other operations programs we may periodically implement You must use the Lodging Facility's premises solely for the operation of a Lexington-branded lodging facility You may not provide any guest service or offer any product except as prescribed in the Brand Manuals

or otherwise in writing, and you must offer all Brand-wide products, services and programs we establish or that we determine to be in the best interests of the Brand~~, including any guest rewards program, loyalty program and any guest relations program Currently, you are required to participate in the Lexington Rewards program and the Vantage Rewards program, which are described in detail in Item 11~~ We have the right to change the types of products and services that we approve or authorize, so long as the products and services are compatible with the franchise system~~ and if the change requires a capital improvement or significant expenditure, then the change must be approved by 60% of the Voting Members before it can be imposed~~

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise 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 2 1	Initial term is 20 years
b Renewal or extension of the term	Section 2 2	If you satisfy the conditions in the ~~Membership~~Franchise Agreement you may obtain successor ~~Membership~~Franchise Agreements for additional terms of 10 years
c Requirements for franchisee to renew or extend	Section 2 2	Requirements to renew or extend the term of your ~~Membership~~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 renew the term satisfy all monetary obligations to our affiliates and us must not be in default of the ~~Membership~~Franchise Agreement or any other agreement between you and us or our affiliates or any Third Party Agreement at least 30 days prior to the scheduled expiration date, you sign a successor ~~Membership~~Franchise Agreement the terms of which may materially differ from the terms of your initial ~~membership~~franchise agreement (including increased ~~Membership~~Franchise Fees Marketing Fees and Conference Fees) you execute a general release perform any required maintenance refurbishment renovation or upgrade of the Lodging Facility and be lawfully entitled to occupy the property for the entire successor Term
d Termination by franchisee	Section 10 4	You may terminate your ~~Membership~~Franchise Agreement for any reason or no reason effective as of the 3rd 6th 9th 12th 15th and 18th anniversaries (and the equivalent anniversaries of any renewal Term) of the Billing Start Date (each a "BSD3 Anniversary") You must not be in default of your ~~Membership~~Franchise Agreement as of the applicable BSD3 Anniversary and you must provide notice of your intention to terminate at least 90 days prior to the intended termination date

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
e Termination by Franchisor without cause	Section 10 4	We may terminate your ~~Membership~~Franchise Agreement for any reason or no reason effective as of any BSD3 Anniversary We will provide notice of our intention to terminate at least 90 days prior to the intended termination date
f Termination by Franchisor with cause	Sections 10 2 and 10 3	We can terminate your ~~Membership~~Franchise Agreement if you default
g Cause" defined-curable defaults	Section 10 2	Curable defaults include failure to pay any amount due us when such amount is due 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 Brand 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 failure to comply with the Brand Standards and failure to comply with any other obligation or requirement under the ~~Membership~~Franchise Agreement You will have 5 days (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 Lodging Facility For any other defaults you will receive a written notice of breach or default and will have 5 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 3 of your ~~Membership~~Franchise Agreement for which no cure period is provided
h "Cause" defined-non-curable defaults	Sections 10 3	Non-curable defaults include you or any of your owners have made or make a material misrepresentation in obtaining the franchise or operating your Lodging Facility abandoning your Lodging Facility 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 Lodging Facility is located you or any of your officers directors owners or managers are convicted or please nolo contendere to a felony crime of moral turpitude or other crime likely to have a material adverse effect on the Brand, you deny us the right to inspect the Lodging Facility or retrieve information from the PMS unauthorized transfer of your rights or the ~~Membership~~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 ~~Membership~~Franchise Agreement after a prior notice and cure period

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
i Franchisee s obligations on termination/non-renewal	Article 11	Obligations include ceasing operating business as a Lexington-branded lodging facility removing Lexington signage and otherwise de-identifying your Lodging Facility distinguishing future operations paying amounts due to our affiliates us and third parties removing internet references and ceasing use of and returning all tangible and intangible Proprietary Property in your possession or control
j Assignment of contract by Franchisor	Section 9 1	No restrictions on our right to assign
k "Transfer" by franchisee-defined	Section 9 2	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 ~~Membership~~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 9 2	We have the right to approve all transfers However we will not unreasonably withhold our consent to a proposed transfer if all of the conditions in Section 9 2 of your ~~Membership~~Franchise Agreement are met
m Conditions for Franchisor approval of transfer	Section 9 2	Conditions include all your accrued monetary obligations and other obligations to our affiliates and us have been satisfied you are not in default of the ~~Membership~~Franchise Agreement or any other agreement between you and us our affiliates or any Third Party Agreement you have executed a general release at our option transferee assumes all your obligations pursuant to an assignment and assumption agreement or signs our then standard form of ~~membership~~franchise agreement (the terms of which may significantly differ from the terms of your ~~Membership~~Franchise Agreement—including increased Membership Fees Marketing Fees and Conference Fees) transferee or transferor pays us a transfer fee in the amount of 50% of the then-applicable initial fee for new Brand ~~Members~~Franchisees transferee satisfactorily completes our application procedures and meets our criteria for new Brand ~~Members~~Franchisees in effect at the time transferee agrees to perform required maintenance refurbishment renovations and upgrades of the Lodging Facility transferee has assumed all obligations in connection with the Lodging Facility including the lease the landlord has agreed to the transfer of the lease or sublease of the property if your owners or you finance any part of the purchase price your owners or you agree to subordinate transferee s obligations owed to you to the transferee s obligations to us and our affiliates you and your owners cease all use of the Proprietary Marks do not identify yourselves as a current or former Lodging Facility or otherwise suggest an association with us and transferee and you timely satisfy any other conditions we reasonably impose

THE FRANCHISE RELATIONSHIP		
PROVISION	**SECTION IN FRANCHISE AGREEMENT**	**SUMMARY**
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 9 2	Any transfers occurring upon your death will be considered a 'transfer" of your ~~Membership~~Franchise Agreement and will be subject to the conditions to transfer in section m
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 8 2 13 4 and 13 5	No modifications unless signed by the party against whom enforcement is sought but we may unilaterally revise our Brand Standards and you will be bound by such modifications
t Integration/merger clause	Section 13 18	Only the terms of the ~~Membership~~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 ~~Membership~~Franchise Agreement may not be enforceable
u Dispute resolution by arbitration or mediation	Sections 13 11 and 13 12	We and you must arbitrate all disputes at a location within a 50 mile radius of ~~Coral Springs Florida~~Spokane, Washington
v Choice of forum	Section 13 10 and 13 11	Litigation and arbitration must be brought in any court of competent jurisdiction within a 50 mile radius of ~~Coral Springs Florida~~Spokane, Washington subject to applicable state law However we may seek injunctive relief in any jurisdiction that has jurisdiction over you
w Choice of law	Section 13 10	Except to the extent the Lanham Act or Federal Arbitration Act governs ~~Florida~~Washington 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 ~~reserve the right to~~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/or 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 lodging facilities 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 Lexington-branded lodging facility, 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 Chris Peterson 201 W North River Drive, Spokane, WA 99201, (509) 777 6238, internalaudit@redlion 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 ~~2013~~2014 TO ~~2015~~[1]2016[1] [2]

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
~~Franchises[2, 3]~~	~~2013~~	~~0~~	~~0~~	~~0~~
Franchised	2014	0	2	+2
	2015	2	6	+4
~~Company-Owned~~	~~2013~~2016	~~0~~6	~~0~~9	~~0~~+3
Company-Owned	2014	0	0	0
	2015	0	0	0
~~Total Outlets~~	~~2013~~2016	0	0	0
Total Outlets	**2014**	**0**	**2**	**~~+2~~0**
	2015	**2**	**6**	**+4~~2~~**
	2016	**6**	**9**	**+3**

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

~~[2] VFI, the prior franchisor, began offering franchises in December 2013 but did not sell any until 2014.~~

[2] We began offering franchises for Lexington-branded Lodging Facilities as of October 5, 2016. VFI, the prior franchisor, provided the numbers in this table through September 30, 2016, the date we acquired the assets of the Lexington franchise system.

[3] As of December 31 ~~2015~~2016 there were also 19 lodging facilities operating that became affiliated with the Lexington brand through VHGI s membership model which it offered before VFI, its subsidiary, began offering franchises under the Brand In September2016, we acquired the membership agreements for, and began acting as licensor and providing services to, those lodging facilities

TABLE NO 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR)
FOR THE YEARS ~~2013~~2014 TO ~~2015~~[1]2016[1] [2]

State	Year	Number of Transfers
~~All states~~	~~2013~~	~~0~~
All States	2014	0
	2015	0
~~**Total Outlets**~~	~~2013~~2016	0
Total Outlets	**2014**	**0**
	2015	**0**
	2016	**0**

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

[2] We began offering franchises for Lexington-branded Lodging Facilities as of October 5, 2016. VFI, the prior franchisor, provided the numbers in this table through September 30, 2016, the date we acquired the assets of the Lexington franchise system.

TABLE NO 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS ~~2013~~2014 TO ~~2015~~[1]2016[1] [2]

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
~~CA~~AZ	~~2013~~2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
CA	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
~~CO~~	~~2013~~2016	~~0~~1	0	0	0	0	0	~~0~~1
CO	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
~~FL~~	~~2013~~2016	~~0~~1	0	0	0	0	0	~~0~~1
FL	2014	0	0	0	0	0	0	0
	2015	0	1[3]	0	0	0	0	1
~~IA~~	~~2013~~2016	~~0~~1	~~0~~1	0	0	0	0	~~0~~2
IA	2014	0	1	0	0	0	0	1
	2015	1	0	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
~~IL~~	~~2013~~2016	~~0~~1	0	0	0	0	0	~~0~~1
IL	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
~~MO~~IN	~~2013~~2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
MO	2014	0	1	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	1	0	0	0
~~Total~~NY	~~2013~~2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
Total[2]	**2014**	**0**	**2**	**0**	**0**	**0**	**0**	**2**
	2015	**2**	**4**	**0**	**0**	**0**	**0**	**6**
	2016	**6**	**4**	**0**	**1**	**0**	**0**	**9**

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

~~[2] As of December 31, 2015 there were also 19 lodging facilities operating that became affiliated with the Lexington brand through VHGI s membership model which it offered before VFI its subsidiary began offering franchises under the Brand In September 2016, we acquired the membership agreements for, and began acting as licensor and providing services to, those lodging facilities~~

[2] We began offering franchises for Lexington-branded Lodging Facilities as of October 5, 2016. VFI, the prior franchisor, provided the numbers in this table through September 30, 2016, the date we acquired the assets of the Lexington franchise system.

[3] VFI, the prior franchisor, considered this lodging facility an affiliate-owned location However, the owner is not our affiliate, therefore we have recharacterized this location as a franchised ~~lodging~~location facility

TABLE NO 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS ~~2013~~2014 TO ~~2015~~[1]2016[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 ~~s~~States	~~2013~~ 2014	0	0	0	0	0	0
	~~2014~~ 2015	0	0	0	0	0	0
	~~2015~~ 2016	0	0	0	0	0	0
Total	**~~2013~~ 2014**	**0**	**0**	**0**	**0**	**0**	**0**
	~~2014~~ 2015	**0**	**0**	**0**	**0**	**0**	**0**
	~~2015~~ 2016	**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, ~~2015 FOR~~ 2016 FOR 2017

State	~~Membership~~Franchise Agreements Signed But Outlets Not Opened[1]	Projected New ~~Member~~Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
~~Arizona~~	~~1~~	~~1~~	~~0~~
~~California~~CA	1	0	0
~~Florida~~	~~0~~	~~2~~	~~0~~
~~Indiana~~CO	0	1	0
~~Minnesota~~GA	0	1	0
~~Mississippi~~NY	0	1	0
~~New York~~SD	0	1	0
~~Texas~~TOTAL	~~0~~1	~~1~~4	**0**
~~Total~~	**~~2~~**	**~~8~~**	**~~0~~**

~~[1] We began offering franchises for Lexington-branded Lodging Facilities as of October 2016. These Membership Agreements were signed with Brand Members by VFI, the prior franchisor.~~

A list of the names, addresses and telephone numbers of all current franchisees as of December 31, ~~2015~~2016, is attached as Exhibit G to this disclosure document

~~A list of t~~The names city state, and telephone numbers of every franchisees who ~~have~~has had ~~a membership agreement~~an outlet terminated cancelled ~~,~~or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the ~~membership agreement with VFI the prior franchisor, during the most recently completed fiscal year or who~~

~~have~~Franchise Agreement between January 1, 2016 and December 31, 2016, or who has not communicated with ~~us or VFI, the prior franchisor, within~~Red Lion in the past ten (10) weeks ~~of issuance date of this disclosure document is~~are attached as Exhibit H ~~to this disclosure document~~ If you buy this franchise your contact information may be disclosed to ~~other~~ buyers when you leave the franchise system

Confidentiality Clauses

In the last three fiscal years, no Brand ~~Members~~Franchisees of the Lexington 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 Brand ~~Member~~Franchisee organizations associated with our franchise system

ITEM ~~21~~ FINANCIAL STATEMENTS

Attached as Exhibit E 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 consolidated balance sheets of RLHC as of December 31, ~~2015~~2016 and December 31, ~~2014~~2015, 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, ~~2015 Also attached are the unaudited financial statements of RLHC and its subsidiaries (which includes us) for the period ending September 30,~~ 2016

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

ITEM ~~22~~ CONTRACTS

The following contracts are exhibits to this disclosure document

Exhibit B	~~Membership~~Franchise Agreement	
	Exhibit A	Guaranty and Assumption of Obligations
	Exhibit B	TACS Agreement
Exhibit C	Application	
Exhibit D	Representations and Acknowledgement Statement	
Exhibit I	Sample General Release	
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 ~~203~~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

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East Suite 500
St Paul Minnesota 55101
(651) 539-1500

NEW YORK

(state administrator)

Office of the New York State Attorney General
Investor Protection Bureau
Franchise Section
120 Broadway 23rd Floor
New York NY 10271-0332
(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

Department of Labor and Regulation
Division of Securities
124 S Euclid Suite 104
Pierre South Dakota 57501
(605) 773-4823

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
~~345~~201 West Washington Avenue ~~4th Floor~~
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-~~3431~~1064

EXHIBIT B

~~MEMBERSHIP~~FRANCHISE AGREEMENT

Property #_____
Brand Use Only

FRANCHISE AGREEMENT

Property Address _____

_____

_____

Total Number of Rooms _____ **Number of Suites** _____ **Number of Floors** _____

Contact Person _____

Name *Phone Number* *Email*

Requested Name _____

(Subject to Brand Approval)

Fee Option ❒ Flat Fee
(check one) ❒ 4% GRR

FOR BRAND USE ONLY
Approval Date _____ Approved Name _____
Billing Start Date _____ Required Opening Date _____

LEXINGTON® ~~MEMBERSHIP~~FRANCHISE AGREEMENT

This ~~MEMBERSHIP~~FRANCHISE AGREEMENT (this "**Agreement**") is entered into by and 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 lodging facility located (or to be located) at _____

We and you agree

ARTICLE 1
~~BRAND MEMBERSHIP,~~ GRANT OF LICENSE

1 1 ***~~Brand Membership~~*** We and our affiliates own a special system related to the operations marketing and distribution of information pertaining to lodging facilities under the name ***Lexington***® (collectively the "**Brand**") The Brand includes all of our mandatory policies procedures specifications standards operating procedures service standards and rules we periodically prescribe for operating a lodging facility (the "**Brand Standards**") which Brand Standards include the standards set forth in our resource guides policy statements and program manuals (if any) (our "**Brand Manuals**") and our "**Trade Dress** (which means the business design and image owned by us and our affiliates pertaining to Lexington-branded lodging facilities) and other Proprietary Property (as defined in ARTICLE 7) all of which may be further revised and developed by us The Trade Dress currently emphasizes common signage superior customer service and local amenities and features appropriate for each Brand ~~Member s~~Franchisee s (as defined in this Section) market The Brand operates under the service mark ***Lexington***® and certain other proprietary marks (as further specified in Section 7 1) and owners (or operators as applicable) of lodging facilities authorized to operate under the Brand are known as "**Brand ~~Members~~Franchisees** " Subject to the terms and conditions contained in this Agreement, you are a Brand ~~Member~~Franchisee

1 2 ***Grant of License*** Subject to the terms and conditions contained in this Agreement we grant you the right—and you undertake the obligation—to operate the Lodging Facility and to use the Proprietary Property as authorized under this Agreement and in accordance with the Brand Standards (the "**License**") The "**Lodging Facility**" means the hotel motel inn or other lodging facility you are authorized to operate under the Brand pursuant to this Agreement, which you will operate as a Lexington Inn Lexington Hotel Lexington Legacy Hotel or Lexington Legacy Inn as specified in Schedule 1 2 "**Lexington Inn** refers to the select service segment of the Brand including extensions such as Lexington Inn & Suites "**Lexington Hotel**" refers to the full-service segment of the Brand including extensions such as Lexington Resort If your Lodging Facility meets our Brand Standards for a Lexington Hotel or a Lexington Inn and has established a reputation and goodwill in its current name (other than the name of another flag- or franchise ~~or membership~~ organization) your Lodging Facility (subject to our consent) may be known as a "Lexington Legacy Hotel" or "Lexington Legacy Inn " as applicable For example a lodging facility with an established reputation in the name "The John Doe Hotel " if approved by us would be known as "The John Doe Hotel – a Lexington Legacy Hotel " The Lodging Facility expressly includes only the lodging facility located at the address set out in the preamble (the "**Property**") For example if the Property includes a bar the License we grant you does not include the bar and only includes the lodging facility Further you may not transfer the License to another lodging facility or another location without our prior written permission

The License granted to you does not include the right to use "Lexington" in your corporate (or other entity) name in an Internet domain name social media site or in any similar manner

1 3 ***Your Rights within Your Territory*** From time to time in our discretion we may grant to other persons the right to operate other lodging facilities (including lodging facilities using the Brand) that are in close proximity to the Property You are not obtaining any protected or exclusive territory However if we are contemplating accepting an application for the operation of another lodging facility using the Brand and that lodging facility would be located within a three-mile radius of the Property we will provide you with a courtesy notice and a reasonable opportunity (but no more than five days) to submit a written statement explaining the negative market impact that you believe such potential new Brand ~~Member~~Franchisee may have on your business If we do not agree with your statement you may request immediate review by a panel of Brand ~~Member~~Franchisee and/or Brand Member (as defined in Section 6.1 below) representatives (one ~~of whom~~representative will be selected by you one ~~of whom~~representative will be selected by us and the third ~~of whom~~representative will be selected by the other panel members) The panel will promptly issue its opinion of the market impact which opinion will be considered persuasive (but will not be binding) You and we agree to act in good faith to reach a fair and amicable resolution of any such matter within 5 days (or such other timeframe as deemed necessary by us to protect the Brand) of when you submit your written statement explaining the anticipated negative market impact however the ultimate decision of whether to grant such new ~~Brand~~

~~Membership~~License will be ours and will be made in our reasonable discretion You do not have the right to relocate your Lodging Facility

1 4 ***Our Reservation of Rights*** The License of the Brand granted to you is non-exclusive In addition to our right to use and grant others the right to use the Brand anywhere all rights not expressly granted in this Agreement to you concerning the Brand or other matters are reserved by us (or our affiliates) including the right to (a) establish develop and license or franchise lodging facilities (including the Brand or under other trademarks) located anywhere regardless of how close such business operates to the Property (b) sell under any terms that we deem advisable products and services similar or identical to those authorized for the Lodging Facility using the Brand and (c) engage in all other activities not expressly prohibited by this Agreement

ARTICLE 2
TERM

2 1 ***Term*** The term of this Agreement (the **Term**") commences on the Agreement Date and expires 20 years from the Billing Start Date subject to earlier termination as set forth in this Agreement The "**Billing Start Date** is the first day of the calendar month that is one full calendar month after the Agreement Date (for example if the Agreement Date is October 20 the Billing Start Date is December 1) provided however that if your Property is new construction then the Billing Start Date will be the first day of the calendar month that is one full calendar month after the Lodging Facility has opened for business under the Brand (the "**Opening Date**")

2 2 ***Renewals*** The Term will be extended for additional 10-year terms (and each extension is included in the definition of Term) if

a 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 renew the Term

b you have satisfied all of your monetary obligations owed to our affiliates and us and 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 (such as your TACS Agreement ~~or VOILÀ® Agreement~~ as described in Section 5 9)

c at least 30 days prior to the scheduled expiration date you execute and deliver to us a ~~membership~~franchise agreement that is our then current form of ~~membership~~franchise agreement for new Brand ~~Members~~Franchisees the terms of which may significantly differ from the terms of this Agreement including increased Membership Fees Marketing Fees Conference Fees and ~~Revenue Support~~Competitive Intelligence Fees (as defined in Section 6 1 f) (at which time we will not require you to pay a new initial fee but may require you to pay a renewal fee at our then current rate)

d you execute and deliver to us a general release in a form satisfactory to us of any and all claims against us and our owners officers directors employees agents successors and assigns

e you have completed (at least 60 days before the scheduled expiration of the Term) all maintenance refurbishing renovating and upgrading of the Lodging Facility required to conform the Lodging Facility to (i) the Brand Standards then in effect for new Brand ~~Members~~Franchisees and (ii) any applicable property improvement plan ("**PIP**") and

f you are lawfully entitled to continue to use and occupy the Property for the entire following successor term (for example if you operate the Property under a lease the lease must not expire before the end of the new term)

ARTICLE 3
OUR DUTIES

We will consult with you assist you and provide certain services to you (as long as you are not in default under this Agreement) as follows

3 1 ***Central Reservation System*** We will provide you with access to the brand-designated central reservation system (the **CRS**") through which your guest room inventory rates availability and other pertinent information are distributed to various channels including the global distributions systems online travel agencies travel consortia and the Brand s websites The Lodging Facility may not book reservations through any other electronic reservation system booking engine unapproved third party distribution system or other technology We reserve the right to change modify or eliminate the CRS at any time and from time to time

3 2 ***~~Initial Training~~Brand Introduction*** We will provide ~~initial training relative~~you with an introduction to the Brand ~~(the "**Initial Training**~~, including its culture, resources, CRS and guest rewards program, at a location we designate (the "**Brand Introduction**") some of which may take place after the Opening Date ~~In most cases the Initial~~

~~Training will take place at the Property and remotely (by telephone, webinar, or both), although we also may require or strongly recommend that certain of your personnel participate in some Initial Training at our office located in Coral Springs, Florida (or other location we may designate). Initial Training will include instruction relating to our loyalty, guest relations, survey, and customer service programs, as well as connectivity to the CRS. If any Initial Training~~ of your Lodging Facility. Your participation in the Brand Introduction is optional. If any part of the Brand Introduction is held at the Property, you will provide accommodations for our ~~trainers~~personnel, at your own cost. You also are currently responsible for all expenses your ~~trainees~~employees incur in connection with attending ~~Initial Training, including all travel, lodging, and meal expenses, if any. In our discretion, we may provide Initial Training to multiple Brand Members at the same time~~the Brand Introduction.

3.3 ***Brand Manuals.*** We will loan you, during the Term of this Agreement, one copy of the Brand Manuals (with periodic revisions as required) then in use, if any. We may provide the Brand Manuals in an electronic medium, including by download from our website. The Brand Manuals are provided to you as a resource to promote uniformity throughout the Brand for the protection of the Brand. However, following the Brand Manuals does not guarantee the success or profitability of your Lodging Facility.

3.4 ***Continued Training, Assistance and Support.*** We will consult with you on an ongoing basis as you reasonably request and to the extent we consider appropriate or reasonably necessary, to assist you in promoting your Lodging Facility, including providing sales support and refresher, advanced or additional training programs and seminars at locations designated by us, which may be at the Property, at our principal office ~~located in Coral Springs, Florida~~, remotely (by telephone, webinar or otherwise), at our Brand Conference (as described below), or at such other location or any combination of these locations. We may designate attendance at such programs and seminars as optional or required. If any such training programs are held at the Property, you must provide accommodations for our trainers, at your own cost.

3.5 ***Brand Conference.*** We will convene a Brand conference (the "**Brand Conference**") no less frequently than every 18 months, at which Brand Franchisees and Brand Members may gather to network, participate in educational seminars, and vote on Brand-related initiatives. We may convene (and it is our present intention to convene) the Brand Conference in conjunction with the Annual International Conference and Trade Show traditionally held annually during the first week of December, but we reserve the right to change this schedule. If you have paid all of your Conference Fees in accordance with this Agreement, one of your representatives may attend the Brand Conference for no additional registration fee, and you will be solely responsible for your attendees' expenses of travel, lodging, certain meals, and other out-of-pocket costs (as well as the registration fee for each additional attendee).

3.6 ***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. We may delegate any or all of our duties under this Agreement to a representative, who may be an affiliate or an independent contractor appointed by us.

ARTICLE 4
MARKETING AND ADVERTISING

4.1. ***Arrangements for Marketing.*** Periodically, we and/or any of our present or future owners, subsidiaries, and affiliated entities (the "**Entities**") will publish and make available to the traveling public a directory of Lodging Facilities, including your Lodging Facility. Additionally, we and/or the Entities may include your Lodging Facility, or cause your Lodging Facility to be included in (i) national or regional group advertising of some or all Lodging Facilities, and (ii) international, national and regional market programs offered by us subject to and in accordance with our general practice for Lodging Facilities.

~~4.1 ***Marketing Program.*** The "**Marketing Program**" is a special program that was created for the benefit of brand members of all Acquired Brands (defined below) and is operated by our affiliates or us with the input of the Advisory Board (as described and defined in Section 4.2 below), as well as the input of an advisory board and advertising counsel comprised of brand members from certain other Acquired Brands. As between brand members and us, we have the exclusive right to maintain, operate, and administer the Marketing Program, which will include conducting national advertising, public relations, and promotional activities that we consider beneficial to the Acquired Brands and brand members (including, without limitation~~ We and/or the Entities will use your Marketing Fees (as defined in Section 6 below) to pay for various expenses and programs that, in our view, benefit, in the short-term or the long-term, the Network Brands (as defined below in this Section 4.1). These programs and expenditures may include, but are not limited to, conducting advertising campaigns; creating and maintaining a website or sites, or related strategies; administering regional and multi-regional marketing and advertising programs, including without limitation purchasing trade journal and other media advertising and using advertising, promotion and marketing agencies and other advisors to provide assistance; administering online advertising and marketing campaigns, including search engine, social

media e-mail and display ad campaigns developing and maintaining application software designed to run on computers and similar devices including tablets smartphones and other mobile devices as well as any other evolutions or next generations" of any such devices administering a guest ~~rewards~~recognition program ~~and/~~(or a loyalty program or similar rewards programs), or implementing other marketing programs designed to encourage the patronage of ~~l~~Lodging ~~f~~Facilities ~~of all Acquired Brands~~ conducting test marketing marketing surveys and public relations activities preparing marketing materials participating in travel industry trade shows operating a tour and travel department including group sales foreign independent travel consortia and merchant programs and such other use as we deem appropriate) ~~We may utilize the services of third parties or of an affiliated marketing agency to create advertising and promotional programs and purchase media provided charges to us for such services by an affiliated marketing agency will be at least as favorable as terms available from arms length agencies In our discretion we may make or refrain from making any expenditures for marketing and promotional activities We may allocate all or any portion of the marketing contributions from Brand Members and other Acquired Brands brand members to support one brand a select group of brands or all of the Acquired Brands Without limiting the generality of the foregoing in any calendar year we may spend more or less than that year s marketing contributions made by brand members to the Marketing Program We exclusively control the concepts and materials and all other matters relating to advertising public relations marketing market research and promotional campaigns However we may spend your Marketing Fees only for the purposes authorized in this Agreement Your Marketing Fees are intended to maximize general public and industry recognition and acceptance of the Acquired Brands as a whole In administering the Marketing Program we need not (i) make expenditures of contributions from members of the Lexington brand benefit Lexington Brand Members directly (ii)~~ (collectively, the "**Services**"). We have sole discretion to determine how we spend these funds, including sole control over the creative concepts, materials, endorsements and media used in the programs, the geographic market in which we place any media and allocation of advertising. We and/or the Entities may enter into arrangements for development, marketing, operations, administrative, technical and support functions, facilities, programs, services and/or personnel with any other entity, including our affiliates. You acknowledge that the Marketing Fees are intended for the benefit of the Network Brands, and you do not expect, and cannot require, for example, that any part of the Marketing Fees be used to promote or benefit only your Lodging Facility or your Lodging Facility s market. We and the Entities have no obligation in administering any activities paid for with the Marketing Fees to make expenditures for you that are equivalent or proportionate to your ~~Marketing Fees~~payments or ~~(iii)~~to ensure that ~~you~~the Lodging Facility benefits directly or ~~pro rata from advertising or promotions conducted in connection with~~proportionately from such expenditures. We and/or the Entities may create any programs and allocate monies derived from the Marketing Fees ~~With respect to maintaining operating or administering the Marketing Program neither we nor any affiliate is a trustee or fiduciary and assume no other direct or indirect liability or obligation to you~~ ~~"**Acquired 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~~ to any regions or localities, as we consider appropriate in our sole judgment.

~~We may use the Marketing Fees to pay the reasonable salaries and benefits of personnel who manage and administer the Marketing Program the Marketing Program's other administrative costs, travel expenses of personnel while they are on Marketing Program business meeting costs overhead relating to Marketing Program business and other expenses that we incur in activities reasonably related to administering or directing the Marketing Program including without limitation conducting market research public relations preparing advertising promotion and marketing materials and collecting and accounting for Marketing Fees contributions We may not use the Marketing Fees for our general corporate overhead salaries of personnel not related to the Marketing Program nor our general administrative expenses However the Marketing Fees are not maintained in an account segregated from our general operating funds and we will not prepare an audited statement of the collection and expenditure of Marketing Fees~~

~~At any time we may stop collecting Marketing Fees and terminate the Marketing Program If we do so we will not disburse the remaining funds if any If terminated we may also reinstate the Marketing Program at any time We also reserve the right to establish separate marketing programs for each of the Acquired Brands or a group of the Acquired Brands~~

You also acknowledge that franchisees of our Network Brands may not contribute the same percentage or total amount that you must pay to us as the Marketing Fees. We and the Entities will not use Marketing Fees to defray any of our general operating expenses, except for such salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Marketing Fees. You acknowledge and agree that we may provide the same or similar Services to Lodging Facilities licensed to use any of the Proprietary Marks and/or Network Marks (as defined in Section 4.4 below) or other lodging facilities that we or our affiliates operate or license in our sole discretion. You also acknowledge and agree that we will not be obligated to make reservations for the Lodging Facility for any dates following the scheduled date of expiration or termination of this Agreement.

The aggregate Marketing Fees paid to us and/or the Entities by Lodging Facilities do not constitute an escrow account, a trust fund or "advertising fund" and neither we nor any of the Entities are a fiduciary with respect to the Marketing Fees paid by you and other Lodging Facilities. We and/or the Entities may, but are not obligated to, expend funds in excess of the amounts received from Lodging Facilities. We and/or the Entities have no obligation, however, to create a separate bank or deposit account for the Marketing Fees or keep segregated any funds received in connection with the Marketing Fees, and the monies collected will not be regarded as being held in trust and do not bear interest. The Marketing Fees do not cover your cost of participating in any optional marketing programs and promotions offered by us. You acknowledge that your obligation to pay the Marketing Fees is in addition to, and does not in any respect substitute for, your obligation to operate the Lodging Facility in accordance with the Brand Standards. We will prepare for each calendar year a statement describing the total amount of monies collected and describing in general terms the costs incurred by us in administering the Marketing Fees within ninety (90) days after the end of the calendar year and furnish the statement to you upon your written request.

We may, in any calendar year, spend more or less than the aggregate contributions of Marketing Fees from all Lodging Facilities. We may loan money to the Brand or borrow from others to cover deficits and may invest any surplus for future use.

We may, at any time we deem appropriate or advisable, incorporate a new entity to administer the Marketing Fees or cause any of the Entities to administer the Marketing Fees. Any such entity will have all of the rights and duties set forth in this Agreement relating to the Marketing Fees.

We may defer, reduce, suspend, reinstate or terminate our administration of Marketing Fees at any time. If we terminate our administration of Marketing Fees, an amount equal to the balance, if any, of aggregate unexpended Marketing Fees from all participants in the Network Brands will be spent or at the end of the fiscal year in which such termination occurs will be distributed to Lodging Facilities in proportion to their respective contributions during the twelve (12) calendar months ending on the last day of the calendar month preceding the calendar month in which such termination occurs.

We also reserve the right, but shall not be obligated, to use your Marketing Fees to pay for separate programs and expenditures for Lodging Facilities in the United States and/or Canada.

"**Network Brands**" refers to all hotel brands we or our affiliates franchise or license from time to time, which currently includes each of the following brands and their various extensions. Red Lion Hotels and Red Lion Inn & Suites, Hotel RL Hotels, Leo Hotel Collection Hotels, GuestHouse International Hotels, Settle Inn Hotels and Settle Inn & Suites, Jameson Inn, Lexington 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.

4 2 ***Advisory Board*** We have created a combined advertising council and advisory board which currently includes franchisees and members of the Lexington brand ~~members~~franchisees of our Jameson Inn ® brand and our 3 Palms Hotels & Resorts brand as well as corporate and vendor representatives (the "**Advisory Board**") We may periodically change the composition of the Advisory Board and the number of advisory board members Until the 2017 Brand Conference we will appoint members to serve on the Advisory Board Beginning with the 2017 Brand Conference Advisory Board members (other than our corporate representatives and preferred vendor representative) will be elected by the members Members of the Advisory Board will be invited (at meetings conference calls or webcasts scheduled by us) to review and provide input related to proposed changes to Brand Standards certain fees and the Marketing Program We may change or dissolve the Advisory Board in our sole discretion

4 3 ***Local Marketing*** You must have a Local Marketing plan and upon our reasonable request provide it to us for our review We strongly encourage you to spend at least 4-5% of your Gross Rooms Revenue on Local Marketing although we have not established a minimum requirement for that expenditure "**Gross Rooms Revenue** means the gross revenue attributable to or payable for rentals of Guest Rooms (defined in Section 5 1 c) including all credit transactions whether or not collected guaranteed no-show revenue net of chargebacks from credit card issuers 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 Rooms Revenue are separate charges to guests for food and beverage room service actual telephone charges key forfeitures and entertainment (including Internet fees and commission) vending machine receipts and federal state and local sales occupancy and use taxes "**Local Marketing**" means marketing and promotion including public relations undertaken by you that is directed primarily at your local market You must provide us for our approval all materials to be used for Local Marketing (and all other advertising and promotional materials) unless they have already been approved or consist solely of materials provided by us If within 10 business days from the date we receive such submitted materials you do not receive our approval of your proposed materials they are considered disapproved All materials on which the Proprietary Marks are used must include the applicable designation service mark SM 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 promotional materials or advertising even if previously approved Within five days after delivery of such notice you must withdraw and discontinue use of the relevant promotional materials and advertising

4.4. ***Brand Websites and Internet Marketing.*** You may not register, own, maintain or use any domain names, World Wide Web or other electronic communications sites (collectively, "**Site(s)**"), relating to the Brand or the Lodging Facility or that includes any trademarks of the Network Brands that we own and license to franchisees ("**Network Marks**"). The only domain names, Sites, or Site contractors that you may use relating to the Lodging Facility or this Agreement are those assigned or otherwise approved in writing by us. You also agree to obtain our prior written approval concerning any third-party Site in which the Lodging Facility will be listed, and any proposed links between such Site and any other Site(s) ("**Linked Sites**") and any proposed modifications to same. All Sites containing any of the Proprietary Marks and/or Network Marks and any Linked Sites must advertise, promote, and reflect on the Lodging Facility and the Brand in a first-class, dignified manner. You acknowledge and agree that our right to approve all materials is necessitated by the fact that those materials will include and be linked with our Proprietary Marks and/or Network Marks. Therefore, any use of the Brand on the Internet, or any computer network/electronic distribution, must conform to our requirements and the Brand Standards, including the identity and graphics standards for all Lodging Facilities. 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. You acknowledge and agree that the restrictions on your use of the Brand, the Proprietary Marks and the Network Marks will survive the expiration or earlier termination of this Agreement and that we retain the right to pre-approve your use of linking and framing between your Internet (or other network) web pages and all other websites as further described below. We have the right to determine the content and use of online or electronic media associated with any of the Proprietary Marks and/or Network Marks. You may not participate in any website or other electronic media (including social media) that markets goods and services under the Proprietary Marks and/or Network Marks unless it is first approved in writing by us.

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 and Network Marks.

~~4.4 ***Internet Marketing*** Except as expressly provided in this Section, we retain the sole right to advertise on the Internet create or operate a website or sites and use the Proprietary Marks as part of any domain name with respect to any aspect of the Brand or the Lodging Facility (including the use of the Proprietary Marks) Notwithstanding the foregoing you will develop and maintain a website for the Lodging Facility and may promote the Lodging Facility through social media (including Facebook® YouTube® Instagram® Twitter® and Pinterest®) and you must comply with our website and Internet policies in effect from time to time which include using our booking engine exclusively We will license to you the domain name for your Lodging Facility and~~We will establish and host three e-mail addresses for your Lodging Facility You may not use any other e-mail addresses in the operation of your Lodging Facility We will provide the e-mail addresses to you at no additional cost during the first year of operation of your Lodging Facility however we reserve the right to charge a reasonable fee beginning with your second year of operation as a Lexington-branded Lodging Facility ~~We exclusively own all rights in such domain names You unconditionally disclaim any ownership interests in such domain names and any domain names that may be confusingly similar You will not register any domain name in any class or category that contains the words "Lexington or any abbreviation acronym or variation of such words~~

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 Lodging Facilities, 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 Lodging Facilities from any other Site(s) you own, maintain or operate beyond the expiration or termination of this Agreement.

Provided we have reviewed and approved the content of your Lodging Facility s informational web pages, we will provide you the right to have your Lodging Facility s informational web pages linked from the Brand information web page we maintain.

Your use of social media shall be subject to the Brand Standards. You must adhere to our social media 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.

~~4 5 ***Brand Websites*** We have established a website to advertise market and promote the Brand and Lexington-branded lodging facilities as well as a "family" website to advertise market and promote collectively all of the Acquired Brands (jointly the "**Brand Websites**") We will provide you with a webpage on the Brand Websites that represents your Lodging Facility You must (i) provide us the information and materials we request to develop update and modify your webpage and (ii) notify us whenever any information on your webpage is not accurate We own all intellectual property and other rights in the Brand Websites including your webpage and all information they contain (including without limitation the domain name or URL for your webpage the log of "hits" by visitors images of your Lodging Facility and any personal or business data that visitors supply) We periodically may update and modify the Brand Websites (including your webpage) We also may periodically change the Brand Websites domain names You acknowledge that we have final approval rights over all information on the Brand Websites (including your webpage) We will maintain your webpage on the Brand Websites as long as you are in full compliance with this Agreement and all Brand Standards we implement (including without limitation those relating to the Brand Websites) Except as provided above in Section 4 5 or as otherwise permitted by our website and Internet policies in effect from time to time without our prior consent you will not develop establish operate own license use or participate in a website on which the Proprietary Marks appear or otherwise use any of the Proprietary Marks on or in connection with the Internet including (i) in domain names (including top level or country code domain names and folder extensions in domain names) (ii) in metatags in your website (iii) in social media user names (iv) by publishing linking or deeplinking to any of our websites in connection with social media websites, (v) in sponsored advertising programs or (vi) in any pay per click or similar advertising~~

ARTICLE 5
YOUR DUTIES

5 1 ***Lodging Facility Development***

a If a lodging facility has not been constructed on the Property as of the Agreement Date you will construct and maintain a lodging facility at the Property to conform to the Brand Standards including any architectural or interior design standards established by us as of the Agreement Date You must submit your preliminary design development drawings for our review and approval at least three months before the commencement of construction (or you must have done so at the time you submitted your Lexington Application if you already commenced construction at that time) and final design and construction documents at least 30 days prior to the commencement of construction for our approval If construction does not commence within six months of our written approval of your final design and construction documents then you must resubmit them for our approval at least 30 days prior to commencement of construction If requested by us you must arrange for our affiliates or us to participate in progress meetings during the development and construction of your hotel or inn to have access to all contract and construction documents for the Property during reasonable hours to inspect the Property and its construction completion furnishing and equipment for compliance with our Brand Standards to assess the progress that is being made and if we believe it appropriate to provide suggestions However our affiliates and we are not obligated to participate in progress meetings or inspect the Property during this phase and our participation and any feedback we may provide is not a representation of the adequacy of the plans or specifications the structural integrity of the facility nor the sufficiency of the mechanical electrical or other systems for the hotel or inn

Our review of your design development documents is for compliance with our Brand Standards only If you elect to use our new-build prototype we also will ensure that the preliminary and final design development documents conform to our expectations for that prototype Our review and approval does not assure that your business will be successful that your designs are compliant with most (or any) architectural or engineering requirements nor that your designs are in compliance with local state or federal law or codes It is your responsibility to comply with all local state and federal code (and other) requirements applicable to the construction of your hotel If we do not approve the preliminary drawings or any other set of drawings or specifications we will provide your architect and you with reasonable recommendations for incorporation into the plans drawings or specifications as applicable

b If a lodging facility exists on the Property as of the Agreement Date you will refurbish remodel redecorate or modify and maintain the Property to conform to the Brand Standards including any interior design standards established at that time

c If the Lodging Facility is a Lexington Inn the Property must have a minimum of 60 Guest Rooms If the Lodging Facility is a Lexington Hotel the Property must have a minimum of 80 Guest Rooms The number of

required Guest Rooms may be altered if in our discretion circumstances justify the alteration **"Guest Rooms"** means transient hotel rooms

5 2 ***Conditions Precedent to Opening*** You will not operate the Lodging Facility as a Lexington-branded lodging facility or otherwise hold yourself out as being affiliated with the Brand until

a the Initial Fee and all other amounts due to our affiliates and us prior to opening the Lodging Facility have been paid in full

b we have been furnished with current certificates of insurance and policy endorsements and copies of all insurance policies or such other evidence of insurance coverage as we reasonably request as set forth in Schedule 5 14

c we have been provided with all requested "transition" and "onboarding" documentation including such documentation regarding signage and "property builds" as we reasonably request and your executed TACS Agreement ~~and VOILÀ® Agreement~~ referenced in Section 5 9

d if the Property is leased or you otherwise do not hold fee simple title to the Property we have been provided with an estoppel recognition and subordination agreement from your landlord in form and substance satisfactory to us pursuant to which the landlord confirms your leasehold interest recognizes our rights in the Proprietary Marks and agrees to facilitate the de-identification of the Lodging Facility as contemplated by Section 11 of this ~~Membership~~ Agreement and the Brand Manuals and agrees to subordinate all of its rights to payment to our rights under this ~~Membership~~ Agreement

e we have been provided with the certification referenced in Section 5 10 b

f you have obtained all necessary governmental or regulatory approvals and authorizations to operate the Property for the intended business including any final certificate of occupancy and business license required by your local agencies

g you have provided to us and otherwise cooperated with us to gather from external sources on a timely basis information about your Lodging Facility to enable us to represent your Lodging Facility on the ~~Brand Websites~~Sites and in ~~the~~a ~~G~~global ~~D~~distribution ~~S~~system and other tour and travel distribution outlets and

h you satisfy any other conditions that we reasonably impose

If you are converting an existing lodging facility to the Brand you must comply with all of these requirements and open your Lodging Facility as a Lexington within 120 days from the Agreement Date and we may terminate this ~~Membership~~ Agreement if you do not If your Property is new construction you must commence construction (the foundation must be poured) no later than one year from the Agreement Date The date by which you must open your Property as a Lexington-branded lodging facility is set forth in Schedule 5 2

5 3 ***Use of the Property*** Without our consent you will not use or permit the use of the Property for any purpose other than operating the Lodging Facility and you will not use any trademarks or service marks on the Property or to operate the Lodging Facility other than those designated Section 1 1 and any others we may designate in writing

5 4 ***Operational Requirements*** To ensure that the highest degree of quality and service is consistently maintained you will operate the Lodging Facility in conformity with the Brand Standards Without limiting the foregoing you will

a comply with the procedures and systems instituted by us and those relating to sales good business practices marketing and other obligations and restrictions

b maintain the Lodging Facility in the highest degree of sanitation repair appearance condition safety and security and make such additions, alterations repairs and replacements to the Property as may be reasonably required for that purpose

c actively participate in our Lexington Our Guests Come First" Service Program

d actively participate in any guest rewards and/or loyalty program established for the Brand all of our brands or a select group of our brands (including paying program-associated fees that may be imposed by or in connection with the program and providing guest discounts)

e maintain in sufficient supply (as we may describe in the Brand Manuals or otherwise in writing) and use at all times only such inventory equipment materials marketing methods and formats and supplies that conform to our standards and specifications therefor if any at all times sufficient to meet the anticipated volume of business

f adhere to the highest standards of honesty courtesy integrity fair dealing and ethical conduct in all dealings with guests suppliers employees independent contractors the public and us

g promptly resolve all guest complaints to our satisfaction in accordance with the guest complaint policy included in the Brand Manuals and to the extent we deem it necessary to resolve a guest complaint due to your failure or refusal to do so in a satisfactory manner reimburse us for the cost of such resolution (including payment of ~~the then current administrative fee for such matters currently $75)~~ up to $200, which we reserve the right to modify, per complaint based on the frequency and nature of complaints and your Lodging Facility s responsiveness to our and guest communications),

h at your expense maintain all fixtures furnishings signs and equipment in a condition that meets the standards specified in the Brand Manuals or otherwise in writing and if we reasonably determine that additional or replacement items are needed because of a change in technology or industry standards client concerns health or safety considerations or any other factors we consider relevant install the additional or replacement items within the reasonable time specified by us

i maintain credit-card relationships with such entities as we may designate and otherwise comply with all our credit-card policies as prescribed in the Brand Manuals

j continuously maintain a phone system and high-speed Internet service in accordance with the Brand Manuals

k once you have commenced operating the Property as a Lexington-branded Lodging Facility actively and continuously operate the Lodging Facility for the entire duration of the Term and

l participate in all distribution channels that we deem appropriate and maintain inventory and price parity among the various distribution channels If we maintain a brand-level or corporate-level agreement with any distribution channel (such as Expedia Travelocity or any other online travel agency (**"OTA"**)) you may not maintain a separate agreement with that distribution channel rather you authorize us to enter into a sub-agreement or participation agreement with any distribution channel on your behalf

5 5 ***Property Management System*** Before commencing operation of the Lodging Facility you will ensure that a property management system (**PMS"**) is installed at the Property in accordance with the requirements and specifications set forth in the Brand Manuals or otherwise in writing The PMS includes the computer hardware software and peripherals and related services that are needed to operate and manage the Lodging Facility, and must have a direct full two-way interface with our CRS loyalty program and guest rewards program if applicable You must acquire your PMS from a member of our preferred vendor network provided however that if you would like to use a vendor not on the preferred vendor network we will consider adding it if its PMS meets our requirements or it otherwise qualifies for inclusion All of the foregoing items specified to be installed or purchased or acts specified to be undertaken by you and the delivery of all hardware and software, are at your sole expense You are solely responsible for a one-time reservation implementation fee (currently $395) upon the Lodging Facility becoming active in the CRS and a monthly interface fee (currently $50) both of which are charged by our third party CRS provider but invoiced and collected by us At this time the $50 monthly interface fee is included in your ~~Revenue Support~~Competitive Intelligence Fee

The PMS software must provide us with complete real-time cloud-based or web-based access (read only) 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 in 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 Lodging Facility the data specifically associated with your Lodging Facility or you

Our modification of specifications for the PMS, or other technological developments or events might require you to purchase lease or license new or modified computer hardware software and PMS and to obtain service and support for the PMS Although we cannot estimate the future costs of the PMS or required service or support and although these costs might not be fully amortizable over this Agreement s remaining term you agree to incur the costs of obtaining the computer hardware and software comprising the PMS (or additions and modifications) and required service or support We have no obligation to reimburse you for any PMS costs Within 60 days after you receive notice from us you agree to obtain the PMS components that we designate and to ensure that your PMS as modified is functioning properly

Although you agree to buy use and maintain the PMS according to our standards and specifications you will have sole and complete responsibility for (1) the acquisition operation maintenance and upgrading of the PMS (2) the manner in which your PMS interfaces with any Brand-required system and (3) any and all consequences if the PMS is not properly operated maintained or upgraded

5 6 ***Employees*** You will maintain a competent conscientious staff and take such steps as are reasonably necessary to ensure that your employees maintain a neat appearance and comply with such dress code as we may prescribe You must at all times employ a general manager (who is CHA-certified or with our consent certified by the Asian American Hotel Owners Association as a Certified Hotel Owner) and a full-time director of sales each of whom must be dedicated solely to the Lodging Facility The general manager will devote on a full-time basis his or her best efforts to managing and operating the Lodging Facility The general manager must execute an individual undertaking in a form approved by us agreeing to protect the Confidential Information (as defined in Section 8 1) from unauthorized use access or disclosure and to use the Confidential Information only in the operation of the Lodging Facility Under no circumstances will your employees or other Persons working at the Lodging Facility be deemed to be employees of any of our affiliates or us

5 7 ***Approved Specifications and Sources of Supply*** As a general rule other than your PMS we do not dictate most of the vendors or suppliers from which you will purchase goods or services for the operation of your Lodging Facility although we reserve the right to do so in the future Accordingly to the extent we may periodically require you will purchase or lease equipment supplies inventory advertising materials and any other products and services used to operate the Lodging Facility solely from manufacturers vendors and suppliers we authorize as well as in accordance with any specifications that we authorize We will provide you with a list of any such requirements specifications and authorized manufacturers vendors and suppliers You may not enter into any agreements or establish any relationships with other brands flags brand ~~membership~~franchisee organizations or similar companies (or their distribution-related affiliates) with respect to the Lodging Facility and our CRS must be your exclusive CRS If you propose to purchase any signage bearing any Proprietary Marks (as defined in ARTICLE 7) from a supplier that is not a member of our preferred vendor network you will pay us our then current signage approval fee (up to a maximum amount of $5 000) Notwithstanding the foregoing we may require you to enter into and comply with Third Party Agreements pursuant to Section 5 9

5 8 ***Products and Services the Lodging Facility Offers*** You agree that you (1) will offer and sell from your Lodging Facility the products and services that we periodically specify or otherwise authorize (2) will not offer or sell at your Lodging Facility or any other location any products or services we have not authorized and (3) will discontinue selling and offering for sale any products or services that we at any time disapprove

5 9 ***Third Party Agreements*** From time to time we may require you to enter into and comply with all of the provisions of agreements with (or terms and conditions required by) certain designated suppliers or vendors (each a "**Third Party Agreement**) The Third Party Agreements may include providers of discount or promotional programs (including room discounts rewards programs frequent traveler programs photographic or virtual tour programs and gift card programs) We currently require you to execute and deliver prior to opening for business as a Lexington-branded Lodging Facility the following Third Party Agreements ~~(i)~~ the travel agent commission settlement agreement ("**TACS Agreement**") attached as Exhibit ~~5 9 i and (ii) the loyalty program agreement that supports the Lexington rewards program attached as Exhibit 5 9 ii (VOILA® Agreement)~~B The terms of ~~each Third Party~~the TACS Agreement may not be amended by you in any manner and may be subject to change without notice The TACS Agreement (also known as Dell/TACS and formerly known as Perot/TACS) requires an automatic clearing house (ACH) payment authorization from you ~~The VOILÀ® Agreement which you will enter into with Hospitality Marketing Concepts Inc serves as the backbone for our loyalty program and has been authorized by Brand Members~~

5 10 ***Compliance with Laws, Rules and Regulations***

a You will comply with all applicable federal state and local laws rules and regulations 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 Lodging Facility under this Agreement (including qualifications-to-do-business fictitious trade or assumed-name registrations building and construction permits occupational licenses sales-tax permits health and sanitation permits and ratings fire clearances and environmental permits) No assistance guidance standards or requirements that we provide you constitute a representation or warranty of any kind express or implied that your Lodging Facility is compliant with federal state or local laws rules or regulations

b Without limiting the generality of anything in this Section 5 10 you will comply with the Americans with Disabilities Act ("**ADA**") to the extent it applies to the Property and the improvements constructed thereon Prior to the Opening Date and as of each BSD3 Anniversary (as defined in Section 10 4) (or such other period of time as we may specify in writing) 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 Property is ADA compliant Further if we reasonably believe that you are not in compliance with the ADA (including as a result of your receipt of more than two customer complaints in any year or receipt of any adverse reports or warnings from any governmental entity), we may authorize a third party ADA consultant to conduct an audit of the Lodging Facility You will permit such consultant to enter the Property to conduct such audit during normal business hours You will cooperate fully with the conduct of such audit Our authorization of such audit does not relieve you of your obligations under this Agreement and at your sole cost, you will promptly take such steps to correct any deficiencies detected in such audit You will reimburse us for the costs and expenses in connection with any such audit (including any follow-up audit)

5 11 ***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 Lodging Facility is compliant with federal state or local privacy and data laws codes or regulations 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

5 12 ***Tax Payments*** You will promptly pay when due all taxes levied or assessed by any federal state or local tax authority

5 13 ***QA Inspections*** On at least an annual basis during the Term (and in our discretion prior to the Opening Date) we (or our designees) will conduct a quality assurance inspection with respect to the Lodging Facility (each a **"QA Inspection"**) You will permit us (or our designees) to enter the Property and provide us (or our designees) access to your personnel to conduct the QA Inspection during normal business hours at our request You will cooperate fully with us (or our designees) in the QA Inspection Following completion of a QA Inspection we will issue a quality assurance report and assign a quality assurance score If the quality assurance report reflects a quality assurance score below our then current minimum we may issue you a PIP which will set forth a list of all items you will perform to correct any deficiencies detected during the QA Inspection Our omission of an item to address an existing deficiency on a PIP is not a waiver of our right to include an item to address that particular deficiency on a future PIP After a PIP has been issued you will permit us (or our designees) to enter the Property and provide us (or our designees) access to your personnel to perform follow-up inspections at any time during normal business hours at our request You will provide our representatives with complimentary lodging for all QA Inspections (including any follow-up inspections) and will reimburse us for the costs and expenses in connection with the follow-up inspection (including our then current follow-up inspection fee and all travel expenses) and any corrections made by us QA Inspections will be conducted and reports prepared and scored in accordance with the Brand Manuals We reserve the right to substitute or augment the QA Inspections with a "mystery shopper" or other means of reviewing the quality of the Lodging Facility s condition and service

5 14 ***Insurance*** You will at all times comply with the insurance requirements set forth in Schedule 5 14

5 15 ***STR Reporting Requirement*** You will report your rooms sold and Gross Rooms Revenue to STR (formerly Smith Travel Research) on a monthly basis

ARTICLE 6
FEES AND PAYMENTS

6 1 ***Types of Fees*** In addition to any other fees that may be required under this Agreement you will pay to us the fees set out in this Section 6 1 The Membership Fee the Marketing Fee and all other mandated fees payable to us (other than the ~~Revenue Support~~Competitive Intelligence Fee and the Conference Fee) may be increased from time to time during the Term upon the affirmative vote of at least 60% of the Brand Franchisees and Brand Members, collectively, voting in person at the Brand Conference or at a telephonic or web meeting of the Brand Franchisees and Brand Members convened by us (collectively the **Voting Members**") however we reserve the right to increase any of our fees by the most recently published National Consumer Price Index-All Urban Consumers-All Items (1982-1984 = 100) as most recently published by the U S Department of Labor or a successor index (**"CPI"**) without the approval of

the Voting Members All optional fees payable to us as well as the ~~Revenue Support~~Competitive Intelligence Fee and the Conference Fee may be increased by us in our discretion from time to time throughout the Term however we will not increase any such fees by an average of more than 10% per year in any year and no more than 20% during any consecutive three year period without the approval of at least 60% of the Voting Members subject to our right to increase our fees based on CPI "**Brand Members** shall refer to licensees of the Brand under certain membership agreements that were executed through Vantage Hospitality Group, Inc. s membership model prior to our offering of franchises under the Brand.

a Upon the execution of this Agreement you will pay us, or prior to the execution of this Agreement you paid us an application fee (the "**Application Fee**") of $3 000 Upon payment the Application Fee was fully earned by us and became nonrefundable

b Upon the execution of this Agreement by you you will pay us the Initial Fee At such time the Initial Fee is fully earned by us and except as set forth in the next sentence is nonrefundable If we issue you a PIP prior to your Opening Date and within five days of delivery of such PIP you notify us in writing that you will not comply with the requirements of such PIP and we terminate this Agreement we will refund the Initial Fee (but not the Application Fee) as long as you are not otherwise in default of this Agreement and you and your owners have executed general releases in a form satisfactory to us of any and all claims against us and our affiliates and our and their owners officers directors employees agents successors and assigns "**Initial Fee**" means an amount equal to the sum of (x) $27 000 plus (y) the product of $200 times the number of Guest Rooms in excess of 80

c If we issue you a PIP as a condition of approval a condition to renewal or transfer of this Agreement as a result of a QA Inspection (defined in Section 5 13) of the Lodging Facility or at any other time and we have to re-inspect your Lodging Facility more than once to verify it for compliance you will pay us our then current PIP re-inspection fee (currently $1 000) provide our representatives with complimentary lodging and reimburse us for all expenses in connection with the inspection including travel costs

d You will pay us a non-refundable monthly Membership Fee equal to either 4% of the Lodging Facility s Gross Rooms Revenue or $35 per Guest Room all as further explained in Schedule 6 1 d

e You will pay us a non-refundable monthly Marketing Fee "**Marketing Fee**" means an amount equal to the product of $22 times the number of Guest Rooms

f You will pay us a non-refundable monthly fee of $149 to $199 per month (the "**~~Revenue Support~~Competitive Intelligence Fee**") The ~~Revenue Support~~Competitive Intelligence Fee includes (i) a fee for your participation in the Competitive Intelligence Program our revenue management program required of all Brand ~~Members~~Franchisees and (ii) a PMS-to-CRS connectivity fee charged by our third party CRS provider which we will collect from you and remit to the CRS provider on your behalf The amount of the ~~Revenue Support~~Competitive Intelligence Fee you will pay will be based on the number of Guest Rooms at the Lodging Facility and the market in which it is located as reflected in Schedule 6 1 f and is subject to increase from time to time as the third party fees included in the ~~Revenue Support~~Competitive Intelligence Fee increase

g You will pay us a non-refundable monthly conference fee (the "**Conference Fee**") equal to $75

h We may collect a commission of up to 10% of the then-applicable best available rate (the standard non-negotiated rate for the room booked at the time of booking) for any groups meetings or similar "travel industry sales" we generate that stays at your Lodging Facility If collected we will issue an invoice for the amount of the commission

i We may periodically require you to pay us fees due from you to third parties some of which we will collect on behalf of such third parties and remit to such third parties These fees include fees payable pursuant to Third Party Agreements (such as travel agency commissions settlement fees and distribution/reservation fees)

6 2 ***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 All other amounts due to us or any other third party will be paid as specified in this Agreement (or in a Third Party Agreement as applicable) or if no time is specified such amounts are due upon receipt of an invoice from us (or other third party as applicable) Notwithstanding the foregoing you will be obligated to make payments for booking fees reservation fees and commissions from the time those fees are incurred regardless of the Billing Start Date

6 3 ***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 which (at your option) may be an automated debit from your checking account or automated charge to your debit card or credit card and which may involve the use of a

travel agency commission settlement program of our choosing (the "**Payment System**") We may process such automated charges at the time any payment is due and owing You will implement the Payment System prior to activation in the Brand and will cooperate with us to implement and maintain the efficient operation of the Payment System (including ensuring the availability of funds) With respect to the Payment System you will pay all charges imposed by your financial institution and we will pay all the charges imposed by our financial institution Failure to utilize the Payment System or to fund the account from which payments are to be made will be a material breach of this Agreement and may result in the assessment of late fees and interest on late payments as specified herein or any applicable Third Party Agreement

6 4 ***Payment Obligations*** Your obligations to make payments in accordance with this Agreement and any other agreement entered into with any of our affiliates or us with respect to the Lodging Facility—and the rights of our affiliates and us to receive such payments—are absolute and unconditional They are not subject to any abatement reduction setoff defense counterclaim or recoupment due or alleged to be due to any past present or future claims that you have or may have against us any of our affiliates any of our delegatees or against any other Person for any reason whatsoever

6 5 ***Late Charges*** If any payment under this Agreement or any other agreement between you and us is overdue for any reason to cover our administrative costs in dealing with the late payment you will pay to us on demand in addition to the overdue amount a late charge equal to the greater of (a) $25 or (b) 1 5% of the overdue amount Nothing in this Agreement may be construed to mean that you are to pay or have contracted to pay any sum in excess of that which may lawfully be charged or contracted for under any applicable law If an amount in excess of such laws is inadvertently collected, it will be applied to reduce outstanding amounts owed for Membership Fees Marketing Fees Conference Fees or ~~Revenue Support~~Competitive Intelligence Fees

6 6 ***Application of Payments*** Notwithstanding any designation by you we have the discretion to apply any payments made by you or effectuated through the Payment System to any of your past due indebtedness including Membership Fees Marketing Fees Conference Fees ~~Revenue Support~~Competitive Intelligence Fees third party fees purchases from our affiliates or us late charges or any other of your indebtedness to our affiliates or us in any manner chosen by us

6 7 ***Booking Fees*** You are responsible for the payment of all booking and reservation fees incurred in connection with the operation of your Lodging Facility whether payable through TACS or directly to a third party and agree to timely pay all such fees A summary of the currently applicable booking fees are set forth on Schedule 6 7 These booking fees are subject to change

6 8 ***Rebates*** 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 we intend to utilize them solely to subsidize the Brand Conference and other educational opportunities made available to Brand ~~Members~~Franchisees You hereby acknowledge the existence of the foregoing payments and that nothing in this Agreement prevents us from receiving them or applying them as indicated

ARTICLE 7
PROPRIETARY PROPERTY

7 1 ***Definitions of Proprietary Marks and Proprietary Property*** "**Proprietary Marks** means the service mark Lexington® and all other trademarks service marks trade names, logos and commercial symbols that we authorize as part of the Brand "**Proprietary Property**" means the Proprietary Marks Confidential Information (as defined in Section 8 1) Brand Standards and copyrighted (or copyrightable) or trade secret information of our affiliates or of us that you may use under this Agreement

7 2 ***Your Use of the Proprietary Property*** You may use the Proprietary Property only in accordance with the Brand Standards Without limiting the foregoing both during and after the Term

a You will use the Proprietary Property only in connection with operating the Lodging Facility at the Property

b Except as we may expressly authorize if your Property is a Lexington Legacy Inn or Lexington Legacy Hotel you will use the Proprietary Marks as the sole trademark identifications for the Lodging Facility and prominently display the Proprietary Marks on or in connection with all materials we designate, and only in the manner we prescribe

c You will not use the Proprietary Property as security for any obligation or indebtedness or in any manner encumber it

d You will not use the Proprietary Marks as part of your corporate partnership limited liability company or other legal name

e 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 thereto

f 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

g You will exercise caution when using our Proprietary Property to ensure that the Proprietary Property is not jeopardized in any manner

7 3 ***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

7 4 ***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 our Brand ~~Members~~Franchisees or us you will notify us in writing no later than seven business days thereafter Except pursuant to judicial process you will not communicate with anyone except our legal counsel and us in connection with any such infringement challenge or claim We have discretion whether we take any action in connection with any such infringement challenge or claim and we have the right to exclusively control any litigation or other proceeding arising out of any infringement challenge or claim relating to any Proprietary Property Such discretion includes determining whether or not to settle such infringement challenge or claim and on what terms You will sign all instruments and documents render any assistance and perform any acts that our attorneys deem necessary or advisable to protect and maintain our interest in any litigation or proceeding related to the Proprietary Property or otherwise to protect and maintain our interests in the Proprietary Property

7 5 ***Our Right to Modify the Proprietary Marks*** If at any time in 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—for reasons including the rejection of any pending application for registration or revocation of any existing registration of any of the Proprietary Marks or the existence of superior rights of senior users—you will do so at your sole expense within 30 days of our request

7 6 ***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 Lodging Facility inures directly and exclusively to our benefit Such goodwill is our exclusive property except to the extent it results from the profit received from the operation or possible permitted sale of the Lodging Facility during the Term If in any jurisdiction you secure any rights whatsoever to any Proprietary Property not expressly granted under this Agreement you will immediately notify us and assign all of your right title and interest to such Proprietary Property not expressly granted under this Agreement to us To that end you will execute verify and deliver such documents (including without limitation assignments) and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for obtaining perfecting evidencing sustaining and enforcing our rights in and to the Proprietary Property and the assignment of such Proprietary Property If we are unable for any reason after reasonable effort to secure your signature on any document needed in connection with the actions specified in this Section 7 6 you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact which appointment is coupled with an interest and is irrevocable to act for and on your behalf to execute verify and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 7 6 with the same legal force and effect as if executed by you The obligations of this Section 7 6 will survive any expiration or termination of the Agreement

ARTICLE 8
BRAND MANUALS AND OTHER CONFIDENTIAL INFORMATION

8 1 ***Confidential Use*** To protect our reputation and goodwill you will conduct your Lodging Facility in accordance with the Brand Standards The Brand Standards are an integral part of this Agreement and have the same force and effect as if fully set forth in this Agreement At all times you and your owners will treat and maintain the Confidential Information as confidential and as our trade secrets At all times you and your owners will keep any hard copy versions of Confidential Information including the Brand Manuals (if any) in a secure area within the Property Without

our prior consent you will not at any time copy record or otherwise reproduce any of the Confidential Information in whole or in part You will strictly limit access to the Confidential Information to your employees to the extent they have a need to know" in order to perform their jobs and who are under a duty of confidentiality no less restrictive than your obligations under this Agreement You agree to protect the Confidential Information from unauthorized use access or disclosure in the same manner as you protect your own confidential or proprietary information of a similar nature and with no less than reasonable care We may require you to have your employees and contractors execute individual undertakings and will have the right to regulate the form of and to be a party to or third party beneficiary under any such agreements with independent enforcement rights For purposes of this Agreement **Confidential Information** means the Brand Standards 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.

8 2 ***Periodic Revisions*** We may periodically combine, update amend revise and change the Brand Standards 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 Brand Standards by posting them on our intranet or in any other manner we elect In the event of any dispute as to the contents of the Brand Standards (including those contained in the Brand Manuals) the terms contained in the standards we maintain at our offices are controlling Revisions to the Brand Standards will be based on what we in our discretion deem in the best interests of the Brand including promoting quality enhancing goodwill increasing efficiency decreasing administrative burdens or improving profitability of our Brand ~~Members~~Franchisees and us

8 3 ***Deviation from Brand Standards*** We may in our discretion and as we may deem in the best interests of all concerned in any specific instance vary standards for any Brand ~~Member~~Franchisee based upon the particular site or circumstances such as density of population business potential population of trade area or existing business practices You are not entitled to any like or similar variation under this Agreement

ARTICLE 9
TRANSFERS

9 1 ***Transfer by Us*** We maintain a staff to manage and operate 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

9 2 ***Transfer by You***

a Unless otherwise expressly permitted by this Agreement without our prior consent you may not sell assign convey or otherwise dispose of—voluntarily involuntarily directly or indirectly by operation of law or otherwise (including transfers upon death)—this Agreement or any direct or indirect interest in this Agreement your Lodging Facility 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 For the purposes of this ARTICLE 9 the term "transfer" refers to any of the preceding actions Notwithstanding the foregoing we will not unreasonably withhold, condition or delay our consent to a transfer if all of the conditions of Section 9 2 d are satisfied

b 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 (whether a corporation partnership limited partnership or other 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

c 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 is considered a transfer of an interest by you under Section 9 2 a

d Unless you satisfy all the following conditions—any of which we in our discretion may waive—we need not consent to a transfer of any interest in this Agreement

i all your accrued monetary obligations and all other outstanding obligations to our affiliates and to us have been satisfied

ii you are not in default under any provision of this Agreement or any other agreement between you and us our affiliates, or any Third Party Agreement,

iii you have executed a general release of all claims against us our affiliates and our and their respective officers directors owners representatives agents and employees (in their corporate and individual capacities)

iv the transferee enters an assumption agreement in form and substance satisfactory to us under which it assumes all of your obligations under this Agreement or if we require the transferee enters the form of ~~membership~~franchise agreement we then offer to new Brand ~~Members~~Franchisees (for a term equal to the then remaining Term of this Agreement) and such other ancillary agreements as we may require the terms of such agreements may differ from those of this Agreement including higher Membership Fees Marketing Fees or Conference Fees

v the transferee or you pay us a transfer fee in the amount of 50% of the then-applicable initial fee for new Brand ~~Members~~Franchisees (the **Transfer Fee**") but if we require the transferee to enter a new ~~membership~~franchise agreement the transferee need not pay any initial ~~membership~~franchise fee due under that new ~~membership~~franchise agreement such Transfer Fee being in lieu of an initial ~~membership~~franchise fee

vi the transferee has satisfactorily completed our application procedures and meets our criteria for new Brand ~~Members~~Franchisees in effect at that time

vii the transferee has completed all maintenance refurbishing renovating and upgrading of the Lodging Facility required to conform the Lodging Facility to the Brand Standards then in effect (or has agreed to a PIP with a time-frame for completion acceptable to us)

viii the transferee has demonstrated to our satisfaction that it he or she has properly assumed and will be able to comply with all of its his or her obligations in connection with the Lodging Facility—if the Property is leased the foregoing includes the transferee assuming the lease

ix if the Property is leased the landlord allows you to transfer the lease or sublease the Property to the transferee

x if your owners or you finance any part of the purchase price we reserve the right to require that you or your owners subordinate any of the transferee's obligations under promissory notes or agreements with you or your security interests reserved in your Lodging Facility to the transferee's obligation to pay Membership Fees Marketing Fees, Conference Fees and other amounts due to us our affiliates and third party vendors and otherwise to comply with this Agreement

xi you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Lodging Facilities you own and operate) identify yourself or themselves or any business as a current or former Lodging Facility or as one of our Brand ~~Members~~Franchisees, use any Proprietary Mark any colorable imitation of a Proprietary Mark or other indicia of a Lodging Facility in any manner or for any purpose or utilize for any purpose any trade name trade or service mark or other commercial symbol that suggests or indicates a connection or association with us and

xii the transferee and you timely satisfy any other conditions we reasonably impose

Our approval of a 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 If we disapprove of the transfer because all the transfer conditions contained in this Section 9 2 d or elsewhere in this Agreement have not been satisfied (or for any other reason) we have no liability of any nature to you or the transferee in connection therewith 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 For the purposes of the foregoing sentence a debtor s or trustee-in-bankruptcy s assumption of this Agreement under Section 365 of the Bankruptcy Act (11 U S C §365) or any other section of the Bankruptcy Act is considered a transfer of this Agreement by you

Our consent to a transfer does not constitute a waiver of (1) any claims we may have against you or (2) our right to demand the transferee s exact compliance with all the terms of this Agreement Without limiting the foregoing even if we approve the transfer no transfer releases you of liability for your conduct prior to the transfer including conduct in breach of this Agreement You will execute any agreements or documents that we may request to evidence continuing liability for such conduct prior to the transfer

ARTICLE 10
DEFAULT AND TERMINATION

10 1 ***Suspension*** If (a) you fail a QA Inspection or (b) you fail to comply with any obligation or requirement imposed by this Agreement as it may from time to time be revised or supplemented by the Brand Standards 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 in our sole discretion to suspend your access to any revenue-generating or revenue-related programs (such as group and corporate leads and the Competitive Intelligence Program) However all fees will continue to accrue during the suspension period We will reinstate your rights only if you (a) take all actions necessary to correct any deficiencies detected during the QA Inspection or cure such default and provide evidence of cure satisfactory to us within the time frame stated in the notice whichever is applicable (b) pay our then current reactivation fee if any (c) comply with any PIP we may issue, and (d) comply with any other conditions of reinstatement we may reasonably impose including a requirement that future payments be made by ACH Exercising our suspension rights pursuant to this Section 10 1 does not preclude us from exercising any other rights and remedies—including our right to terminate this Agreement pursuant to Sections 10 2 or 10 3—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 Lodging Facility 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

10 2 ***Termination by Us—After Notice and Right to Cure*** In addition to the defaults specified in Section 10 3, you are in default under this Agreement if

a you fail to pay us any of our affiliates or any required third party (for example Dell/TACS) any amount due under this Agreement or any other agreement when such amount is due

b a serious or imminent threat or danger to public health or safety results from constructing maintaining or operating the Lodging Facility and such threat or danger remains uncorrected for five days regardless of any longer period of time that any governmental authority may have given you to cure such threat or danger (during which time we may immediately and without prior notice suspend all of your rights under this Agreement pursuant to Section 10 1) after we or any governmental authority deliver written notice of the threat or danger (or such shorter cure period as the governmental authority may require)—unless a cure cannot be reasonably completed in such time in which event you will immediately begin to take all reasonable steps to cure

c 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—such conduct includes battery assault sexual harassment or discrimination racial harassment or discrimination harassment or discrimination based on religion gender or sexual preference alcohol or drug abuse or other forms of threatening outrageous or unacceptable behavior

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

e you fail to procure or maintain any insurance required by this Agreement

f 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

g you have three or more guest complaints that have not been resolved to our reasonable satisfaction

h you fail to comply with any Brand Standards or

i you fail to comply with any other obligation or requirement imposed by this Agreement

Prior to terminating 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 10 3 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

10 3 ***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

a you or any of your owners have made or make any material misrepresentation in obtaining the License including in any ~~membership~~franchise application submitted to us or operating your Lodging Facility

b you abandon the Lodging Facility or for more than seven consecutive days or 14 days in any calendar year you cease to conduct the Lodging Facility 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 Lodging Facility is located

c you or any of your officers directors owners or managerial employees are convicted of or plead nolo contendere to a felony a crime of moral turpitude or any other crime or offense that we believe is likely to have a material adverse effect on the Brand the Proprietary Property the goodwill associated with the Proprietary Marks, or our interest in any of the Proprietary Property unless you immediately and legally terminate such individual as an officer director owner or employee

d you deny us the right—or otherwise interfere with impede or impair our exercise of our right—to inspect the Lodging Facility or retrieve information from the PMS

e except as expressly permitted by this Agreement 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 ARTICLE 9

f any breach occurs under ARTICLES 7 or 8 or any other provisions related to Confidential Information or Proprietary Property

g you misuse or make any unauthorized use of the Proprietary Property or otherwise engage in conduct that may materially impairs the goodwill associated with the Proprietary Property or our rights in the Proprietary Property,

h 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 Lodging Facility is sold after levy thereupon by any sheriff marshal or constable or

i you or any of your affiliates default under any other agreement with our affiliates or us (including any other ~~membership~~franchise agreement or Third Party Agreement) and fail to cure such default within any applicable cure period

10 4 ***Termination by Either Party*** Either of us may terminate this Agreement for any reason or no reason effective as of the 3rd 6th 9th 12th 15th and 18th anniversaries (and the equivalent anniversaries of any renewal Term) of the Billing Start Date (each of these windows a **BSD3 Anniversary**") In order for you to terminate this Agreement on a BSD3 Anniversary you must not be in default of this Agreement as of the applicable BSD3 Anniversary The terminating party must provide notice of its 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 BSD3 Anniversary on which this Agreement is terminated

10 5 ***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 under Sections 10 2 through 10 4 above

10 6 ***Reinstatements and Extensions*** If termination or expiration of the Term would violate any applicable law by written notice to you we may reinstate or extend the Term to comply with such law Such reinstatement or extension will be for the period set forth in the notice Any such reinstatement or extension will not waive any of our rights under this Agreement or otherwise modify those rights or this Agreement

ARTICLE 11
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 sections of this ARTICLE 11 apply to the rights and obligations of the parties

11 1 ***Cease Operations*** You will immediately cease operating the Lodging Facility You will not directly or indirectly (a) use any of the Proprietary Property (b) represent yourself as a present or former Brand ~~Member~~Franchisee (including representation on any OTA site distribution site or other Internet sites) except to the extent required by federal or state franchise-registration and -disclosure laws or (c) in any other way affiliate or associate yourself with the Brand You will immediately cease all use of the Proprietary Marks and will take such steps as necessary to comply with Section 11 3 as well as such other steps regarding the de-identification of the Property from the Brand as set forth in the Brand Manuals or any notice of termination or acknowledgment of termination 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

11 2 ***Payment of Outstanding Amounts*** We may retain all fees paid under this Agreement In addition within 10 days after the effective date of termination or expiration (or such later date(s) as it is determined that amounts are due to us) you will pay all Membership Fees Marketing Fees Conference Fees ~~Revenue Support~~Competitive Intelligence Fees 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

11 3 ***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 all representations of affiliation with the Brand Without limiting any obligation set forth in this Agreement and not to the exclusion of any other obligation you will remove all Proprietary Marks from front-desk "independently owned and operated" signs DOT/highway signs billboards property signage entrance signage building/wall-mounted signage local yellow page ads airport advertising, lobby display rate/hotel law cards stationery (guest and office) soap/amenity package cups/glasses property management system folio printouts name tags/uniforms ice buckets guest service directory travel/lodging directory phone plate matches brochures rack cards flyers guestroom door signage do not disturb cards pad/pencil/pen guest comment cards voicemail/auto-attendant, and social media sites 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 intellectual Property is not visible whether the sign lighting is on or off Until all modifications and alterations required by this Section 11 3 are completed you will (i) maintain a conspicuous sign in the form we specify at the Property 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 Section 11 3 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

11 4 ***Return of Materials*** At your expense you will immediately deliver to us at a location we designate all tangible and intangible Proprietary Property (together with all copies and any other forms of reproductions of such materials) in your possession or control All such Proprietary Property as well as all copies and reproductions of such Proprietary Property are our exclusive property

11 5 ***Accelerated Fees, Other Damages***

a Upon the termination of this Agreement by you without cause (but not on a BSD3 Anniversary) or by us pursuant to Section 10 2 or 10 3 you will pay us the following fees (calculated in each case as of the termination date)

i if you have not elected to pay the Membership Fees as a percentage of Gross Rooms Revenue you will pay us a lump-sum payment equal to the Membership Fees Marketing Fees Conference Fees and ~~Revenue Support~~Competitive Intelligence Fees payable for the period from the termination date through the earlier of (a) 36 months following the termination date or (b) the end of the Term or

ii if you have elected to pay Membership Fees as a percentage of Gross Rooms Revenue you will pay us the product of (x) the average of the monthly Membership Fees payable for the most recently completed 12-month period (or the actual number of months for which your property has been billed monthly Membership Fees if fewer than 12) multiplied by (y) the lesser of (i) 36 or (ii) the number of full months remaining until the end of the Term

plus the Marketing Fees Conference Fees and ~~Revenue Support~~Competitive Intelligence Fees payable for the period from the termination date through the earlier of (a) 36 months following the termination date or (b) the end of the Term

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 Membership Fees Conference Fees and ~~Revenue Support~~Competitive Intelligence Fees and that the Marketing Program would have otherwise derived from your continued contributions to the program less any cost savings and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of this Agreement

b If you fail to comply with all of your obligations under Section 11 3 within 30 days after the expiration or sooner termination of this Agreement you will pay us $500 for each day in which you are in breach of such obligations You need not pay this $500 per day fee if you can demonstrate by clear and convincing evidence satisfactory to us that it was impossible for you to timely cease or cause the cessation of any use of any Proprietary Marks we assert has not been timely ceased The foregoing daily fee does not include the amount of any expenses we may incur to remove or cause the cessation of any such use (including legal fees) which amount you will pay us on demand

c The payments described in this Section 11 5 are not penalties A precise calculation of the full extent of damages that we will incur if this Agreement terminates cannot be reasonably determined Nevertheless each lump-sum payment provided under this Section 11 5 is reasonable in light of the damages that we may reasonably be expected to incur as a result of either such event Each sum is not a penalty and is intended by the parties only as a compensatory remedy for past breaches and not as a preventative remedy to deter future breaches Each sum does not represent a price for the privilege of not performing and each sum s payment does not represent an alternative manner of performance Accordingly this Section 11 5 does not preclude nor is it inconsistent with a court granting us specific performance or any other equitable remedies such as an injunction, to prevent future breaches Our rights to specified damages accelerated fees and specific performance or any other equitable relief are not mutually exclusive

ARTICLE 12
REPRESENTATIONS AND WARRANTIES

12 1 ***Bankruptcy*** You represent and warrant that (a) you are not insolvent (b) a petition in bankruptcy is not currently effective with respect to you and (c) you are not currently contemplating filing a petition in bankruptcy

12 2 ***No Reliance*** Except as expressly provided in this Agreement we make no representations warranties or guarantees upon which you may rely We do not assume any liability or obligation to you by providing any waiver approval consent or suggestion to you in connection with this Agreement or by reason of any neglect delay or denial of any request therefor unless such conduct would otherwise constitute a breach of one of our express obligations under this Agreement

12 3 ***Lease Term*** If the Property is leased you represent and warrant that the term of the lease is at least as long as the initial Term of this Agreement Within five days of receipt you will forward to us any notice of default or breach under the lease for the Property

12 4 ***True Copies*** You represent and warrant that copies of all documents you furnish to us in connection with obtaining the License and as required in the future have been and will be true and complete copies of such documents (including all amendments or modifications to such documents) and contain no misleading or incorrect statements or material omissions

12 5 ***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

12 6 ***Acknowledgement of Risk*** You acknowledge and agree to the following

a YOUR SUCCESS IN OWNING AND OPERATING THE LODGING FACILITY 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 PROPERTY YOUR EXPERIENCE IN OPERATING A LODGING FACILITY YOUR EFFORTS AT LOCAL SALES AND MARKETING AND THE LEVEL OF CUSTOMER SERVICE PROVIDED BY YOU AND YOUR STAFF TO GUESTS OF THE LODGING FACILITY EXCEPT AS SPECIFICALLY INCLUDED IN THIS AGREEMENT NO REPRESENTATIONS OR PROMISES EXPRESS OR IMPLIED HAVE BEEN MADE BY US OR ANY OF OUR 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

b 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

12 7 ***Antiterrorism Laws*** You acknowledge that the President of the United States of America has issued Executive Order 13224 (the **Executive Order**') prohibiting transactions with terrorists and terrorist organizations and that the government of the United States has adopted and may in the future adopt other anti-terrorism measures We therefore require certain representations and covenants that the parties with whom we deal are not directly or indirectly involved in terrorism Therefore you represent and covenant that neither you nor any of your employees agents representatives or as applicable your principals members officers or directors nor any other person or entity associated with you is or will become during the term of this Agreement a person or entity listed in the Annex to the Executive Order or a person or entity otherwise determined pursuant to the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism (such a person or entity and those Person and entities listed in the Annex to the Executive Order are referred to in this Agreement as "**Terrorists**") or a person or entity who assists sponsors or who supports Terrorists or acts of terrorism ("**Sponsors of Terrorism**") or owned or controlled by Terrorists or Sponsors of Terrorism

12 8 ***Operational Control*** Notwithstanding anything set forth in this Agreement or in the Brand Manuals you are solely responsible for the conduct of your Lodging Facility You acknowledge and agree that you are solely responsible for all decisions relating to employees agents and independent contractors that you may hire to assist in the operation of your Lodging Facility You agree that any employee agent or independent contractor that you hire will be your employee agent or independent contractor, and not our employee agent or independent contractor You also agree that you are exclusively responsible for the terms and conditions of employment of your employees including recruiting hiring, firing training compensation work hours and schedules work assignments safety and security training discipline, supervision and record keeping You agree to manage the employment functions of your Lodging Facility in compliance with federal state and local employment laws

ARTICLE 13
GENERAL PROVISIONS

13 1 ***INDEMNIFICATION*** YOU WILL INDEMNIFY AND HOLD HARMLESS OUR AFFILIATES AND US AND THEIR AND OUR RESPECTIVE OFFICERS DIRECTORS OWNERS EMPLOYEES MANAGERS AND REPRESENTATIVES (EACH AN "**INDEMNIFIED PARTY**') FROM ANY AND ALL ACTIONS JUDGMENTS DAMAGES LIABILITIES LOSSES COSTS AND EXPENSES (INCLUDING REASONABLE ATTORNEYS FEES AND COSTS EVEN IF INCIDENT TO APPELLATE POST-JUDGMENT OR BANKRUPTCY PROCEEDINGS) TO WHICH ANY INDEMNIFIED PARTY BECOMES SUBJECT OR THAT IT INCURS ARISING FROM OR RELATING IN ANY MANNER TO YOUR OWNERSHIP OR OPERATION OF THE LODGING FACILITY IN NO EVENT HOWEVER NEED YOU INDEMNIFY US FOR ANY MATTER CAUSED DIRECTLY BY OUR GROSS NEGLIGENCE OR INTENTIONAL MISCONDUCT NOTWITHSTANDING THE EXPIRATION OR SOONER TERMINATION OF THIS AGREEMENT THIS INDEMNITY WILL CONTINUE IN FULL FORCE AND EFFECT

13 2 ***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 Nothing in this Agreement authorizes you to make any contract agreement warranty or representation on our behalf You will not incur any debt or other obligation in our name You will take such affirmative action as we request to disclose to the public that you are an independent contractor You will place and maintain a plaque in a conspicuous place at the front desk of the Lodging Facility and a notice on all stationery menus business cards sales literature contracts and similar documents that states that the Lodging Facility is independently owned and operated by you under a License from us The content of such plaque and notice is subject to our prior approval

13 3 ***Release of Prior Claims*** By executing this Agreement, you and each of your successors forever release and discharge us and our affiliates franchise sales brokers if any and other agents and their and our respective owners officers directors representatives employees and agents from any and all claims of any kind in law or in equity that may exist as of the Agreement Date relating to this Agreement or any other agreement between the parties or relating in any other way to the conduct of our affiliates its delegatees franchise sales brokers if any or other

agents and our and their respective officers directors representatives employees and agents before the Agreement Date including any and all claims whether presently known or unknown suspected or unsuspected arising under the franchise business opportunity securities antitrust or other laws of the United States any state or locality

13 4 ***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 13 4 is subject to the terms of Sections 8 2 13 5 and 13 9 All of the terms and provisions of this Agreement whether so expressed or not 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

13 5 ***Modification of the Brand*** From time to time after the Agreement Date we may change or modify the Brand You will accept and are bound by such changes to and modifications of the Brand as if they were part of this Agreement at the time it was executed You will make all such expenditures as we may reasonably require to timely and expeditiously implement and comply with such changes or modifications Notwithstanding the foregoing we will not increase any mandatory fees that are solely under our control or impose any material changes to the Brand without consulting with the ~~Membership~~Brand Franchisees and if appropriate (in our determination) without the affirmative vote of at least 60% of the Voting Members subject to our right to increase our fees based on CPI

13 6 ***No Disparagement*** Both during and after the Term neither you nor any of your owners may disparage by any means or via any medium either our affiliates or us or any of their or our respective officers directors stockholders employees or representatives any other Brand ~~Members~~Franchisees or other 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

13 7 ***Notices*** All notices requests approvals demands consents and other communications required or permitted under this Agreement must be in writing and will be deemed delivered (a) on the date delivered if by personal delivery (b) 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 13 7 within three days after transmission) or (c) 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 in Schedule 13 7 or to such other address as that party may designate by notice complying with the terms of this Section 13 7

13 8 ***Headings, Representation, Use of Certain Terms*** The headings and subheadings contained in this Agreement are for convenience of reference only They must not be considered a part of this Agreement and do not limit or otherwise affect in any way the meaning or interpretation of this Agreement Each of the parties has been or has had the opportunity to have been represented by their own counsel throughout the negotiations, as well as at the execution of this Agreement and all the other documents executed incidental to this Agreement Therefore none of the parties may claim or assert that any provision of this Agreement or of the other documents should be construed against the drafter of such provision or this Agreement As used in this Agreement the term "including (include)" means "including (include) without limitation " The term "or" (as in "A or B") means A or B or both "

13 9 ***Severability, Waivers*** If it turns out that a particular term is not enforceable this will not affect any other term and we may in our discretion modify any unenforceable term to the extent required to be valid and enforceable In addition if any applicable law requires greater prior notice of termination or nonrenewal of this Agreement or the taking of some action not required under this Agreement the greater prior notice or other action required by such law will be substituted in its place Unless we elect to give them greater applicability the foregoing substitutions and modifications to this Agreement are effective only in the jurisdiction in which they are required 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)

13 10 ***Governing Law, Jurisdiction and Venue*** 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 other agreement relating thereto and all transactions contemplated thereby as well as our offer sale or negotiation of a Lexington franchise or the relationship of the parties arising therefrom or from entering this Agreement are governed by and must be construed and enforced in accordance with the internal laws of the State of ~~Florida~~Washington without regard to its conflict-of-laws principles NOTWITHSTANDING THE FOREGOING, ANY STATUTES OF THE STATE OF ~~FLORIDA~~WASHINGTON 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 Subject to Section 13 11 jurisdiction and venue for all actions arising out of or relating to this Agreement or otherwise as a result of the relationship between you and us will be in any court of competent jurisdiction within a 50 mile radius of ~~Coral Springs Florida~~ Spokane, Washington.

13 11 ***Arbitration*** You and we agree that all controversies disputes or claims between us and our affiliates and our and their respective owners, officers directors and/or agents and you (and/or your owners guarantors affiliates and/or employees) arising out of or related to the scope or validity of this Agreement or any other agreement between you (or your owners) and us (or our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration obligation under this Section which we and you acknowledge is to be determined by an arbitrator not a court) must be submitted for binding arbitration on demand of either party to the American Arbitration Association ("**AAA**") The arbitration proceedings will be conducted by one arbitrator and except as this Section otherwise provides according to the then-current Commercial Arbitration Rules of the AAA All proceedings will be conducted at a suitable location chosen by the arbitrator which is within a 50 mile radius of ~~Coral Springs Florida~~Spokane, Washington All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U S C §§ 1 et seq) Judgment upon the arbitrator s award may be entered in any court of competent jurisdiction

The arbitrator shall issue only a standard decision and not a reasoned decision The arbitrator has the right to award or include in his or her award any relief which he or she deems proper including without limitation money damages (with interest on unpaid amounts from the date due) specific performance injunctive relief and attorneys fees and costs (as allowable under this Agreement or applicable law) provided that the arbitrator may not declare any Proprietary Marks owned by us or our affiliates generic or otherwise invalid or award any punitive exemplary or multiple damages against either party (we and you hereby waiving to the fullest extent permitted by law any right to or claim for any punitive exemplary or multiple damages against the other)

You and we agree that arbitration will be conducted on an individual basis and that an arbitration proceeding between us and our affiliates and our and their respective owners officers directors or agents and you (or your owners guarantors affiliates or employees) may not be (i) conducted on a class-wide basis (ii) commenced conducted or consolidated with any other arbitration proceeding between us and any other person or (iii) brought on your behalf by any association or agency Notwithstanding the foregoing or anything to the contrary in this Section 13 11 or Section 13 9 if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 13 11 then all parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding in accordance with this Article 13 (excluding this Section 13 11)

Despite your and our agreement to arbitrate we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, provided however that we and you must contemporaneously submit our dispute for arbitration on the merits as provided in this Section

You and we agree that in any arbitration arising as described in this Section there shall be no interrogatories or requests to admit With respect to any electronic discovery you and we agree that where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy or to the relevance of the materials requested the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side subject to allocation of costs in the final award as provided herein In any arbitration arising out of or related to this Agreement each side may take three discovery depositions Each side s depositions are to consume no more than a total of 15 hours There are to be no speaking objections at the depositions except to preserve privilege The total period for the taking of depositions shall not exceed six weeks Except as provided otherwise in this Section all discovery shall be conducted in accordance with the Federal Rules of Civil Procedure

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section

13 12 ***Exceptions to Arbitration, Equitable Relief*** Notwithstanding anything in this Agreement to the contrary the obligation to arbitrate is not binding upon any of the parties with respect to any of the following matters (i) claims relating to the Proprietary Property (ii) claims relating to your obligations upon termination or expiration of this Agreement or (iii) claims relating to any transfer of an interest in you the Lodging Facility or your assets or this Agreement The Lodging Facility is intended to be one of a large number of lodging facilities identified by the Proprietary Marks Consequently a single Brand ~~Member s~~Franchisee s failure to comply with the terms of its ~~membership~~franchise agreement is likely to cause irreparable damage to us and damages at law would therefore be

an inadequate remedy Accordingly in the event of a breach or threatened breach of any of the terms of the Agreement by you we may seek an injunction restraining such breach or a decree of specific performance (together with recovery of reasonable attorneys fees and costs incurred in obtaining such equitable relief) We may do so without demonstrating or proving any irreparable damage Moreover we may seek such relief without posting any bond or security If a court of competent jurisdiction nevertheless requires a bond or security a bond or security of $1 000 will be adequate The foregoing equitable remedies are in addition to all other rights or remedies to which we may otherwise be entitled because of any breach of this Agreement by you Notwithstanding anything in this Agreement to the contrary we may seek injunctive relief in any jurisdiction that has jurisdiction over you

13 13 ***Enforcement Costs*** The prevailing party in any legal action arbitration or other proceeding between you and us 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

13 14 ***WAIVER OF PUNITIVE DAMAGES CLAIMS*** TO THE FULLEST EXTENT PERMITTED BY LAW THE PARTIES MUTUALLY AND WILLINGLY WAIVE ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER IN THE EVENT OF A DISPUTE BETWEEN THE PARTIES EACH IS LIMITED TO RECOVERING ONLY THE ACTUAL DAMAGES IT SUSTAINS

13 15 ***WAIVER OF JURY TRIAL*** 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—INCLUDING ANY AND ALL CLAIMS DEFENSES COUNTERCLAIMS CROSS CLAIMS THIRD PARTY CLAIMS AND INTERVENOR S CLAIMS—WHETHER ARISING FROM OR RELATED TO THE SALE NEGOTIATION EXECUTION OR PERFORMANCE OF THE TRANSACTIONS TO WHICH THIS AGREEMENT RELATES

13 16 ***NO CLASS ACTIONS*** YOU AGREE THAT FOR THE SYSTEM TO FUNCTION PROPERLY, WE AND OUR AFFILIATES SHOULD NOT BE BURDENED WITH THE COSTS OF ARBITRATING OR LITIGATING SYSTEMWIDE CLAIMS ACCORDINGLY YOU AGREE THAT ANY DISAGREEMENT BETWEEN THE PARTIES WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND TO THE FULLEST EXTENT PERMITTED BY LAW ALL CLAIMS, CONTROVERSIES AND DISPUTES MAY ONLY BE BROUGHT BY YOU ON AN INDIVIDUAL BASIS AND MAY NOT BE CONSOLIDATED WITH ANY CLAIM CONTROVERSY OR DISPUTE FOR OR ON BEHALF OF ANY OTHER BRAND ~~MEMBER~~FRANCHISEE OR BE PURSUED AS PART OF A CLASS ACTION OR MULTI-PLAINTIFF CONSOLIDATED OR COLLECTIVE ACTION AGAINST US OR OUR AFFILIATES

13 17 ***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 No other officer employee or agent of us has authority to execute Approval on our behalf Our Approval whenever required may be withheld if any default by you exists under this Agreement Unless the Agreement expressly states otherwise any Approval of ours under or arising out of this Agreement will be granted or withheld in our discretion and judgment Further any Approval provided by us under or arising out of this Agreement is not directly or indirectly a representation or warranty (including whether the Lodging Facility will be profitable or whether your sales will attain any predetermined levels) relating to the subject of such Approval Such Approval is an expression only that our minimum requirements for us to grant it have been met or waived in our discretion Additionally you will not claim that the provision or withholding of any Approval by us imposes any liability on us

13 18 ***Entire Agreement*** This Agreement (together with its exhibits schedules addenda and all other written agreements related to this Agreement that are expressly referenced in this Agreement) 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

13 19 ***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 of Sections 12 6 13 10 13 11 13 12 13 13 13 14 13 15 and 13 16 You hereby irrevocably designate and appoint us

and our duly authorized officers and agents as your agent and attorney-in-fact to effectuate any ~~Member-approved~~Brand Franchisee-approved initiatives (for example merchant programs)

13 20 ***Owner Guaranty*** Each person with a 20% or greater beneficial or legal ownership interest in you will execute a guaranty in substantially the form attached as Exhibit A to this Agreement Each of such parties agrees that he or she is jointly and severally liable with each other and you for the timely and complete performance of your obligations under the Agreement as they may be modified from time to time (with or without that party s consent) The spouse of each guarantor will also be required to acknowledge the guaranty

13 21 ***Management Company*** If the Lodging Facility will be managed by a management company (the "**Management Company**") the Management Company will enter the Management Company Joinder set forth at the end of this Agreement By doing so the Management Company agrees that it is bound by all of the terms of this Agreement as if it were you under this Agreement and agrees that it is jointly and severally liable with you for all your obligations under this Agreement except with respect to the actual payment of any amounts due to any third parties our affiliates or us pursuant to this Agreement (however the Management Company will be obligated to ensure that such payments are made by you) In addition, you represent and warrant that if there is a Management Company the Management Company has been expressly authorized by you to manage the Lodging Facility You may change the Management Company from time to time however, you must give us 10 days prior notice and the new Management Company must execute a joinder agreement acceptable to us

13 22 ***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

The parties are executing this Agreement on the date set forth in the first paragraph of this Agreement

US

RED LION HOTELS FRANCHISING, INC

By _____

Print Name _____

Its _____

*Date _____

YOU

_____

By _____

Print Name _____

Its _____

Date _____

*(Agreement Date of this Agreement)

MANAGEMENT COMPANY JOINDER

The party signing below is the Management Company and agrees that it is jointly and severally liable with you for the timely and complete performance of all your obligations under this Agreement except with respect to the actual payment of any amounts due to any third parties our affiliates or us pursuant to this Agreement (however the Management Company will be obligated to ensure that such payments are made by you), as it may be modified from time to time (with or without the Management Company s consent) and is bound by all the terms of the Agreement as if it were you under this Agreement

MANAGEMENT COMPANY

_____

By _____

Print Name _____

Its _____

Schedule 1 2

Designation as Lexington Inn or Lexington Hotel

The Lodging Facility will be designated as a (check applicable box)

□ Lexington Inn

□ _____ a Lexington Legacy Inn
(subject to our approval)

□ Lexington Hotel

□ _____ a Lexington Legacy Hotel
(subject to our approval)

The Lodging Facility will operate under the following name (subject to our approval)

(for example Lexington Inn & Suites Lexington Hotel San Francisco)

_____

Total number of Guest Rooms (including suites) in the Lodging Facility _____

Number of suites in the Lodging Facility _____

Schedule 5 2

Opening Date for New Construction

Month _____

Day _____

Year _____

Schedule 5 14
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 Property with combined single limits of $2 000 000 per occurrence for bodily injury and property damage liability and a general aggregate limit not less than $10 000 000 which will apply on a per location basis as evidenced by specific endorsement Limits may be met by a combination of CGL and umbrella or excess liability insurance policies on a follow form basis Such insurance will include premises and operations independent contractors, blanket contractual products and completed operations advertising injury employees as additional insureds broad form property damage personal injury incidental medical malpractice severability of interests innkeeper s and safe deposit box liability and explosion collapse and underground coverage during any construction,

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 $100 000 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

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

viii garage-keeper s liability to the extent that 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 and

ix fidelity bond coverage or crime insurance on all employees in an amount not less than $100 000

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 with a Best rating of "A" or better and licensed or otherwise permitted to do business in the state where the Property is located (ii) not include any deductible greater than $25 000 or such higher amount as is customary for the industry and approved by us (iii) 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 (iv) 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 (v) 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 We may do so to reflect inflation identification of new risks changes in law or standards of liability higher damage awards or other changes in circumstances or factors that we consider relevant 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 Lodging Facility 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 Lodging Facility 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 Lodging Facility as a Lexington-branded lodging facility an approved insurance company must issue a certificate of insurance showing compliance with the insurance requirements of this Schedule 5 14 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 (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 ***Waiver of Subrogation*** To the extent this paragraph may be effective without invalidating or making it impossible to secure insurance coverage from responsible insurance companies doing business in the state in which the Lodging Facility is located (even though an extra premium may result) with respect to any loss covered by insurance we and you then carry neither party s insurance companies have any right of subrogation against those of the other We or our insurer may participate in discussions with your insurance company or any claimant (in conjunction with your insurance company) regarding any claim

e ***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 5 14 Our performance of your obligations will not relieve you of liability under the indemnity provisions set forth in this Agreement

Schedule 6 1 d
Membership Fees

You are required to choose one of the following Membership Fee options as of the Agreement Date You may change your Membership Fee option as of any Anniversary of your Billing Start Date if you provide us notice at least 90 days prior to such Anniversary **Membership Fee**" means an amount equal to either (check the applicable box)

- ☐ the product of $35 times the number of Guest Rooms or
- ☐ 4% percent of monthly Gross Rooms Revenue

If by reason of state or other law we are prohibited from receiving a percentage of certain components of Gross Rooms Revenue you will pay us an equivalent amount by increasing the Membership Fee percentage applied to Gross Rooms Revenue exclusive of the prohibited components

If you elect to pay your Membership Fee as a percentage of Gross Rooms Revenue the following additional provisions will apply

On the fifth day of the month commencing with the month of the Billing Start Date and within five days after the end of each subsequent calendar month during the Term you will send us a statement (in the form prescribed by us from time to time) showing the Gross Rooms Revenue occupancy and other related information that we request for the immediately preceding month (each a "**Monthly Statement**") Each Monthly Statement will be accompanied by a certification (signed by your controller CFO or equivalent) that it is true and accurate in all material respects If you fail to deliver any required Monthly Statement by its due date you will pay us a late charge equal to the greater of (a) 1 5% of your previous month s Membership Fee and (b) $100 In our discretion we may retrieve such information through any automated information reporting systems we designate from time to time including the PMS however we are not required to do so and our decision to do so does not relieve you of your obligation to provide us with the Monthly Statement

If you fail to deliver any Monthly Statement by its due date we will bill you and you will pay within 25 days of the date of the invoice Membership Fees based on 110% of the Membership Fee otherwise payable by you if you were paying on a flat fee per Guest Room per month (the "**Default Membership Fee**") and late fees (if any) You will have 15 days from the date of the invoice to notify us in writing if you dispute the amount that you were billed and to provide us with the Monthly Statement and certification referenced above if you do not do so then you will not be entitled to any adjustment or credit if you subsequently provide us with the Monthly Statement You must pay the Default Membership Fee and late fees (if any) when due even if you have delivered the Monthly Statement (past its due date) If we agree with you after a review of the Monthly Statement that your Membership Fee due for that month based on your Gross Rooms Revenue was less than the Default Membership Fee you paid we will credit your Membership Fee the following month If the amount reflected on your Monthly Statement is greater than the Default Membership Fee (or if we retrieve the necessary information from your PMS ourselves and it reflects that the Membership Fee payable for that month was greater than the Default Membership Fee) then we will invoice you for and you will promptly pay the difference the following month

- You will in a manner and form satisfactory to us and utilizing accounting and reporting standards as reasonably required by us prepare on a current basis (and preserve for no less than seven years) complete and accurate records concerning Gross Rooms Revenue and all financial operating marketing and other aspects of the Lodging Facility specified by us from time to time (collectively "**Lodging Facility Data**") Lodging Facility Data includes all bank statements, federal tax returns state tax returns local occupancy tax returns daily revenue reports monthly and annual revenue summary reports maid logs guest registration folios and complete annual financial statements (profit and loss statements balance sheets and cash flow statements) You will also maintain an accounting system that fully and accurately reflects the Lodging Facility Data and all financial aspects of the Lodging Facility and its operations The Lodging Facility Data will be maintained at the Lodging Facility or upon notification to us at your principal place of business Nothing in the foregoing will limit us from reviewing Lodging Facility Data that is older than seven years or from recovering amounts owed to us from any period of time during the Term

• At any reasonable time during the Term and during the three-year period beginning on the expiration or sooner termination of this Agreement we (or our representatives) may perform an audit of your books and records regarding Gross Rooms Revenue If an inspection reveals that any month s Gross Rooms Revenue reported to us has been understated by at least 5% in any report, you upon demand will immediately pay us the amount to which we are actually entitled but have not been paid because of such understatement plus a fee equal to the greater of (a) 1 5% of your most recent month s Membership Fee and (b) $100 In addition if any audit discloses that you have for any month or longer period understated the amount of the Membership Fee actually due us by 10% or more you must reimburse us for the costs and expenses connected with the audit (including reasonable accounting and attorneys fees and costs) The remedies in this paragraph are in addition to any other remedies we may have under this Agreement or under applicable law If an audit discloses an overpayment of any amount paid by you to us we will promptly pay you the amount of such overpayment or offset such overpayment against any amounts owed to us The provisions of this paragraph survive the expiration or sooner termination of this Agreement

Schedule 6 1 f
~~Revenue Support~~Competitive Intelligence Fees

Room Count	*Segment*						
	Tertiary	Rural Highway	Secondary	Airport	Destination	Primary Suburb	Primary Metro
40-49	$149	$149	$159	$169	$169	$169	$179
50-59	$149	$159	$159	$169	$169	$169	$179
60-74	$149	$159	$159	$169	$169	$169	$179
75-99	$159	$169	$169	$179	$179	$179	$189
100-119	$169	$179	$179	$199	$199	$199	$199
120+	$179	$189	$189	$199	$199	$199	$199

Schedule 6 7
Booking Fees

By Reservation Channel

- Brand Website/Booking Engine $6 50 per completed reservation
- Call Center/Voice $1 50 per call plus $4 50 per completed reservation
- IDS/Third Party Internet Sites per Reservation
    - CRS Fee $6 50 per completed reservation
    - Pegasus Transaction/Switch Fee $6 00 per completed reservation
    - Travel Agent/Website Host Commission varies typically 10% of gross reservation amount
- GDS (Sabre/Galileo/Worldspan/Amadeus)
    - CRS Fee $6 50 per completed reservation
    - Pegasus Transaction/Switch Fee $6 00 per completed reservation
    - Travel Agent/Website Host Commission varies typically 10% of gross reservation amount
- Direct Connect (if used by Lodging Facility) $4 50 per completed reservation (plus applicable commission)

Other Booking Fees

- Dell/TACS Fees $0 85 per financial transaction (completed booking with a commission due to an agency) and $0 10 for non-financial transactions (a booking representing a non-commissionable rate net rate cancellation or no-show)

*These booking fees are subject to change by the applicable third party

Schedule 13 7
Contact Information

You

_____

_____

_____

E-mail _____

Us

Red Lion Hotels Franchising Inc
Attn Lexington Brand Manager
3300 N University Drive Suite 500
Coral Springs FL 33065
(954) 827-0934
www RedLion com

Exhibit A
GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS IS GIVEN THIS ___day of _____ 20___, by _____

_____

_____ (the Guarantor")

In consideration of and as an inducement to the execution of that certain ~~Membership~~Franchise Agreement of even date (the "Agreement") by Red Lion Hotels Franchising, Inc (the 'Franchisor") and _____ (Brand ~~Member~~Franchisee") each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns for the term of the Agreement and as provided in the Agreement that Brand ~~Member~~Franchisee shall punctually pay and perform each and every undertaking agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by and personally liable for the breach of each and every provision in the Agreement both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities

Each of the undersigned waives (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed (4) any right he may have to require that an action be brought against Brand ~~Member~~Franchisee or any other person as a condition of liability Each of the undersigned consents and agrees that (1) his direct and immediate liability under this guaranty shall be joint and several (2) he shall render any payment or performance required under the Agreement upon demand if Brand ~~Member~~Franchisee fails or refuses punctually to do so (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Brand ~~Member~~Franchisee or any other person and (4) liability shall not be diminished relieved or otherwise affected by any extension of time credit or other indulgence which Franchisor may grant to Brand ~~Member~~Franchisee or to any other person including the acceptance of any partial payment or performance or the compromise or release of any claims none of which shall in any way modify or amend this guaranty which shall be continuing and irrevocable during the term of the Agreement

Each of the undersigned Guarantors represents and warrants that if no signature appears below for such Guarantor s spouse such Guarantor is either not married or if married is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate

Guarantor hereby consents and agrees that

(a) Guarantor s liability under this undertaking shall be direct immediate and independent of the liability of and shall be joint and several with Brand ~~Member~~Franchisee and the other owners of Brand ~~Member~~Franchisee

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Brand ~~Member~~Franchisee fails or refuses punctually to do so

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Brand ~~Member~~Franchisee or any assignee or successor of Brand ~~Member~~Franchisee or by any abandonment of the Agreement by a trustee of Brand ~~Member~~Franchisee Neither the Guarantor s obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired modified changed, released or limited in any manner whatsoever by any impairment modification change release or limitation of the liability of Brand ~~Member~~Franchisee or its estate in bankruptcy or of any remedy for enforcement resulting from

the operation of any present or future provision of the U S Bankruptcy Act or other statute or from the decision of any court or agency

(d) Franchisor may proceed against Guarantor and Brand ~~Member~~Franchisee jointly and severally or Franchisor may at its option proceed against Guarantor without having commenced any action or having obtained any judgment against Brand ~~Member~~Franchisee Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed and

(e) Guarantor agrees to pay all reasonable attorneys fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor

Guarantor agrees to be personally bound by the arbitration obligations under Section 13 11 of the Agreement including without limitation the obligation to submit to binding arbitration the claims described in Section 13 11 of the Agreement in accordance with its terms

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Brand Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor s account) to its owners, accountholder or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

IN WITNESS WHEREOF each of the undersigned has affixed his signature on the same day and year as the Agreement was executed

GUARANTOR(S)	**PERCENTAGE OWNERSHIP IN BRAND ~~MEMBER~~FRANCHISEE**
By _____ Print Name _____ Address _____ _____ Email _____	_____
By _____ Print Name _____ Address _____ _____ Email _____	_____
By _____ Print Name _____ Address _____ _____ Email _____	_____
By _____ Print Name _____ Address _____ _____ Email _____	_____

The undersigned as the spouse of the Guarantor indicated below acknowledges and consents to the guaranty given herein by his/her spouse Such consent also serves to bind the assets of the marital estate to Guarantor s performance of this Guaranty

Name of Guarantor	Name of Guarantor
Name of Guarantor s Spouse	Name of Guarantor s Spouse
Signature of Guarantor s Spouse	Signature of Guarantor s Spouse
Name of Guarantor	Name of Guarantor
Name of Guarantor s Spouse	Name of Guarantor s Spouse
Signature of Guarantor s Spouse	Signature of Guarantor s Spouse

Exhibits to ~~Membership~~Franchise Agreement

TACS Agreement - Exhibit ~~5-9-I~~B

~~VOILA® Agreement – Exhibit 5-9-II~~

(See Attached)

Dell Services
TACS Settlement Center
13880 Dulles Corner Lane
Herndon, Virginia 20171
USA

Tel 1 703 480 6916
Tel 1 800 873 1215 (Canada & US)
Fax 1 703 480 6917

Email TACS@dell com

Contacts & Website Security Worksheet

Please return this document to TACS with other Enrollment Documents

A completed Customer Profile is required before you can begin using TACS Please complete and return the Customer Profile with your signed original agreements via mail to the TACS Settlement Center address noted above

The information you provide is input to the TACS Processing System and determines how your Property/Site will be displayed on agency commission statements, defines your service requirements, and facilitates implementation, including customizing your TACS interface It is imperative that you complete the document fully and accurately If you need assistance or clarification, contact the TACS Settlement Center using the contact details listed above Should the information you provide change over time, please let us advise TACS **Please print**

Location Information - Please complete fully

_____
Ownership's Full Legal Name (legal name of the location e g Niagara Holdings Inc)

_____
Location Trading Name (DBA **D**oing **B**usiness **A**s Holiday Niagara Falls)

_____
Location Street Address

_____ _____
City State/Province

_____ _____
Postal Code Country

_____ _____
VAT/TAX Identification Number (USA = EIN) Business Type (INC, Ltd, LLC)

_____ US$_____
Number of Units Average Daily Rate

_____ _____
Average Occupancy % Business from Travel Agents %

Contacts

Who will be your PRIMARY CONTACT for TACS?
Please note: All TACS documentation, reports, and notices will be sent to this person.

First Name | Middle Initial | Last Name | (Mr/Mrs/Ms/Dr)

Title

Telephone Number *(include country and area/city code)* **Extension**

Fax Number *(include country and area/city code)* **Extension**

Email Address

Security for this contact – for use on CentralPayment com data processing website This will be the site used to submit commission transactions for processing The security settings apply only to this website

For Guest Records	☐ **Add**	☐ **Update**	☐ **Delete (Requires Update Privileges)**
For Agency Records	☐ **Add**	☐ **Update**	☐ **Delete (Requires Update Privileges)**
For Property/Site Records	☐ **Add**	☐ **Update**	☐ **Delete (Requires Update Privileges)**

☐ **Permit User to Add, Update, Delete User Codes**

☑ **Permit User to Add, Update, Delete User Profiles**

☐ **Permit User to Add, Update, Delete Import Settings**

☐ **Permit User to Add, Update, Delete Imports**

☐ **Permit User to Add, Update, Delete Batches**

☐ **Permit User to Transmit Batches**

Contacts

Who will be your TECHNICAL CONTACT for TACS?
For Hardware, Software and Telecommunications Support

First Name | Middle Initial | Last Name | (Mr/Mrs/Ms/Dr)

Title

Telephone Number *(include country and area/city code)* **Extension**

Fax Number *(include country and area/city code)* **Extension**

Email Address

Security for this contact – for use on CentralPayment com data processing website

For Guest Records ☒ **Add** ☒ **Update** ☒ **Delete (Requires Update Privileges)**

For Agency Records ☒ **Add** ☒ **Update** ☒ **Delete (Requires Update Privileges)**

For Property/Site Records ☒ **Add** ☒ **Update** ☒ **Delete (Requires Update Privileges)**

☒ **Permit User to Add, Update, Delete Codes**

☒ **Permit User to Add, Update, Delete User Profiles**

☒ **Permit User to Add, Update, Delete Import Settings**

☒ **Permit User to Add, Update, Delete Imports**

☒ **Permit User to Add, Update, Delete Batches**

☒ **Permit User to Transmit Batches**

Contacts

Who will be your FINANCIAL CONTACT for TACS?
Please note: All remittance notifications will be sent to this person

First Name _____ Middle Initial _____ Last Name _____ (Mr/Mrs/Ms/Dr)

Title _____

Telephone Number *(include country and area/city code)* _____ **Extension** _____

Fax Number *(include country and area/city code)* _____ **Extension** _____

Email Address _____

Security for this contact – for use on CentralPayment com data processing website

For Guest Records ☒ **Add** ☒ **Update** ☒ **Delete (Requires Update Privileges)**

For Agency Records ☒ **Add** ☒ **Update** ☒ **Delete (Requires Update Privileges)**

For Property/Site Records ☒ **Add** ☒ **Update** ☒ **Delete (Requires Update Privileges)**

☒ **Permit User to Add, Update, Delete Codes**

☒ **Permit User to Add, Update, Delete User Profiles**

☒ **Permit User to Add, Update, Delete Import Settings**

☒ **Permit User to Add, Update, Delete Imports**

☒ **Permit User to Add, Update, Delete Batches**

☒ **Permit User to Transmit Batches**

Contacts

Who will be your CUSTOMER SERVICE CONTACT for TACS?
Please note: All customer service inquiries will be directed to this person.

First Name | Middle Initial | Last Name | (Mr/Mrs/Ms/Dr)

Title

Telephone Number *(include country and area/city code)* **Extension**

Fax Number *(include country and area/city code)* **Extension**

Email Address

Security for this contact – for use on CentralPayment com data processing website

For Guest Records ☐ **Add** ☐ **Update** ☐ **Delete (Requires Update Privileges)**

For Agency Records ☐ **Add** ☐ **Update** ☐ **Delete (Requires Update Privileges)**

For Property/Site Records ☐ **Add** ☐ **Update** ☐ **Delete (Requires Update Privileges)**

☐ **Permit User to Add, Update, Delete Codes**

☐ **Permit User to Add, Update, Delete User Profiles**

☐ **Permit User to Add, Update, Delete Import Settings**

☐ **Permit User to Add, Update, Delete Imports**

☐ **Permit User to Add, Update, Delete Batches**

☐ **Permit User to Transmit Batches**

Contacts

Who will be your ADDITIONAL USER CONTACT for TACS?

First Name | Middle Initial | Last Name | (Mr/Mrs/Ms/Dr)

Title

Telephone Number *(include country and area/city code)* **Extension**

Fax Number *(include country and area/city code)* **Extension**

Email Address

Security for this contact – for use on CentralPayment com data processing website

For Guest Records ☒ **Add** ☒ **Update** ☒ **Delete (Requires Update Privileges)**

For Agency Records ☒ **Add** ☒ **Update** ☒ **Delete (Requires Update Privileges)**

For Property/Site Records ☒ **Add** ☒ **Update** ☒ **Delete (Requires Update Privileges)**

☒ **Permit User to Add, Update, Delete Codes**

☒ **Permit User to Add, Update, Delete User Profiles**

☒ **Permit User to Add, Update, Delete Import Settings**

☒ **Permit User to Add, Update, Delete Imports**

☒ **Permit User to Add, Update, Delete Batches**

☒ **Permit User to Transmit Batches**

Technical Information

Internet Access

Does your property have access to the Internet? ☐ Yes ☐ No

Please check the boxes for all the items that apply

☐ Dial-up access ☐ Dedicated (always on access) ☐ Accessible from multiple PC's

Internet Browser

☐ Microsoft Internet Explorer Version _____

☐ Netscape Version _____

☐ Other Version _____

Property Management System (PMS) Please complete the following

_____ _____

PMS Vendor (Company Name) PMS Version (PMS Name)

_____ _____

Software Version (PMS version) PMS Platform (example UNIX, Microsoft)

Does the PMS have an agency commission payment module? ☐ Yes ☐ No

Version if available _____

EXHIBIT C

APPLICATION

Red Lion Hotels Franchising Inc
3300 N University Drive Suite 500
Coral Springs, FL 33065
(954) 575-2668 • Fax (954) 827-0934

MEMBERSHIP APPLICATION

Red Lion Hotels Franchising Inc ("RLHF" or Red Lion") a subsidiary of Red Lion Hotels Corporation is pleased to consider your application for a franchise and brand membership in the Lexington® brand

This Membership Application must be completed completely and accurately If an item does not apply please mark not applicable or "NA "

Please supply all requested attachments for your entity and property

When this Membership Application is complete please send it with all of the requested attachments and the applicable Application Fee by regular mail or overnight carrier to the address listed below *If you have any questions or require assistance completing this Membership Application please contact* our Development Coordinator at the phone number or email address below

RLHF reserves the right to approve or deny this Membership Application You have not yet been granted the membership to operate a franchise and there is no binding obligation on either party unless and until both you and RLHF have signed a franchise agreement (~~which we call a Membership~~Franchise Agreement) Any expenses you incur in constructing renovating or operating the hotel in anticipation of joining our brand are at your sole risk and responsibility

If for any reason RLHF does not grant a franchise to you or a ~~Membership~~Franchise Agreement is not signed by both parties your Application Fee will not be refunded to you However if we decline to accept your application solely because we in our sole discretion believe it would negatively impact an existing brand member we will refund your Application Fee

Please send the completed application, required documents and application fee of $3 000 to the following address

Development Coordinator
Red Lion Hotels Franchising, Inc
3300 N University Drive, Suite 500
Coral Springs, FL 33065
Phone (954) 575-2668

MEMBERSHIP APPLICATION

Applying for (please check one) ☐ Lexington Inn ☐ Lexington Hotel

A PROSPECTIVE HOTEL

☐ Proposed Construction
☐ Conversion of Existing Hotel

Current Hotel Name _____

Street Address _____

_____

City/State/Zip _____

County _____

Phone _____ Fax _____

Current Brand or Flag _____

B APPLICANT'S REPRESENTATIVE

You are authorizing the following individual to be your Designated Representative for this Membership Application and for the ~~Membership~~Franchise Agreement if a franchise is granted

Name _____ Title _____

Company Name _____

Street Address _____

_____

City/State/Zip _____

Business Phone _____ Mobile _____ Fax _____

Email Address _____@_____

C PROPOSED FRANCHISEE (Please select one)

☐ Corporation
☐ General Partnership
☐ Limited Partnership
☐ Limited Liability Partnership
☐ Joint Venture
☐ Limited Liability Company
☐ Sole Proprietor
☐ Multiple Individuals
☐ Other – Please Specify

_____

1 Onsite Management Contact Information

Name _____ Title _____

Address _____ City _____

State/Zip or Province/Postal Code _____

Phone _____ Fax _____ Email _____@_____

2 Entity

You may not use the name of any of our brands Red Lion, or any variation thereof in the entity s name

Name of Entity _____

State Formed In _____ Date Formed _____ Federal Tax ID _____

Business Address _____

City/State/Zip or City/Province/Postal Code _____

Business Phone _____ Fax _____

Please submit a copy of the following documents with your application

- Formation Document(s) filed with the state (examples include Articles of Incorporation Certificate of Incorporation Certificate of Partnership Articles of Organization)
- Governing Document(s) such as Bylaws Shareholders Agreement Partnership Agreement Operating Agreement

or

☐ to be formed

3 Entity Management Structure

*Please list **all** Officers (may include President, Treasurer Secretary General Partners Managing Partners or Managing Members) If a general partner managing partner or managing member is a corporation or other entity the name and title of the individual signing for the corporation or entity also must be listed, please attach additional pages if necessary*

a Name _____ Title _____

Mailing Address _____

City/State/Zip _____

b Name _____ Title _____

Mailing Address _____

City/State/Zip _____

c Name _____ Title _____

Mailing Address _____

City/State/Zip _____

4 Owners

Please list all shareholders general partners limited partners joint venturers members or individual owners attach additional pages if necessary

a Name _____ % Owned _____

Mailing Address _____

City/State/Zip _____

Phone _____ Email Address _____@_____

b Name _____ % Owned _____

Mailing Address _____

City/State/Zip _____

Phone _____ Email Address _____@_____

c Name _____ % Owned _____

Mailing Address _____

City/State/Zip _____

Phone _____ Email Address _____@_____

D REFERENCES

1 Business References

Company Name _____ Contact _____

Address _____

City/State/Zip or City/Province/Postal Code _____

Phone _____

Account Name _____ Account # _____

2 Bank References

Name of Bank _____ Contact _____

Address _____

City/State/Zip or City/Province/Postal Code _____

Phone _____

Type of Account ☐ Checking ☐ Savings ☐ Loan

Account in Name of _____ Account # _____

E FRANCHISING AND HOTEL EXPERIENCE

1 Do any of the individuals listed under ownership **currently** own any lodging facilities (hotel inn or suites) or have any of them **previously owned** any lodging property? ☐ Yes ☐ No

*If **"yes"** please complete the section below attach additional pages if necessary*

Individual/Entity	Property Name	Red Lion Property Code (if applicable)	City/State	% Owned	Currently Own?

2 For any of the individuals listed under ownership please identify the **total number of years** of **hotel ownership or hotel management experience**

Individual/Entity	# of Years of Hotel Ownership Experience	Current Number of Hotels Under Ownership	# of Years of Hotel Management Experience	Current Number of Hotels Under Management

F BACKGROUND INFORMATION

For purposes of this section "Applicant" includes anyone owning a direct or indirect interest in the proposed franchise

1 Is any Applicant now or has any Applicant ever been a defendant in any lawsuit?
☐ Yes ☐ No

2 Has any Applicant ever filed for bankruptcy? ☐ Yes ☐ No

3 Has any Applicant ever been convicted of a crime other than minor traffic violations?
☐ Yes ☐ No

4 Is any Applicant a "Specially Designated National" or "Blocked Person" (as defined below)?
☐ Yes ☐ No

If **"yes"** has been indicated for any of questions 1-3 please identify the person court case number and outcome below

Person	Court Case	Number	Outcome

"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 Red Lion or its 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 are published under the Internet web site address www ustreas gov/office/enforcement/ofac

G OPERATIONAL DATA (For operating hotels only)

1 *Please list by month the Occupancy Average Daily Rate (ADR) and Gross Rooms Revenue for each calendar month during the previous year*

Month/Year	Occupancy	ADR	Gross Room Receipts
/			
/			
/			
/			

Month/Year	Occupancy	ADR	Gross Room Receipts
/			
/			
/			
/			
/			
/			
/			
Totals			

2 Type of PMS/Front Desk System _____

3 Year property opened _____ Has property been upgraded since?

☐ No ☐ Yes/Year _____

4 Have there been any additions to the property since original opening?

☐ No ☐ Yes/Year _____

Please list what if any upgrades/additions were completed and when

_____

_____

_____

5 Most recent QA Score _____ (A copy may be required prior to approval)

6 Current GDS/CRS Representation _____

7 Is property AAA/CAA approved? ☐ Yes ☐ No If yes what is your Diamond rating? _____

H FACILITY DESCRIPTION

1 Expected date to open under a new brand _____

2 Year Built _____ Year(s) Renovated _____

3 Number of Floors _____ Parking Spaces _____

Total Guest Rooms _____ (# of Standard Rooms _____ # of Suites _____)

4 Number of Meeting Rooms _____ Seating Capacity of Each _____

_____

_____

5 Is Continental breakfast served onsite? ☐ Yes ☐ No Any hot items? ☐ Yes ☐ No

6 Food and Beverage onsite (or near as applicable)

Name _____

Meals of Operation ☐ Breakfast ☐ Lunch ☐ Dinner ☐ 24 Hr

Number of Seats _____

7 Facilities/Amenities

☐ Indoor Pool ☐ Game Room ☐ Exercise Room ☐ Outdoor Pool

☐ Gift Shop or Sundry Shop ☐ Guest Laundry Room ☐ Meeting Facility ☐ Spa

☐ Other _____

8 Are the hotel building and the ground both owned (or to be owned) by you or a related party?
☐ Yes ☐ No

If **"yes"** has been indicated but the name under which the deed is held is different from the name under which you are operating the hotel please indicate the name or names on the deed

—

_____

_____

If "no" has been indicated please complete the following

Is the hotel leased (or to be leased) by you? ☐ Yes ☐ No

Is the land on which it sits leased (or to be leased) by you? ☐ Yes ☐ No

If you have answered "yes" to either or both of these please complete the following

☐ Information for Lessor of hotel ☐ Information for Lessor of ground ☐ Same Lessor for both

Landlord Name _____ Phone _____

Mailing Address _____

Address _____

City _____ State/Province _____ Zip/Postal Code _____

9 When did you or when will you obtain possession of the hotel whether by lease or purchase?

_____

10 Do you have financing secured for this location? ☐ Yes ☐ No ☐ Not applicable

If "no " please explain financing status (whether for acquisition renovation or operation)

_____

_____

I certify that to the best of my knowledge the information I provided in this Membership Application is complete and accurate

Furthermore I agree that in order for Red Lion Hotels Franchising Inc to obtain and maintain accurate contact and credit information, I authorize the referenced companies and/or individuals named in this application and credit reporting agencies to disclose such information to RLHF This disclosed information will be used for the exclusive and confidential use of RLHF and its affiliated companies I also release RLHF its affiliates and their employees agents all other entities and their employees providing informational reports

I understand that by submitting this application I agree to the terms and statements made in this application (Please have ALL OWNERS OR APPLICANTS WITH A 20% OR GREATER INTEREST sign below)

Signature	Print or Type Name	Date
Signature	Print or Type Name	Date
Signature	Print or Type Name	Date

Signature	Print or Type Name	Date

ITEMS TO BE SUBMITTED WITH THIS APPLICATION

Please submit the following items with this Membership Application This will ensure a quick turnaround time and will provide Red Lion Hotels Franchising Inc the information needed to evaluate your application

- ☐ Check for the Application Fee - $3 000 00 (payable to Red Lion Hotels Franchising Inc)
- ☐ Proof of Ownership or Right to Operate the Lodging Facility (e g sales contract deed option to lease lease management contract)
- ☐ Corporate Documents (see page 2 above)

EXHIBIT D

REPRESENTATIONS AND ACKNOWLEDGEMENT STATEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to Red Lion Hotels Franchising Inc ("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 Lexington® franchise to operate as a Lexington-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 Membership Agreement at least 14 calendar days (10 business days in Michigan~~ and New York~~) before I executed the Membership 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	INITIAL
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 _____ _____	

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 Membership 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 Lexington 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 E

FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Red Lion Hotels Corporation
Spokane Washington

We have audited the accompanying consolidated balance sheets of Red Lion Hotels Corporation (the Company) as of December 31 2016 and 2015 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 2016 These financial statements are the responsibility of the Company s management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion the consolidated financial statements referred to above present fairly in all material respects the financial position of Red Lion Hotels Corporation at December 31 2016 and 2015 and the results of its operations and its cash flows for each of the three years in the period ended December 31 2016 , in conformity with accounting principles generally accepted in the United States of America

As discussed in Note 2 to the consolidated financial statements the Company changed its method of classification and presentation of changes in restricted cash on the statement of cash flows in 2016 due to the adoption of Accounting Standards Update 2016-18 Statement of Cash Flows (Topic 230) *Restricted Cash* This change was applied retrospectively to all periods presented.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) Red Lion Hotels Corporation s internal control over financial reporting as of December 31 2016 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 30 2017 expressed an adverse opinion thereon

/s/ BDO USA, LLP
Spokane WA
March 30 2017

RED LION HOTELS CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015

	2016	2015 (See Note 18)
	($ in thousands except share data)	
ASSETS		
Current assets		
Cash and cash equivalents ($5 134 and $7 226 attributable to VIEs [1])	$ 38 072	$ 23 898
Restricted cash ($9 211 and $10 978 attributable to VIEs [1])	9 537	11 304
Short term investments	—	18 085
Accounts receivable, net ($2 811 and $2 383 attributable to VIEs [1])	10 852	7 671
Accounts receivable from related parties	1 865	493
Notes receivable net	1 295	929
Inventories ($447 and $497 attributable to VIEs [1])	647	721
Prepaid expenses and other ($1 008 and $1 081 attributable to VIE's [1])	4 491	2 149
Total current assets	66 759	65 250
Property and equipment, net ($179 609 and $163 746 attributable to VIEs [1])	210 732	195 390
Goodwill	12 566	8 512
Intangible assets	52 854	15 301
Notes receivable long term	—	1 676
Other assets net ($64 and $103 attributable to VIE's [1])	1 624	1 089
Total assets	$ 344 535	$ 287 218
LIABILITIES		
Current liabilities		
Accounts payable ($3 886 and $7 178 attributable to VIE's [1])	$ 8 682	$ 9 263
Accrued payroll and related benefits ($175 and $1 763 attributable to VIEs [1])	4 800	6 163
Other accrued entertainment liabilities	11 334	10 411
Other accrued liabilities ($1 656 and $1 588 attributable to VIEs [1])	4 336	3 225
Long term debt due within one year ($1 469 and $0 attributable to VIEs [1])	1 469	—
Contingent consideration for acquisition due to related party due within one year	6 768	—
Total current liabilities	37 389	29 062
Long term debt, due after one year net of debt issuance costs ($106 862 and $87 557 attributable to VIE's [1])	106 862	87 557
Contingent consideration for acquisition due to related party due after one year	4 432	—
Deferred income and other long term liabilities ($841 and $0 attributable to VIE's [1])	2 293	1 326
Deferred income taxes	5 716	2 872
Total liabilities	156 692	120 817
Commitments and contingencies		
STOCKHOLDERS EQUITY		
RLHC 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 23 434 480 and 20 051 145 shares issued and outstanding	234	201
Additional paid in capital common stock	171 089	143 901
Accumulated deficit	(15 987)	(11 310)
Total RLHC stockholders equity	155 336	132 792
Noncontrolling interest	32 507	33 609
Total stockholders equity	187 843	166 401
Total liabilities and stockholders equity	$ 344 535	$ 287 218

[1] Variable Interest Entities (VIEs) consolidated effective 2015 (see Note 4)

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, 2016 , 2015 and 2014

	2016	2015	2014
	(In thousands except per share data)		
Revenue			
Company operated hotels	$ 117 641	$ 116 187	$ 118 616
Other revenues from managed properties	5 948	3 586	—
Franchised hotels	24 634	12 039	9 618
Entertainment	15 719	11 057	17 115
Other	128	51	77
Total revenues	164 070	142 920	145 426
Operating expenses			
Company operated hotels	91 572	92 057	94 241
Other costs from managed properties	5 948	3 586	—
Franchised hotels	19 315	11 233	7 004
Entertainment	13 635	10 118	14 785
Other	42	35	318
Depreciation and amortization	16 281	13 315	12 762
Hotel facility and land lease	4 740	6 569	5 210
Gain on asset dispositions net	(2 437)	(17 692)	(4 006)
General and administrative expenses	11 109	9 819	8 353
Acquisition and integration costs	2 112	779	—
Total operating expenses	162 317	129 819	138 667
Operating income	1 753	13 101	6 759
Other income (expense)			
Interest expense	(6 764)	(6 979)	(4 575)
Loss on early retirement of debt	—	(2 847)	—
Other income net	483	826	339
Other expense	(6 281)	(9 000)	(4 236)
Income (loss) from continuing operations before taxes	(4 528)	4 101	2 523
Income tax expense	312	85	31
Net income (loss) from continuing operations	(4 840)	4 016	2 492
Discontinued operations			
Loss from discontinued business units net of income tax of $0	—	—	(187)
Loss on disposal of the assets of the discontinued business units net of income tax of $0	—	—	(2)
Net loss from discontinued operations	—	—	(189)
Net income (loss)	(4 840)	4 016	2 303
Net (income) loss attributable to noncontrolling interest	163	(1 297)	—
Net income (loss) attributable to RLHC	(4 677)	2 719	2 303
Comprehensive income (loss)			
Unrealized losses on cash flow hedge net of tax	—	—	(44)
Comprehensive income (loss)	$ (4 677)	$ 2 719	$ 2 259
Earnings per share basic			
Income (loss) from continuing operations attributable to RLHC	$ (0 23)	$ 0 14	$ 0 13
Loss from discontinued operations	—	—	(0 01)
Net income (loss) attributable to RLHC	$ (0 23)	$ 0 14	$ 0 12
Earnings per share diluted			
Income (loss) from continuing operations attributable to RLHC	$ (0 23)	$ 0 13	$ 0 13
Loss from discontinued operations	—	—	(0 01)
Net income (loss) attributable to RLHC	$ (0 23)	$ 0 13	$ 0 12
Weighted average shares basic	20 427	19 983	19 785
Weighted average shares diluted	20 427	20 200	19 891

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, 2016 , 2015 and 2014

	Red Lion Hotels Corporation Stockholders Equity							
	Common Stock						Equity Attributable to Non-controlling Interest	Total Equity
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	RLHC Total Equity		
	(In thousands except share data)							
Balances, January 1 2014 (See Note 18)	19 687 232	$ 197	$ 152 303	$ (16 332)	$ (159)	$ 136 009	$ —	$ 136 009
Net income	—	—	—	2 303	—	2 303	—	2 303
Stock issued under employee stock purchase plan	14 427	—	69	—	—	69	—	69
Stock issued under option plan	—	—		—	—	—	—	—
Restricted stock awards released net of canceled shares	56 486		(155)	—	—	(155)	—	(155)
Issuance of stock based compensation awards	88 363	—	507	—	—	507	—	507
Stock based compensation expense	—	1	947	—	—	948	—	948
Loss on valuation of swap contract, net of tax	—	—	—	—	(72)	(72)	—	(72)
Amortization of accumulated loss of swap contract	—	—	—	—	28	28	—	28
Balances December 31 2014 (See Note 18)	19 846 508	198	153 671	(14 029)	(203)	139 637	—	139 637
Net income	—	—		2 719	—	2 719	1 297	4 016
Stock issued under employee stock purchase plan	22 037	—	111	—	—	111	—	111
Stock issued under option plan	3 500	—	26	—	—	26	—	26
Restricted stock awards released net of canceled shares	118 601	—	(347)	—	—	(347)	—	(347)
Issuance of stock based compensation awards	60 499	—	437	—	—	437	—	437
Stock based compensation expense	—	3	1 492	—	—	1 495	—	1 495
Contribution of joint venture interests	—	—	(12 296)	—	—	(12 296)	34 950	22 654
Issuance of warrants	—	—	807	—	—	807	—	807
Distributions to noncontrolling interests	—	—	—	—	—	—	(2 638)	(2 638)
Early retirement of interest rate swap	—	—	—	—	203	203		203
Balances December 31 2015 (See Note 18)	20 051 145	201	143 901	(11 310)	—	132 792	33 609	166 401
Net income	—	—		(4 677)	—	(4 677)	(163)	(4 840)
Stock issued under employee stock purchase plan	29 795	—	178	—	—	178	—	178
Stock issued under option plan	200	—	2	—	—	2	—	2
Restricted stock awards released net of canceled shares	108 477	1	(354)	—	—	(353)	—	(353)
Issuance of stock based compensation awards	54 864	—	419	—	—	419	—	419
Stock based compensation expense	—	—	2 221	—	—	2 221	—	2 221
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	$ (15 987)	$ —	$ 155 336	$ 32 507	$ 187 843

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, 2016, 2015, and 2014

	2016	2015	2014
		(In thousands)	
Operating activities			
Net income (loss)	$ (4,840)	$ 4,016	$ 2,303
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	16,281	13,315	12,762
Amortization of debt issuance costs	1,166	935	124
Gain on disposition of property, equipment and other assets, net	(2,437)	(17,692)	(4,006)
Loss on early retirement of debt	—	2,763	—
Deferred income taxes	249	59	6
Equity in investments	(157)	55	36
Stock based compensation expense	2,640	1,932	1,455
Provision for doubtful accounts	433	654	170
Fair value adjustments to contingent consideration	339	—	—
Change in current assets and liabilities			
Accounts receivable	(3,183)	(1,901)	(635)
Notes receivable	(110)	(167)	(153)
Inventories	74	234	198
Prepaid expenses and other	(2,149)	556	(890)
Accounts payable	(1,006)	3,381	(1,811)
Other accrued liabilities	(1,738)	5,944	1,399
Net cash provided by operating activities	5,562	14,084	10,958
Investing activities			
Capital expenditures	(33,511)	(16,542)	(24,891)
Acquisition of Vantage Hospitality	(22,603)	—	—
Purchase of Atlanta hotel property	—	(6,421)	—
Acquisition of Washington DC hotel business	—	(22,651)	—
Purchase of GuestHouse International assets	—	(8,856)	—
Proceeds from disposition of property and equipment	59,898	38,681	17,316
Proceeds from redemption of trust common securities	—	909	—
Collection of notes receivable related to property sales	2,309	3,509	1,914
Advances on notes receivable	(943)	(652)	—
Purchases of short term investments	—	(18,720)	—
Proceeds from sales of short term investments	18,085	635	—
Other, net	77	28	61
Net cash used in investing activities	(30,688)	(30,080)	(5,600)
Financing activities			
Borrowings on long term debt	24,766	90,772	—
Repayment of long term debt	(4,939)	(30,528)	(12,973)
Repayment of debentures to Red Lion Hotels Capital Trust	—	(30,825)	—
Debt issuance costs	(181)	(4,028)	(6)
Proceeds from sale of interests in joint ventures	3,193	23,461	—
Distributions to noncontrolling interest	(3,593)	(2,638)	—
Reduction of additional paid in capital for repurchased restricted stock units	(353)	(347)	(155)
Proceeds from common stock offering, net	18,460	—	—
Other, net	180	(20)	69
Net cash provided by (used in) financing activities	37,533	45,847	(13,065)
Change in cash, cash equivalents and restricted cash			
Net increase in cash, cash equivalents and restricted cash	12,407	29,851	(7,707)
Cash, cash equivalents and restricted cash at beginning of year	35,202	5,351	13,058
Cash, cash equivalents and restricted cash at end of year	$ 47,609	$ 35,202	$ 5,351

RED LION HOTELS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31 2016 , 2015 , and 2014

	2016	2015	2014
		(In thousands)	
Supplemental disclosure of cash flow information			
Cash paid during years for			
Income taxes	$ 111	$ 30	$ 44
Interest on debt	$ 5 485	$ 5 604	$ 4 514
Non-cash investing and financing activities			
Reclassification of property and other assets to assets held for sale	$ —	$ —	$ 17 702
Property and equipment, purchases not yet paid	$ 2,238	$ 2 930	$ —
Reclassification of long term note receivable to short term	$ 25	$ 261	$ 2 311
Exchange of note receivable for real property	$ —	$ —	$ 1 950
Reclassification between accounts receivable and notes receivable	$ —	$ 51	$ —
Reclassification of property to other assets	$ —	$ —	$ 117
Reclassification of long term debt to current	$ 1 469	$ —	$ —
Acquisition of property and equipment through capital lease	$ 1 352	$ —	$ —
Accrual of contingent consideration for Vantage acquisition	$ 10 861	$ —	$ —
Assumption of contingent consideration obligation from acquisition	$ 965	$ —	$ —
Shares issued for Vantage acquisition	$ 5 755	$ —	$ —

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

RED LION HOTELS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Organization

Red Lion Hotels Corporation (RLHC we our 'us or our company) is a NYSE listed hospitality and leisure company (ticker symbol RLH) primarily engaged in the franchising, management and ownership of hotels under our proprietary brands which include Hotel RL Red Lion Hotel Red Lion Inn & Suites GuestHouse and Settle Inn & Suites On September 30 2016 we acquired certain assets from Vantage Hospitality Group Inc and a number of its affiliates (Vantage) including the brands of 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 All our brands are referred to collectively as the RLHC brands and our hotels operate in the upscale midscale or economy hotel segments

A summary of our properties as of December 31 2016 is provided below

	Hotels	Total Available Rooms
Company operated hotels		
Majority owned and consolidated	14	2 900
Leased	4	900
Managed	2	500
Franchised hotels	1 117	68 900
Total systemwide	1 137	73 200

We are also engaged in entertainment operations which derive revenues from promotion and presentation of entertainment productions and ticketing services under the operations of WestCoast Entertainment and TicketsWest The ticketing service offers online ticket sales ticketing inventory management systems call center services and outlet/electronic distributions for event locations

We were incorporated in the state of Washington in April 1978

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

The financial statements encompass the accounts of Red Lion Hotels Corporation and all of its consolidated subsidiaries including
Wholly owned subsidiaries
Red Lion Hotels Holdings Inc
Red Lion Hotels Franchising Inc
Red Lion Hotels Canada Franchising Inc
Red Lion Hotels Management, Inc (RL Management)
Red Lion Hotels Limited Partnership
TicketsWest com Inc
Joint venture entities
RL Venture LLC (RL Venture) in which we hold a 55% member interest
RLS Atla Venture LLC (RLS Atla Venture) in which we hold a 55% member interest
RLS Balt Venture LLC (RLS Balt Venture) in which we hold a 73% member interest
RLS DC Venture LLC (RLS DC Venture) in which we hold a 55% member interest (effective as of February 2016 see Note 4 of Notes to Consolidated Financial Statements)

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 at December 31 2016 and 2015 cash of $9 5 million and $11 3 million respectively was held primarily as reserves for debt service (interest only) property improvements and other requirements from the lenders

In our consolidated statements of cash flows for the years ended December 31 2016 2015 and 2014 we include restricted cash with cash and cash equivalents when reconciling the beginning and ending balances for each period The balances included in the consolidated statements of cash flows for the years ended December 31 are as follows

	2016	2015	2014
Cash and cash equivalents	$ 38 072	$ 23 898	$ 5 126
Restricted cash	9 537	11 304	225
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 47 609	$ 35 202	$ 5 351

Short Term Investments

Short term investments have previously consisted of variable rate demand notes with maturities that ranged from two to thirty five years They were classified as available for sale and as short term as the investments contained options which allowed us to put them to the trustee with one day to one week's notice The carrying amounts were reasonable estimates of their fair values due to interest rates which were variable in nature and the put provision at par plus accrued interest

Allowance for Doubtful Accounts

The ability to collect individual accounts receivable is reviewed on a routine basis An allowance for doubtful accounts is recorded based on 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 is impacted by among other things national and regional economic conditions

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

	Year ended December 31		
	2016	2015	2014
	(In thousands)		
Allowance for doubtful accounts continuing operations			
Balance beginning of year	$ 657	$ 303	$ 132
Additions to allowance	358	538	244
Write offs net of recoveries	(71)	(184)	(73)
Balance end of year	$ 944	$ 657	$ 303

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

Inventories

Inventories consist primarily of 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

Prepaid and other expenses

Prepaid and other expenses include prepaid insurance advertising costs and taxes as well as deposits

Property and Equipment

Property and equipment are stated at cost The cost of improvements that extend the life of property and equipment is capitalized Repairs and maintenance charges are expensed 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

Valuation of Long-Lived Assets

We test long lived asset groups 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

We base our calculations of the estimated fair value of an asset group on the income approach or the market approach The assumptions and methodology utilized for the income approach are the same as those described in the Goodwill and Intangible Assets caption For the market approach we use analyses based primarily on market comparables recent appraisals and assumptions about market capitalization rates growth rates and inflation

Variable Interest Entities

We analyze the investments we make in joint venture entities based on the accounting guidance for variable interest entities or 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 have a controlling financial interest We would have a controlling financial interest (i e be deemed the primary beneficiary) in such an entity if we had 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 as of the date of acquisition in our consolidated results. 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 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 expensed as incurred. Restructuring costs associated with an acquisition are generally expensed 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.

Goodwill and Intangible Assets

Goodwill and intangible assets may result from our business acquisitions. Intangible assets may also result from the purchase of assets and intellectual property in a transaction that does not qualify as a business combination. We use estimates, including estimates of useful lives of intangible assets, the amount and timing of related future cash flows, and fair values of the related operations, in determining the value assigned to goodwill and intangible assets. Our finite lived intangible assets, which include customer contracts and certain brand names which we do not expect to maintain indefinitely, are amortized over their expected useful lives based on estimated discounted cash flows. The remaining brand name and trademark assets are considered indefinite lived intangible assets and are not subject to amortization. Finite lived intangible assets are tested for impairment at the asset group level when events or changes in circumstances indicate the carrying value may not be recoverable. Indefinite lived intangible assets are tested for impairment annually, when events or changes in circumstances indicate the asset may be impaired, or at the time when their useful lives are determined to be no longer indefinite.

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, including the forecast discounted cash flows associated with each reporting unit. The reporting units are aligned with our reporting segments.

We test goodwill for impairment each year as of October 1, or more frequently should a significant impairment indicator occur. 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 the two step impairment test. The impairment test involves comparing the fair values of the reporting units to their carrying amounts. If the carrying amount of a reporting unit exceeds its fair value, a second step is required to measure the goodwill impairment loss amount. This second step determines the current fair values of all assets and liabilities of the reporting unit and then compares the implied fair value of the reporting unit's goodwill to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

In assessing the qualitative factors, we assess relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount, involves significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, RLHC specific events, and share price trends, and making the assessment as to whether each relevant factor would impact the impairment test positively or negatively and the magnitude of any such impact.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. We forecast discounted future cash flows at the reporting unit level using risk adjusted discount rates and estimated future revenues and operating costs, which take into consideration factors such as expectations of competitive and economic environments. We also identify similar publicly traded companies and develop a correlation referred to as a multiple to apply to the operating results of the reporting units. These combined fair values are then reconciled to the aggregate market value of our common stock on the date of valuation, while considering a reasonable control premium.

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

Notes Receivable

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

Other Assets

Other assets primarily consist of key money arrangements with franchisees We recognize key money paid in conjunction with entering into long term franchise agreements as prepaid expenses and amortize the amount paid against revenue over the term of the franchise agreements

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

Deferred Income

In 2003 we sold a hotel to an unrelated party in a sale-operating leaseback transaction The pre tax gain on the transaction of approximately $7 0 million was deferred and is being amortized into income over the period of the lease term which expires in November 2018 and is renewable for three five year terms at our option During 2016 2015 and 2014 we recognized income of approximately $0 5 million each year for the amortization of the deferred gain The remaining balances at December 31 2016 and 2015 was $0 9 million and $1 3 million respectively

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 2016 and 2015 a valuation allowance has been 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 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 10

Revenue Recognition

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

Company-Operated Hotels 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 guests visit to the restaurant and 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

Franchised Hotels 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

Entertainment Online ticketing services ticketing inventory management systems promotion of Broadway-style shows and other special events Where we act as an agent and receive a net fee or commission revenue is recognized in the period the services are performed When we are the promoter of an event and are at risk for the production, revenues and expenses are recorded in the period of the event performance

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

Advertising and Promotion

Costs associated with advertising and promotional efforts are generally expensed as incurred During the years ended December 31 2016 2015 and 2014 we incurred approximately $5 3 million $4 9 million and $3 4 million respectively in advertising expense

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share attributable to RLHC is computed by dividing income (loss) by the weighted average number of shares outstanding during the period Diluted earnings (loss) per share attributable to RLHC 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 When we report a net loss during the period, basic and diluted earnings (loss) per share are the same See Note 12

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

Effective for the year ended December 31 2016 we early adopted ASU 2016 18 *Statement of Cash Flows (Topic 230) Restricted Cash* We have revised the consolidated statement of cash flows for the years ended December 31 2015 and 2014 to reflect the adoption of this new standard For a discussion of the new guidance the impact of the adoption on our consolidated financial statements refer to the discussion below in *New and Recent Accounting Pronouncements*

Certain amounts disclosed in prior period financial statements have been reclassified to conform to the current period presentation Except as otherwise noted, these reclassifications had no effect on reported income/losses cash flows total assets or stockholders equity as previously reported

New and Recent Accounting Pronouncements

In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014 09 *Revenue from Contracts with Customers* 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 ASU 2014-09 may be applied using either a full retrospective or a modified retrospective approach and is effective for fiscal years and interim periods within those years beginning after December 15 2017 We are in the early stages of evaluating the effect of the standard on our financial statements Upon adoption our financial statements will include expanded disclosures related to contracts with customers We are continuing our assessment of other impacts on our financial statements at this time

In February 2016 the FASB issued 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 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 The new standard is effective for fiscal years beginning after December 15 2018 including interim periods within those fiscal years A modified retrospective transition approach is required for lessees for capital and operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements with certain practical expedients available We have $85 million of operating lease obligations as of December 31 2016 (see Note 14) and upon the adoption of the standard will record an ROU asset and lease liability for present value of these leases which will have a material impact on the balance sheet However the statement of comprehensive income (loss) recognition of lease expenses is not expected to change from the current methodology

In March 2016 the FASB issued ASU 2016 09 *Compensation Stock Compensation (Topic 718) Improvements to Employee Share Based Payment Accounting* The ASU is designed to improve the accounting for share based payments and affects all organizations that issue share based payment awards to their employees Several aspects of the accounting for share based payment awards are simplified with this ASU including income tax consequences classification of awards as equity or liabilities and classification on the statement of cash flows ASU 2016-09 will be effective for public business entities for annual periods beginning after December 15 2016 and interim periods within those fiscal years We will adopt ASU 2016 09 effective January 1 2017 and will provide the necessary disclosures beginning with our Form 10 Q for the period ending March 31 2017 The adoption of ASU 2016-09 will note have a material impact on our financial condition or results of operations

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 (COLIs) (including bank-owned life insurance policies (BOLIs)) (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 This guidance is effective for us beginning January 1 2018 As this ASU is clarifying only presentation matters within the statement of cash flows we do not expect it to have a material impact on our consolidated financial statements

The FASB issued ASU 2016 18 *Statement of Cash Flows (Topic 230) Restricted Cash* to require that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of period and end-of period total cash amounts shown on the statement of cash flows Consequently transfers between cash and restricted cash will not be presented as a separate line item in the operating investing or financing sections of the cash flow statement We early adopted this standard, as permitted, effective for the year ended December 31 2016 We have revised the consolidated statement of cash flows for the years ended December 31 2015 and 2014 to reflect the adoption of this standard As the result the total change in

cash flows for 2015 was an additional $11 1 million of cash inflows of which $4 4 million was for operating activities and $6 7 million was for investing activities The increase was the result of the $11 1 million net transfer of cash to restricted cash as part of our joint venture debt arrangements For the year ended December 31 2014 total cash outflows decreased by $0 2 million all of which was classified within operating activities as the result of transferring cash to restricted cash during the year

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 ASU 2017 01 is effective for fiscal years beginning after December 15 2019 with early adoption permitted We do not expect the adoption of this standard to have a material impact on our consolidated results of operations financial position cash flows and related financial statement disclosures

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 ASU 2017 04 is effective for fiscal years beginning after December 15 2019 with early adoption permitted for interim or annual goodwill impairment tests performed after January 1 2017 Upon adoption we will follow the guidance in this standard for goodwill impairment testing

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

3 Business Segments

We have three operating segments company operated hotels franchised hotels and entertainment 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 All balances have been presented after the elimination of inter segment and intra segment revenues and expenses

Selected financial information is provided below (in thousands)

Year ended December 31 2016	Company Operated Hotels	Franchised Hotels	Entertainment	Other	Total
Revenue	$ 123 589	$ 24 634	$ 15 719	$ 128	$ 164 070
Segment operating expenses	$ 97 520	$ 19 315	$ 13 635	$ 42	$ 130 512
Depreciation and amortization	14 176	890	186	1 029	16 281
Other operating expenses and gains on asset disposition	2 697	2 113	(1)	10 715	15 524
Operating income (loss)	$ 9 196	$ 2 316	$ 1 899	$ (11 658)	$ 1 753
Capital expenditures	$ 31 738	$ —	$ 104	$ 2 868	$ 34 710
Identifiable assets as of December 31 2016	$ 260 583	$ 66 601	$ 5 580	$ 11 771	$ 344 535

Year ended December 31 2015	Company Operated Hotels	Franchise Hotels	Entertainment	Other	Total
Revenue	$ 119 773	$ 12 039	$ 11 057	$ 51	$ 142 920
Segment operating expenses	$ 95 643	$ 11 233	$ 10 118	$ 35	$ 117 029
Depreciation and amortization	11 675	604	254	782	13 315
Other operating expenses and gains on asset disposition	(9 296)	239	—	8 532	(525)
Operating income (loss)	21 751	(37)	685	(9 298)	13 101
Capital expenditures	$ 46 991	$ 20	$ 20	$ 1 361	$ 48 392
Identifiable assets as of December 31 2015	$ 255 876	$ 20 180	$ 5,256	$ 5 906	$ 287 218

Year ended December 31 2014	Company Operated Hotels	Franchised Hotels	Entertainment	Other	Total
Revenue	$ 118 616	$ 9 618	$ 17 115	$ 77	$ 145 426
Segment operating expenses	$ 94 241	$ 7 004	$ 14 785	$ 318	$ 116,348
Depreciation and amortization	11 394	49	349	970	12 762
Other operating expenses and gains on asset disposition	1 174	—	—	8 383	9 557
Operating income (loss)	11 807	2 565	1 981	(9 594)	6 759
Capital expenditures	$ 24 255	$ 20	$ 241	$ 375	$ 24 891
Identifiable assets as of December 31 2014	$ 190 332	$ 9 807	$ 6 161	$ 15 010	$ 221 310

4 Variable Interest Entities

Our joint venture entities have been determined to be variable interest entities (VIEs) and RLHC 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 (2) RLS Balt Venture (3) RLS Atla Venture and (4) RLS DC Venture See Note 2 for discussion of the significant judgments and assumptions made by us in determining whether an entity is a VIE and if we are the primary beneficiary and therefore must consolidate the VIE See Note 7 for further discussion of the terms of the long term debt at each of the joint venture entities

RL Venture

In January 2015 we transferred 12 of our wholly-owned hotels into RL Venture a newly created entity that was initially wholly-owned by us Subsequently we sold a 45% ownership stake in RL Venture to Shelbourne Falcon RLHC Hotel Investors LLC (Shelbourne Falcon) an entity that is led by Shelbourne Capital LLC (Shelbourne) We maintain a 55% interest in RL Venture and the 12 hotels are managed by RL Management, one of our wholly-owned subsidiaries subject to a management agreement 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 involve and 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 consolidated financial statements When ownership changes without a loss of control GAAP requires the difference between consideration received and the carrying amount of a noncontrolling interest to be recorded in equity Accordingly we recognized $12 4 million upon sale of the equity interests as a reduction to RLHC s additional paid in capital

On October 6 2016 the sale of the Red Lion Hotel Coos Bay property (the Coos Bay property) in Coos Bay Oregon (which was included in our company operated hotels segment and was one of the original 12 properties included in the RL Venture joint venture entity) was completed for $5 7 million in net proceeds and a gain on sale of $1 5 million The hotel is now under a franchise

license agreement with RL Franchising as a Red Lion Hotel As required by the RL Venture debt agreement, at the time of the sale we used $4 9 million in proceeds to pay down the outstanding balance of the debt

Cash distributions are made periodically based on calculated distributable income In 2016 RL Venture made cash distributions of $8 0 million of which we received $4 4 million In 2015 RL Venture made cash distributions of $5 9 million of which we received $3 2 million

Refer to Note 7 for further discussion of the long term debt of RL Venture

RLS Balt Venture

In April 2015 we sold a 21% member interest in our wholly owned RLS Balt Venture to Shelbourne Falcon Charm City Investors LLC (Shelbourne Falcon II) an entity led by Shelbourne Shelbourne Falcon II had an option exercisable until December 31 2015 to purchase up to an additional 24% member interest for $2 3 million In December 2015 Shelbourne Falcon II elected to purchase additional member interests of 6% based on an aggregate purchase price of $560 000 With the sale of additional member interest without a corresponding change in control $0 1 million was recognized as an increase in RLHC s additional paid in capital RL Baltimore LLC (RL Baltimore) which is wholly-owned by RLS Balt Venture owns the Hotel RL Baltimore Inner Harbor which is managed by RL Management RLS Balt Venture is considered a variable interest entity because our voting rights are not proportional to our financial interest and substantially all of RLS Balt Venture s activities involve and 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 II 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 73% equity interest and management fees As a result, we consolidate RLS Balt Venture The equity interest owned by Shelbourne Falcon II is reflected as a noncontrolling interest in the consolidated financial statements

In October 2015 RLHC provided $1 5 million to RLS Balt Venture to fund renovation costs and for operating losses This funding was not treated as a loan or as a capital contribution Rather it is preferred capital of RLS Balt Venture and will be repaid only when the Baltimore hotel property is sold or when RLS Balt Venture is liquidated Upon such an event, RLHC will receive the $1 5 million plus a preferred return of 11% compounded annually prior to any liquidation proceeds being returned to the members

Cash distributions are made periodically based on calculated distributable income There were no cash distributions made during the year ended December 31 2016 or 2015

Refer to Note 7 for further discussion of the long term debt of RLS Balt Venture

RLS Atla Venture

In September 2015 we formed a joint venture RLS Atla Venture with Shelbourne Falcon Big Peach Investors LLC (Shelbourne Falcon III) an entity led by Shelbourne We own a 55% interest in the joint venture and Shelbourne Falcon III 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 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 involve and 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 are made periodically based on calculated distributable income There were no cash distributions made during the year ended December 31 2016 or 2015

Refer to Note 7 for further discussion of the long term debt of RLS Atla Venture

RLS DC Venture

In October 2015 we formed a joint venture RLS DC Venture with Shelbourne Falcon DC Investors LLC (Shelbourne Falcon IV) an entity led by Shelbourne Initially we owned an 86% interest in the joint venture and Shelbourne Falcon IV owned a 14% interest On October 29 2015 RLH DC LLC (RLH DC) which is wholly owned by RLS DC Venture acquired 100% of The Quincy an existing hotel business now operated as the Hotel RL Washington DC in a business combination The property is managed by RL Management 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 involve and 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 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

As part of the organization of RLS DC Venture Shelbourne Falcon IV had an option to purchase from us up to an additional 31% of the member interests On February 3 2016 Shelbourne Falcon IV elected to purchase from us an additional 15% of the member interests of RLS DC Venture based on an aggregate purchase price of $ 1 5 million With the sale of the additional member interest without a corresponding change in control $0 2 million was recognized as an increase in additional paid in capital in February 2016 On April 1 2016 Shelbourne Falcon IV exercised the remaining option and purchased from us an additional 16% of the member interests of RLS DC Venture for $1 7 million which resulted in a further increase of $0 3 million to RLHC s additional paid in capital as we continue to consolidate RLS DC Venture since we are the primary beneficiary Following the April 1 2016 transaction we now own 55% of RLS DC Venture and Shelbourne Falcon IV owns 45% Shelbourne Falcon IV is still considered a noncontrolling interest in the consolidated financial statements

Cash distributions are made periodically based on calculated distributable income There were no cash distributions made during the year ended December 31 2016 or 2015

Refer to Note 7 for further discussion of the long term debt of RLS DC Venture

The acquisition of The Quincy was treated as a business combination under U S GAAP The purchase price was $22 7 million (net of cash acquired) and was allocated to the following assets and liabilities (in thousands)

	Fair Value
Current assets	
Accounts receivable	$ 176
Prepaid expenses and other	11
Total current assets	187
Property and equipment	22 500
Total assets acquired	22 687
Current liabilities	
Other accrued liabilities	36
Total liabilities assumed	36
Total net assets acquired	$ 22 651

Our consolidated results of operations for this property for the year ended December 31 2015 include revenue of $0 6 million acquisition costs of $0 8 million and a pre tax net loss of $1 4 million

The following unaudited supplemental pro forma results are based on the individual historical results of RLHC and The Quincy Hotel, with adjustments to give effect to the combined operations as if the acquisition had been consummated on January 1 2014 (in thousands)

	Year ended December 31	
	2015	2014
Revenues	$ 147 929	$ 150 314
Net income attributable to Red Lion Hotels Corporation	3 220	940

The significant nonrecurring adjustment, net of the estimated tax impact, is the elimination from the supplemental pro forma net income of acquisition costs incurred by RLHC pre acquisition totaling $0 8 million for the year ended December 31 2015

5 Property and Equipment

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

	December 31,	
	2016	2015
Buildings and equipment [1]	$ 251 731	$ 217 787
Furniture and fixtures	37 767	32 821
Landscaping and land improvements	7 928	7 253
	297 426	257 861
Less accumulated depreciation and amortization	(134 346)	(123 084)
	163 080	134 777
Land	43 193	43 242
Construction in progress	4 459	17 371
Property and equipment, net	$ 210 732	$ 195 390

(1) Capitalized interest included

On October 6 2016 the sale of the Red Lion Hotel Coos Bay property (the Coos Bay property) in Coos Bay Oregon (which was included in our company operated hotels segment) was completed for $5 7 million in net proceeds and a gain on sale of $1 5 million The hotel is now under a franchise license agreement with RL Franchising as a Red Lion Hotel

During 2014 we ceased the operation of the Red Lion Hotel Eugene in Eugene Oregon when we assigned our leased to a third party Accordingly all operations of this property have been classified as discontinued operations for all periods presented

The following table summarizes the results of discontinued operations for the periods indicated (in thousands)

	Year ended December 31
	2014
Revenues	$ 133
Operating expenses	(290)
Hotel facility and land lease	(30)
Depreciation and amortization	—
Loss on asset dispositions	—
Income tax (expense) benefit	—
Loss from operations of discontinued business units	(187)
Loss on disposal or impairment of the assets of discontinued business units	(2)
Loss from discontinued operations	$ (189)

6 Goodwill and Intangible Assets

Goodwill represents the excess of the estimated fair value of the net assets acquired during business combinations over the net tangible and identifiable intangible assets acquired Goodwill has been recorded in 2016 and in prior years in connection with the acquisitions of certain franchise and entertainment businesses

The Red Lion, GuestHouse and Settle Inn & Suites brand names are identifiable indefinite lived intangible assets that represent the separable legal rights to tradenames and associated trademarks We acquired the Red Lion brand name in a business combination we entered into in 2001 We purchased the GuestHouse and Settle Inn & Suites brand names from GuestHouse International LLC in April 2015 and have allocated $5 4 million of the final purchase price to the brand name

On September 30 2016 we acquired substantially all of the assets and assumed certain liabilities of Vantage Hospitality Group Inc (Vantage) including customer contracts and brand names (see Note 16) The brand names include 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 Based on our purchase price allocation, we allocated $30 0 million to brand names Based on our intent with the brands acquired, we determined that certain of the brands are indefinite lived based on our intent to hold and maintain the brands The total of the purchase price allocated to indefinite lived brand names was $27 2 million We also acquired certain brand names that we intend to sunset in the future The total of the purchase price allocated to finite lived brand names was $2 8 million with a weighted average remaining useful life of 8 8 years

In the table below the customer contracts represent the franchise license agreements acquired with the GuestHouse and Vantage acquisitions For GuestHouse we allocated $3 4 million of the final purchase price to the customer contracts GuestHouse franchise license agreements are amortized over 10 years which represents the period of expected cash flows using an accelerated amortization method that matches the economic benefit of the agreements For Vantage we allocated $8 4 million to customer contracts and are amortizing them over 15 years which represents the period of expected cash flows using an accelerated amortization method that matches the economic benefit of the agreements

Certain of our brand names and trademarks are considered to have indefinite lives We assess goodwill and the other indefinite lived intangible assets for potential impairments annually as of October 1 or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the assets We did not impair any goodwill or intangible assets during the years ended December 31 2016 2015 or 2014

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

	Year ended December 31	
	2016	2015
Goodwill	$ 12 566	$ 8 512
Intangible assets		
Brand names indefinite lived	$ 39 704	$ 12 314
Brand names finite lived	2 664	—
Customer contracts	10 352	2 853
Trademarks	134	134
Total intangible assets	$ 52 854	$ 15 301

Goodwill and other intangible assets attributable to each of our business segments at December 31 2016 and 2015 were as follows (in thousands)

	Year ended December 31			
	2016		2015	
	Goodwill	Intangible Assets	Goodwill	Intangible Assets
Company operated hotels	$ —	$ 4 660	$ —	$ 4 659
Franchised hotels	9 405	48 188	5 351	10 636
Entertainment	3 161	6	3 161	6
Total	$ 12 566	$ 52 854	$ 8 512	$ 15 301

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

	Year ended December 31	
	2016	2015
Historical cost	$ 3 273	$ 3 420
Customer contracts acquired from Vantage	8 400	—
Finite lived brand names acquired from Vantage	2 751	—
Accumulated amortization	(1 408)	(567)
Net carrying amount	$ 13 016	$ 2 853

As of December 31 2016 estimated future amortization expenses related to intangible assets is as follows (in thousands)

Year Ending December 31	Amount
2017	$ 2 053
2018	1 798
2019	1 610
2020	1 419
2021	1 261
Thereafter	4 875
Total	$ 13 016

7 Long-Term Debt

The current and non current portions of long term debt as of December 31 2016 and 2015 are as follows

	Year ended December 31,			
	2016		2015	
	Current	Non-Current	Current	Non-Current
RL Venture	$ 1 375	$ 69 841	$ —	$ 56 307
RL Baltimore	—	13 300	—	13 300
RLH Atlanta	40	9 360	—	6 000
RLH DC	54	16 628	—	15 165
Total debt	1 469	109 129	—	90 772
Unamortized debt issuance costs	—	(2 267)	—	(3 215)
Long term debt net of debt issuance costs	$ 1 469	$ 106 862	$ —	$ 87 557

The collateral for each of the borrowings within the joint venture entities is the assets and proceeds of each respective entity

RL Venture

In January 2015 RL Venture Holding LLC a wholly owned subsidiary of RL Venture and each of its 12 wholly owned subsidiaries entered into a loan agreement with Pacific Western Bank. 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 12 hotels owned by the subsidiaries We drew $19 9 million during the year ended December 31 2016 We repaid $4 9 million of the outstanding debt balance in accordance with the repayment requirements of the debt agreement, on October 6 2016 in connection with the sale of the Coos Bay property At December 31 2016 there were unamortized debt issuance fees of $1 4 million

The loan matures in January 2019 and has a one year extension option Interest under the advanced portions of the loan is payable monthly at LIBOR plus 4 75% Fixed monthly principal payments begin in January 2017 in an amount that would repay the outstanding principal balance over a twenty five year amortization period

The liabilities of RL Venture other than its long-term debt are non recourse to our general credit and assets The long term debt is non recourse as to RLHC but several investors in RL Venture including us are guarantors regarding completion of certain improvements to the hotels environmental covenants in the loan agreement losses incurred by the lender and in the event of a voluntary bankruptcy filing involving RL Venture any of its subsidiaries or the guarantors RLHC has no other obligation to provide financial support to RL Venture

The loan requires us to comply with customary reporting and operating covenants applicable to RL Venture including requirements relating to debt service loan coverage ratios It also includes customary events of default We were in compliance with these covenants at December 31 2016

RL Baltimore

In April 2015 RL Baltimore obtained a new 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 At December 31 2016 there were unamortized debt issuance fees of $0 4 million

The loan matures in May 2018 and has two one -year extension options Interest under the advanced portions of the loan is payable monthly at LIBOR plus 6 25% No principal payments are required during the initial term of the loan Principal payments of $16 000 per month are required beginning in May 2018 if the extension option is exercised

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 RL Baltimore under the loan agreement is generally non recourse However the lender may obtain a judgment against RL Baltimore 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 RLHC has guaranteed these recourse obligations of RL Baltimore and agreed to customary reporting and operating covenants We were in compliance with these covenants at December 31 2016

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 is expected to open in the first quarter of 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 We drew $3 4 million during the year ended December 31 2016 At December 31 2016 there were unamortized debt issuance fees of $0 1 million

The loan matures in September 2018 and has two one year extension options Interest under the advanced portions of the loan is payable monthly at LIBOR plus 6 35% Monthly principal payments of $10 000 are due beginning in September 2017

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 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 RLHC has guaranteed these recourse obligations of RLH Atlanta and agreed to customary reporting and operating covenants We were in compliance with these covenants at December 31 2016

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 We drew $1 5 million additional funds during the year ended December 31 2016 At December 31 2016 there were unamortized debt issuance costs of $0 3 million

The loan matures in October 2019 and has a one year extension option Interest under the advanced portions of the loan is payable monthly at LIBOR plus 4 55% Fixed monthly principal payments begin in October 2018 in an amount that would repay the outstanding principal balance over a twenty five year amortization period

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 RLHC has guaranteed these recourse obligations of RLH DC and agreed to customary reporting and operating covenants We were in compliance with these covenants at December 31 2016

Wells Fargo

In January 2015 in connection with the RL Venture transaction, we repaid the outstanding balance of our Wells Fargo term loan We recognized a $1 1 million Loss on early retirement of debt on the Consolidated Statements of Comprehensive Income (Loss) related to termination fees and write-off of the previously recorded unamortized debt issuance costs

In January 2015 in connection with the sale of the Bellevue property we terminated the $10 million revolving credit facility associated with the term loan There was no outstanding balance on the credit facility at the termination

Debentures

In December 2015 Red Lion Hotels Capital Trust (the Trust) redeemed $29 9 million of its issued and outstanding 9 5% Trust Preferred Securities and all $0 9 million of its issued and outstanding 9 5% Trust Common Securities for a total redemption price of $30 8 million The redemptions occurred concurrently with our redemption of all $30 8 million of our 9 5% Junior Subordinated Debentures due 2044 all of which were held by the Trust We recognized a $1 7 million Loss on early retirement of debt on the Consolidated Statement of Comprehensive Income (Loss) on the redemptions primarily as the result of the write off of unamortized prepaid debt costs

Contractual maturities for long term debt outstanding at December 31 2016 for the next five years are summarized by the year as follows (in thousands)

Year ending December 31,	**Amount**
2017	$ 1 469
2018	24 442
2019	84 687
2020	—
2021	—
Total	$ 110 598

8 Derivative Financial Instruments

We do not enter into derivative transactions for trading purposes but rather to hedge our exposure to interest rate fluctuations 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 standard 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)

RL Venture

As required under our RL Venture loan we entered into an interest rate cap with Commonwealth Bank of Australia to cap our interest rate exposure The cap had an original notional amount of $80 0 million and caps the LIBOR reference rate at 4 0% The cap expires in January 2018 At December 31 2016 the valuation of the interest rate cap resulted in the recognition of an asset with minimal value which is included in Other assets net on the Consolidated Balance Sheets

RL Baltimore

As required under our RL Baltimore loan we entered into an interest rate cap with Commonwealth Bank of Australia to cap our interest rate exposure The cap had an original notional amount of $13 3 million and caps the LIBOR reference rate at 3 0% The cap expires in May 2018 At December 31 2016 the valuation of the interest rate cap resulted in the recognition of an asset with minimal value which is included in Other assets net on the Consolidated Balance Sheets

RLH Atlanta

As required under our RLH Atlanta loan we entered into an interest rate cap with SMBC Capital Markets Inc to cap our interest rate exposure The cap had an original notional amount of $9 4 million and caps the LIBOR reference rate at 3 0% The cap expires in September 2018 At December 31 2016 the valuation of the interest rate cap resulted in the recognition of an asset with minimal value which is included in Other assets net on the Consolidated Balance Sheets

RLH DC

As required under our RLH DC loan we entered into an interest rate cap with Commonwealth Bank of Australia to cap our interest rate exposure The cap had an original notional amount of $17 5 million and caps the LIBOR reference rate at 3 0% The cap expires in November 2018 At December 31 2016 the valuation of the interest rate cap resulted in the recognition of an asset with minimal value which is included in Other assets net on the Consolidated Balance Sheets

Wells Fargo

In January 2015 in connection with the early retirement of the Wells Fargo credit facility we settled and terminated the associated interest rate swap with Wells Fargo The outstanding notional amount at the time of the termination was approximately $16 2 million Of the $2 8 million Loss on early retirement of debt on the Consolidated Statements of Comprehensive Income (Loss) $1 2 million resulted from the termination of the credit facility and the swap including $0 2 million related specifically to the swap

9 Stockholders' Equity

We are authorized to issue 50 million shares of common stock, par value $0 01 per share and five million shares of preferred stock, par value $0 01 per share As of December 31 2016 there were 23 434 480 shares of common stock issued and outstanding and no shares of preferred stock issued and outstanding The board of directors has the authority without action by the shareholders to designate and issue preferred stock in one or more series and to designate the rights preferences and privileges of each series which may be greater than the rights of the common stock

In December 2016 we completed an underwritten public offering of 2 5 million shares with net proceeds to the company of $18 5 million

Each holder of common stock is entitled to one vote for each share held on all matters to be voted upon by the shareholders with no cumulative voting rights Holders of common stock are entitled to receive ratably the dividends if any that are declared from time to time by the board of directors out of funds legally available for that purpose The rights preferences and privileges of the holders of common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate in the future

Stock Incentive Plans

The 2006 Stock Incentive Plan authorizes the grant or issuance of various option and other awards including restricted stock units and other stock based compensation The plan was approved by our shareholders and allowed awards of 2 0 million shares subject to adjustments for stock splits stock dividends and similar events No further stock option grants or other awards are permitted under the terms of the 2006 plan

The 2015 Stock Incentive Plan authorizes the grant or issuance of various option and other awards including restricted stock units and other stock based compensation The plan was approved by our shareholders and allows awards of 1 4 million shares subject to adjustments for stock splits stock dividends and similar events As of December 31 2016 there were 572 104 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 stock-based compensation expense is as follows

	Year ended December 31		
	2016	2015	2014
	(In thousands)		
Stock options	$ 51	$ —	$ —
Restricted stock units	2 135	1 476	930
Unrestricted stock awards	419	437	507
ESPP	35	19	18
Total stock based compensation	$ 2 640	$ 1 932	$ 1 455

Stock based compensation expense includes $0 3 million of expense recorded upon the separation of our former Executive Vice President and Chief Financial Officer in 2014

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 2015 or 2014

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 2016 is as follows

	Number of Shares	Weighted Average Exercise Price
Balance January 1 2016	71 676	$ 10 41
Options granted	81 130	$ 8 20
Options exercised	(200)	$ 8 74
Options forfeited	(19 738)	$ 11 41
Balance December 31 2016	132 868	$ 8 91
Exercisable December 31 2016	51 738	$ 10 03

Additional information regarding stock options outstanding and exercisable as of December 31 2016 is presented below

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Expiration Date	Exercise Price	Aggregate Intrinsic Value (1)	Number Exercisable	Exercise Price	Aggregate Intrinsic Value (1)
$8 20	81 130	9 24	2026	$ 8 20	$ 12	—	$ —	$ —
$8 74	36 093	1 39	2018	8 74	—	36 093	8 74	—
$13 00	15 645	0 38	2017	13 00	—	15 645	13 00	—
	132 868	6 06	2017 2026	$ 8 91	$ —	51 738	$ 10 03	$ —

(1) The aggregate intrinsic value 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 2016 based upon our closing stock price of $8 35

Restricted Stock Units, Shares Issued as Compensation

During 2016 2015 and 2014 we granted 297 989 998 883 and 319 168 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 2016 2015 and 2014 there were 1 036 680 1 224 920 and 398 513 unvested restricted stock units outstanding respectively Since we began issuing restricted stock units approximately 21 1% of total restricted stock units granted have been forfeited

A summary of restricted stock unit activity for the year ended December 31 2016 is as follows

	Number of Shares	Weighted Average Grant Date Fair Value
Balance January 1 2016	1 224 920	$ 6 95
Granted	297 989	$ 8 19
Vested	(155 087)	$ 6 57
Forfeited	(331 142)	$ 7 24
Balance December 31 2016	1 036 680	$ 7 27

155 087 shares of common stock were issued to employees in 2016 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 2016 2015 and 2014 was approximately $1 1 million $1 0 million and $0 7 million respectively

During 2016 2015 and 2014 we recognized approximately $2 2 million $1 5 million and $0 9 million respectively in compensation expense related to these grants and expect to record an additional $5 3 million in compensation expense over the remaining weighted average vesting periods of approximately 30 months

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 expensed when granted The fair value of unrestricted stock awards is the market close price of our common stock on the date of the grant

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

	2016	2015	2014
Shares of unrestricted stock granted	54 864	60 499	88 363
Weighted average grant date fair value per share	$ 7 67	$ 7 18	$ 5 71

Employee Stock Purchase Plan

In 2008 we adopted a new employee stock purchase plan (ESPP) upon expiration of our previous plan Under the ESPP 300 000 shares of common stock are authorized for purchase by eligible employees 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 2016 2015 and 2014 there were 29 795 22 037 and 14 427 shares respectively issued, and approximately $35 000 $19 000 and $18 000 was recorded in compensation expense related to the discount associated with the plan in each year respectively

	2016	2015	2014
Shares of stock sold to employees	29 795	22 037	14 427
Weighted average fair value per ESPP award	$ 5 97	$ 5 03	$ 4 84

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 recorded 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 2016 all warrants were still outstanding

10 Income Taxes

Major components of the income tax expense from continuing operations for the years ended December 31 2016 2015 and 2014 are as follows (in thousands)

	Year ended December 31,		
	2016	2015	2014
Current			
Federal benefit	$ —	$ —	$ —
State expense	63	26	25
Deferred (benefit) expense	249	59	6
Income tax (benefit) expense	$ 312	$ 85	$ 31

The differences between income taxes expected at the U S federal statutory income tax rate of 34 percent and the reported income tax (benefit) expense are summarized as follows (in thousands except percentages)

	December 31,					
	2016		2015		2014	
	Amount	%	Amount	%	Amount	%
(Benefit) expense provision at federal statutory rate	$ (1 540)	34 0 %	$ 1 394	34 0 %	$ 858	34 0 %
State tax (benefit) expense	70	1 5 %	3	0 1 %	23	0 9 %
Effect of tax credits	10	0 2 %	(152)	3 7 %	(173)	6 9 %
Non controlling interest	163	3 6 %	(441)	10 7 %	—	— %
Other	(373)	8 2 %	131	3 2 %	286	11 3 %
Valuation allowance	1 982	-43 8 %	(850)	20 7 %	(963)	38 2 %
Income tax (benefit) expense	312	-6 9 %	85	2 2 %	31	1 2 %
Effect of discontinued operations	—	— %	—	— %	—	— %
Income tax (benefit) expense from continuing operations	$ 312	6 9 %	$ 85	2 2 %	$ 31	1 2 %

Significant components of the net deferred tax assets and liabilities at December 31 2016 and 2015 are as follows (in thousands)

	December 31,			
	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Property and equipment	$ —	$ 1 770	$ —	$ 2 293
Brand name	—	6 130	—	2 461
Other intangible assets	—	254	—	158
RL Venture	—	2 608	—	2 924
RL Baltimore	—	110	—	71
RLH DC	170	—	271	—
RL Atlanta	—	34	—	—
Gain on sale leaseback	307	—	474	—
Tax credit carry forwards	4 620	—	4 630	—
Federal and state net operating losses	7 097	—	6 482	—
Other	4 698	—	1 054	—
Valuation allowance	(11 702)	—	(7 876)	—
Total	$ 5 190	$ 10 906	$ 5 035	$ 7 907

At December 31 2016 and 2015 we had federal gross operating loss carryforwards of approximately $18 2 million and $16 4 million respectively state gross operating loss carryforwards of approximately $18 6 million and $18 9 million respectively and federal and state tax credit carryforwards of approximately $4 6 million in both years The federal net operating loss carryforwards will expire beginning in 2032 and the state net operating loss carryforwards will expire beginning in 2017 the tax credit carryforwards will begin to expire in 2024

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 There was a minimal three year cumulative income as of December 31 2016 We do not believe this was sufficient evidence to avoid recording the valuation allowance as the profitability of the three year period was not consistent Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth

On the basis of this evaluation, as of December 31 2016 a valuation allowance of $11 7 million has been 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 our projections for growth Should we determine we will be able

to realize our 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 for the years ended December 31 is as follows (in thousands)

	Valuation Allowance [1]
Balances January 1 2014	$ 5 893
Decrease during period	(977)
Balances December 31 2014	4 916
Increase during period	2 960
Balances December 31 2015	7 876
Increase during period	3 826
Balances December 31 2016	$ 11 702

[1] The change in the valuation allowance shown in this table does not correspond to the annual valuation allowance amounts show in the rate reconciliation table for the years 2014 2015 and 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 2016 and 2015 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 We account for penalties and interest related to unrecognized tax benefits as a component of income tax expense 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 2013

11 Fair Value of Financial Instruments

Estimated fair values of financial instruments (in thousands) are shown in the table below The carrying amounts for cash and cash equivalents and accounts receivable are reasonable estimates of their fair values due to their short maturities The carrying amounts for short term investments are reasonable estimates of their fair values due to interest rates which are variable in nature and a put provision at par plus accrued interest 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 Fair values of interest rate caps and swaps are valued using interest rate yield curves which are Level 2 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

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash cash equivalents and restricted cash	$ 47 609	$ 47 609	$ 35 202	$ 35 202
Short term investments	—	—	18 085	18 085
Accounts receivable	10 852	10 852	7 671	7 671
Accounts receivable from related parties	1 865	1 865	493	493
Notes receivable	1 295	1 295	2 605	2 605
Interest rate caps	4	4	42	42
Financial liabilities				
Total debt	$ 110 598	$ 107 858	$ 90 772	$ 94 029
Total capital lease obligations	1 147	1 147	—	—

12. 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 2016 2015 and 2014 (in thousands except per share amounts)

	Year ended December 31		
	2016	2015	2014
Numerator basic and diluted			
Net Income (loss) from continuing operations	$ (4 840)	$ 4 016	$ 2 492
Less net income or loss attributable to noncontrolling interest	163	(1 297)	—
Income (loss) from continuing operations attributable to RLHC	(4 677)	2 719	2 492
Loss from discontinued operations	—	—	(189)
Net income (loss) attributable to RLHC	$ (4 677)	$ 2 719	$ 2 303
Denominator			
Weighted average shares basic	20 427	19 983	19 785
Weighted average shares diluted	20 427	20 200	19 891
Earnings (loss) per share - basic			
Income (loss) from continuing operations attributable to RLHC	$ (0 23)	$ 0 14	$ 0 13
Loss from discontinued operations	$ —	$ —	$ (0 01)
Net income (loss) attributable to RLHC	$ (0 23)	$ 0 14	$ 0 12
Earnings (loss) per share - diluted			
Income (loss) from continuing operations attributable to RLHC	$ (0 23)	$ 0 13	$ 0 13
Loss from discontinued operations	$ —	$ —	$ (0 01)
Net income (loss) attributable to RLHC	$ (0 23)	$ 0 13	$ 0 12

The following table presents options to purchase common shares restricted stock units outstanding and warrants to purchase common shares included in the earnings per share calculation and the amount excluded from the dilutive earnings per share calculation as they were considered antidilutive for years ended December 31 2016 2015 and 2014 As part of the Vantage acquisition, up to an additional 690 000 shares may be issued with the one year and two year contingent consideration earn outs (see Note 16) These shares would not be included in basic shares outstanding until the period the contingency is resolved For purposes of calculating earnings per share the income or expense recognized during the period that is related to the changes in likelihood of paying the equity portion of the contingent consideration is added back to net income/loss For 2016 the Vantage contingent shares are antidilutive due to the net loss attributable to RLHC Also in 2016 we recognized $124 000 of expense related to changes in fair value associated with the contingent consideration of shares

	Year ended December 31		
	2016 [1]	2015	2014
		(in thousands)	
Stock Options			
Dilutive awards outstanding	—	—	—
Antidilutive awards outstanding	133	72	75
Total awards outstanding	133	72	75
Restricted Stock Units			
Dilutive awards outstanding	—	179	106
Antidilutive awards outstanding	1 037	1 045	294
Total awards outstanding	1 037	1 225	399
Warrants			
Dilutive awards outstanding	—	38	—
Antidilutive awards outstanding	443	404	—
Total awards outstanding	443	443	—
Shares for Vantage Contingent Consideration			
Dilutive awards outstanding	—	—	—
Antidilutive awards outstanding	690	—	—
Total awards outstanding	690	—	—
Total dilutive awards outstanding	—	217	106

[1] All antidilutive shares are reported as shares outstanding due to net loss attributable to RLHC

13 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

14 Operating and Capital Lease Commitments

The table below summarizes the terms of the leases including extension periods at our option as of December 31 2016

Property	Expiration date of lease	Extension periods
Red Lion River Inn	October 2018	Three renewal terms of five years each
Red Lion Hotel Seattle Airport [1]	December 2024	None
Red Lion Anaheim [1]	April 2021	17 renewal terms of five years each
Red Lion Hotel Kalispell	April 2028	Three renewal terms of five years each
Hotel RL Washington DC [1]	December 2080	None
Spokane Washington Office	December 2017	None
Denver Colorado Office	November 2021	One renewal term of five years
Coral Springs Florida Office	April 2018	Two renewal terms of 3 years each

[1] Ground lease only

In addition, we are obligated under capital leases for certain hotel equipment at our company operated hotel locations The

leases typically have a five year term The equipment assets are included within our property and equipment balance and are depreciated over the lease term

Total future minimum payments due under all current term operating and capital leases at December 31 2016 are as indicated below (in thousands)

Year Ending December 31,	Total Lease Obligation	Operating Lease Obligation	Capital Lease Obligation
2017	$ 5 932	5 678	254
2018	5 245	4 980	265
2019	4 581	4 316	265
2020	4 533	4 294	239
2021	2 876	2 752	124
Thereafter	63 453	63 453	—
Total	$ 86 620	85 473	1 147

Total rent expense from continuing operations under leases for the years ended December 31 2016 2015 and 2014 was $5 7 million $7 4 million and $5 9 million respectively which represents the total of amounts shown within Hotel facility and land lease expense as well as amounts included within Franchise Entertainment and General and Administrative operating expenses on our consolidated statements of comprehensive income (loss)

15 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 Capital LLC (Shelbourne Capital) an investor relations fee each month equal to 0 50% of their total aggregate revenue The amount Shelbourne Capital earned from all four joint ventures during the year ended December 31 2016 and 2015 totaled $423 000 and $378 000 respectively Columbia Pacific Opportunity Fund, LP one of our company s largest shareholders is an investor in Shelbourne Falcon, our minority partner in RL Venture During each of the years ended December 31 2016 and 2015 Shelbourne Capital earned from RL Venture $366 000

RL Venture also agreed to pay CPA Development, LLC an affiliate of Columbia Pacific Opportunity Fund, LP a construction management fee of $200 000 related to the renovation projects During the year ended December 31 2016 and 2015 RL Venture paid $78 000 and $122 000 of this fee respectively

In May 2015 we entered into a management agreement with the owner (the LLC entity) of Red Lion Hotel Woodlake Conference Center Sacramento (a franchised property) A member of our board of directors is a 50% owner of the entity that serves as the manager member of the LLC entity During the year ended December 31 2016 and 2015 we recognized management fee and brand marketing fee revenue from the LLC entity of $107 000 and $129 000 respectively On December 12 2016 the LLC permanently closed the Red Lion Hotel Woodlake

Effective March 29 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 The hotel is owned by HNA Hudson Valley Resort & Training Center LLC an affiliate of HNA RLH Investments LLC one of our largest shareholders and is controlled by HNA Group North America LLC for which Enrico Marini Fichera, 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 larger During the year ended December 31 2016 we recognized management fee revenue from HNA Hudson Valley Resort & Training Center LLC of $87 000

The total amounts receivable from related parties primarily related to hotel management agreements were $1 9 million and $0 5 million at December 31 2016 and 2015 and are classified within *Accounts receivable from related parties* on our consolidated balance sheets

16 Business 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 increases our number of franchise

properties and provides 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 Americas 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

	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 RLHC stock paid to TESI which was valued at $5 8 million based on the closing price of RLHC 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 payable to TESI at the first and second anniversaries of the close date based on the attainment of certain performance criteria A minimum of $2 million of the additional consideration is not contingent and will be paid in equal amounts at the first and second anniversaries of the close date Payment of the contingent consideration is 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 as follows

	Year 1 Anniversary		Year 2 Anniversary		Total	
Threshold	Shares	Cash [1]	Shares	Cash [1]	Shares	Cash [1]
90% of room count at close	414 000	$ 4 000	276 000	$ 3 000	690 000	$ 7 000
80% of room count at close	310 500	3 000	207 000	2 250	517 500	5 250
Minimum	—	1 000	—	1 000	—	2 000

[1] in thousands

If the room counts are below the 80% thresholds at each anniversary date but the annual franchise revenue measured as the most recent twelve months ending on the anniversary date of the Vantage properties is equal to or exceeds the close date revenue benchmark, then the contingent consideration would be paid at the anniversary date based on the 90% threshold in the table above The contingent consideration is 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 are recognized within acquisition related 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 statement of comprehensive income (loss) For the fourth quarter we recognized $340 000 in expense associated with our updated assessment As of December 31 2016 the estimated fair value of the contingent consideration was $11 2 million Roger J Bloss and Bernard T Moyle were appointed to executive management positions at RLHC following the closing of the acquisition 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

The acquisition of Vantage was treated as a business combination under U S GAAP During the fourth quarter we completed the allocation of the final purchase price to the assets acquired and liabilities assumed based on estimated fair value assessments The following reflects our allocation of the final purchase price as of December 31 2016 (in thousands)

	Fair Value
Current assets	$ 2 436
Property and equipment	513
Intangible assets	38 395
Goodwill	4 053
Total assets acquired	45 397
Current liabilities	2 657
Deferred tax liabilities	2 556
Total liabilities	5 213
Total net assets acquired	$ 40 184

Intangible assets acquired are as follows

	Fair Value	Weighted Average Useful Life
Brand names indefinite lived	$ 27 244	Indefinite
Brand names finite lived	2 751	8 8 years
Customer contracts	8 400	15 years
Total intangible assets	$ 38 395	

We recognized finite lived intangible assets for three of the brand names acquired from Vantage We may sell franchises under these brands over the next year but we then intend to sunset the brands and transition the properties within these brands to other of the RLHC brands

We recognized $4 1 million of goodwill as the result of the acquisition recorded within our Franchise reporting segment A significant portion of the goodwill is the result of deferred tax liabilities recognized for the indefinite lived intangible assets The goodwill amount is deductible for tax purposes but a full valuation allowance is applied to the net deferred tax asset

Further we valued the assembled workforce in order to value the other intangible assets but we did not recognize the assembled workforce value as a separate asset It is included as part of goodwill

The following table presents the revenues and earnings from Vantage s operations that are included in our 2016 consolidated statements of comprehensive income (loss) (unaudited)

	September 30 2016 December 31 2016
	(in thousands)
Revenue	$ 8 855
Income from continuing operations before income taxes	1 496

The following supplemental pro forma results are based on the individual historical results of RLHC and Vantage with adjustments to give effect to the combined operations as if the acquisition had been consummated on January 1 2015 (unaudited)

	Year ended December 31	
	2016	2015
	(in thousands)	
Revenue	$ 188 272	$ 176 123
Income (loss) from continuing operations before income taxes	(453)	8 233

We recognized acquisition related expenses of $2 1 million during the year ended December 31 2016 and they are included within operating expenses on the consolidated statements of comprehensive income (loss)

17 Parent Company Financial Statements

RED LION HOTELS CORPORATION
CONDENSED BALANCE SHEET
(Parent Company Only)
December 31, 2016 and 2015

	2016	2015 (See Note 18)
	(In thousands)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 32 936	$ 16 672
Restricted cash	326	326
Short term investments	—	18 085
Accounts receivable net	17 674	8 172
Accounts receivable from related parties	1 865	493
Notes receivable	1 295	929
Inventories	200	224
Prepaid expenses and other	3 483	1 068
Total current assets	57 779	45 969
Investment in subsidiaries	42 875	49 902
Property and equipment, net	31 123	31 644
Goodwill	12 566	8,512
Intangible assets net	52 854	15 301
Notes receivable long term	—	1 676
Other assets net	1 561	2 519
Total assets	$ 198 758	$ 155 523
LIABILITIES		
Current liabilities		
Accounts payable	$ 6 415	$ 2 085
Accrued payroll and related benefits	4 625	4 400
Other accrued entertainment liabilities	11 334	10 411
Other accrued liabilities	2 680	1 637
Contingent consideration for acquisition due to related party due within one year	6 768	—
Total current liabilities	31 822	18 533
Contingent consideration for acquisition due to related party due after one year	4 432	—
Deferred income and other long term liabilities	1 452	1 326
Deferred income taxes	5 716	2 872
Total liabilities	43 422	22 731
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Red Lion Hotels Corporation stockholders equity		
Preferred stock	—	—
Common stock	234	201
Additional paid in capital common stock	171 089	143 901
Accumulated deficit	(15 987)	(11 310)
Total stockholders equity	155 336	132 792
Total liabilities and stockholders equity	$ 198 758	$ 155 523

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

RED LION HOTELS CORPORATION
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Parent Company Only)
For the Years Ended December 31, 2016 , 2015 and 2014

	2016	2015	2014
		(In thousands)	
Revenue			
Company operated hotels	$ 37 751	$ 44 778	$ 118 616
Other revenues from managed properties	36 546	28 847	—
Franchised hotels	24 634	12 039	9 618
Entertainment	15 719	11 057	17 115
Other	128	51	77
Total revenues	114 778	96 772	145 426
Operating expenses			
Company operated hotels	27 345	34 965	94 241
Other costs from managed properties	36 546	28 847	—
Franchised hotels	19 315	11 233	7 004
Entertainment	13 635	10 118	14 785
Other	42	35	318
Depreciation and amortization	4 976	5 087	12 762
Hotel facility and land lease	3 704	6 335	5 210
Gain on asset dispositions net	(857)	(17 838)	(4 006)
General and administrative expenses	11 109	9 819	8 353
Acquisition and integration costs	2 112	—	—
Total operating expenses	117 927	88 601	138 667
Operating income (loss)	(3 149)	8 171	6 759
Other income (expense)			
Interest expense	(112)	(2 882)	(4 575)
Gain (loss) on early retirement of debt	—	(2 847)	—
Equity in income of subsidiaries	(1 367)	(496)	—
Other income net	263	858	339
Other income (expense)	(1 216)	(5 367)	(4 236)
Income (loss) before taxes	(4 365)	2 804	2 523
Income tax expense (benefit)	312	85	31
Net income (loss) from continuing operations	(4 677)	2 719	2 492
Discontinued operations			
Loss from discontinued business units net of income tax benefit	—	—	(187)
Loss on disposal of the assets of the discontinued business units net of income tax benefit	—	—	(2)
Net income (loss) from discontinued operations	—	—	(189)
Net income (loss)	(4 677)	2 719	2 303
Comprehensive income (loss)			
Unrealized gains (losses) on cash flow hedge net of tax	—	—	(44)
Comprehensive income (loss)	$ (4 677)	$ 2 719	$ 2 259

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 2016 , 2015 , and 2014

	2016	2015	2014
		(In thousands)	
Operating activities			
Net income (loss)	$ (4 677)	$ 2 719	$ 2 303
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	4 968	5 087	12 762
Amortization of debt issuance costs	—	8	124
(Gain) loss on disposition of property equipment and other assets net	(857)	(17 841)	(4 006)
Loss on early retirement of debt	—	2 763	—
Deferred income taxes	288	59	6
Equity in investments	1 356	551	36
Stock based compensation expense	2 640	1 932	1 455
Provision for doubtful accounts	429	618	170
Fair value adjustments to contingent consideration	339	—	—
Change in current assets and liabilities			
Accounts receivable	(9 500)	(3 028)	(635)
Notes receivable	(110)	(167)	(153)
Inventories	24	304	198
Prepaid expenses and other	(2 224)	744	(890)
Accounts payable	3 751	(820)	(1 811)
Other accrued liabilities	151	2 761	1 399
Net cash provided by (used in) operating activities	(3 422)	(4 310)	10 958
Investing activities			
Capital expenditures	(3 512)	(3 921)	(24 891)
Acquisition of Vantage Hospitality	(22 603)	—	—
Purchase of GuestHouse International assets	—	(8 856)	—
Purchases of interests in investments in joint venture entities	—	(18 049)	—
Sales of interests in investments to joint venture partners	—	80 734	—
Distributions from investments in joint ventures	4 393	3 224	—
Proceeds from disposition of property and equipment	400	38 679	17 316
Proceeds from redemption of trust common securities	—	909	—
Collection of notes receivable related to property sales	2 309	3 509	1 914
Advance note receivable	(943)	(652)	—
Purchases of short term investments	—	(18 720)	—
Proceeds from sale of short term investments	18 085	635	—
Other net	77	28	61
Net cash provided by (used in) investing activities	(1 794)	77 520	(5 600)
Financing activities			
Repayment of long term debt	—	(30 528)	(12 973)
Repayment of debentures to Red Lion Hotels Capital Trust	—	(30 825)	—
Debt issuance costs	—	—	(6)
Proceeds from sale of interests in joint ventures	3 218	—	—
Reduction of additional paid in capital for repurchased restricted stock units	(353)	(347)	(150)
Proceeds from common stock offering, net	18 460	—	—
Other net	155	137	69
Net cash used in financing activities	21 480	(61 563)	(13 065)
Change in cash, cash equivalents and restricted cash			
Net increase (decrease) in cash, cash equivalents and restricted cash	16 264	11 647	(7 707)
Cash, cash equivalents and restricted cash at beginning of year	16 998	5 351	13 058
Cash, cash equivalents and restricted cash at end of year	$ 33 262	$ 16 998	$ 5 351

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

Wholly-owned subsidiaries
- Red Lion Hotels Holdings Inc
- Red Lion Hotels Franchising Inc
- Red Lion Hotels Canada Franchising Inc
- Red Lion Hotels Management, Inc (RL Management)
- Red Lion Hotels Limited Partnership
- TicketsWest com Inc

Joint venture entities
- RL Venture LLC
- RLS Atla Venture LLC
- RLS Balt Venture LLC
- RLS DC Venture LLC

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted since this information is included in the Company s consolidated financial statements included elsewhere in this Form 10 K

Restricted Cash

The FASB issued ASU 2016 18 *Statement of Cash Flows (Topic 230) Restricted Cash* to require that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of period and end of period total cash amounts shown on the statement of cash flows Consequently transfers between cash and restricted cash will not be presented as a separate line item in the operating investing or financing sections of the cash flow statement We early adopted this standard, as permitted, effective for the year ended December 31 2016 We have revised the consolidated statement of cash flows for the years ended December 31 2015 and 2014 to reflect the adoption of this standard As a result, the total change in cash flows for 2015 was an increase of $0 1 million of operating cash inflows For the year ended December 31 2014 total operating cash inflows increased by $0 2 million

In our consolidated statements of cash flows for the years ended December 31 2016 2015 and 2014 we include restricted cash with cash and cash equivalents when reconciling the beginning and ending balances for each period. The balances included in the consolidated statements of cash flows for the years ended December 31 are as follows

	2016	2015	2014
Cash and cash equivalents	$ 32 936	$ 16 672	$ 5 126
Restricted cash	326	326	225
Total cash cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 33 262	$ 16 998	$ 5 351

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

The table below summarizes the terms of the Company s operating leases including extension periods at our option as of December 31 2016

Property	Expiration date of lease	Extension periods
Red Lion River Inn	October 2018	Three renewal terms of five years each
Red Lion Hotel Seattle Airport [1]	December 2024	None
Red Lion Anaheim [1]	April 2021	17 renewal terms of five years each
Red Lion Hotel Kalispell	April 2028	Three renewal terms of five years each
Spokane Washington Office	December 2017	None
Denver Colorado Office	November 2021	One renewal term of five years
Coral Springs Florida Office	April 2018	Two renewal terms of 3 years each

[1] Ground lease only

Total future minimum payments due under all current term operating and capital leases at December 31 2016 are as indicated below (in thousands)

Year Ending December 31	Total Lease Obligation	Operating Lease Obligation	Capital Lease Obligation
2017	$ 4 672	$ 4 645	$ 27
2018	3 972	3 948	24
2019	3 293	3 283	10
2020	3 272	3 261	11
2021	1 720	1 713	7
Thereafter	4 095	4 095	—
Total	$ 21 024	$ 20 945	$ 79

C Revision of the Previously Issued Financial Statements for Correction of an Immaterial Error

We evaluated the Other accrued entertainment liabilities and determined it was understated by $1 2 million as of December 31 2013 We recorded a correction to increase Other accrued entertainment liabilities with a corresponding increase to accumulated deficit of $1 2 million as of January 1 2014 the earliest date presented in the financial statements We assessed the materiality of these errors on our prior quarterly and annual financial statements assessing materiality both quantitatively and qualitatively in accordance with the SEC s Staff Accounting Bulletin (SAB) No 99 and SAB No 108 and concluded that the errors were not material to any of our previously issued financial statements However in order to correctly present the entertainment liability on a go forward basis we revised our previously issued financial statements herein

As a result of the correction, we have revised certain amounts in our consolidated balance sheet as of December 31 2015

The effects of the revision on our condensed parent company only balance sheet as of December 31 2015 were as follows

Condensed Balance Sheet	December 31, 2015		
	As Previously Reported	Adjustments	As Revised
		(In thousands)	
Other accrued entertainment liabilities	$ 9 211	$ 1 200	$ 10 411
Total current liabilities	17 333	1 200	18 533
Total liabilities	21 531	1 200	22 731
Accumulated deficit	(10 110)	(1 200)	(11 310)
Total stockholders' equity	133 992	(1 200)	132 792

There was no impact on our condensed revenues operating expenses operating income earnings per share or cash flows for the years ended December 31 2015 and 2014 as a result of the revision

18 Revision of the Previously Issued Financial Statements for Correction of an Immaterial Error

We evaluated the Other accrued entertainment liabilities and determined it was understated by $1 2 million as of December 31 2013 We recorded a correction to increase Other accrued entertainment liabilities with a corresponding increase to accumulated deficit of $1 2 million as of Januarv 1 2014 the earliest date presented in the financial statements

As a result of the correction we have revised certain amounts in our consolidated balance sheet as of December 31 2015 and our consolidated statements of changes in stockholders equity for the years ended December 31 2015 and 2014 Adjustments prior to January 1 2014 have been recognized as a cumulative correction to the beginning accumulated deficit in the consolidated statements of changes in stockholders equity as of January 1 2014 We assessed the materiality of these errors on our prior quarterly and annual financial statements assessing materiality both quantitatively and qualitatively in accordance with the SEC s Staff Accounting Bulletin (SAB) No 99 and SAB No 108 and concluded that the errors were not material to any of our previously issued financial statements However in order to correctly present the entertainment liability on a go forward basis we revised our previously issued financial statements herein

The effects of the revision on our consolidated balance sheet as of December 31 2015 were as follows

	December 31 2015		
Consolidated Balance Sheet	**As Previously Reported**	**Adjustments**	**As Revised**
		(In thousands)	
Other accrued entertainment liabilities	$ 9 211	$ 1 200	$ 10 411
Total current liabilities	27 862	1 200	29 062
Total liabilities	119 617	1 200	120 817
Accumulated deficit	(10 110)	(1 200)	(11 310)
Total RLHC stockholders equity	133 992	(1 200)	132 792
Total stockholders equity	167 601	(1 200)	166 401

The effects of the revision on our consolidated statements of changes in stockholders equity were as follows

Consolidated Statements of Changes in Stockholders Equity	**As Previously Reported**	**Adjustments**	**As Revised**
		(In thousands)	
January 1 2014			
Accumulated deficit	$ (15 132)	$ (1 200)	$ (16 332)
RLHC total equity	137 209	(1 200)	136 009
Total equity	137 209	(1 200)	136 009
December 31 2014			
Accumulated deficit	$ (12 829)	$ (1 200)	$ (14 029)
RLHC total equity	140 837	(1 200)	139 637
Total equity	140 837	(1 200)	139 637
December 31 2015			
Accumulated deficit	$ (10 110)	$ (1 200)	$ (11 310)
RLHC total equity	133 992	(1 200)	132 792
Total equity	167 601	(1 200)	166 401

There was no impact on our consolidated revenues operating expenses operating income earnings per share or cash flows for the years ended December 31 2015 and 2014 as a result of the revision

EXHIBIT F

GUARANTEE OF PERFORMANCE

GUARANTEE OF PERFORMANCE

For value received, **RED LION HOTELS CORPORATION**, a Washington corporation located at **201 W NORTH RIVER DRIVE, SPOKANE, WASHINGTON 99201** (the "Guarantor"), absolutely and unconditionally guarantees the performance by **RED LION HOTELS FRANCHISING, INC**, located at **201 W NORTH RIVER DRIVE, SPOKANE, WASHINGTON 99201** (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/Franchise License Agreement identified in its 2017 Franchise Disclosure Document, as it may be amended, and as that Franchise/Franchise License 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/Franchise License Agreements are satisfied or until the liability of Franchisor to its franchisees under the Franchise/Franchise License 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 31st day of March, 2017

GUARANTOR

RED LION HOTELS CORPORATION

By _____

Name Thomas L McKeirnan

Title Director, Executive VP General Counsel and Secretary

EXHIBIT G

LIST OF FRANCHISEES

LIST OF FRANCHISEES AS OF ~~12/31/2015~~12/31/2016

Company	Address	City	State	Zip	Phone
Byrd Enterprises of Arizona Inc	1313 North Litchfield Road	Goodyear	AZ	85395	623-535-1313
New East Frontiers Inc	1413 Howe Avenue	Sacramento	CA	95825	916-641-7510
~~Sung Kull Kim~~W4K Inc	16921 East 32nd Avenue	Aurora	CO	80011	303-367-5000
LexDevCoJax Inc	1515 Prudential Drive	Jacksonville	FL	32207	904-396-5100
Atlantic View Partners Ltd	4299 Collins Avenue	Miami Beach	FL	33140	305-673-1513
Jai Shri Inc	2813 North Court Road	Ottumwa	IA	52501	641-682-0000
Arpip Inc	1604 West Fayette Avenue	Effingham	IL	62401	217-994-9949
~~Shalimar Corporation~~Indiana Hotel Equities LLC	~~1200 West Gannon Drive~~2500 South High School Road	~~Festus~~Indianapolis	~~MO~~IN	~~6302846~~241	~~636~~317-~~933~~244-~~1999~~3361
Rochester Airport Holdings LLC	911 Brooks Avenue	Rochester	NY	14624	585-328-6000

LIST OF FRANCHISEES SIGNED BUT NOT YET OPEN AS OF ~~12/31/2015~~12/31/2016

Company	Address	City	State	Zip	Phone
~~Bryd Enterprises of Arizona Inc~~	~~1313 North Litchfield Road~~	~~Goodyear~~	~~AZ~~	~~85395~~	~~623-535-1313~~
MC & Sons LLC	17560 Calle Del Adobe	Salinas	CA	93907	~~408-399-4949~~TBD

EXHIBIT H

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 ~~12/31/2015~~12/31/2016

~~[NONE]~~

Company	Address	City	State	Zip	Phone
Shalimar Corporation	1200 West Gannon Drive	Festus	MO	63028	636-933-1999

If you buy this franchise your contact information may be disclosed to other buyers when you leave the franchise system

EXHIBIT I

SAMPLE GENERAL RELEASE

RED LION HOTELS FRANCHISING, INC

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

Red Lion Hotels Franchising, Inc ("we " "us " or "our") and the undersigned franchisee _____ _____ ("you" or "your") currently are parties to a certain Membership Agreement (the Membership Agreement") dated _____ 20___ You have asked us to take the following action or to agree to the following request [insert as appropriate for renewal situation]___

_____

_____

_____

_____ We have the right under the Membership Agreement to obtain a general release from you (and if applicable your owners) as a condition of taking this action or agreeing to this request Therefore we are willing to take the action or agree to the request specified above if you (and if applicable your owners) give us the release and covenant not to sue provided below in this document You (and if applicable your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above

Consistent with the previous introduction you on your own behalf and on behalf of your successors heirs executors administrators personal representatives agents assigns partners owners directors officers principals employees and affiliated entities (collectively the "Releasing Parties) hereby forever release and discharge us and our current and former officers directors owners principals employees agents representatives affiliated entities successors and assigns (collectively the "Red Lion Parties") from any and all claims damages (known and unknown) demands causes of action suits duties liabilities and agreements of any nature and kind (collectively "Claims") that you and any of the other Releasing Parties now has ever had or but for this document hereafter would or could have against any of the Red Lion Parties including without limitation Claims (1) arising out of or related to the Red Lion Parties obligations under the Membership Agreement or (2) otherwise arising from or related to your and the other Releasing Parties relationship from the beginning of time to the date of your signature below with any of the Red Lion Parties You, on your own behalf and on behalf of the other Releasing Parties further covenant not to sue any of the Red Lion Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph

We also are entitled to a release and covenant not to sue from your owners By his her or their separate signatures below your owners likewise grant to us the release and covenant not to sue provided above

IF THE FACILITY YOU OPERATE UNDER THE MEMBERSHIP AGREEMENT IS LOCATED IN CALIFORNIA OR IF YOU ARE A RESIDENT OF CALIFORNIA THE FOLLOWING SHALL APPLY

SECTION 1542 ACKNOWLEDGMENT IT IS YOUR INTENTION ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM DEMAND OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM DEMAND OR CAUSE OF ACTION AGAINST THE RED LION PARTIES OF WHICH YOU HE SHE OR IT IS TOTALLY UNAWARE AND UNSUSPECTING WHICH YOU HE SHE OR IT IS GIVING UP BY EXECUTING THIS RELEASE IT IS YOUR INTENTION ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU HIM HER OR IT OF EACH SUCH CLAIM DEMAND OR CAUSE OF ACTION AND PREVENT YOU HIM HER, OR IT FROM ASSERTING IT AGAINST THE RED LION PARTIES IN FURTHERANCE OF THIS INTENTION YOU ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE WHICH PROVIDES AS FOLLOWS

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN THE CREDITOR'S FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY THE CREDITOR MUST HAVE MATERIALLY AFFECTED THE CREDITOR'S SETTLEMENT WITH THE DEBTOR "

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS INCLUDING WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS DEMANDS AND CAUSES OF ACTION

If the Facility is located in Maryland or if you are a resident of Maryland the following shall apply

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

[Signature Page Follows]

IN WITNESS WHEREOF the parties hereto have executed and delivered this release on the date stated on the first page hereof

RED LION HOTELS FRANCHISING, INC

Print Name _____

Title _____

By _____ Date _____

FRANCHISEE

_____

Print Name _____

Title _____

By _____ Date _____

FRANCHISEE OWNER

Print Name _____

Title _____

By _____ Date _____

Print Name _____

Title _____

By _____ Date _____

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 ~~MEMBERSHIP~~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 ~~5~~ 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 ~~Membership~~Franchise Agreement contains a provision that is inconsistent with the law and the law applies the law will control

The ~~Membership~~Franchise Agreement requires binding arbitration The arbitration will occur at a suitable location chosen by the arbitrator within a 50 mile radius of ~~Coral Springs Florida~~Spokane, Washington Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040 5 Code of Civil Procedure Section 1281 and the Federal Arbitration Act) to any provisions of the ~~Membership~~Franchise Agreement restricting venue to a forum outside the State of California

The ~~Membership~~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 ~~Membership~~Franchise Agreement requires application of the laws of the State of ~~Florida~~Washington This provision may not be enforceable under California law

The ~~Membership~~Franchise Agreement contains a liquidated damages clause Under California Civil Code Section 1671 certain liquidated damages clauses are unenforceable

The ~~Membership~~Franchise Agreement requires you to sign a general release of claims on renewal or transfer of the ~~Membership~~Franchise Agreement California Corporations Code Section 31512 provides that any condition stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516) Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043)

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 Section 41 of the Illinois Franchise Disclosure Act provides that any condition stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void

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 sections of Item 17(c) entitled **Requirements for franchisee to renew or extend** and Item 17(m) entitled **Conditions for franchisor approval of transfer**

However under COMAR 02 02 08 16L any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law

3 The following is added to the end of the Summary' section of Item 17(h) entitled **"Cause' defined – non-curable defaults**

The ~~Membership~~Franchise Agreement provides for termination upon bankruptcy This provision might not be enforceable under federal bankruptcy law (11 U S C Sections 101 et seq) but we will enforce it to the extent enforceable

4 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

5 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** The Item 6 line item of the Franchise Disclosure Document entitled "Accelerated Fees Upon Early Termination Following your Default or Termination by you Without Cause" 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 ~~Membership~~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 ~~Membership~~Franchise Agreement and 180 days' notice for non-renewal of the ~~Membership~~Franchise Agreement

Minn Stat Sec 80C 21 and Minn Rule 2860 4400J ~~might~~ 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 ~~Membership~~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 ~~Membership~~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

NEW YORK

1 The following paragraphs are added to the state cover page of the Franchise Disclosure Document

INFORMATION COMPARING FRANCHISORS IS AVAILABLE CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTMENT PROTECTION BUREAU, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT

2 *The following is added to the end of* Item 3 LITIGATION

With regard to the franchisor its predecessor a person identified in Item 2 or an affiliate offering franchises under the franchisor s principal trademark no such party

A Has an administrative criminal or civil action pending against that person alleging a felony violation of a franchise antitrust or securities law fraud embezzlement fraudulent conversion misappropriation of property unfair or deceptive practices or comparable civil or misdemeanor allegations In addition no such party has civil actions pending against that party other than routine litigation incidental to the business which are significant in the context of the number of franchisees and the size nature or financial condition of the franchise system or its business operations

B Has been convicted of a felony or pleaded nolo contendere to a felony charge or within the ten year period immediately preceding the application for registration has been convicted of or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action alleging violation of a franchise antitrust or securities law fraud embezzlement fraudulent conversion or misappropriation of property unfair or deceptive practices or comparable allegations

C Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under any federal state or Canadian franchise securities antitrust trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency or is subject to any currently effective order of any national securities association or national securities exchange as defined in the Securities and Exchange Act of 1934 suspending or expelling such person from membership in such association or exchange or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department including without limitation actions affecting a franchise as a real estate broker or sales agent

3 The following is added to the end of Item 4 BANKRUPTCY

Neither the franchisor its affiliate its predecessor officers or general partner have during the ten year period immediately preceding the date of the Disclosure Document (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code (b) obtained a discharge of its debts under the U S Bankruptcy Code or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under

~~the U S Bankruptcy Code during or within 1 year after that officer or general partner of ours held this position in the company or partnership~~

~~4 The following is added to the end of Item 5~~

~~We apply the initial franchise fee to defray our costs for site review and approval sales legal compliance salary and general administrative expenses and profits~~

~~5 The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend** and Item 17(m) entitled **Conditions for franchisor approval of transfer**~~

~~However to the extent required by applicable law all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force it being the intent of this proviso that the non waiver provisions of General Business Law Sections 687 4 and 687 5 be satisfied~~

~~6 The following is added to the end of the "Summary" section of Item 17(d) entitled **Termination by franchisee**~~

~~You may terminate the Membership Agreement on any grounds available by law~~

~~7 The following is added to the end of the "Summary" section of Item 17(j) entitled **Assignment of contract by franchisor**~~

~~No assignment will be made except to an assignee who in our good faith judgment is willing and able to assume our obligations under the Membership Agreement~~

~~8 The following is added to the end of the "Summary sections of Item 17(v) entitled **Choice of forum** and Item 17(w) entitled **Choice of law**~~

~~However the governing choice of law and choice of forum should not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York~~

NORTH DAKOTA

1 **Termination Fee** The Item 6 line item of the Franchise Disclosure Document entitled Accelerated Fees Upon Early Termination Following your Default or Termination by you Without Cause" will not be enforced to the extent prohibited by applicable law

2 The following is added to the end of the "Summary" sections of Item 17(c) entitled **Requirements for franchisee to renew or extend** and Item 17(m) entitled **Conditions for franchisor approval of transfer**

However any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law

3 The following is added to the end of the "Summary" section of Item 17(u) entitled **Dispute resolution by arbitration or mediation**

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree

4 The "Summary" section of Item 17(v) entitled **Choice of forum** is deleted and replaced with the following

Litigation must be exclusively in any court of competent jurisdiction within a 50-mile radius of ~~Coral Springs Florida~~Spokane, Washington except that subject to your arbitration obligation and to the extent required by North Dakota Franchise Investment Law you may bring an action in North Dakota

5 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 ~~Florida~~Washington 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 ~~Membership~~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 ~~paragraph~~language is added ~~at~~to the end of Item 17

~~If any of the provisions in this Franchise Disclosure Document or Membership Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19 100 180 or any other requirements of *the Washington Franchise Investment Protection Act (the* "Act") the provisions of the Act will prevail over the inconsistent terms of the Franchise Disclosure Document or Membership Agreement~~ 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 any arbitration involving a franchise purchased in Washington, the arbitration site shall be, either in the State of Washington, or in a place mutually agreed upon by the parties at the time of the arbitration, or as determined by the arbitrator

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 ~~MEMBERSHIP~~FRANCHISE AGREEMENT

RIDER TO THE RED LION HOTELS FRANCHISING, INC
~~MEMBERSHIP~~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 201 W North River Drive Spokane Washington 99201 ("we " "us " or "our") and _____ _____ whose principal business address is _____ _____ ("you" or "your")

1 **BACKGROUND** We and you are parties to that certain ~~Membership~~Franchise Agreement dated _____ 20___ (the "~~Membership~~Franchise Agreement") that has been signed concurrently with the signing of this Rider This Rider is annexed to and forms part of the ~~Membership~~Franchise Agreement This Rider is being signed because (a) any of the offering or sales activity relating to the ~~Membership~~Franchise Agreement occurred in Illinois and the Lexington® that you will operate under the ~~Membership~~Franchise Agreement will be located in Illinois and/or (b) you are domiciled in Illinois

2 **GOVERNING LAW, JURISDICTION AND VENUE** Section 13 10 of the ~~Membership~~Franchise Agreement is deleted and replaced with the following

> 13 10 **GOVERNING LAW, ~~JURISDICTION AND VENUE~~** ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U S C §§ 1 ET SEQ) EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT 15 U S C SECTIONS 1051 ET SEQ) OR OTHER UNITED STATES FEDERAL LAW THIS AGREEMENT THE FRANCHISE AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES- EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISE OWNER WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH

3 **WAIVER OF PUNITIVE DAMAGES CLAIMS AND WAIVER OF JURY TRIAL** The following language is added to the end of Sections 13 14 and 13 15 of the ~~Membership~~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 **NO CLASS ACTIONS** Section 13 16 of the ~~Membership~~Franchise Agreement is deleted and replaced with the following

> 13 16 **NO CLASS ACTIONS** 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 YOU OWE US OR OUR

AFFILIATE ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS HOWEVER NOTHING CONTAINED IN THIS SECTION SHALL CONSTITUTE A CONDITION STIPULATION OR PROVISION PURPORTING TO BIND ANY PERSON 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 13 23 of the ~~Membership~~Franchise Agreement

13 23 **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 ~~Membership~~Franchise Agreement

RED LION HOTELS FRANCHISING, INC a Washington corporation

By _____

Title _____

DATED _____

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

_____
[Name]

By _____

Title _____

DATED _____

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY)

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

RIDER TO THE RED LION HOTELS FRANCHISING, INC
~~MEMBERSHIP~~FRANCHISE AGREEMENT
FOR USE IN MARYLAND

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC** a ~~Florida~~Washington Corporation with its principal office at 201 W North River Drive Spokane Washington 99201 ("we " "us " or "our') and _____ _____ whose principal business address is _____ _____ _____ ("you" or "your")

1 **BACKGROUND** We and you are parties to that certain ~~Membership~~Franchise Agreement dated _____ 20__ (the "~~Membership~~Franchise Agreement") that has been signed concurrently with the signing of this Rider This Rider is annexed to and forms part of the ~~Membership~~Franchise Agreement This Rider is being signed because (a) you are domiciled in Maryland and/or (b) the Lexington® that you will operate under the ~~Membership~~Franchise Agreement will be located in Maryland

2 **REPRESENTATIONS AND WARRANTIES** The following is added to the end of Article 12 of the ~~Membership~~Franchise Agreement

> The acknowledgments or representations of the franchisee made in the ~~Membership~~Franchise Agreement which disclaim the occurrence and/or acknowledge the non-occurrence of acts that could 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

3 **RELEASES** The following is added to the end of Sections 2 2 d 6 1 b 9 2 d iii and 13 3 of the ~~Membership~~Franchise Agreement

> Pursuant to COMAR 02 02 08 16L any release required as a condition of sale renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law

4 **BANKRUPTCY** The following is added to the end of Subsection 10 3 o of the ~~Membership~~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)

5 **GOVERNING LAW, JURISDICTION AND VENUE** Section 13 10 of the ~~Membership~~Franchise Agreement is deleted and replaced with the following

> 13 10 **GOVERNING LAW, JURISDICTION AND VENUE** ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U S C §§ 1 ET SEQ) EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT 15 U S C SECTIONS 1051 ET SEQ) OR OTHER UNITED STATES FEDERAL LAW THIS AGREEMENT THE FRANCHISE AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ~~FLORIDA~~WASHINGTON WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES EXCEPT THAT (1) ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISE OWNER WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH AND (2)

MARYLAND LAW WILL APPLY TO CLAIMS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW

SUBJECT TO SUBSECTION 13 11 ~~AND THE OTHER PROVISIONS BELOW~~ YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED EXCLUSIVELY IN ANY COURT OF COMPETENT JURISDICTION WITHIN A 50-MILE RADIUS OF ~~CORAL SPRINGS FLORIDA~~SPOKANE, WASHINGTON AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS NOTWITHSTANDING THE FOREGOING YOU MAY BRING AN ACTION IN MARYLAND FOR CLAIMS ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW

~~6 **LIMITATION OF CLAIMS** The following is added to the end of Article 13 of the Membership Agreement~~

~~ANY LIMITATION ON THE PERIOD OF TIME ARBITRATION AND/OR LITIGATION CLAIMS MUST BE BROUGHT SHALL NOT ACT TO REDUCE THE THREE YEAR STATUTE OF LIMITATIONS AFFORDED A FRANCHISEE FOR BRINGING A CLAIM ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE 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 ~~Membership~~Franchise Agreement

RED LION HOTELS FRANCHISING, INC a Washington corporation

By _____

Title _____

DATED _____

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

_____
[Name]

By _____

Title _____

DATED _____

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY)

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

RIDER TO THE RED LION HOTELS FRANCHISING, INC
~~MEMBERSHIP~~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 201 W North River Drive, Spokane Washington 99201 ("we" "us" or "our") and _____ _____ whose principal business address is _____ _____ ("you" or "your")

1 **BACKGROUND** We and you are parties to that certain ~~Membership~~Franchise Agreement dated _____ 20___ (the "~~Membership~~Franchise Agreement") that has been signed concurrently with the signing of this Rider This Rider is annexed to and forms part of the ~~Membership~~Franchise Agreement This Rider is being signed because (a) the Lexington® that you will operate under the ~~Membership~~Franchise Agreement will be located in Minnesota and/or (b) any of the offering or sales activity relating to the ~~Membership~~Franchise Agreement occurred in Minnesota

2 **RELEASES** The following is added to the end of Sections 2 2 d 9 2 d iii and 13 3 of the ~~Membership~~Franchise Agreement

> Any release required as a condition of sale renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law

3 **RENEWAL AND TERMINATION** The following is added to the end of Sections 2 2 10 2 and 10 3 of the ~~Membership~~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

4 **CLAIMS AGAINST THE PROPRIETARY PROPERTY** The following is added to the end of Section 7 4 of the ~~Membership~~Franchise Agreement

> Provided you have complied with all provisions of this 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)

5 **ACCELERATED FEES** The following is added to the end of Section 11 5 a of the ~~Membership~~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

6 **GOVERNING LAW, JURISDICTION AND VENUE** Section 13 10 of the ~~Membership~~Franchise Agreement is deleted and replaced with the following

> 13 10 **GOVERNING LAW, JURISDICTION AND VENUE** ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U S C §§ 1 ET SEQ) EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT 15 U S C SECTIONS 1051 ET SEQ)

OR OTHER UNITED STATES FEDERAL LAW THIS AGREEMENT THE FRANCHISE AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ~~FLORIDA~~WASHINGTON WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES EXCEPT THAT (1) ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISE OWNER WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH AND (2) NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF YOUR RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80C OR YOUR RIGHT TO ANY PROCEDURE FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE

SUBJECT TO SUBSECTION 13 11~~ AND THE OTHER PROVISIONS BELOW~~ YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED EXCLUSIVELY IN ANY COURT OF COMPETENT JURISDICTION WITHIN A 50-MILE RADIUS OF ~~CORAL SPRINGS FLORIDA~~SPOKANE, WASHINGTON AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS 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 STATUTES CHAPTER 80C OR YOUR RIGHT TO ANY PROCEDURE FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE

7 **EXCEPTIONS TO ARBITRATION, EQUITABLE RELIEF** *The following is added to the end of* Section 13 12 of the ~~Membership~~Franchise Agreement ~~is deleted and replaced with the following~~

~~**EXCEPTIONS TO ARBITRATION, EQUITABLE RELIEF** Nothing in this Agreement bars our right to seek specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us the Proprietary Marks and/or the Brand loss or damage under customary equity rules including applicable rules for obtaining restraining orders and preliminary injunctions (subject to our obligation to arbitrate the underlying claim if required by Section 13 11) You agree that we may seek such injunctive relief in addition to such further or other relief as may be available at law or in equity You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction if warranted upon due hearing (all claims for damages by injunction being expressly waived hereby) A court will determine if a bond is required~~
Notwithstanding the foregoing, the court will determine if a bond is required

8 **WAIVER OF PUNITIVE DAMAGES AND WAIVER OF JURY TRIAL** If and then only to the extent required by the Minnesota Franchises Law Sections 13 14 and 13 15 of the ~~Membership~~Franchise Agreement are deleted

~~9 **LIMITATION OF CLAIMS** The following is added to the end of Article 13 of the Membership Agreement~~

~~MINNESOTA LAW PROVIDES THAT NO ACTION MAY BE COMMENCED UNDER MINN STAT SEC 80C 17 MORE THAN 3 YEARS AFTER THE CAUSE OF ACTION ACCRUES~~

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 ~~Membership~~Franchise Agreement

RED LION HOTELS FRANCHISING, INC a Washington corporation

By _____

Title _____

DATED _____

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

_____
[Name]

By _____

Title _____

DATED _____

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY)

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

RIDER TO THE
RED LION HOTELS FRANCHISING, INC.
MEMBERSHIP AGREEMENT FOR USE IN THE
STATE OF NEW YORK

THIS RIDER is by and between **RED LION HOTELS FRANCHISING, INC.**, a Washington corporation with its principal business address at 201 W. North River Drive, Spokane, Washington 99201 ("we," "us," or "our"), and _____, whose principal business address is _____ ("you" or "your").

1. **BACKGROUND.** We and you are parties to that certain Membership Agreement dated _____, 20___ (the "Membership Agreement") that has been signed concurrently with this Rider. This Rider is being signed because (a) your are domiciled in the State of New York and the Lexington® that you will operate under the Membership Agreement will be located in New York; and/or (b) any of the offering or sales activity relating to the Membership Agreement occurred in New York.

2. **RELEASES.** The following language is added to the end of Subsections 2.2.d, 6.1.b, 9.2.d.iii and 13.3 of the Membership Agreement.

> Notwithstanding the foregoing, all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

3. **TRANSFER BY US.** The following language is added to the end of Section 9.1 of the Membership Agreement.

> However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. **TERMINATION BY EITHER PARTY.** The following language is added to the end of Section 10.4 of the Membership Agreement.

> You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **GOVERNING LAW, JURISDICTION AND VENUE.** The following statement *is added at the end of* Section 13.10 of the Membership Agreement.

> THIS SECTION SHALL NOT BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE PROVISIONS OF ARTICLE 33 OF THE NEW YORK STATE GENERAL BUSINESS LAW, AS AMENDED, AND THE REGULATIONS ISSUED THEREUNDER.

[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 Membership Agreement.

RED LION HOTELS FRANCHISING, INC. a Washington corporation

By: _____

Title: _____

DATED: _____

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

_____

[Name]

By: _____

Title: _____

DATED: _____

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY)

_____

[Signature]

_____

[Print Name]

_____

[Signature]

_____

[Print Name]

RIDER TO THE RED LION HOTELS FRANCHISING, INC
~~MEMBERSHIP~~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 201 W North River Drive Spokane Washington 99201 (we " "us " or "our") and _____ _____ whose principal business address is _____ _____ ("you" or your")

1 **BACKGROUND** We and you are parties to that certain ~~Membership~~Franchise Agreement dated _____ 20___ (the '~~Membership~~Franchise Agreement") that has been signed concurrently with the signing of this Rider This Rider is annexed to and forms part of the ~~Membership~~Franchise Agreement This Rider is being signed because (a) you are a resident of North Dakota and the Lexington® that you will operate under the ~~Membership~~Franchise Agreement will be located or operated in North Dakota and/or (b) any of the offering or sales activity relating to the ~~Membership~~Franchise Agreement occurred in North Dakota

2 **RELEASES** The following is added to the end of Sections 2 2 d 6 1 b 9 2 d iii and 13 3 of the ~~Membership~~Franchise Agreement

> However any release required as a condition of sale renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law

3 **ACCELERATED FEES, OTHER DAMAGES** The following language is added to the end of Section 11 5 a of the ~~Membership~~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, JURISDICTION AND VENUE** Section 13 10 of the ~~Membership~~Franchise Agreement is deleted and replaced with the following

> 13 10 **GOVERNING LAW, JURISDICTION AND VENUE** ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U S C §§ 1 ET SEQ) EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT 15 U S C SECTIONS 1051 ET SEQ) OR OTHER UNITED STATES FEDERAL LAW AND EXCEPT AS OTHERWISE REQUIRED BY NORTH DAKOTA LAW THIS AGREEMENT THE FRANCHISE AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ~~FLORIDA~~WASHINGTON WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISE OWNER WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH
>
> SUBJECT TO SUBSECTION 13 11 AND THE OTHER PROVISIONS BELOW YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED EXCLUSIVELY IN ANY COURT OF COMPETENT JURISDICTION WITHIN A 50-MILE RADIUS OF

~~CORAL SPRINGS FLORIDA~~SPOKANE, WASHINGTON AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS NOTWITHSTANDING THE FOREGOING TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW AND SUBJECT TO YOUR ARBITRATION OBLIGATIONS YOU MAY BRING AN ACTION IN NORTH DAKOTA FOR CLAIMS ARISING UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW

5 **ARBITRATION** The first paragraph of Section 13 11 of the ~~Membership~~Franchise Agreement is amended to read as follows

13 11 **ARBITRATION** You and we agree that all controversies disputes or claims between us and our affiliates and our and their respective owners, officers directors and/or agents and you (and/or your owners, guarantors affiliates, and/or employees) arising out of or related to the scope or validity of this Agreement or any other agreement between you (or your owners) and us (or our affiliates) or any provision of any such agreements (including the validity and scope of the arbitration obligation under this Section which we and you acknowledge is to be determined by an arbitrator not a court) or must be submitted for binding arbitration on demand of either party to the American Arbitration Association ("AAA") The arbitration proceedings will be conducted by one arbitrator and except as this Subsection otherwise provides according to the then-current Commercial Arbitration Rules of the AAA All proceedings will be conducted at a suitable location chosen by the arbitrator which is within a fifty (50) mile radius of ~~Coral Springs Florida~~Spokane, Washington provided however that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act) arbitration shall be held at a site to which we and you mutually agree All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U S C §§ 1 et seq) Judgment upon the arbitrator s award may be entered in any court of competent jurisdiction

6 **WAIVER OF PUNITIVE DAMAGES AND WAIVER OF JURY TRIAL** To the extent required by the North Dakota Franchise Investment Law Sections 13 14 and 13 15 of the ~~Membership~~Franchise Agreement are deleted

~~7 **LIMITATION OF CLAIMS** The following is added to the end of Article 13 of the Membership 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 ~~Membership~~Franchise Agreement

RED LION HOTELS FRANCHISING, INC a Washington corporation

By _____

Title _____

DATED _____

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

_____
[Name]

By _____

Title _____

DATED _____

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY)

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

RIDER TO THE RED LION HOTELS FRANCHISING, INC
~~MEMBERSHIP~~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 201 W North River Drive Spokane Washington 99201 ("we " "us," or "our") and _____ _____ whose principal business address is _____ _____ ("you" or "your")

1 **BACKGROUND** We and you are parties to that certain ~~Membership~~Franchise Agreement dated _____ 20___ (the "~~Membership~~Franchise Agreement") that has been signed concurrently with the signing of this Rider This Rider is annexed to and forms part of the ~~Membership~~Franchise Agreement This Rider is being signed because (a) you are domiciled in Rhode Island and the Lexington® that you will operate under the ~~Membership~~Franchise Agreement will be located in Rhode Island and/or (b) any of the offering or sales activity relating to the ~~Membership~~Franchise Agreement occurred in Rhode Island

2 **GOVERNING LAW, JURISDICTION AND VENUE** The following language is added to Section 13 10 of the ~~Membership~~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 ~~Membership~~Franchise Agreement

RED LION HOTELS FRANCHISING, INC a Washington corporation

By _____

Title _____

DATED _____

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

_____
[Name]

By _____

Title _____

DATED _____

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY)

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

RIDER TO THE RED LION HOTELS FRANCHISING, INC
~~MEMBERSHIP~~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 201 W North River Drive Spokane Washington 99201 ("we " "us " or "our") and _____ _____ whose principal business address is _____ _____ (you" or "your")

1 **BACKGROUND** We and you are parties to that certain ~~Membership~~Franchise Agreement dated _____ 20___ (the "~~Membership~~Franchise Agreement") that has been signed concurrently with the signing of this Rider This Rider is annexed to and forms part of the ~~Membership~~Franchise Agreement This Rider is being signed because the Lexington® that Franchisee will operate under the ~~Membership~~Franchise Agreement will be established or maintained in Virginia

2 **TERMINATION BY EITHER PARTY** The following is added to the end of Section 10 4 of the ~~Membership~~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 ~~Membership~~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 ~~Membership~~Franchise Agreement

RED LION HOTELS FRANCHISING, INC a Washington corporation

By _____

Title _____

DATED _____

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

_____
[Name]

By _____

Title _____

DATED _____

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY)

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

RIDER TO THE RED LION HOTELS FRANCHISING, INC
~~MEMBERSHIP~~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 201 W North River Drive, Spokane Washington 99201 ("we," "us " or "our") and _____ _____ whose principal business address is _____ _____ ("you" or your")

1 **BACKGROUND** We and you are parties to that certain ~~Membership~~Franchise Agreement dated _____ 20___ (the "~~Membership~~Franchise Agreement") that has been signed concurrently with the signing of this Rider This Rider is annexed to and forms part of the ~~Membership~~Franchise Agreement This Rider is being signed because (a) Franchisee is domiciled in the State of Washington and/or (b) the Lexington® that Franchisee will operate under the ~~Membership~~Franchise Agreement will be located in Washington and/or (c) any of the offering or sales activity relating to the ~~Membership~~Franchise Agreement occurred in Washington

2 **WASHINGTON LAW** The following paragraphs are added to the end of the ~~Membership~~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 ~~Membership~~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 ~~Membership~~Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise

In any arbitration involving a franchise purchased in Washington the arbitration site shall be either in the State of ~~Florida~~Washington or in a place mutually agreed upon by the parties at the time of the arbitration or as determined by the arbitrator

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

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 ~~Membership~~Franchise Agreement

RED LION HOTELS FRANCHISING, INC a Washington corporation

By _____

Title _____

DATED _____

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP)

_____
[Name]

By _____

Title _____

DATED _____

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY)

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

NEW YORK REPRESENTATIONS PAGE

FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

EXHIBIT K

RECEIPTS

RECEIPT
(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 ~~Under New York law we must provide this disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with or make a payment to us or an affiliate in connection with the proposed franchise sale~~

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 201 W North River Drive Spokane WA 99201 (509) 459-6100
The franchise seller for this offering is

❑ _____
Red Lion Hotels Franchising Inc
3300 N University Drive # 500
Coral Springs Florida 33065
(954) 575-2668

❑ _____
Red Lion Hotels Franchising Inc
3300 N University Drive # 500
Coral Springs Florida 33065
(954) 575-2668

❑ _____
Red Lion Hotels Franchising Inc
_____
_____
_____

Issuance Date ~~November 15~~March 31 ~~2016~~2017

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 ~~November 15~~March 31 ~~2016~~2017 that included the following Exhibits

Exhibit A -	State Administrators/Agents for Service of Process	Exhibit G -	List of Current Franchisee Outlets
Exhibit B -	~~Membership~~Franchise Agreement	Exhibit H -	List of Franchisee Outlets Terminated Not Renewed or Who Otherwise Left the System
Exhibit C -	Application	Exhibit I -	Sample General Release
Exhibit D -	Representations and Acknowledgement Statement	Exhibit J -	State Addenda and Agreement Riders
Exhibit E -	Financial Statements	Exhibit K -	Receipts
Exhibit F -	Guarantee of Performance		

_____ _____ _____
Date Signature Printed Name

_____ _____ _____
Date Signature Printed Name

Property located (or to be built) at _____
(street address) (city) (state) (zip 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 by mail or facsimile to Red Lion Hotels Franchising Inc 3300 N University Drive Suite 500 Coral Springs FL 33065 fax 954-827-0934

RECEIPT
(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 ~~Under New York law, we must provide this disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with or make a payment to us or an affiliate in connection with the proposed franchise sale~~

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 201 W North River Drive Spokane WA 99201 (509) 459-6100
The franchise seller for this offering is

☐ _____
Red Lion Hotels Franchising Inc
3300 N University Drive # 500
Coral Springs Florida 33065
(954) 575-2668

☐ _____
Red Lion Hotels Franchising Inc
3300 N University Drive # 500
Coral Springs Florida 33065
(954) 575-2668

☐ _____
Red Lion Hotels Franchising Inc
_____
_____
_____

Issuance Date ~~November 15~~March 31 ~~2016~~2017

See Exhibit A for Red Lion Hotels Franchising Inc s registered agents authorized to receive service of process
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Exhibit C -	Application	Exhibit I -	Sample General Release
Exhibit D -	Representations and Acknowledgement Statement	Exhibit J -	State Addenda and Agreement Riders
Exhibit E -	Financial Statements	Exhibit K -	Receipts
Exhibit F -	Guarantee of Performance		

_____ _____ _____
Date Signature Printed Name

_____ _____ _____
Date Signature Printed Name

Property located (or to be built) at _____
(street address) (city) (state) (zip code)

PLEASE SIGN THIS COPY OF THE RECEIPT PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS